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In Tax Executive, Saul Mezei and Adam Smith Discuss Enforcement Risks at Intersection of Tariffs and Transfer Pricing

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Tax Executive

In their article for Tax Executive, Tax Controversy partner Saul Mezei and Adam Smith, Co-Chair of the firm's International Trade Advisory and Enforcement Practice Group, note that companies hit with tariff costs often react instinctively by leveraging transfer pricing as a quick fix. "But that instinct can backfire in the long run," they write, because a "pricing change that works for tax purposes can create serious problems on the customs side that might not surface for years."

The article focuses on where those approaches can break down and why coordination between the tax and trade functions is critical before changes are made.

"Tax professionals," the authors say, "must recognize that they are not solving a tax problem if tariffs are driving the analysis." They add that "coordination is a risk-management imperative" and that "when the urge is to speed up, tax professionals should instead slow down, involve the right people, and make sure their positions hang together across both regimes."

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