Letters from Alumni
life after the PhD thesis defense

Transfer Pricing
Clive Jie-A-Joen
Ernst & Young

One thing I regret about my PhD thesis is that I did not entitle it "Transfer Pricing". Ever since my thesis defence at Erasmus Universiteit Rotterdam, my work has centred on the area of transfer pricing. I currently work at the transfer pricing / tax effective supply chain management group of Ernst & Young in the Netherlands as a transfer pricing economist.

Transfer pricing is concerned with the determination of arm's length prices for transactions of goods, services and intangible property between associated enterprises. Tax authorities in the various countries in which a multinational enterprise is located are afraid that profits are shifted to low tax countries through manipulation of the transfer price. Essentially, the tax authorities would like to have a fair share of the cake. OECD Member countries have therefore agreed that the arm's length principle is the international transfer pricing standard to be used for tax purposes. A multinational enterprise must therefore set arm's length prices, which would have been agreed upon between unrelated parties engaged in the same or similar transactions under the same or similar conditions.

At the end of my PhD thesis research, I faced the choice of doing a post doc or going into consultancy. Doing a post doc would have been a "safe" choice, since I did not see myself as a consultant at the time. I finally decided to leave the university and go forth into the uncertain world. Now, about nine years on, I am still working in transfer pricing tax consultancy—and I enjoy it. Every project is different. Every multinational enterprise is different. And a great advantage of having a PhD is that clients and colleagues somehow respect you more.

Besides working at Ernst & Young, I also teach (together with a tax inspector!) transfer pricing at the LLM programme International Taxation of Leiden University since 1999, and supervise students in writing a thesis on transfer pricing. The experience you gain by working on real-life cases helps you a lot in teaching. It is fun to see students warming to the subject after a couple of lectures. Furthermore, teaching forces you to go back to the basics. Considering the importance of the subject of transfer pricing for multinational enterprises, it is strange, actually, that the subject is dealt with so briefly during your graduate studies.

Anyway, there is a life after your PhD thesis defence. The most important aspect is that you can do the thing that you like. In my case, it is working in transfer pricing: consulting, writing articles and lecturing.