

Inter-Company Financing Services

Establishing an effective process for pricing inter-company loans and guarantees.

Standard & Poor's works with tax consultants and advisors to provide companies with a range of Inter-Company Financing Services. Standard & Poor's globally recognized analysis and research can provide critical, independent support for efficient and effective tax planning and compliance.

MULTINATIONAL COMPANIES FACE THE SCRUTINY OF TAX AUTHORITIES AROUND THE WORLD. TO SUPPORT TRANSFER PRICING REQUIREMENTS, STANDARD & POOR'S PROVIDES SERVICES TO COMPANIES AND THEIR TAX CONSULTANTS TO ESTIMATE AND DOCUMENT ARM'S LENGTH PRICES FOR INTER-COMPANY LOANS AND GUARANTEES.

To establish a basis for estimating an arm's length interest charge or guarantee fee, Standard & Poor's provides rating estimates for company subsidiaries or affiliates as if they were independent. With a Standard & Poor's rating estimate, the associated market interest rate that subsidiaries or affiliates would pay if borrowing in the market independently can be identified. The services are backed-up with detailed analysis, supported by Standard & Poor's data and research, to facilitate tax payer's documentation requirements.

Standard & Poor's rating estimates, market analysis and documentation can deliver a critical advantage to your company, providing globally recognized standards supported by independent analysis and methodologies. Our clients typically work with tax consultants for compliance, tax planning and other purposes, confident that their internal lending decisions are based on transparent, defensible financial analysis provided by Standard & Poor's.

With Standard & Poor's services you can:

- Estimate the stand-alone Standard & Poor's credit rating of subsidiaries or affiliates for tax purposes.
- Access extensive global market analysis and unique, independent data and research.
- Streamline the preparation of documentation.
- Establish a consistent methodology for assessing credit quality and estimating interest charges for related corporate entities around the world.

Helping companies to establish efficient and effective pricing of inter-company loans or guarantees based on Standard & Poor's independent, objective and globally consistent analysis...

Three key strengths of Standard & Poor's approach to inter-company finance and transfer pricing...

1. Independent credit assessment

In most situations, MNCs extend loans or guarantees to related companies that do not have an independent assessment of creditworthiness that is acceptable to government tax authorities around the world. Standard & Poor's responds to these varied situations by providing clients with a range of credit assessment choices. These choices range from establishing a definitive Standard & Poor's credit rating for large, complex situations to employing Standard & Poor's Credit Estimates or quantitative models to estimate a Standard & Poor's rating. In all cases, well established and widely used Standard & Poor's methodologies drive our rating estimates and underpin their credibility.

2. Credible and transparent pricing

Standard & Poor's provides clients with well developed and documented methodologies for estimating interest charges or guarantee fees for subsidiaries or affiliates of varying credit quality and for various types of facilities. When market data is limited or not available, clients use our pricing models to estimate comparable interest rate spreads. Standard & Poor's models produce the probability distribution of interest spreads over the relevant risk-free rate corresponding to each rating category. Our approach has proven to be a defensible methodology for determining arm's length interest charges or guarantee fees.

3. Standardized documentation

Standard & Poor's provides clients with documentation to respond to the requirements of tax authorities. Supporting documentation empowers clients with analysis and a detailed explanation of the methodologies employed. The documents for each transaction include:

1. Credit analysis supporting the Standard & Poor's rating estimate
2. Detailed explanation of the rating methodology employed
3. Estimated interest rate spreads
4. Detailed explanation of the pricing methodology employed

Learn more

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About us

Standard & Poor's Risk Solutions provides products and services that help financial institutions, corporations and public sector entities worldwide measure, manage and mitigate credit risk, as well as make informed decisions that can improve risk-adjusted return. Located in 21 countries, Standard & Poor's has played a leading role for more than 140 years as an essential part of the world's financial infrastructure.