Amazon fighting $234 million tax deficiency in Tax Court : filing

Patrick Temple-West, Reuters

(Reuters [1]) - Amazon.com Inc. is challenging a $234 million U.S. tax bill, contesting Internal Revenue Service tax calculations for cash transfers between the parent company and its European subsidiaries, according to a court filing.

The case centers on the pricing of payments among company units, an issue on which the government has lost some multi-million dollar cases against big companies.

The IRS notified Amazon of the tax deficiency in November 2012. The agency is also contesting taxes [1] on Amazon's net operating losses, among other issues, according to the December 28, 2012 court filing.

"Transfer pricing" refers to how multinational corporations value goods and services moving across international borders from one corporate unit to another. The prices are frequently managed to reduce corporations' global tax costs.

Amazon argued that the IRS is overestimating the value of Amazon's "intangible property," which includes computer software [2], trademarks and marketing [3] assets, according to the court filing.

The IRS argued that Amazon's European subsidiaries made taxable payments to its U.S. parent company based on a low-dollar estimate.

The IRS used an estimate method for calculating transfer pricing taxes [1] that was overturned in a 2009 court decision involving Veritas Software [2] Corp, now part of Symantec Corp, Amazon said.

Because the case was filed in U.S. Tax Court, Amazon is not required to pay the tax bill until the outcome of any court decision.

The case was first reported in the trade publication Tax Analysts.

(Additional reporting by Nanette Byrnes; Editing by Kim Dixon and Dan Grebler)

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