

Date: [Insert Date]

To:

[Client Name]

[Client Address]

[City, State, Zip Code]

Re: Transfer Pricing Penalty Protection Opinion - Tax Year [Year]

Dear [Client Name],

This letter provides our formal opinion regarding the transfer pricing policies of [Company Name] and its affiliated entities for the fiscal year ended [Date]. The purpose of this opinion is to evaluate whether the documented transfer prices meet the "arm's length" standard as required by [Insert Relevant Tax Code, e.g., Section 482 of the Internal Revenue Code] and to provide protection against tax penalties under [Insert Penalty Provision, e.g., Section 6662(e)].

Scope of Review

Our analysis included a review of the following:

- Intercompany agreements and transaction flows.
- Financial statements and accounting records.
- Functional analysis of the roles, risks, and assets of each entity.
- Selection of the most appropriate transfer pricing method.

Analysis and Methodology

Based on our functional analysis, we have determined that the [Insert Method, e.g., Transactional Net Margin Method (TNMM)] is the most reliable method for testing the controlled transactions. We have performed a benchmarking study using [Insert Database Name] to identify comparable independent companies.

Conclusion and Opinion

Based on the benchmarking results, the intercompany prices charged (or margins earned) by [Company Name] fall within the interquartile range of the comparable set. It is our professional opinion that [Company Name]'s transfer pricing results are consistent with the arm's length standard.

Accordingly, it is our opinion that there is "Reasonable Cause" and "Good Faith" in the application of the transfer pricing methodology. This documentation is intended to satisfy the contemporaneous documentation requirements to mitigate or eliminate the imposition of valuation misstatement penalties in the event of an audit adjustment.

Limitations

This opinion is based on the facts and circumstances provided to us. Any change in the business model or functions performed may render this opinion invalid. This letter is for the sole use of [Company Name] and may not be distributed to third parties without our prior written consent, except for tax authorities upon request.

Sincerely,

[Signature]

[Name of Partner/Director]

[Firm Name]