

Thesis Title : Problems for Applying International Transfer Pricing Methods  
with Special References to Licensing Agreement

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### ABSTRACT

This thesis is aimed to study on licensing fee determination between parties according to the intellectual property licensing agreement, which is basically adjusted in line with market economy or on the price set by independent parties. Nevertheless, based on our study, it is found out that by using transfer pricing for intellectual property assignment, it can be conducted to tax avoidance. Whereas, in practice, there would be a Tax Ruling of the Revenue Department No. Paw. 113/2545 (2002) regulated the principles on market price computation, classified in three ways namely;

1. Comparable Uncontrolled Price Method
2. Resale Price Method
3. Cost Plus Method

, it is said that none of the above computation can be applied with the transfer pricing for intellectual property assignment and this causes a problem regarding tax assessment to the Revenue Officer. Apparently, the Revenue Department currently applies the transfer pricing approach, initiated by the Organization for Economic Co-operation and Development (OECD), by using (1) Profit Split Method and (2) Transactional Net Margin Method (TNMM)

According to our study, it is said that though in practice, the Revenue Department would apply the two methods for tax assessment on transfer pricing of the intellectual property,

in reality, there is no such indication of the two methods in the Tax Ruling No. Paw. 113/2545 (2002) which causes unawareness of such application to the public and how to use it correctly.

It is therefore deemed necessary to add such information in the Tax Ruling No. Paw. 113/2545 (2002), specifically in the part of transfer pricing on intellectual property assignment. As a consequence, it is expected that there shall be numerous tax payers benefiting from the disclosure of information and it would build up a correct and appropriate method for taxation by Revenue Officer in practice thereafter.

