

## FIN 48 - Accounting for Uncertainty in Income Taxes

New! Interpretation of FASB 109 applicable as of 1 Jan 2007!

PwC assists you in understanding and implementing FIN 48



**Do you or your US or non-US parent report under US-GAAP? Do you know the impact on your company's tax position of FIN 48? PwC can assist you all the way.**

### As you know...

In July 2006 was released FIN 48 "Accounting for Uncertainty in Income Taxes – an interpretation of FASB statement No.109". The interpretation is effective from 1 January 2007 and applies to all US GAAP financial statements for public and private enterprises.

The objective of FIN 48 is to provide guidance for recognizing and measuring tax positions taken or expected to be taken in a tax return that directly or indirectly affects amounts reported in the financial statements.

In the normal course of business, companies often seek to reduce their overall tax burden and minimize or delay cash outflows for income taxes.

This often results in uncertainty about whether a particular position taken on a tax return will ultimately withstand the scrutiny of the relevant tax authority.

Under these circumstances, the implementation of FIN 48 will result in increased relevance and comparability in financial reporting of income taxes as all tax positions will be evaluated using consistent criteria.

### Are you in this position?

- can you defend the deductibility of services expenses (i.e. management fees, consultancy, technical assistance, recharge of third party costs)?
- do you guarantee for the consistency in tax treatment of interest and royalties paid/received?
- are you convinced about the conformity with formal requirements for the application of tax incentives (i.e. accelerated depreciation, direct significant investments, profit tax exemptions, etc.)?
- did you set up/release provisions/accruals?
- did you write-off stocks?
- did you record expenses related to stock based compensation?
- did you perform assets revaluations and check their tax impact?
- do you have intercompany transactions?
- how did you implement tax planning schemes?

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### How can PwC assist you?

#### 1. Identify problems:

- identify all open periods/tax returns that are auditable by the tax authorities as of 1 January 2007;
- identify jurisdictions where no returns were filed;
- identify all significant uncertain tax positions in all open returns or as regards unfilled returns;
- evaluate the uncertain tax positions;
- assess each uncertain tax position for benefit recognition and measurement;
- prepare a memorandum summarizing work completed.

#### 2. Recommend solutions:

- assisting in analyzing and developing justifying documentation to back-up the tax treatment of various types of expenses;
- assisting in liaising with the tax authorities in order to obtain guidance on uncertain tax positions;
- follow-up the implementation of corrective actions.

***We are available for an initial meeting at your earliest convenience in order to discuss the impact of FIN 48 on your company. We start by asking you to complete a specific questionnaire, followed by our analysis and delivery of a summary of the identified exposures. Subsequently, we are available to assist you with implementation.***

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