



Tax Insights  
from Transfer Pricing

# US APA report for 2025 highlights sustained demand amid a growing backlog

April 9, 2026

## In brief

### What happened?

The IRS Advance Pricing and Mutual Agreement Program (APMA) issued its 27th Annual [Statutory Report Concerning Advance Pricing Agreements](#) (APAs) on March 30. The report reflects a decline in executed APAs, with 110 APAs finalized in 2025, down from 142 in 2024 and a record 156 in 2023. At the same time, APA applications increased to 178 (from 169 in 2024), indicating continued taxpayer demand for the program.

Meanwhile, pending APA inventory increased to 622 cases, continuing an upward trend and reflecting a growing backlog.

### Why is it relevant?

The APA program remains a key tool for achieving transfer pricing certainty, particularly as the global tax landscape becomes increasingly complex. However, the 2025 data highlights a growing tension: while taxpayer demand for the program remains strong, execution levels have declined, which could lead to longer processing times and increased pressure on APMA resources.

**Observation:** The widening gap between applications, inventory, and executed APAs — possibly influenced in part by the record-breaking government shutdown — suggests that current completion levels may not be keeping pace with demand. If this trend continues, taxpayers could experience longer

lead times and greater selectivity in the evaluation of APA proposals. In 2023, LB&I issued interim guidance on the review and acceptance of APA submissions (reissued in April 2025 as LB&I-04-0425-0005 and subsequently incorporated into [IRM 4.60.3](#)), which establishes a formal screening process to evaluate whether an APA is the most effective path to certainty or whether an alternative workstream, such as ICAP or a joint audit, may be more appropriate. See PwC's May 10, 2023 [Tax Insight](#).

## Action to consider

Since APMA is managing a record 622 pending cases and executed fewer APAs in 2025, taxpayers should consider engaging early with advisors and submitting a prefiling memorandum to assess the likelihood of acceptance before filing a formal APA request.

## In detail

### Lower APA execution volumes and increase in processing times

In 2025, of the 110 APAs that were executed, 90 were bilateral, continuing the program's emphasis on coordinated tax certainty. India and Japan were the most popular counterparties in executed bilateral APAs, accounting for 35% and 25%, respectively. The report also highlights that 50% of executed APAs were renewals, down from 58% in 2024.

Processing times increased, with the median time to complete an APA at 41.6 months in 2025, compared to 33.5 months in 2024. While this reflects a slight increase, the number of withdrawn APAs decreased to 10 in 2025, down from 17 in 2024.

**Observation:** The increase in median processing time to 41.6 months from 33.5 months in 2024 is notable, though it remains shorter than the processing times reported in 2022 and 2023. One contributing factor could be the shift in the mix of executed APAs because renewals, which are generally faster to complete, accounted for 50% of executed APAs in 2025, down from 58% in 2024, meaning a greater share of executed APAs were new cases. At the same time, the number of withdrawn APAs fell to 10 from 17 in 2024, which could indicate that APMA's screening procedures are helping to filter out cases less suited for the APA process before significant resources are invested. Whether the longer processing times reflect a sustained trend or a single-year fluctuation, potentially influenced by the government shutdown, should become clearer with future reports.

### APA filings increase slightly, pending inventory continues to grow

In 2025, the IRS received 178 complete APA applications, an increase from 169 in 2024. Additionally, APMA received 31 user fee submissions that were not yet accompanied by substantially complete APA applications as of year-end 2025, indicating an active pipeline of in-progress cases.

The total number of pending APAs at the end of 2025 was 622, up from 560 at the end of 2024. As in previous years, pending bilateral APAs were heavily concentrated among a few jurisdictions: Japan (27%), India (21%), and Canada (11%) together representing the majority of the inventory.

## India leads bilateral APA activity, Japan remains largest in pending inventory

The 2025 APA report reflects a continued shift in counterparty distribution among executed bilateral APAs. India accounted for the largest share at 35%, overtaking Japan at 25%. Canada accounted for 11%, while Germany and Korea each accounted for 5%. All other countries (including Ireland, Switzerland, the United Kingdom, and others) represented the remaining balance of executed bilateral APAs.

Among bilateral APA applications filed in 2025, India (26%) slightly exceeded Japan (24%), followed by Italy (8%) and Canada (7%). This pattern is somewhat different from prior years but still reflected in the pending bilateral APA inventory, where Japan held 27% of cases, India 21%, and Canada 11%. The remaining balance of pending bilateral APAs are distributed among countries such as Mexico, Korea, Italy, Germany, the United Kingdom, and others.

## Bilateral APAs continue to dominate filings and executions

Of the 178 APA applications filed in 2025, 153 (86%) were bilateral, 23 (13%) were unilateral, and two (1%) were multilateral.

Among the 110 APAs executed in 2025, 90 (82%) were bilateral in nature. Notably, APA renewals made up 50% of all executed APAs. In 2025, a total of 55 renewals were executed, including 39 bilateral, 13 unilateral, and three multilateral.

The growing volume of renewals and the high share of bilateral activity continue to emphasize the APA program's core function in providing prospective certainty and reducing transfer pricing disputes.

## Types of transactions covered in APAs

In 2025 there was a shift in transaction patterns, with services representing the largest category of covered transactions, involved in 53% (30% involving provision by a non-US entity and 23% by a US entity) of executed APAs. Tangible goods transactions were covered in 28% (20% inbound and 8% outbound), while 17% involved intangible property.

**Observation:** The [OECD's final report on Amount B](#) confirms that APAs agreed to before its implementation will take precedence for in-scope transactions (See PwC's [Tax Policy Bulletin](#)). While the United States has issued guidance that incorporates Amount B concepts as an elective safe harbor, broader adoption remains limited and dependent on jurisdictional implementation.

## Industries covered in APAs

Executed APAs in 2025 covered six general industry segments: wholesale/retail trade (29%), services (25%), manufacturing (20%), management (15%), finance, insurance, and real estate (7%), and all other industries (4%). Compared to 2024, wholesale/retail trade became the largest segment, while manufacturing represented a smaller share and services and management increased their relative importance.

## TPMs and PLIs: CPM and OM still dominate

Consistent with the long-standing history of the APA program, the comparable profits method (CPM) / transactional net margin method (TNMM) remained the most widely used transfer pricing method (TPM) in APAs executed in 2025. CPM/TNMM was applied in 86% of APAs involving transfers of tangible and intangible property and applied in 83% of APAs involving services transactions.

The operating margin (OM) continued to be the most frequently used profit level indicator (PLI) in CPM/TNMM applications for tangible and intangible property transfers, utilized in 57% of these cases. For services transactions using the CPM/TNMM, OM and operating profit to operating expense remained the dominant PLIs, applied in 66% of cases.

**Observation:** The 2025 report continues to show no explicit breakdown of the number of APAs using alternative methods such as the residual profit split method (RPSM). However, the data reinforces that CPM/TNMM with OM remains the benchmark TPM of choice for the IRS in both property and service transactions.

## Ranges and adjustment mechanisms

Most transactions covered in APAs executed in 2025 targeted a result within the interquartile range, as defined by US transfer pricing regulations. For royalty transactions involving the use of intangible property, the report notes that both specific royalty rates and ranges were used. In cases where the license of intangible property involved royalty payments based solely on external comparable uncontrolled transactions, a secondary or confirming method, such as testing the post-royalty operating margin or cost-plus markup, also has been used.

To ensure compliance, the IRS continued to apply multiple adjustment mechanisms when the tested party's results fell outside the agreed range or failed to meet the specific point required in the APA. These included:

- Adjusting the tested party's results for a single year to the closer edge of the range or to the median;
- Adjusting the results over the entire APA term to either the closer edge or the median of the range;
- Adjusting results to a specific royalty rate or point as stated in the APA.

## APA terms

Just under 40% of the APAs executed in 2025 had a five-year term, which remains the standard term length under Rev. Proc. 2015-41. The longest APA term executed was 15 years, while 13 APAs had terms shorter than five years. The average term-length across all APAs was six years, consistent with prior years. Notably, 23% of the APAs executed in 2025 included rollback years, down from 28% in 2024.

**Observation:** As in past years, APA terms in 2025 generally fell around five years.

## The takeaway

APAs continue to offer significant benefits for taxpayers seeking greater tax certainty, particularly in an increasingly complex and globalized environment. The APA program remains a valuable tool in reducing transfer pricing disputes and fostering cooperative relationships with tax authorities. Although 2025 execution volumes declined and pending inventory increased, the program continues to attract taxpayers as an important mechanism for prospective certainty. While government resource constraints and rising inventory levels could present challenges, taxpayers should not be discouraged from considering the APA process. Instead, taxpayers pursuing an APA should engage proactively with their advisors to assess an appropriate path forward.

## Let's talk

For a deeper discussion of the US APA report for 2025 and the potential impact for your business, please contact:

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