

Global Transfer Pricing Update

Q1 2025

Welcome

Dear Reader,


Welcome to the **Q1 2025 edition of our Global Transfer Pricing Newsletter.**


This quarter reflects continued momentum in aligning domestic transfer pricing (TP) regimes with global best practices, particularly in response to OECD BEPS action plans and increasing international transparency requirements.

The first quarter of 2025 has been defined by several significant developments:

 **Increased adoption of public Country-by-Country (CbC) reporting frameworks** in Australia, Cyprus, Romania, and Slovenia.

 **Tighter penalty regimes** introduced in Ukraine and Kazakhstan for non-compliance.

 **APA programme maturity**, with India reporting record APA volumes and Nigeria releasing comprehensive APA guidance.

 **Digital transaction guidance** issued by the United States, demonstrating the growing importance of TP policy for the digital economy.

 **Refinements to related-party definitions and intercompany lending rules** in several Asia-Pacific countries.

To aid navigation and practical relevance, we've structured this edition by region, then by country, offering jurisdiction-specific insights designed to help multinational groups stay aligned with regulatory changes in their key markets.

Your Faithfully,

Brook M.

Brook Mesfin
Global Head of Transfer Pricing



About TPILab

TPI Lab is a leading provider of end-to-end transfer pricing services and technology solutions. We combine deep technical expertise with powerful digital tools to help MNEs achieve compliance, manage risk, and create efficiencies across jurisdictions.

From advanced benchmarking and automation to compliance dashboards and APA support, our solutions are tailored to meet the evolving regulatory landscape

If you'd like to explore how we can support your transfer pricing needs — whether through tools, advisory, or managed services — we would love to hear from you.

Let's simplify your transfer pricing journey. Get in Touch: info@tpilab.com Visit us: www.tpilab.com



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CbC Reporting Threshold Clarified

The Israel Tax Authority issued Circular No. 1/2025 on 11 February 2025, affirming that multinational groups with consolidated annual revenues exceeding **ILS 3.4 billion** (EUR 750 million) are required to submit CbC reports within 12 months after year-end. The circular aligns with OECD BEPS Action 13 recommendations.

Saudi Arabia

Unilateral APA Programme Introduced

Saudi Arabia's Zakat, Tax and Customs Authority (ZATCA) launched guidelines for its new APA programme. The guidance outlines the process for taxpayers to obtain pricing certainty on future controlled transactions. Notably, the regime currently supports only **unilateral APAs** (agreements solely with ZATCA), with bilateral and multilateral APAs suspended until further notice. The move represents Saudi Arabia's ongoing efforts to enhance its TP framework and provide certainty to inbound investors and local multinationals.

APA Eligibility

The taxpayer must have annual intercompany transactions exceeding **SAR 100 million** to be eligible for an APA. Exceptions may be considered at ZATCA's discretion for complex transactions.

Pre-Filing Meeting

Taxpayers may (per guidelines, are now encouraged to) request a pre-filing meeting with ZATCA to discuss the potential APA application. (Updated by ZATCA to emphasize that pre-filing meetings are now typically expected).

Formal Submission

The APA application must be submitted at least 12 months before the intended start date of the covered transactions. Applications are to be submitted through ZATCA's **ERAD** electronic portal.

Review & Evaluation

ZATCA reviews the submitted application and may request additional information.

Negotiation & Agreement

Upon completing the evaluation, ZATCA communicates its position to the taxpayer. Both parties negotiate the APA terms. Once consensus is reached, the agreement is drafted for approval and signature.

Implementation & Compliance:

Duration

The initial APA period is three years, with the possibility of renewal for an additional three years if key conditions remain unchanged.

Annual Compliance Reporting

Taxpayers must submit an Annual Compliance Report (ACR) within 120 days after the end of each financial year to demonstrate adherence to the APA terms.

Record-Keeping

Taxpayers are required to maintain records that allow ZATCA to verify compliance with the APA.

Monitoring

ZATCA may conduct annual inspections to ensure compliance. If critical assumptions underlying the APA change, the agreement may be revised or, in extreme cases, cancelled.

Australia

Public CbC Reporting Legislation and Guidance

Australia **passed legislation on 10 December 2024** mandating public Country-by-Country (CbC) reporting, effective for reporting periods starting on or after 1 July 2024. The Australian Taxation Office (ATO) followed up with detailed guidance on 27 January 2025.

Key elements include disclosure of group revenues, profits, taxes, and international related-party dealings. MNEs must submit reports to the ATO and the ATO will publish them on a government website (data.gov.au). In addition, the ATO's December 2024 determination listed 40 specified jurisdictions for public CbC reporting – notably **excluding Liechtenstein** from the final list.

India

Record APA Volumes and Safe Harbour Extension

India's Central Board of Direct Taxes (CBDT) reported that **125 APAs** were signed in FY 2023-24—a new annual record—including 39 bilateral agreements with countries such as the US, UK, and Japan. The average processing time for bilateral APAs was about **65.6 months**. Additionally, Notification No. 124/2024 extended the transfer pricing safe harbour provisions to the assessment year 2024 - 2025, continuing simplified compliance measures for eligible taxpayers. This extension (effective 1 April 2024) covers various services (IT, ITeS, R&D, etc.) and introduces a new safe harbour for transactions like raw diamond sales.



Kazakhstan

Broadened TP Monitoring and Stricter Penalties

Kazakhstan expanded the scope of TP monitoring through amendments effective **10 January 2025**, adding categories such as **coal, lignite, hydrogen, polymers, raw aluminium, iron & steel products, various grains (e.g. rice, barley), oils, fertilisers, scandium compounds, petroleum coke, and loans**. This update aligns monitoring lists under the TP Law with MoF orders.

From **13 March 2025**, **penalties for failing to submit CbC notifications or for errors** therein are set at **KZT 1,966,000** for large taxpayers and **KZT 983,000** for medium-sized entities. (The monthly calculation index – MCI – for 2025 is KZT 3,932, so 250 MCI ≈ 983k KZT.) Notifications of participation in an MNE group are due by 1 September following the fiscal year.

Singapore

Reduced Indicative Loan Margin

The Inland Revenue Authority of Singapore (IRAS) **reduced the indicative margin for related-party loans to 1.7% for 2025** (down from 2.2% in 2024) for loans using risk-free reference rates. This margin applies to cross-border related-party loans up to SGD 15 million. Notably, the SGD 15 million threshold **does not apply to domestic related-party loans** entered into on or after 1 Jan 2025, provided neither party to the loan is in the business of borrowing or lending. In other words, purely domestic intercompany loans are generally exempt from the threshold cap under the new guidance.



Vietnam

CbC Agreement and Related-Party Rules Update

Vietnam joined the OECD **Multilateral Competent Authority Agreement (CbC MCAA) on 3 January 2025**, enabling automatic exchange of CbC reports with other signatories. As of mid-February 2025, Vietnam had activated CbC exchange relationships with 29 jurisdictions, marking a significant step in international tax cooperation.

Additionally, the government issued **Decree No. 20/2025/ND-CP on 10 February 2025** (effective 27 March 2025) amending transfer pricing regulations. Key clarifications include:

Financial Institutions Exception

Financial Institutions Exception: A lender that is a regulated financial institution (e.g., a bank) will not be deemed a “related party” solely by virtue of lending, if it holds no equity or control in the borrower. This addresses prior rules that deemed certain bank loans as related-party transactions.

Loan Threshold for Related Parties

A **related-party relationship between a borrower and lender** is now defined to exist if the outstanding loan (or guarantee) **is $\geq 25\%$ of the borrower’s equity and $\geq 50\%$ of the borrower’s long-term debt**. This quantifies the “economic dependence” threshold that can trigger related-party status.

Retroactive Interest Deductibility Relief

Interest expenses disallowed in 2020–2023 solely due to prior related-party definitions can be retroactively deducted under the new rules, subject to limits. This aims to cure the overreach of earlier rules that treated arm’s length bank loans as related-party loans.

Ownership Link Increase

The ownership threshold in a step-wise chain to be deemed related is raised from 20% to **25%** (each link in chain must have $\geq 25\%$ ownership for entities to be considered related).

Branch and Subsidiary Relations

An independently taxed branch can be considered related to its head office or other group entities if effectively managed or controlled by them.

Cyprus

Public CbC Reporting with Safeguards

As per the Companies (Amendment) (No. 5) Law of 2024, Cyprus requires public CbC reporting for groups with **EUR 750 million+ in revenue** in each of the last two consecutive years. Effective from financial years beginning on or after 22 June 2024, the law implements EU Directive (EU) 2021/2101. Reports must be filed with the Companies Register and published (in Greek or English) on the entity's website within 12 months of year-end, staying online for at least 5 years.

Cyprus also adopted the Directive's "**safeguard clause**," allowing omission of competitively sensitive information for up to **five years** if disclosure would cause significant competitive harm, provided the omission is justified and disclosed in the report.

Bilateral CbC Exchange with the US

The Cyprus Tax Department confirmed that its bilateral Competent Authority Agreement with the US for **CbC report exchange** will apply from fiscal years starting on or after **1 January 2024**. (A notice on 19 Nov 2024 indicated the Cyprus–US CAA is expected to be effective for FY2024 reporting.) This means U.S.-headed MNE groups will no longer need local secondary filing in Cyprus for FY2024 onward, once the bilateral exchange is in force.

Germany

Updated TP Guidelines and Documentation Relief

The Ministry of Finance issued new **Administrative Principles on Transfer Pricing (VWG 2024)** via BMF Letter (12 December 2024), which update guidance on pricing methods (explicitly covering methods like resale price and cost-plus), clarify rules on intra-group financing (aligned with the Growth Opportunities Act), and comment on OECD Pillar One Amount B for the first time. These principles emphasize demonstrating debt capacity and business purpose for intercompany loans (requiring a "debt capacity" test and limiting tax deductibility of interest if not met).

Separately, the **Fourth Bureaucracy Relief Act** (passed in October 2024, effective 1 January 2025) reduces compliance burdens by simplifying documentation requirements. Key changes include:

Faster TP Documentation Submission

Upon a tax audit notice, taxpayers must submit TP documentation within **30 days** (reduced from 60 days previously). Tax authorities can also request TP documentation outside of audits, with the same 30-day timeline.

Transaction Matrix

Introduction of a standardized "transaction matrix" as a core component of TP documentation to summarize related-party transactions and methods. This is intended to streamline and standardize information presentation.

Longer Retention, Simplified Local Files

Other measures (in line with the Act and related proposals) aim to simplify local file contents for smaller transactions and possibly extend the statute of limitations relief for compliant taxpayers.

These efforts reflect Germany's move to clarify TP rules and reduce red tape, balancing robust enforcement with clearer guidance for taxpayers.

Poland

Exemptions from MDR Rules & Loan Margin Safe Harbours

On 17 February 2025, Poland's Ministry of Finance proposed amendments to its Mandatory Disclosure Rules (MDR, implementing DAC6). A key proposal is to **exempt certain legal professionals** (tax advisers, attorneys, legal counsel, patent attorneys) from the MDR reporting obligations for potentially aggressive tax arrangements. Under this change, these advisors, when bound by professional secrecy, would only need to inform their clients of the client's own obligation to report, rather than filing an MDR report themselves. The proposal is expected to be adopted by mid-2025.

Separately, Poland's Minister of Finance updated **transfer pricing safe harbour margins for intercompany loans** effective 1 January 2025:

- **Maximum borrower's margin: 2.6%**
(reduced from 3.1% previously).
- **Minimum lender's margin: 2.0%**
(reduced from 2.2%).

These margins (which are applied on top of base interest rates) simplify compliance for qualifying loans up to PLN 20 million and up to 5-year terms.

The change aims to reflect current market conditions (lower interest spreads) and encourage use of Poland's safe harbour to reduce disputes.



Romania

Public CbC Format Released

Romania's Ministry of Finance released the format and filing guidelines for public CbC reporting under Order No. 2048. (Romania was among the first to transpose EU Directive 2021/2101 via Order 2048 of 1 September 2022.) A press release on 13 December 2024 outlined the preliminary template for public CbC disclosures.

Notably, Romania chose a **RON 3.7 billion revenue** threshold (approx. EUR 750m) for public CbCR, and applied the requirement from FY2023 (ahead of the Directive's default of FY2024). Thus, the first Romanian public CbC reports cover FY2023 and are due by 31 December 2024.

Romanian MNE groups may use either:

- the format in Annex III, Section III of DAC4 (EU Directive 2011/16/EU as amended),
- the EU standard template per Implementing Regulation (EU) 2024/2952 of 29 Nov 2024,
- or a company-specific format including all required info.

These clarifications ensure companies understand the acceptable format options for compliance, as Romania leads in early adoption of public CbCR.

Russia

Revised CbC Exchange List

Russia updated its list of jurisdictions for automatic exchange of CbC reports, effective **31 December 2024**.

The new list comprises **45 countries and 10 territories**, significantly down from the prior 67 countries and 8 territories.

The contraction is largely due to the removal of many countries that Russia has designated as “unfriendly” (those imposing sanctions), including all EU member states, the US, UK, Canada, etc., meaning Russia will not automatically exchange CbC with those jurisdictions.

New additions to the list include countries that recently signed exchange agreements with Russia (e.g. Albania, Cameroon, Dominican Republic, Mauritania, Papua New Guinea, Montserrat, Faroe Islands).

For Russian MNEs, CbC reports are only automatically shared with countries on this list. If a Russian subsidiary’s ultimate parent is in a jurisdiction not on the list, the Russian tax authorities may require the local entity to file the CbC report in Russia to satisfy local obligations.

This reflects geopolitical shifts impacting tax cooperation. MNEs should review whether their group’s countries are on the updated list to determine any new local filing needs.



Slovenia

Public CbC Translation and Safeguard Clause

Slovenia issued a decree in December 2024 to implement the EU public CbCR directive (2021/2101). Key points:

- Public **CbC reports must be prepared in Slovenian** (translation required if the group’s report was originally in another language).
- If the public CbC report is **already publicly available within the EU** (for example, filed in another Member State’s register accessible to third parties for free), then the company does **not need to publish it on its own website**. In practice, filing it with the Slovenian commercial register (which will publish it online) suffices.
- A **safeguard clause** allows omission of information for up to **five years** if disclosure would cause significant competitive disadvantage, provided the omission is noted and justified in the report (aligned with the EU directive’s option).
- Reports must be submitted to the Slovenian commercial register within **11 months of the balance sheet date**, and the register then has one month to make them public.
- These requirements apply for financial years starting on or after 22 June 2024.

Ukraine

Penalties for Documentation Failures and Expanded Related-Party Scope

Effective **5 February 2025**, Ukraine (State Tax Service) announced new fines for CbC reporting notifications:

- **100 subsistence minimums** (approximately UAH 3,028 each, so ~UAH 302,800) for failing to file the **notification of participation in an international group**.
- **50 subsistence minimums** for late filing of the CbC participation notification.
- Additionally, a fine of 1 subsistence minimum per day (up to 300 max) applies for late declaration of controlled transactions in the annual TP report.

(Note: 1 subsistence minimum for able-bodied persons in 2025 = UAH 3,028; these penalties will thus adjust if the subsistence minimum changes.)

The effective date for the new fines is actually 25 March 2025, since legislation enters into force 60 days after the 5 Feb announcement.)



From **1 January 2025**, **related-party rules** have been broadened under Law No. 3813-IX (18 June 2024):

Economic Dependency Criteria

A company will be deemed related to a customer or supplier if over **75% of its annual sales or purchases** are to/from that single foreign counterparty and those sales/purchases make up at least 50% of the company's total sales/purchases. This brings certain arm's-length third-party relationships under TP scrutiny if the economic dependence is high (aimed at combatting schemes routing most of business through a single low-tax distributor or supplier).

Ownership Chain Threshold

The minimum ownership link in a chain for two entities to be deemed "related" is raised from **20% to 25%**.

Tax Authority Powers

Importantly, tax authorities can now establish related-party status based on audit findings, not only via court decision. This gives the tax authority more leeway to assert two parties are related (e.g., using effective control or economic evidence) during an audit.

Low-Tax Jurisdiction List

The Cabinet of Ministers updated the list of jurisdictions considered "low-tax" for TP purposes. Effective 1 Jan 2025, **the list was cut to 46 states/territories (from 78)**

- Transactions with parties in these 46 jurisdictions are automatically treated as controlled transactions (regardless of volume), while many countries (mostly those now exchanging information or no longer deemed low-tax) were removed
- Companies should review this list; if a trading partner is no longer on it, certain dealings might cease to be TP-reportable, and vice versa.

These changes reflect Ukraine's efforts to tighten TP enforcement (especially around "**martial law**" **tax compliance** measures and anti-avoidance) and broaden the net of transactions subject to TP rules (including domestic-to-offshore dealings).



United Kingdom

TP & Diverted Profits Transparency Report

HMRC published a transparency report (“Transfer Pricing and Diverted Profits Tax statistics: 2023 to 2024”) on **27 January 2025**, covering transfer pricing audit results, APA and MAP statistics, and Diverted Profits Tax (DPT) outcomes up to FY 2023/24. Key highlights include:

TP Tax Yield

For FY 2023/24, HMRC’s interventions yielded around **£1.8 billion** in additional tax from transfer pricing adjustments. This figure, while slightly down from the prior year’s record, underscores sustained high enforcement activity. It includes tax from TP audits, real-time compliance interventions, APAs, and thin-cap agreements.

Advance Pricing Agreements

The report notes the UK’s APA program activity – e.g., HMRC concluded 27 APAs in 2023/24, and the pipeline remains strong. The average time to conclude a UK APA has been around **53 months**, which HMRC aims to improve.

Cases Settled

HMRC settled 128 TP enquiry cases in 2023/24 (including real-time compliance cases), with an average case age of ~33 months. Both the number of settlements and duration improved compared to the previous year, indicating more efficient resolution.

Diverted Profits Tax (DPT)

HMRC highlighted that DPT has driven behavioural change. Some businesses have chosen to change their behaviour and pay CT arising on their economic activities in the UK rather than pay tax at a higher rate. The additional tax, primarily CT from transfer pricing, settled investigations into diverted **profit was £3.5 billion**.

Mutual Agreement Procedure (MAP)

The number of MAP cases concluded in 2023/24 fell compared to prior years, with approximately **86 cases closed**. The UK resolved TP cases on average within 25 months, outperforming the global average resolution time of 32 months for resolving TP cases.

The Profit Diversion Compliance Facility

HMRC identified and wrote PDCF **letters to 19 multinationals** that could be diverting profits away from the UK. The resolved cases have completed the PDCF process in an average of 21 months from registration meeting to receiving a decision from HMRC and 98% of those had their final proposals accepted. Over £830 million additional revenue has been secured since 2019 when PDCF was introduced.

This annual publication reflects the UK’s continued focus on **tax transparency and enforcement**. HMRC is committed to publishing annual stats on transfer pricing to show the outcomes of its compliance activities and the importance of TP to the UK’s tax base.

Brazil

Commodity Transaction Reporting Extended

Normative Instruction No. 2,249 (6 February 2025) extends the deadline for registering commodity transactions under Brazil's new TP commodity rules. While the general rule requires commodity contract details to be reported by the **10th day following contract execution**, a special extension was granted for early 2025: contracts signed in January and February 2025 may now be reported up to **31 March 2025**.

This one-time grace period helps companies adjust to Brazil's updated TP framework for commodities (introduced by Normative Instruction RFB No. 2,161 in 2023). Affected commodity deals (like exports of soy, iron ore, etc.) get extra time for compliance during this transition.



Chile

Clarified Adjustment Request Procedures

The Chilean IRS (Servicio de Impuestos Internos, SII) issued **Resolution No. 6 (9 January 2025)**, updating procedures for taxpayers seeking corresponding TP adjustments in Chile following a foreign tax authority's primary adjustment. Under the new procedures:

Taxpayers must file a request within **one year** from the finalization of the foreign adjustment.

The request should be submitted to a designated SII email address and include supporting documentation (such as the foreign competent authority's adjustment report, revised invoices, etc.).

SII will evaluate if a corresponding adjustment (to relieve double taxation) is warranted under Chile's tax treaties or domestic law, and may ask for additional information.

This clarification improves the process for avoiding double taxation when, e.g., another country increases the income of a Chilean subsidiary and Chile needs to adjust down the Chilean entity's taxable income.

Colombia

UVT Update for TP Thresholds

DIAN (Colombia's tax authority) issued **Resolution No. 000193 on 4 December 2024**, setting the 2025 **Unidad de Valor Tributario (UVT)** at **COP 49,799**. The UVT is a unit value used to define tax thresholds and penalties. An increase from COP 42,412 (in 2023) to 49,799 in 2025 (~17% rise) will affect various TP thresholds:

The minimum revenue or transaction values that trigger Local File or Master File requirements.

The threshold for being obliged to file a CbC report (if not covered by a parent filing).

Penalty calculations for late or incorrect TP documentation (often penalties are a multiple of UVTs). Taxpayers should update their compliance checks with the new UVT to ensure they meet 2025 TP filing obligations.



Costa Rica

TP Reporting Proposal for Large Taxpayers

On 13 February 2025, Costa Rica's Dirección General de Tributación (Tax Administration) opened a public consultation on a **draft resolution** targeting large taxpayers and entities in free trade zones. The proposal would introduce **annual transfer pricing information returns**, effectively a TP specific disclosure form, for those taxpayers. This is seen as continuing Costa Rica's alignment with OECD TP documentation standards (Action 13):

The information return would likely require details on related-party transactions, methods, and results (not as extensive as a Master File, but more than current returns).

It aims to enhance risk assessment; Costa Rica does not yet have formal Local / Master file regulations, so this is a step in that direction.

The consultation phase suggests rules could be finalized later in 2025, with first filings possibly for FY2025.

United States

Final Regulations on Digital Transactions



On 14 January 2025, the IRS and Treasury finalized regulations clarifying the tax treatment of **cloud and digital content transactions**. These regulations (under Sections 861, 862, 863, and 965) modify the classification of certain digital transactions (software, streaming, cloud computing services, digital advertising, etc.) either as leases of intangible property, provision of services, or sales of goods for tax purposes:

Key changes ensure alignment with modern business models: for example, many cloud computing arrangements will be treated as **services** rather than leases of intangibles.

This classification affects how income is sourced (US vs foreign), whether it falls under US transfer pricing rules as **services vs royalties**, and how cost-sharing or intangible rules might apply.

The rules also clarify what constitutes “digital content” sales (download of ebooks, music, etc., treated akin to sales of copyrighted articles).

These updates are crucial for determining **source of income, character (royalty vs services), and inclusion for FDII/GILTI purposes**.

They dovetail with transfer pricing by clarifying the nature of transactions that US MNEs must price – e.g., treating a cloud platform fee as a service fee means the arm’s length price is determined under services methods, not the intangible property royalty rules. The effective date applies to tax years beginning after finalization (so effectively 2025). Taxpayers in the digital economy should review intercompany agreements to ensure alignment with these final rules and adjust TP policies accordingly to reflect the clarified treatment.



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