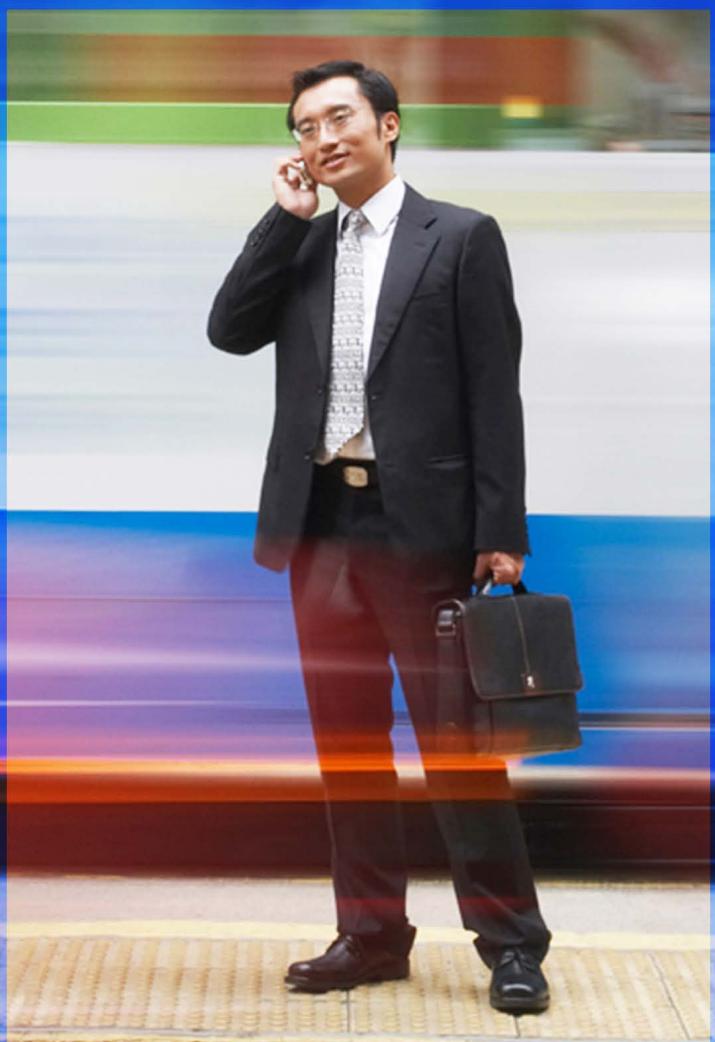




2025 Transfer Pricing year in review

Responding to global change and digital disruption



Transfer Pricing in focus

The world continues to experience a year of change in 2025. Multinational companies are dealing with growing external pressures amid unexpected tariffs, volatile capital markets and a changing talent market as generative artificial intelligence (Gen AI) proliferates.

At the same time, businesses are recognizing the need to transform how they manage transfer pricing in a world where data is key, regulations are evolving, scrutiny and controversy are increasing, and new business models are rapidly emerging.

A robust transfer pricing framework is founded on where and how organizations create value across the group of companies. It calls for broad-ranging and transparent policies for intercompany transactions — effectively implemented and clearly reported — to satisfy the demands of tax authorities and other regulatory bodies.

Tax policy

Navigating shifting transfer pricing tax policies

Transfer pricing policies are undergoing significant changes across multiple jurisdictions. Recent developments include new rules in Brazil, expanded guidance in the Middle East and increased transfer pricing disputes across the world.

Requirements for public country-by-country reporting and the application of DEMPE (Development, Enhancement, Maintenance, Protection and Exploitation) functions are

Many organizations are asking how they should organize themselves in this new reality as they strive to balance in-house teams with external resources. They are also focusing on how best to implement new technologies like artificial intelligence (AI) and automation to enhance efficiency, productivity and data quality.

In this article, KPMG professionals share timely insights into today's challenges and consider the steps senior tax leaders should take to create a tax function ready for the future.



01 Coping with increased regulatory complexity

- [Australia: Consultation on draft guideline on review of cross-border software arrangements](#)
- [Brazil's Pillar Two rules require companies to be proactive](#)
- [German case law regarding transfers of functions](#)
- ["Materiality" limits on deductions for services in Mexico](#)
- [How can companies plan to enhance transfer pricing in the current tax environment?](#)

02 The impact of tariffs and trade policies

- [Year-end tariff refunds: How transfer pricing adjustments may trigger significant tariff refunds](#)
- [How intellectual property payments impact US tariffs on goods](#)
- [How do tariffs and transfer pricing interact](#)
- [The power of proactive tariff planning - Introducing the KPMG Tariff Modeler](#)

03

Increasing focus on tax controversy and audit activity

- [IRS APA statistics highlight key country-specific trends](#)
- [Analysis of AM 2025-001 and the IRS' imposition of periodic adjustments under Treas. Reg. § 1.482-4](#)
- [Data centres in the focus of tax audits](#)
- [Cost of delivery for "Global Capability Centers" in India](#)

04

Increasing scrutiny of financial transactions, especially interest rate variance

Multinational companies routinely engage in intercompany financial transactions. Scrutiny by tax authorities varies, with some jurisdictions relying more heavily on interest limitation rules to police pricing issues. In a high-interest-rate environment, tax administration scrutiny on the pricing of transactions — particularly where there is variance between interest paid by an entity and the group — is likely to remain high.

- [Common transfer pricing challenges in cash pooling](#)
- [Seeking certainty in an uncertain era for financial transactions](#)

Technology and AI

Making technology — especially AI — work for tax

Advancements in technology, particularly AI, are reshaping tax functions and transfer pricing processes. Tax authorities are increasing data requirements, prompting organizations to adopt automated solutions and enhance operational transfer pricing through enterprise resource planning (ERP) transformations and AI-driven analytics. The integration of technology enhances data management, accuracy in compliance and informed decision-making.

Technology is also transforming business models. Across all industries, companies are building AI capabilities that promise to change how they generate value, with

- [How generative AI can improve transfer pricing processes](#)
- [The transformative potential of Gen AI in transfer pricing and valuation](#)
- [The effect of digital IP on taxation and transfer pricing](#)
- [Tax issues raised by development of valuable digital IP and data assets](#)
- [The proliferation of valuable digital IP and data assets creates an inflection point \(and opportunity\) for companies](#)

consequent transfer pricing implications. Transfer pricing teams should clarify who owns these new assets, who bears the associated costs, and who should be allocated the income if they perform. Companies at the start of their AI journey have an opportunity to influence policy over which legal entities incur research and development (R&D) costs and, to some extent, where the individuals controlling those decisions sit.



¹ Transfer Pricing or Financial Transactions – A challenging Landscape, Tax Notes International, November 13, 2023.

² Impact of Rising Interest Rates on Intercompany Financing, KPMG in the US, August 30, 2023.

Transfer pricing reimaged

Building a transfer pricing function ready for the future

A future-ready transfer pricing function should be characterized by broad-ranging policies, strong documentation, effective technology use and proactive risk management — all while staying on top of changing regulations, evolving business needs and increased controversy.



1. Clear Accounting Policies

As business models evolve, transfer pricing policies should inevitably adapt. Changing business models may impact value creation, requiring adjustments in transfer pricing policies. As new products and services emerge and new entities are established, transfer pricing policies should expand and adjust accordingly. Tax authorities are increasingly focused on:

- How value can be created in their jurisdiction;
- The role of the business teams;
- How they contribute to the company's overall profitability.

It is critical to establish policies and formalize them with clear intercompany agreements. Establishing a solid foundation for the transfer pricing framework enables the effective mitigation of transfer pricing controversy risk and provides a strong basis for responding to tax authority challenges.



2. Support transfer pricing with data and technology

To comply with regulations and support tax audits, businesses should invest in advanced data management and technology solutions that streamline the collection, analysis and reporting of transfer pricing data. Tax authorities are increasingly examining how transfer prices are calculated and reported, as well as how transfer pricing policies outlined in intercompany agreements align with financial statements. It is therefore important to transition from manual to automated data gathering and analysis, using AI and machine learning to enhance efficiency and accuracy. Technology tools help to calculate transfer prices for intercompany transactions and identify deviances from policy or planning opportunities.



3. Monitor transfer pricing outcomes, develop a coherent compliance strategy

A robust transfer pricing program should include a pricing framework for each transaction type and clearly illustrate how transfer prices are implemented and managed, specifying who is responsible for collecting, reviewing and adjusting the data.

Amid an increasingly complex transfer pricing environment and changing regulations, multinationals should adopt a documentation compliance strategy that includes:

- A risk assessment that incorporates their audit history;
- Materiality of their intercompany flows;
- Local transfer pricing requirements;
- Specific areas of focus by the tax authority in various jurisdictions.

Focusing on technology-enabled consistency and standardization will help organizations attain the transfer pricing outcomes needed to compete and succeed.



4. Proactively manage transfer pricing risks

By regularly evaluating alternative transfer pricing strategies and proactively managing potential audit risks, organizations can gain a greater degree of certainty and reduce exposure. Asset Purchase Agreements (APA) may be beneficial if the intercompany transaction is considered high risk, if the transaction is significant, or if the taxpayer wishes to economize on future compliance requirements. The Organization for Economic Co-operation and Development's (OECD) International Compliance Assurance Program (ICAP) is another option for potentially obtaining assurance across several jurisdictions that transfer prices are low risk.



5. Stay informed and responsive to change

Tax teams should continuously monitor global and regional developments in transfer pricing regulations to stay informed and prepared to adapt strategies as needed.

Looking ahead to 2026

There is much to be excited about in the world of transfer pricing moving into 2026. Changes present opportunities for transfer pricing teams as well as across multinational organizations. Here are key points to keep in mind as the journey unfolds:

- **Develop a transfer pricing strategy:** Your transfer pricing strategy should evolve, and transfer pricing policies should adapt to today's ever-changing business environment. Be a partner to your business teams. Stay connected so that as changes emerge, the transfer pricing function is a strategic partner — enhancing value and adopting timely transfer pricing policies accordingly.
- **Embrace data and technology:** Invest in cloud-based technology solutions that facilitate data collection, analysis and reporting. These include AI, machine learning and automation to streamline tax compliance processes, enable scenario modeling, planning and forecasting, and improved data accuracy. Be part of your organization's tax technology strategy and incorporate transfer pricing requirements into a future state roadmap for tax and wider corporate strategy.
- **Stay informed and adapt:** Continuously monitor global and regional developments in transfer pricing regulations, particularly in high-risk or material transactions, to enable compliance and mitigate risks. Use KPMG resources to help keep you ahead of the curve.

Our resources

Global Transfer Pricing Review

Everything you should know about local transfer pricing rules and regulations in over 100 countries.

 [Read more](#)

TaxNewsFlash - Transfer Pricing

KPMG TaxNewsFlash reports of transfer pricing developments from across the world.

 [Read more](#)

Tune in to transfer pricing podcasts

Discover the most pressing issues and opportunities facing today's transfer pricing professionals with our KPMG TaxRadio podcast series.

 [Listen now](#)

Global transfer pricing services

Discover how KPMG firms can help multinational organizations navigate global transfer pricing complexity with leading approaches for cross-border confidence.

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