

Transfer Pricing Q4 Briefing

[Start](#)

January 2026



Welcome

PwC's quarterly transfer pricing briefing helps multinational organizations keep up with the continuous flow of relevant tax and transfer pricing developments. Included in this quarterly briefing is a summary of Tax Insights and News Alerts published by individual members of the PwC network* covering developments from October 1 through December 31, 2025.

TP Talks

Increased scrutiny, higher stakes: Inside Australia's TP enforcement shift

Kristina Novak and Nick Houseman discuss Australia's tax and transfer pricing enforcement landscape, including the ATO's "justified trust" approach, robust audit programs, and the implications of the High Court's *PepsiCo* decision for royalties and related-party arrangements. They also highlight key audit focus areas, evolving compliance tools, and practical considerations for multinationals navigating Australia's new public country-by-country reporting and increased tax transparency.

When tariffs wag the transfer pricing dog

Kristina sits down with Kristin Bohl, a Principal in PwC's US Customs and International Trade Practice to discuss the latest developments in global tariffs and how these intersect with transfer pricing strategies.

TP Blogs:

From scrutiny to strategy: Building a resilient intercompany services framework

Intercompany services transactions continue to present important and evolving challenges for taxpayers. These transactions often involve a multitude of transfer pricing considerations, and their treatment for transfer pricing purposes has the potential to impact non-transfer pricing tax items. Around the world, tax authorities are increasingly reviewing and scrutinizing services transactions. As a result, intercompany services arrangements remain an important component of most taxpayers' transfer pricing profile.

Policy on Demand:

Over 700 PwC and industry tax professionals recently gathered at PwC's Global Transfer Pricing, Trade and Indirect Taxes Conference 2025. Watch PwC's Policy on Demand videos for insights on how the global tax landscape is being reshaped by forces such as policy and regulatory change, digital transformation, and the rise of AI.

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Americas

Canada

Bill C-15 – Significant changes proposed to Canada's transfer pricing rules

On November 18, 2025, the Canadian federal government tabled Bill C-15, *An Act to implement certain provisions of the budget tabled in Parliament on November 4, 2025*. Bill C-15 includes legislation to modernize Canada's transfer pricing (TP) regime, in section 247 of the Canadian Income Tax Act (the Act). This legislation was initially released as part of the federal government's November 4, 2025 budget and is proposed to apply to taxation years that begin after November 4, 2025. The legislation:

- embeds a delineation-first analytic framework in which the actual conditions of a transaction, commencing with the contractual arrangement, will be determined by considering the conduct of the parties involved
- eliminates the conditions for recharacterizing a transaction and allows, in circumstances in which the actual conditions differ from the arm's length conditions of a transaction, the Canada Revenue Agency (CRA) to conclude that the transaction would not have occurred, or an alternate transaction would have occurred

- defines key concepts such as "economically relevant characteristics," "actual conditions" and "arm's length conditions" to facilitate the analysis framed in the new adjustment rule and to support the contemporaneous documentation requirements
- adds a statutory interpretation rule that is intended to explicitly align Canadian law with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the OECD Guidelines) and anchors the application of the most appropriate method framework as articulated in the OECD Guidelines
- revises administrative requirements by broadening contemporaneous documentation requirements, shortening the deadline to provide this documentation and increasing the dollar threshold for penalties

If enacted, the measures will materially reshape TP analysis and documentation in Canada. Practically, taxpayers should expect greater emphasis by the CRA on delineation, options realistically available and how actual participants to a transaction would have behaved if dealing at arm's length in comparable circumstances. The administrative changes will also accelerate audit timelines and raise the bar with broader contemporaneous documentation requirements.

For more information, read the [PwC Tax Insight](#).

Taxpayers should consider whether the updated legislation affects their TP analysis, documentation and policies and procedures in the context of the legislative changes, and the extent to which any remediation measures are required.

Americas

United States

New US Section 232 automotive tariffs drive strategic realignment for OEMs and suppliers

President Trump issued a Presidential Proclamation under Section 232 on October 17 finding that imports of medium- and heavy-duty vehicles (MHDVs), certain vehicle parts, and buses threaten to impair US national security. Beginning November 1, ad valorem duties, including a 25% tariff on most MHDVs and certain parts, and a 10% tariff on buses, took effect.

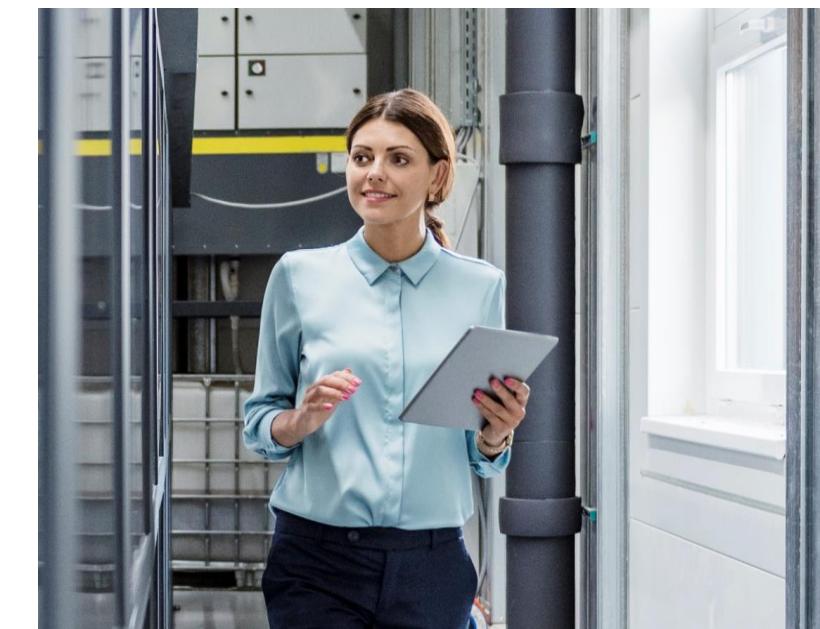
The Proclamation also impacts the automobile industry, as these new tariffs present an opportunity for auto importers to strategically assess their import profile and potentially benefit from the varying regimes that apply under the new tariff system. It updates the duty and offset framework for US vehicle and engine manufacturers through 2030 and creates a new process allowing importers to designate qualifying parts under either the automobile or MHDV tariff system. These changes are intended to provide consistent tariff treatment across related vehicle supply chains and to strengthen measures aimed at addressing national security risks associated with vehicle imports. The Proclamation further specifies that entries

filed under this framework are not subject to concurrent Section 232 duties on steel, aluminum, copper, or their derivative products established under prior proclamations.

These tariffs create both challenges and opportunities across the automotive value chain. While it imposes new duties on MHDVs, certain parts, and buses, it also updates the tariff and offset framework for the automobile industry. The new structure allows original equipment manufacturers (OEMs) and engine producers to apply offsets against certain duty liabilities and introduces flexibility for importers to designate qualifying parts under either the automobile or MHDV tariff systems. These mechanisms enable OEMs to allocate portions of their offsets or credits to suppliers, requiring coordinated management of duty exposure across complex supply chains. The Proclamation is reshaping how OEMs and suppliers collaborate on trade, finance, and operational strategy, while creating potential refund opportunities through retroactive re-declarations, post-summary corrections, or offset credit applications.

For more details, read the [PwC Tax Insight](#).

This development introduces a new operational model for the automotive industry. Companies that act quickly to align OEM-supplier strategies, strengthen data governance, and integrate trade, finance, and accounting considerations will be well positioned to turn compliance obligations into sources of strategic value.



Americas

United States

US reaches limited trade deal with China and signs trade agreements with ASEAN partners

During the Association of Southeast Asian Nations (ASEAN) Summit in Kuala Lumpur from October 26-28, the United States announced a series of new trade and strategic agreements with countries across Asia, including reciprocal trade deals with Malaysia and Cambodia, and framework agreements with Vietnam and Thailand. A separate economic and trade deal with China was reached following meetings between President Trump and Chinese leader, Xi Jinping in Busan, South Korea. The regional pacts focus on tariff reduction, digital trade, and critical mineral cooperation.

The economic and trade deal between the United States and China includes a reduction on fentanyl-related tariffs for imports from China, renewed agricultural purchases, and a pause on Chinese export controls. Specifically, China committed to stop the flow of fentanyl-precursor exports into the United States and to effectively eliminate its current and proposed export controls on rare earth elements and other critical minerals.

According to the [White House fact sheet](#), China also agreed to end retaliatory tariffs and non-tariff countermeasures against US agricultural and other goods, and to purchase at least 12 million metric tons of US soybeans in the last two months of 2025 and at least 25 million metric tons a year from 2026 to 2028. In turn, the US will reduce the cumulative tariffs on imports from China related to fentanyl controls by 10% (effective November 10) and suspend for one year the implementation of responsive actions under the Section 301 investigation into China's targeting of the maritime, logistics, and shipbuilding sectors.

For more details, read the [PwC Tax Insight](#).



Collectively, these initiatives mark a major strategic shift in US efforts to stabilize supply chains, expand market access, and balance China's influence in the Indo-Pacific region. For companies, the new trade agreements, particularly the United States and China deal, could significantly influence supply chain strategies, sourcing decisions, and cross-border tax planning across Asia. Reduced tariffs and renewed agricultural and manufacturing trade flows may prompt US multinationals to revisit transfer pricing policies, especially for operations involving China suppliers or downstream production in Malaysia, Cambodia, Vietnam, and Thailand. The inclusion of provisions on digital trade and critical minerals also points to potential shifts in indirect tax treatment, customs valuation, and compliance requirements as regional trade frameworks realign around China's evolving role in global value chains.

AsiaPac

China

China State Taxation Administration releases China APA Annual Report (2024): Bilateral mechanisms emerge as mainstream choice

On November 25, 2025, China's State Taxation Administration (STA) released the China Advance Pricing Arrangement (APA) Annual Report (2024) (the "2024 Annual Report") for the 16th consecutive year. Against the backdrop of profound adjustments in global tax governance, tax certainty has increasingly become a "stabilizer" for multinational enterprises' global investments and a "litmus test" for business environments. The STA has remained committed to advancing APA negotiations, providing tax certainty for enterprises and robust support for cross-border investment and trade.

In recent years, the STA has strengthened international tax cooperation, actively advancing international tax collaboration through frequent international consultations and the successful implementation of high-quality outcomes.

For more information, read the full [Tax Insight](#).

According to the 2024 Annual Report, as of the end of 2024, of the 335 cumulative APAs signed, bilateral APAs reached 170 cases, accounting for 50.7%, surpassing unilateral APAs for the first time. This structural shift reflects multinational enterprises' growing focus on bilateral certainty and double taxation risk mitigation in China, as well as the STA's enhanced international tax coordination capabilities and experience accumulation.



AsiaPac

China

Shanghai advance tax rulings: from pilot to official implementation – interpretation of the 2025 new measures

On October 24, 2025, the Shanghai Municipal Tax Service, State Taxation Administration (Shanghai Municipal Tax Bureau) issued the Administrative Measures for Advance Tax Rulings of Shanghai Municipal Tax Bureau (HuShuiBanFa [2025] No. 13, the “New Measures”), replacing the previous Administrative Measures for Advance Tax Rulings of Shanghai Municipal Tax Bureau (Trial) (the “Pilot Measures”). The New Measures took effect on the date of issuance.

Compared with the Pilot Measures, the New Measures achieved a breakthrough in the scope of application by incorporating tax-related matters that have occurred but not yet been declared into the tax ruling acceptance scope for the first time. Besides, the New Measures emphasized the core role of in-charge tax authorities in the process, clarified the acceptance body, and introduced a review mechanism by the Shanghai Municipal Tax Bureau.

More notably, the newly added “binding force of the rulings” clause provides enterprises with higher certainty in the application of tax policies, enhancing their investment confidence. Enterprises involved in complex transactions, especially taxpayers engaged in mergers and acquisitions, restructurings, and emerging business models, can refer to the New Measures to plan tax-related matters ahead and apply for advance tax rulings to reduce tax risks and optimize business decisions.

For more information, read the PwC [News Flash](#).

The New Measures broaden the scope of application of advance tax rulings in Shanghai and streamline the application process, laying a policy foundation for enterprises to achieve tax certainty.



AsiaPac

Japan

Overview of Japan's 2026 tax reform proposals

On December 19, 2025, the Japanese government released its 2026 Tax Reform Proposals, outlining measures aimed at strengthening Japan's economy while responding to persistent inflationary pressures. In addition to targeted incentives for capital investment and revisions to R&D and consumption tax rules, the proposals include international tax measures affecting multinational enterprises, including changes related to Pillar Two, cross-border e-commerce, and new documentation requirements for certain related-party transactions. Multinational enterprises operating in or with Japan should assess the potential impact of these measures on their tax profiles and business models.

For more details, read the full [PwC update](#).

Domestic corporations entering into certain specified transactions with related parties, i.e., transfer or licensing of intellectual property and certain services (primarily cost recharges/management fees from parent entities), will be required to maintain documentation to support the details and pricing of such transactions. The definition of related parties will follow that stipulated in the transfer pricing legislation. In effect, a form of domestic transfer pricing requirement is introduced for the specified transactions.



AsiaPac

Singapore

Inland Revenue Authority issues the eighth edition of the Transfer Pricing Guidelines

The Inland Revenue Authority of Singapore (IRAS) has released the eighth edition of the Transfer Pricing Guidelines (TPG8), introducing several significant changes. Notably, IRAS has eased compliance for related party domestic loans where both parties are not in the business of lending or borrowing, clarifying that no transfer pricing adjustment will be made in such cases. However, interest deductions remain subject to standard tax rules, and the update does not apply to financial sector entities. TPG8 also introduces a pilot Simplified and Streamlined Approach (SSA), aligned with the OECD's "Amount B" framework, for qualifying baseline marketing and distribution activities between 2026 and 2028. The SSA is voluntary, with strict eligibility criteria, and aims to reduce administrative burden while providing greater tax certainty for qualifying transactions, though its acceptance across jurisdictions is not guaranteed.

Additional updates include clarification on the tax filing obligations of Singapore permanent establishments, expanded requirements to substantiate capital treatment of gains or losses, and elaborated guidance on dispute resolution, including formalization of the "protective" form of mutual agreement procedures (MAP). There also is further detail on annual documentation for long-term loans and pass-through cost transactions, emphasizing the need for robust supporting evidence. These changes reflect IRAS's ongoing efforts to streamline compliance and enhance certainty, while maintaining rigorous documentation and dispute resolution standards.

For more details, read the [Tax Alert](#).

This recent update from the IRAS will not benefit taxpayers in certain sectors such as banks, insurance companies or financial treasury centers.



EMEA

Israel

Israel Tax Authority publishes circular on income attribution to research and development centers

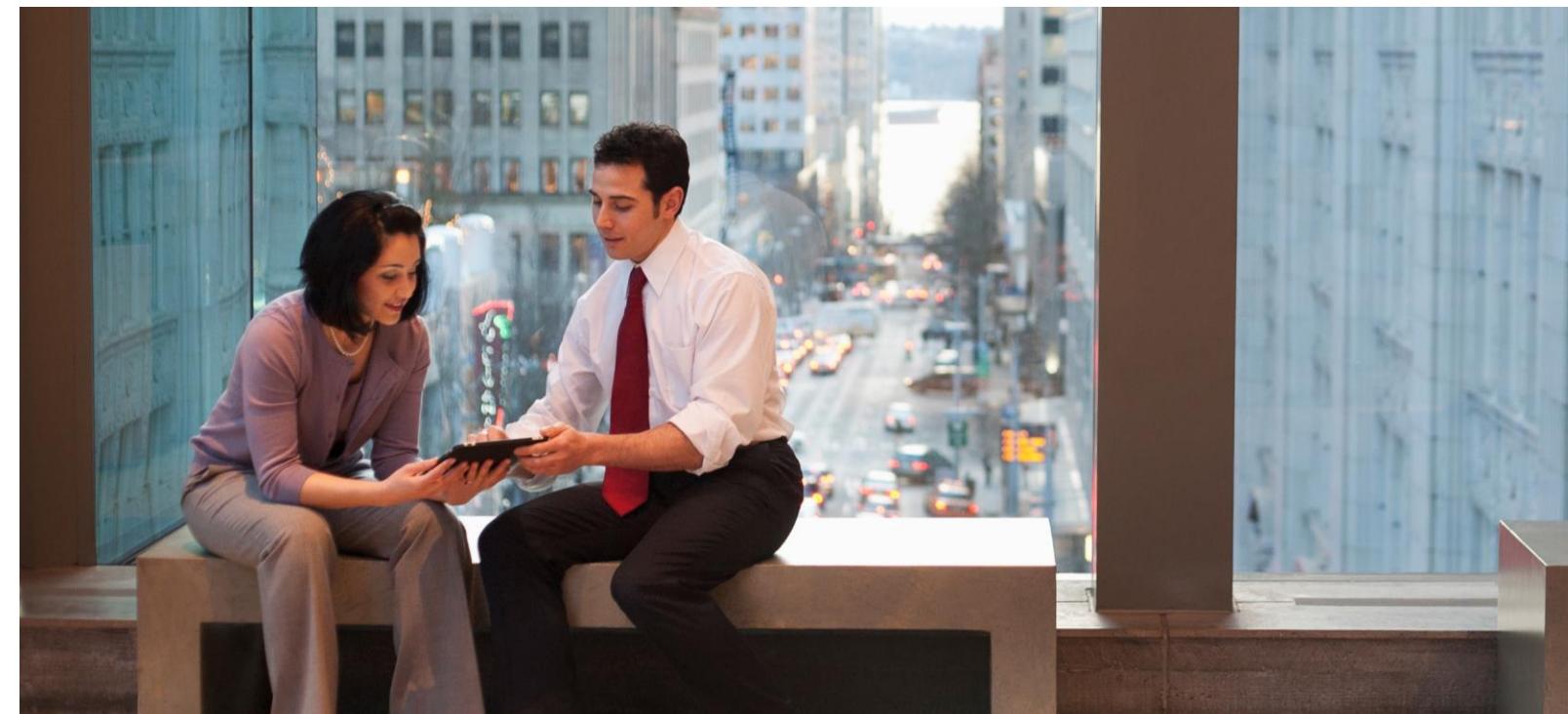
On November 2, 2025, the Israel Tax Authority (ITA) published a circular 8/2025 regarding income attribution to research and development (R&D) centers (the Circular). The purpose of the Circular is to increase tax certainty within the Israeli tax environment, establish a consistent policy, prevent double taxation, while ensuring appropriate taxation in Israel.

The main issues discussed are the audit process for R&D centers of multinational groups and the framework for obtaining a tax ruling in cases where an Israeli company is acquired by a foreign company (or, in certain circumstances, by another Israeli company), its intangible assets are sold, and it is subsequently converted into a company providing R&D services.

The provisions of the Circular shall be applicable to tax returns of the open tax years and until the tax return for the 2029 tax year. An extension, termination, or alteration of the provisions will be reviewed by the ITA in 2029.

For more details, read the [Tax Insight](#).

Due to the numerous and strict criteria outlined in the Circular, careful consideration should be given to its advantages and disadvantages, taking into account the specific circumstances of each company or multinational group.



EMEA

Kenya

Kenya releases draft Advance Pricing Agreement Regulations

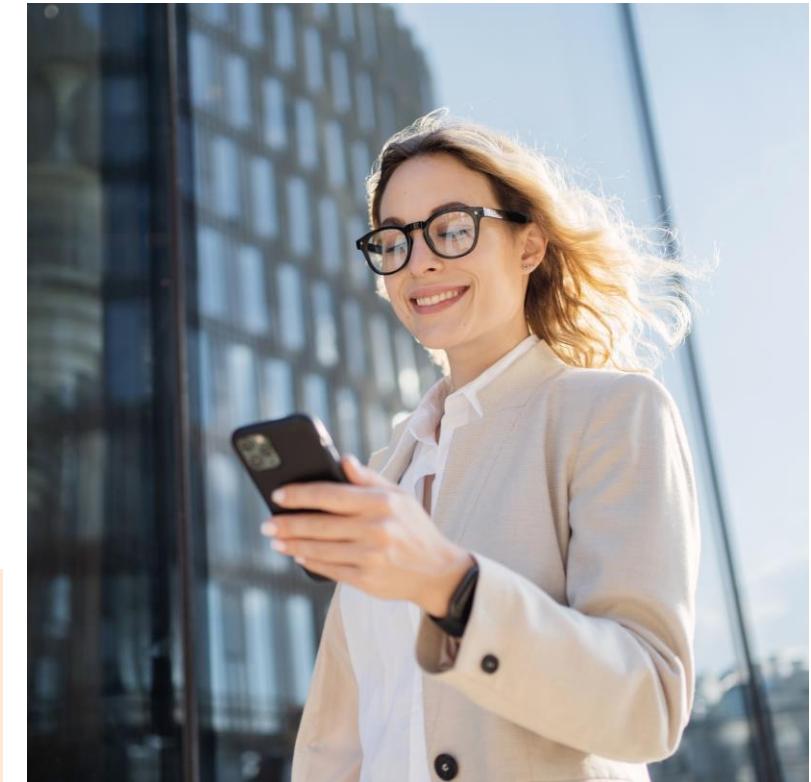
On November 3, 2025, Kenya released draft Income Tax (Advance Pricing Agreement) Regulations that provide the enabling framework under Section 18G of the Income Tax Act for taxpayers to apply for Advance Pricing Agreements with effect from January 1, 2026. The draft regulations formalize the APA process and set out provisions covering pre-filing, application, negotiation, execution, monitoring, renewal, revision, and cancellation of APAs.

Transfer pricing has become one of the most pressing tax issues for Kenyan taxpayers with related party transactions. This is largely due to the complexity and subjectivity involved in pricing intercompany transactions, as well as the significant tax exposures that often arise from disputes with the Kenya Revenue Authority (KRA).

The introduction of Kenya's APA regime is therefore a welcome development, offering eligible taxpayers a structured pathway to achieve tax certainty and reduce the risk of prolonged audits and tax litigation, as well as potentially simplifying transfer pricing documentation requirements where an APA is in place.

For more details, read the [Tax Alert](#).

The draft APA regulations introduce progressive provisions that will significantly enhance Kenya's transfer pricing landscape. These provisions not only align with global best practices but also offer meaningful relief and clarity to taxpayers navigating complex intercompany transactions.



EMEA

Kazakhstan

Kazakhstan oil companies face tax assessments related to KEBCO pricing

In June 2022, Kazakh oil began selling on international markets under the brand Kazakhstan Export Blend Crude Oil (KEBCO). With the introduction of KEBCO, Kazakhstan gained the ability to clearly position its oil as an independent export product. This strengthened the trust of Western partners and ensured supply stability. However, disagreements have arisen between the State Revenue Committee of the Ministry of Finance and oil exporters regarding the taxation of KEBCO exports.

In an interview with Kursiv, Timur Zhursunov, a partner at PwC Kazakhstan, discussed the tax authorities' position, the impact of KEBCO on transfer pricing, potential business risks, and possible mitigation steps. The conversation also touched on the expected changes to the Tax Code and their significance for the industry.

For more information, read the [PwC article](#).

Companies should assess potential risks in advance and develop an audit response strategy in case of a tax audit. Contracts and transfer pricing documentation should align with actual commercial terms, and the use of Dated Brent quotations must be clearly justified and supported by documentation.

To address uncertainty, it is important for companies to take steps to enable transparency, both regarding past reporting periods and in understanding the new rules, including the possibility of choosing a quotation when determining the global price.



EU/OECD/Global

OECD

OECD issues 2025 Model Tax Convention update: new Commentary on cross-border working and other issues

The Council of the OECD on November 19, 2025 approved updates to the Model Tax Convention (MTC) with accompanying Commentary. The update revises and clarifies various MTC Articles, including:

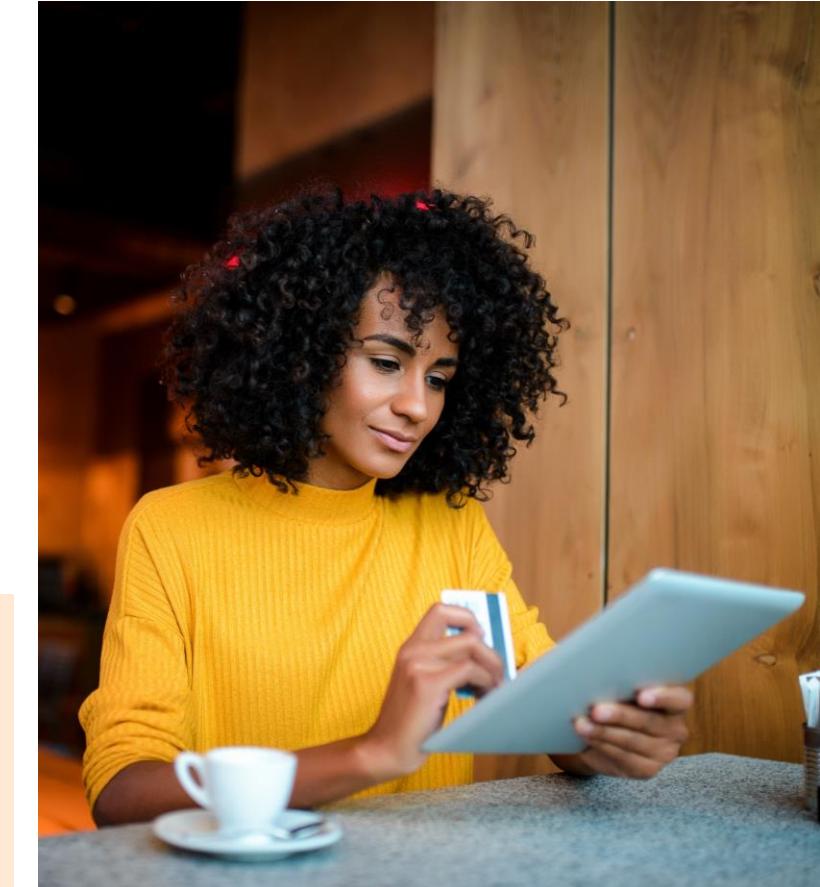
- New Commentary to Article 5 addressing situations where cross-border working from a home or other premises may constitute a permanent establishment (PE),
- The creation of a PE in the place of extraction of natural resources,
- An optional treaty provision for taxing activities connected with the exploration and exploitation of extractable natural resources,
- Changes to the Commentary in respect of the optional simplified and streamlined approach for Transfer Pricing, also known as 'Amount B,'
- Other provisions regarding dispute resolution, transfer pricing for financial transactions and utilizing information received under exchange of information mechanisms

The updated Commentary on Article 5 will be relevant to many sectors and organizational profiles. With the rise of remote workers, the creation of PEs has become an increasingly common issue for enterprises, and this guidance should provide some clarity with this issue.

For more details, read the [Tax Policy Alert](#).

Businesses may wish to review:

- any flexible working policies or approaches in general, and
- any employee-specific arrangements that have been agreed or approved, to ensure that no PE risk exists in light of the new guidance (or, conversely, to test whether these could be relaxed to permit more cross-border working).



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