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TRANSFER PRICING

The global transfer pricing (TP) arena is poised for major changes in 2026. The Organisation for Economic Co-operation and Development's global tax reforms are inducing multinational enterprises (MNEs) to consider the interaction between TP outcomes and a global minimum effective tax rate across jurisdictions. As a result, MNEs are reviewing and, in some cases, restructuring their distribution models to align with anticipated parameters – to ensure compliance with evolving international standards and promote greater transparency. ■



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FW: HOW ARE MULTINATIONAL ENTERPRISES ADAPTING THEIR TRANSFER PRICING (TP) STRATEGIES IN RESPONSE TO THE OECD'S PILLAR ONE AND PILLAR TWO IMPLEMENTATIONS, PARTICULARLY AMOUNT B AND THE GLOBAL MINIMUM TAX? WHAT MAJOR CHANGES DO YOU ANTICIPATE IN GLOBAL TP GUIDANCE THROUGH 2026?

IRELAND

Glavey: On Pillar Two, strategy responses have varied. Given, for example, the substance based carve-outs, some multinational enterprises (MNEs) have taken it as an opportunity to critically assess

their structures to ensure greater alignment between substance, value creation and profit recognition. Others awaited the outcome of the negotiations on the side-by-side package at the Organisation for Economic Co-operation and Development (OECD). Now that the package has been published, I expect these MNEs to review their strategies and make any necessary adaptations. As such, we have not yet seen all the ramifications of Pillar Two play out when it comes to transfer pricing (TP) strategies. The story with Amount B is similar but a pattern is emerging. We have not seen a widespread adaptation of TP strategies in response to Amount B

generally. The fact that jurisdictions have adopted differing approaches toward it has not helped. MNEs are, therefore, adopting a case-by-case assessment as to whether it is appropriate for their arrangements depending on the jurisdictions involved. In this reality, the path of least resistance can be to stick with an existing group-wide strategy. Over time, we may see a two-track TP strategy for the arrangements covered by Amount B emerging. If so, then it will be interesting to see what jurisdictions perceive themselves as being winners and losers and, if the latter, what their response will be. One thing seems clear, however, which is that the

desired reduction in tax controversy that Amount B was hoped to bring about is now unlikely to materialise. This means that disputes with respect to routine marketing and distribution arrangements look set to remain a feature for MNEs for some time to come.

GERMANY

Dickler: MNEs are cautiously monitoring TP for Pillar One's Amount B and Pillar Two's 15 percent global minimum tax. For Amount B's simplified arm's-length return for baseline distributors, formal adoption and application remains limited, since most countries, including Germany, did not fully implement Amount B, but only 'accept' Amount B outcomes for 'covered jurisdictions' published by the OECD, provided there is a double tax treaty in place. Hence, despite international efforts to, at least partially, standardise routine returns and reducing related disputes, varying national interpretations of OECD guidance will continue, thereby rather increasing controversy as opposed to the original intention. In response to Pillar Two, MNEs should consider the interaction between TP outcomes and the requirement to ensure a global minimum effective tax rate (ETR) of 15 percent across jurisdictions. Under German law, section 16 of the Minimum Tax Act requires arm's length prices to be recorded in the same amount by the parties to an intercompany transaction for minimum tax purposes. The 2024

'BMF Administrative Principles on Transfer Pricing' do not address Pillar Two explicitly but remain relevant in a Pillar Two context, insofar as TP results determined under these standards are reflected in financial accounting figures relevant for the Global Anti-Base Erosion (GloBE) rules. In this sense, Pillar Two consequences are now examined in TP planning in general, so that structuring is aligned and potential impacts are understood. With the publication of the side by side package of the OECD, we expect more companies to review their current structures.

CANADA

Javalekar: While Canada has not yet formally adopted the OECD's Pillar One Amount B regime into domestic law, Canadian MNEs are assessing whether current TP policies, particularly for baseline distribution and marketing operations, fit within the standardised return frameworks under the Pillar One Amount B regime. Where eligible, Canadian MNEs are also considering potentially reconfiguring their enterprise resource planning and accounting systems to generate segmentation of financials to delineate Amount B eligible activities from others still priced under traditional arm's-length analysis. In parallel, Pillar Two's 15 percent global minimum tax is weakening incentives for aggressive profit shifting since any low tax is 'topped up' by the GloBE rules. This is pushing

groups to align TP outcomes more closely with economic substance, revisit supply chains and integrate GloBE modelling into pricing and forecasting. Looking ahead, Canada is poised for significant TP and international tax reform. Bill C-15 will modernise TP for taxation years beginning after 4 November 2025, embedding OECD principles, expanding and accelerating documentation obligations, tightening delineation analysis, shortening the Canada Revenue Agency's (CRA's) documentation response time to 30 days, and increasing penalty thresholds. Canada continues to implement the Pillar Two reforms through the Global Minimum Tax Act. Continued guidance and legislative refinement are expected in 2026 to clarify the interaction of foreign tax credits and foreign affiliate rules with the domestic minimum tax. At the OECD level, discussion drafts are anticipated in 2026, covering topics such as cloud services and data centre costs, the benefit test, cost pass-through arrangements and high-value services.

SOUTH AFRICA

Chadha: MNEs operating in South Africa are closely monitoring the OECD's Pillar One and Pillar Two initiatives. In practice, we are seeing MNEs review and, in some cases restructure, their distribution models to align with the anticipated Amount B parameters. Importantly, these changes are not aimed at avoiding taxes, but rather at ensuring compliance with evolving

international standards and promoting greater transparency. Pillar Two global minimum tax and the implementation of local regulations in this regard is prompting groups to assess their ETRs and consider the impact on their global structures, including the use of holding companies and intellectual property (IP) hubs. There is a clear trend toward greater transparency and substance in local operations, with MNEs proactively addressing potential top-up tax exposures. In 2026, we anticipate that global TP guidance will become more prescriptive, with increased emphasis on simplicity, standardisation and the use of safe harbours. In due course, South African taxpayers should expect updated local guidance and more rigorous documentation requirements as the South African Revenue Service (SARS) aligns with global best practices.

UNITED KINGDOM

Howarth: The implementation of Pillar One has been hampered by objections from various territories, and particularly the US. Therefore, some MNEs have held fire, expecting it may be abandoned altogether. In terms of Pillar Two, those MNEs with more aggressive TP models have naturally had to accept they will have to make significant changes to their operating model if a Pillar Two charge is to be avoided. For *prima-facie* lower risk structures, the focus will have been more on avoiding falling foul of the rules

by accident, and assessing which safe harbours and exemptions they can avail themselves of to reduce the compliance burden. Global TP guidance in 2026 is likely to focus, as with any new legislation, on addressing the unexpected issues identified now that some of the rules have been implemented.

UNITED ARAB EMIRATES

Kapoor: Pillar One's Amount B seems to be driving greater standardisation in low-value add, routine cross-border transactions, whereby MNEs are encouraged to simplify intercompany billing and documentation for distribution and marketing, among other baseline functions. At the same time, Pillar Two's 15 percent global minimum tax has elevated TP to become a strategic control mechanism whereby operating models, effective tax positions and overall governance are being re-anchored. Consequentially, TP has progressed from a technical or standard compliance exercise to a board-level, value-impacting discipline, influencing global outcomes. By 2026, further updates to global TP guidance are expected as frameworks for Amount B and Pillar Two become more operational and outcome focused. One would also expect closer alignment and correlation between TP and Pillar Two ETR calculations. As tax authorities worldwide progressively converge on these global standards, the intensity on economic substance, data robustness and consistency across commercial

realty versus documentation ought to increase.

LUXEMBOURG

Hoor: In Luxembourg, the structure of the fund industry often exempts most alternative investment funds from Pillar Two. However, a significant change concerns the many US-based MNEs that use Luxembourg as a holding and financing hub. Following the OECD's January 2026 'side-by-side' agreement, these groups will be exempt from the Income Inclusion Rule and Undertaxed Profits Rule from 2026 onwards. However, this exclusion does not fully remove them from scope. They must still comply with Luxembourg's Qualified Domestic Minimum Top-Up Tax (QDMTT) and file the GloBE Information Return. The first deadline for financial years ending in 2024 is 30 June 2026. The full Pillar Two framework applies to other in-scope entities such as non-US parented groups. From a TP perspective, interaction with Pillar Two, particularly with regard to QDMTT calculations, makes robust TP documentation essential. Tax authorities are expected to scrutinise TP policies to ensure they do not artificially depress the ETR, thereby increasing audit and controversy risk. Regarding Pillar One, international progress appears to have stalled, with some countries reconsidering its implementation. The Luxembourg legislator is closely monitoring these developments before making any legislative changes.

UNITED STATES

Armitage: On 18 December 2024, the Internal Revenue Service (IRS) issued notice 2025-04, which provides that MNEs may rely on the guidance to apply the simplified and streamlined approach (SSA) for baseline marketing and distribution activities for taxable years beginning on or after 1 January 2025, and until proposed regulations are issued. However, the application of the SSA may depend on whether the counterparty country has adopted the SSA. Many jurisdictions are still evaluating whether to adopt the SSA, while others have indicated they do not intend to adopt it but will respect outcomes in covered jurisdictions that do. MNEs are evaluating, on a country by country basis, whether to apply the SSA. Additionally, the IRS and Treasury have declared that they may consider expanding the scope of the SSA to cover certain digital transactions. US MNEs are not subject to income inclusion rules and undertaxed profits rules under the side by side safe harbour. However, we expect that some MNEs may revisit pricing of intercompany transactions to ensure compliance with the arm's length standard, in order to avoid qualifying domestic minimum top-up tax adjustments.

FW: HOW ARE TP MODELS EVOLVING TO REFLECT THE STRATEGIC REALLOCATION OF FUNCTIONS AND RISKS IN RESPONSE TO GEOPOLITICAL

SHIFTS, RESHORING TRENDS AND SUPPLY CHAIN DIVERSIFICATION?

GERMANY

Dickler: Companies across many industries are facing pressures to make changes to their supply chains. Increasing nationalism, new trade barriers and a stronger need for supply chain resilience have resulted in a diversification of supply chains. This often involves more regional and less global supply networks. In large markets like the US and China, many companies increase their local production and sourcing footprint to serve the local market. From a TP perspective, these trends trigger a number of challenges. First, more regional supply chains decrease the global intercompany traffic of tangible goods. In former export countries like Germany, this process of deindustrialisation puts particular pressure on headquarters, as it makes it more difficult for companies to repatriate sufficient profits via transfer prices for intercompany supplies. This in turn may lead to the need to increase IP royalties or service charges to compensate for the reduction of intercompany supplies. Second, in many industries, such as automotive and chemicals, the evolution toward more regional or local supply chains also involves a more regional and local approach toward research and development (R&D) and new product development. This may challenge the sustainability of existing IP structures. Finally, changes to

the supply chain network raise various TP questions related to the restructuring itself, including the allocation of restructuring costs, compensation requirements for termination of contracts or a deemed transfer of IP.

CANADA

Javalekar: TP models are rapidly evolving as MNEs restructure their operating footprints in response to geopolitical uncertainty, reshoring and supply chain diversification. In practice, Canadian MNEs are reassessing where functions, risks and assets reside, with TP now linked to broader operational decisions such as manufacturing locations, distribution strategies and tariff exposure. TP planning is increasingly integrated with supply chain modelling to manage customs valuation, tariff mitigation and profit allocation in response to US-Canada trade uncertainties. Supply chain diversification, rerouting of goods and shifts in sourcing and production locations are driving updates to functional and risk profiles, directly affecting profit allocation. At the same time, heightened CRA scrutiny is reinforcing the need for robust documentation that aligns pricing with economic substance. As a result, TP in Canada is evolving from a compliance exercise into a strategic tool for managing tariff exposure, operational resilience and cross-border profitability in an uncertain trade environment.

SOUTH AFRICA

Chadha: Recent geopolitical developments, including trade tensions and the drive for supply chain resilience, have led many MNEs to reconsider the allocation of functions, assets and risks within their value chains. TP models are evolving to reflect these changes, with increased focus on accurately delineating transactions and ensuring that profits are aligned with value creation. This includes revisiting risk allocations, particularly in relation to procurement, logistics and inventory management, and ensuring that TP policies are robust enough to withstand scrutiny in a rapidly changing environment.

UNITED KINGDOM

Howarth: Many risks have had to be dealt with very quickly from a commercial and business continuity point of view, and naturally, the TP model may be playing 'catch up'. However, these disruptors have in some cases been a timely trigger to reconsider longstanding TP models holistically, and whether they are still fit for purpose, or may be optimised. Smaller groups, traditionally domestic businesses, are in many cases having to think about TP for the first time post pandemic, as remote working practices mean they are now able to effectively employ and manage talent overseas.

UNITED ARAB EMIRATES

Kapoor: TP models are briskly evolving from static frameworks

TP models are rapidly evolving as MNEs restructure their operating footprints in response to geopolitical uncertainty, reshoring and supply chain diversification.

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to dynamic and integrated models to respond to rapidly changing business and global transformations. TP once reflected stable, historic functions and a trend line based approach. Now, it is being redesigned to mirror strategic reallocations of decision-making functions and risk ownership matrices across jurisdictions. Value creation is increasingly being linked to key drivers such as strategic decision making, innovation as well as operational control. At the same time, global volatility, geopolitical instability and increased supply chain risks are also key ingredients. As geopolitical shifts are leading MNEs to relocate key roles and IP ownership to more stable regions, changing their manufacturing and distribution models to mitigate supply chain disruptions, TP frameworks are becoming more forward looking and substance driven. This can

trigger changes in TP policies to ensure that profit allocation aligns with the new economic substance and value creation. Moreover, such realignments require tailored strategies to assess the risks, such as potentially entering advance pricing arrangements (APAs) to manage uncertainty. Tax and TP teams ought to work more closely with supply chain and business teams to ensure pricing models reflect commercial reality and remain aligned with Pillar Two ETR outcomes.

LUXEMBOURG

Hoor: In Luxembourg's financial ecosystem, TP models are evolving less around physical supply chains and more around the transmission of financial and regulatory risk resulting from geopolitical shifts. Treasury centres, investment platforms and holding companies should focus

on rigorously pricing heightened credit, country and currency risks in intragroup loans, guarantees and cash pools. This requires robust TP documentation that clearly shows how Luxembourg entities manage these risks and implement group financial strategy. Robust TP documentation is therefore essential in order to demonstrate how Luxembourg entities execute and are remunerated for group-wide financial transactions in an increasingly fragmented world. It also helps to defend against audit scrutiny in Luxembourg and abroad.

UNITED STATES

Armitage: Trade wars are having significant impacts on MNEs' global supply chains. Depending on the industry and the countries in which MNEs operate, supply chains are being rethought and reorganised. This work must be carried out

collaboratively across multiple disciplines – such as customs, business and tax and TP experts – to achieve the optimal outcomes for MNEs. For example, some MNEs have shifted transformation of products from high-tariff to lower-tariff jurisdictions. Others have restructured supply chains to segregate products and reduce values subject to tariffs. These changes often have a direct impact on intercompany operations and pricing, as they may involve the reallocation of functions, assets and risks within the group. When an MNE has existing or pending APAs, it must assess whether the supply chain changes are material in relation to the agreed or proposed TP method (TPM). If so, the MNE may have a disclosure obligation to the governments and may wish, or be required to, alter the TPM. The enforceability of US tariffs is

being reviewed by the US Supreme Court, which recently heard the oral arguments in the case *V.O.S. Selections Inc. v. Trump*. If the court overturns the tariffs, MNEs may again need to assess the tax efficiency of their supply chains. An interesting question will be which entity within the MNE is entitled to the economic value of any tariff refunds.

IRELAND

Glavey: No 'one size fits all' approach has emerged from MNEs' responses to geopolitical shifts, reshoring trends and supply chain diversification. However, some trends have emerged. In the context of the uncertainty caused by tariffs, which has recently resurfaced in Europe, we see MNEs analysing their structures to ensure their continued viability and appropriateness in a higher tariff environment. This has meant considering, for example, the location of functions, assets and risks in supply chains together with whether services and IP can and should be unbundled from certain existing arrangements. In this respect, models are evolving to be more regional, granular and specific to ensure prices for tariff purposes are not capturing inappropriately amounts relating to intangibles. In this respect, the current environment is necessitating greater alignment between the business, tax, compliance and customs functions within MNEs and they are responding accordingly. Taxpayers are also critically re-



The implementation of Pillar One has been hampered by objections from various territories, and particularly the US. Therefore, some MNEs have held fire, expecting it may be abandoned altogether.

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evaluating their benchmarking to ensure the economic impacts of recent years are appropriately reflected in arm's length ranges – taking the opportunity to adjust their pricing where appropriate.

FW: WHAT ARE THE MOST SIGNIFICANT RISKS OR AUDIT TRIGGERS CURRENTLY FACING COMPANIES IN RELATION TO INTANGIBLE ASSETS AND DIGITAL BUSINESS MODELS?

CANADA

Javalekar: Canadian tax authorities are intensifying TP scrutiny of MNEs with significant intangible assets and digital business models. Key risk areas centre around valuation of hard to value intangibles, including software, platforms, data and algorithms, where reliable comparables are scarce and profit attribution is highly judgmental. The CRA is increasingly focused on economic substance over contractual form, assessing where development, enhancement, maintenance, protection and exploitation (DEMPE) functions, decision making and risk control genuinely reside. Misalignment between profits and real value creation, particularly where Canadian entities report losses while offshore affiliates earn residual returns, is a consistent audit trigger. Intercompany services, cost-sharing arrangements and digital development charges are also under pressure, especially

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SOUTH AFRICA AMIT CHADHA

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where benefit tests and allocation keys are weak. In parallel, documentation quality and timeliness have become critical, with shorter response deadlines and heightened penalty exposure. Digital footprints may also raise permanent establishment and profit attribution issues. Overall, TP risk has shifted from pricing mechanics to governance, substance and defensible alignment with OECD base erosion and profit shifting principles.

SOUTH AFRICA

Chadha: Intangible assets and digital business models remain high on the radar for SARS and other tax authorities. The most significant risks include inadequate documentation of DEMPE functions, insufficient substance and risk-bearing capability in IP-owning entities, and the use of outdated benchmarking analyses. Failure

to align contractual arrangements with actual conduct and economic substance is another key area of concern. For digital businesses, the allocation of profits to jurisdictions where users or customers are located, even in the absence of significant physical presence, is a key audit trigger. Companies must ensure that their TP policies reflect the economic reality of their digital operations and that they are prepared to defend their positions with robust, contemporaneous documentation.

UNITED KINGDOM

Howarth: Intangibles will always be of interest to tax authorities as part of a TP enquiry, given the inherent difficulties in identifying and valuing them. The risk of enquiry may therefore be increased where a business has grown rapidly through acquisition, leading to questions about whether all

intangibles have been identified and accurately classified. Equally, taxpayers should be prepared for a tax authority challenge if they have taken a particularly aggressive approach to valuation. Audits are also easily triggered where country by country reporting filings, or domestic equivalents, indicate economic ownership does not equate to legal ownership where intangibles are concerned, such as where staff numbers point to insufficient substance. Finally, taxpayers should anticipate that enquiries into adjacent areas of their tax affairs – R&D claims, for example – may open the door to questions around their intangibles and related TP.

UNITED ARAB EMIRATES

Kapoor: One of the common audit triggers stems from valuation and ownership of intangibles and

digital assets. Tax authorities tend to assess whether the economic profits reported as attributable to assets such as software, algorithms and brands align with where the inherent value of such assets is actually created. This leads to examination of DEMPE functions, specifically where revenues are booked in low-tax entities such that royalties and IP charges are not supported by genuine development, control and value-building activities. Rapid changes in digital business models, the nature of transactions and the scarcity of reliable comparables further heighten audit risk. Ultimately, success in this area requires a dynamic, well-governed approach that keeps pace with business and regulatory developments, ensuring compliance and minimising the likelihood of TP disputes.



AI-driven benchmarking delivers more relevant and timely comparables, while predictive analytics proactively identify risks and enhance audit readiness.

UNITED ARAB EMIRATES ANUJ KAPOOR
GRANT THORNTON

LUXEMBOURG

Hoor: For Luxembourg's financial and holding companies, the most significant audit trigger is a substantial discrepancy between the legal ownership of intangibles and the execution of the practical DEMPE function. Tax authorities closely examine whether local entities have the qualified personnel and strategic decision-making capabilities to manage risks associated with the intangibles they own, such as IP financing. Unlike jurisdictions grappling with consumer-facing digital platforms, Luxembourg's primary challenges centre on common intangibles rather than novel digital business models. A critical issue is that the DEMPE concept can conflict with legal and commercial reality, challenging legal certainty. When a Luxembourg entity legally owns and contractually bears financial risks, but day to day operational activities occur elsewhere, auditors may question the substance of this arrangement. This creates significant exposure. Therefore, robust TP documentation is paramount. This must explicitly demonstrate how the Luxembourg entity governs and bears key risks, justifying its profit allocation under the arm's length principle and providing a defence against adjustments based solely on a rigid DEMPE analysis.

IRELAND

Glavey: One of the most common areas of risk focus is valuations. Tax authorities closely scrutinise



if valuations are arm's length, with focus on matters such as the reasonableness of projections, growth rates and useful life. Another area is licensing. Here, tax authorities focus on matters such as the function, assets and risk profile of parties for profit attribution purposes, the appropriateness of the TPM used, the profit level indicator selected and the quality of comparables. As there is no sign that audit activity in this area will decrease, given the significant sums at stake, companies that are, for example, transferring or licensing IP intragroup, should proactively prepare for audit. There are practical steps that can be taken up front, for instance preparing contemporaneous defence files. When an audit arrives and people are working under tight deadlines, having prepared in advance pays off. With respect to digital business models, the OECD TP guidelines emphasize the location of people and decision-making functions for DEMPE and profit attribution purposes. Audits of digital businesses are therefore often focused on this area. Developing robust governance and reporting structures, documenting decisions – including where those decisions are made – and leveraging technology, such as to track the travel of senior executives, can help in answering some of the questions that MNEs are faced with on audit.

UNITED STATES

Armitage: Companies with material cross-border transfers of

Changes to the supply chain network raise various TP questions related to the restructuring itself.

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digital business assets and other IP face significant US TP risk. The IRS recently published its GLAM 2025-001 memorandum, which states the IRS position that it may rely on actual profit experience to make "periodic adjustments" to the pricing of hard to value intangibles. The GLAM describes two scenarios in which the IRS may use ex-post profit information that differs from the expected profit information a taxpayer considered when making the IP transfer. This means that the related foreign taxpayer will not get the benefit of any post-transaction risk that it accepted. The GLAM also maintains the IRS position that taxpayers are not permitted to apply this authority to reduce a TP. Thus, it is heads the IRS wins, tails the taxpayer loses. The large US MNE Meta Platforms is now involved in a significant TP dispute involving cross-border IP transfers, *Facebook*,

Inc. v. Comm'r. The IRS appears to be applying its purported periodic adjustment authority under the GLAM. If the IRS wins, we would expect more such adjustments and perhaps a complete stop to cross-border transfers of IP from the US. Accordingly, taxpayers that have made similar IP transfers are advised to monitor profitability and consider any resulting TP risk. As with any TP adjustment, double tax may result, and the counterparty jurisdiction may not agree. Where a US double tax treaty exists, these situations may find their way to a mutual agreement procedure (MAP).

GERMANY

Dickler: One of the most common root causes for TP controversy is the lack of alignment between TP remuneration and actual value contribution of entities, and this is expected to increase in

the future considering the rising importance of digital platforms and data driven business models. TP structures involving certain elements are regularly challenged by tax authorities. Currently, one area is hub entities like principal companies, IP hubs, supply chain or procurement companies claiming significant profit shares without performing the underlying DEMPE or risk control functions, meaning companies have insufficient management and control or the underlying sources of value. Also being challenged are royalties or value-based service fees, which are only supported and documented based on insufficiently comparable transactions identified in database searches – the comparable uncontrolled price method – and which are not grounded in business fundamentals. Another issue is a lack of consideration as

to how particular intercompany transactions are to be assessed in the context of the full end to end value chain, as the value drivers of the business often result in challenges by tax authorities and difficulties defending existing structures. Accordingly, it is crucial for companies to ensure proper alignment of their TP models from a DEMPE and risk control perspective.

**FW: WHAT ROLE IS
TECHNOLOGY – PARTICULARLY
AI AND AUTOMATION – PLAYING
IN SHAPING THE FUTURE
OF TP DOCUMENTATION,
BENCHMARKING AND
COMPLIANCE?**

UNITED KINGDOM

Howarth: As with so many areas, artificial intelligence (AI)

is reshaping the role of the TP professional. It is beginning to allow the more routine aspects of the role to be automated so the in-house specialist or external adviser can focus their time on high-risk areas, strategy or assessing new legislation. AI's abilities are broad, and different businesses will gain value in different ways. To provide some examples, however, AI can check for consistency of documentation between years and territories, flag gaps in meeting OECD or local requirements, automate benchmarking searches and undertake eliminations, and, in the event of an enquiry, assist with collating evidence and preparing the associated audit trail.

UNITED STATES

Armitage: AI is impacting TP documentation, benchmarking and compliance. AI can boost efficiency by allowing professionals to focus on high value-added work, while reducing dedication of human resources to low value-added tasks. However, the use of AI requires caution and responsibility. For example, when identifying comparables, AI tools may generate misleading or inaccurate results. As a result, the human factor cannot be removed from the equation. Confidentiality also represents a significant concern, particularly when AI systems rely on external inputs. There is no guarantee that confidential information exposed to AI will not be available to other users. This risk is especially relevant in the legal industry,



When identifying comparables, AI tools may generate misleading or inaccurate results. As a result, the human factor cannot be removed from the equation.

CAPLIN & DRYSDALE J. CLARK ARMITAGE
UNITED STATES



where the disclosure of sensitive information may violate attorney-client privilege. If AI tools are used, safeguards should be implemented to mitigate these risks.

GERMANY

Dickler: Technology – especially process automation and AI – is transforming TP documentation and related compliance processes globally. AI tools streamline the yearly update of master files and help generate local files by automating transaction overviews, performing consistency checks and generating report sections very efficiently. Large language models can boost speed and process consistency in database benchmark studies, resulting in AI-leveraged comparability analysis for economic analysis purposes. Transaction matrices, essential for mapping intercompany dealings, are now easier to create and update using digital solutions – through low-code automation or automated conversion of natural language into code – thereby reducing manual errors and enhancing traceability, speed and transparency. In Germany, where regulatory changes introduced shortened documentation deadlines and require taxpayers to submit transaction matrices within 30 days following a request from tax authorities, AI and automation can help companies to manage such new requirements more robustly and more efficiently.

IRELAND

Glavey: AI is positively reshaping how we as practitioners go about TP compliance, documentation and benchmarking by reducing the time spent on routine tasks and allowing practitioners to focus on higher value areas that require human input. For example, AI tools are now capable of producing initial drafts of TP documentation, conducting gap analysis and carrying out consistency checks. As such, AI and automation are helping practitioners achieve better outcomes for their clients in terms of efficiency accuracy. Ultimately, this aids risk mitigation. These developments are particularly welcome in an Irish context because Ireland's TP rules require taxpayers within scope of TP to have their documentation ready by the time their return for an accounting period is filed with the Irish Revenue Commissioners.

IRELAND TREVOR GLAVEY

A&L GOODBODY LLP

LUXEMBOURG

Hoor: Technology, particularly AI, is evolving from a supplementary tool into a fundamental element of TP. In Luxembourg, this change has two aspects. First, AI-driven automation is becoming essential for benchmarking and managing the vast data sets of multinational groups, thereby ensuring consistency and freeing up specialists to focus on high-value analysis. This trend is only expected to intensify over the next few years. Second, and more critically, we are moving toward AI-augmented documentation and audits. AI will soon be used to draft initial documentation and perform continuous compliance checks, while tax authorities – including those in Luxembourg – are increasingly using AI to flag inconsistencies in filings. TP is thus becoming a field of 'augmented intelligence', where

the quality of the underlying data, the defensibility of economic assumptions and the professional oversight of AI outputs are the new battlegrounds for audit defence.

UNITED ARAB EMIRATES

Kapoor: AI and automation are fundamentally transforming TP by making documentation, benchmarking studies and compliance processes more efficient, accurate and consistent. These technologies automate data extraction, streamline the preparation of required reports, and ensure real-time alignment with evolving regulatory standards. For example, AI can efficiently extract relevant data from financial statements, tax returns and intercompany agreements, reducing manual effort and the risk of human error. This ensures documentation is accurate and up to date across

jurisdictions. AI-driven systems can prepare local files, master files and country by country reports in line with OECD and local requirements, as well as monitor regulatory changes. AI-driven benchmarking delivers more relevant and timely comparables, while predictive analytics proactively identify risks and enhance audit readiness. As a result, companies can reduce manual workload, minimise errors, remain compliant and adjust strategies proactively, reducing the likelihood of disputes.

SOUTH AFRICA

Chadha: Technology is rapidly transforming the TP landscape in South Africa. AI and automation are being leveraged to streamline data collection, automate benchmarking analyses, and enhance the accuracy and consistency of documentation. This not only reduces the

compliance burden but also enables real-time monitoring of TP positions and early identification of potential risks. We are seeing increased adoption of digital platforms for managing TP documentation, which facilitates greater transparency and audit readiness. As SARS continues to invest in its own data analytics capabilities, it is imperative for taxpayers to embrace technology to ensure their TP policies are both defensible and futureproof.

CANADA

Javalekar: Technology, especially AI and automation, is fundamentally reshaping TP documentation, benchmarking and compliance. In documentation, automated data extraction and AI-assisted drafting are improving speed, consistency and cross-jurisdictional alignment, while still requiring human judgment to ensure economic substance and audit defensibility. In benchmarking, AI-driven analytics and natural language processing enable more intelligent comparable searches, dynamic updates and systematic outlier detection, strengthening the quality and robustness of analyses. On the compliance side, automation supports continuous margin monitoring, real-time risk identification, streamlined workflows and improved audit readiness through centralised documentation and data trails. Importantly, tax authorities are also deploying advanced analytics to detect inconsistencies across filings and jurisdictions, increasing



A bulletproof documentary trail is the most effective defence against aggressive challenges and forms the essential foundation for dispute resolution.

LUXEMBOURG OLIVER R. HOOR
ATOZ TAX ADVISERS S.A.

scrutiny and raising expectations for data integrity and coherence. As a result, TP is shifting from a retrospective, manual exercise to a more proactive, data-driven discipline. While technology enhances efficiency and insight, professional judgment remains critical in interpreting results, shaping defensible narratives and managing TP risk.

FW: IN YOUR EXPERIENCE, HOW ARE TAX AUTHORITIES EVOLVING THEIR APPROACH TO TP ENFORCEMENT AND DISPUTE RESOLUTION? GIVEN THE INCREASING SCRUTINY FROM TAX AUTHORITIES AND THE GROWING COMPLEXITY OF DISPUTES, WHAT PROACTIVE MEASURES ARE PROVING MOST EFFECTIVE IN REDUCING AUDIT RISK AND MANAGING CROSS-BORDER TP PRICING CONTROVERSIES?

GERMANY

Dickler: Tax authorities worldwide have become far more aggressive and sophisticated in TP enforcement. We see four key trends shaping their approach. Firstly, joint audits without prior consultation occur more frequently. Additionally, the use of information exchange tools for auditing large companies is increasing. Secondly, data-driven auditing methods play a bigger role. New precedent regarding e-discovery methods will accelerate this development. Thirdly, a focus on financing

structures with the support of newly acquired credit rating tools is becoming more common. Finally, stricter procedural rules apply, like the obligation to self-correct tax returns following tax audits or significantly increased penalties for breaches of cooperation. As a result, strong governance and audit-ready documentation is key. MAPs and APAs are the main remedies with tax litigation gaining importance.

IRELAND

Glavey: Tax authorities have invested heavily in their capabilities on both the enforcement and dispute resolution front in recent years. For example, in Ireland, the Revenue Commissioners have established a TP audit branch to pursue enforcement and a separate branch to handle, among other things, disputes under Ireland's tax treaty network. Tax authorities are also constantly evolving their approaches in this area and we are seeing an increased willingness by tax authorities to use their information gathering powers and technology to further their enforcement efforts. As regards effective measures to reduce audit risk and manage cross-border TP controversies, there are several options, with the common theme across all of them being to ensure that robust TP documentation is in place at the outset. For high value and complex arrangements, seeking an APA is advisable. In this respect, given the growing complexity of supply chains, it is encouraging that some tax authorities are open to

considering how they can provide multilateral certainty where possible – including potentially through trilateral APAs or a series of bilateral APAs. Generally, taxpayers who dedicate time and resources to securing an APA ultimately see the benefits. A MAP remains an effective dispute resolution mechanism when a cross-border dispute does arise. There are, however, traps for the unwary with MAPs that taxpayers should be cognisant of, and therefore early strategic planning with their advisers is key. It should also be borne in mind that not every dispute is appropriate for a MAP, and therefore domestic litigation should always be considered when taxpayers are assessing the best strategy to defend their interests in a dispute.

LUXEMBOURG

Hoor: Tax authorities around the world are stepping up their enforcement of TP through specialisation and data analytics. In Luxembourg, for example, a dedicated TP unit has recently been formed to act as a centre of excellence to support Luxembourg tax authorities regarding complex intragroup arrangements. However, a more challenging trend is the increasingly aggressive approach of tax authorities in countries with sustained deficits. Under fiscal pressure, these authorities often pursue revenue-driven assessments, resulting in less flexible negotiations reminiscent of the 'Turkish bazaar' approach, where reasonable interpretation

takes a back seat to collection goals. In this contentious environment, robust, contemporaneous TP documentation is the primary defensive tool. It must unequivocally demonstrate the commercial rationale, substance and arm's length nature of transactions. Ultimately, a bulletproof documentary trail is the most effective defence against aggressive challenges and forms the essential foundation for dispute resolution.

UNITED ARAB EMIRATES

Kapoor: Tax authorities in many jurisdictions are becoming more sophisticated and assertive in their enforcement of TP regulation. They are leveraging advanced analytics, real-time data sharing and a focus on economic substance over legal form to identify inconsistencies and ensure that allocation of profits is aligned with where value is truly created. Tax authorities are increasingly looking beyond contractual terms to the actual conduct and economic substance of transactions. If documentation suggests a certain entity owns and exploits IP, but operational reality differs, this can trigger an audit. Incorrect comparability or functional analysis also may lead to challenges and adjustments by authorities. Therefore, to effectively manage audit risk and cross-border controversies, companies must adopt a proactive approach. This includes maintaining robust TP documentation, regularly reviewing and updating TP policies,

including functional and economic analysis, to reflect business and regulatory changes, and ensuring that all arrangements are aligned with the economic substance. Moreover, private clarifications and APAs with tax authorities are increasingly valuable tools for achieving certainty and minimising TP disputes. APAs are formal arrangements between taxpayers and tax authorities that establish, in advance, the appropriate TPM for specific transactions over a fixed period. They provide greater certainty, reduce audit risk and foster a more stable tax environment, especially when having complex transactions, entering new markets or restructuring operations. Also, MAPs should be considered to resolve disputes efficiently and avoid double taxation.

SOUTH AFRICA

Chadha: Tax authorities in South Africa and globally are becoming more sophisticated in their approach to TP enforcement, leveraging data analytics and international cooperation to identify high-risk taxpayers and transactions. There is a clear trend toward more targeted audits, with a particular focus on intangibles, intragroup services and financing arrangements. Tax authorities are also increasingly using joint audits and sharing information through platforms such as the OECD's Tax Inspectors Without Borders initiative, which heightens the need for consistency across

jurisdictions. To mitigate audit risk, proactive measures are essential. These include maintaining robust, contemporaneous documentation, conducting regular TP risk assessments, and engaging in dialogue with SARS through mechanisms such as APAs and MAPs. Building strong relationships with tax authorities and demonstrating a commitment to transparency and compliance are proving highly effective in managing cross-border TP controversies and reducing the likelihood of protracted disputes.

UNITED STATES

Armitage: The current US administration is committed to replacing people with AI to enforce tax compliance. During the first half of 2025, the administration significantly reduced IRS enforcement personnel, which seems to have led to reduced and slower IRS audit activity. Key questions are whether and when AI can replace humans to identify and make appropriate TP and other audit adjustments. The IRS has long focused its enforcement efforts on the transfer of intangible assets. In light of recent IRS guidance, it remains important for MNEs to continuously monitor the value of and profits resulting from transactions involving intangibles. As a parallel measure, MNEs may also seek APAs or MAPs to reduce TP uncertainty.

CANADA

Javalekar: Canadian TP enforcement is becoming increasingly rigorous, reflecting both alignment with OECD standards and a focus on substance over form. Recent legislative developments, including updates to section 247 of the Income Tax Act, emphasise a 'delineation first' approach that evaluates actual conduct and economically relevant transaction characteristics. The CRA is shortening response times for documentation requests to 30 days and has raised the penalty threshold to C\$10m, signalling both higher scrutiny and targeted enforcement. For Canadian MNEs, proactive measures are critical to reducing audit risk and managing cross-border disputes. APAs, particularly bilateral and multilateral, provide certainty on methodology and pricing. Early engagement and transparent communication with the CRA further help narrow issues before formal audits. Implementing comprehensive internal TP risk

assessments and strong global governance frameworks help identify and address exposure before audit. Maintaining robust contemporaneous documentation aligned with OECD guidelines and responding quickly to CRA requests reduces the intensity of audit. Together, these strategies enhance predictability, minimise adjustments and protect against double taxation in complex cross-border transactions.

UNITED KINGDOM

Howarth: In terms of enforcement, tax authorities are using information collected from their own population of taxpayers, as well as via information sharing with other territories, to better target TP enquiries. The UK, for example, proposes to introduce an international controlled transactions schedule to better evaluate TP risk in the taxpayer population below the country by country reporting threshold. As for tax authorities themselves, they too

will make increasing use of AI – to identify targets for audit, and also to review information supplied to make best use of their human resources. Taxpayers, sometimes in hindsight, realise getting things right from the beginning is always most time and cost efficient. Where advance clearance mechanisms or voluntary disclosure facilities are available in the territories in which they operate – and are not prohibitively expensive and time consuming – these should be utilised to provide maximum certainty. ■

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