



December 2025

Message from Charles River Associates' Global Transfer Pricing Team

The Charles River Associates (CRA) global transfer pricing team would like to express our sincere gratitude to our clients, both law and accounting firm partners, for their continued trust and collaboration throughout 2025.

This past year has been marked by both opportunities and challenges in the global tax landscape. In the United States, 2025 brought major developments in high-profile transfer pricing disputes, including Facebook/Meta, Perrigo, 3M, and Medtronic. Simultaneously, escalating tariffs and trade tensions have placed a renewed focus on global supply chains, pricing structures, and tax planning, while the continuous demand for Advance Pricing Agreements (APAs) underscores taxpayers' demand for certainty in an environment of heightened scrutiny.

Despite this rapidly changing environment, our team has remained focused on providing thoughtful, fact-specific, data-driven solutions tailored to the unique needs of each client. We strive to support clients through uncertainty with clarity and confidence, reinforcing the strong relationships at the heart of our practice.

As we look ahead to 2026, we remain committed to delivering high-quality insights, proactive planning, and effective dispute resolution to address the transfer pricing challenges our clients face worldwide.

Best regards,

Your CRA Transfer Pricing Team

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Welcoming two new VPs

In 2025, we proudly welcomed two new vice presidents, **Dr. Gene Tien** and **Dr. Arin Mitra**, strengthening the team's expertise and leadership.



Dr. Gene Tien brings more than twenty-five years of experience advising US and global multinationals on intercompany pricing and the economic valuation of intangible property. Prior to joining Charles River Associates, Gene held senior economist roles at Baker & McKenzie and at a Big Four firm. He has participated in the successful conclusion of tax disputes, rulings, and bilateral arrangements in the US, and across Europe and Asia.



Dr. Arin Mitra is a seasoned transfer pricing advisor with more than thirty years of experience. Before joining Charles River Associates, Arin served as a Lead Tax and Transfer Pricing Principal at a Big Four firm, where he led global engagements and more than fifty bilateral APAs across major jurisdictions. He has over 30 years of experience working with all facets of transfer pricing including planning, implementing, and defending transfer prices for large multinational corporations, primarily in the life sciences, technology, and branded consumer products industries.

The addition of Dr. Gene Tien and Dr. Arin Mitra represents an exciting step in the expansion and advancement of Charles River Associates' transfer pricing team.



Look back on 2025

Our global transfer pricing team had a highly successful 2025, presenting new topics, working on a wide variety of new projects, and resolving cases and negotiations. In addition, several team members received recognition by a reputable international publication for their work in transfer pricing. We look back on these projects, accolades, and conferences below:

Sample projects



Global benchmarking and documentation

CRA was engaged by various multinational clients to assist with global benchmarking and documentation, utilizing the team's expertise in transfer pricing compliance to develop annual updating strategies and country-specific reports. CRA consultants led geo-regulatory risk assessments, financial segmentation, and preparation of OECD Master File, Local Files, and various country reports. In addition to conducting comprehensive benchmarking for Brazil's new transfer pricing regulations, we provided timely insights on emerging industry trends to aid clients with decision-making.



Customs and transfer pricing

CRA assisted clients by preparing analyses that addressed both transfer pricing and customs valuation requirements for US imports in response to changing tariff regulations.



Offshoring / onshoring analyses

CRA supported US companies in evaluating their international operations resulting from growth and acquisitions, focusing on economic substance abroad, intellectual property usage, and expansion opportunities. Working alongside tax advisors globally, CRA offered comprehensive global transfer pricing guidance.



M&A advisory

In 2025, CRA advised acquirers and targets in M&A transactions by offering expertise in pre-deal structuring, due diligence, and post-acquisition integration. Our work included transfer pricing policy planning, legal entity rationalization, valuation, and consulting on tax liability insurance.



Quarterly provision assistance

CRA assisted a client in integrating transfer pricing policies into the quarterly tax provision process by aligning business unit forecasts from FP&A with legal entity-specific forecasts and incorporating transfer pricing adjustments. Our team also regularly prepared quarterly TP calculations and reviews for our clients.



Tax and commercial dispute litigation support

CRA's team supported Fortune 100 companies and other clients in transfer pricing and related tax litigation, including expert reports, depositions, and testimony. Our work spanned US federal, state, and chancery courts, as well as international courts and international arbitration across multiple industries such as life sciences, technology, retail, automotive, oil, and insurance.



APA and MAP

CRA consultants worked with clients and their legal teams in conducting economic analysis and managing negotiations during the Advanced Pricing Agreement (APA) and the mutual agreement process (MAP) for resolving international tax matters. This included notable cases with the US and Indian tax authorities involving services, and the US authorities regarding compensation for procurement.



Global TP audit support

CRA supported clients across multiple countries in navigating tax audits involving issues such as benchmark comparables, intellectual property valuation, business restructuring, and financial transactions. These disputes were resolved through various forums, including field audit, Appeals, MAP, APA, and international arbitration.



Transfer pricing technical secondment

CRA provided skilled professionals to support multinational companies' transfer pricing departments during critical periods of high workload. Our experts worked alongside internal staff, managing daily analyses, compliance documentation, and urgent tasks, enabling client teams to concentrate on strategic priorities.



Intercompany financing transaction analyses and litigation support

CRA has handled several litigation cases related to intercompany financing by conducting synthetic credit rating analyses, developing quantitative credit risk models, and identifying internal and external comparables. The work included examining bond yields, interest-rate structures, and making necessary adjustments for factors such as tenor, liquidity, contract terms, and market conditions to ensure robust arm's-length analyses.



Looking ahead to 2026

Based on industry trends and our experience in 2025, we believe the following will be some key areas of focus in transfer pricing for 2026:

- 1 Changes in business, such as AI, and the rise of cryptocurrency, may impact value drivers for the business and the role that various legal entities play in the business.
- 2 Compensation for 'high-value' or 'above market' intragroup services may increasingly be an area of scrutiny.
- 3 Public Country-by-Country Reports (CbCR) to be filed by in-scope companies for the first time.
- 4 Tariffs will continue to be forefront in supply chain reorganization discussions.

Rapid advancements in AI, automation, and the continued maturation of cryptocurrency and blockchain-based business models are reshaping where value is created within multinational groups. These developments may alter traditional value drivers, shift decision-making authority, and change the functional profiles of legal entities across the value chain. Taxpayers should revisit how value is created, managed, and rewarded across their organizations to ensure that their transfer pricing frameworks remain aligned with evolving commercial realities.

The Organisation for Economic Co-operation and Development (OECD) representatives announced that they are developing additional guidance on **"high-value services"** through revisions to Chapter VII of the OECD Transfer Pricing Guidelines, which covers transfer pricing guidance for intragroup services.¹ The draft could be available as early as spring 2026. This follows additional guidance from His Majesty's

¹ <https://www.taxjournal.com/articles/transfer-pricing-high-value-intragroup-services->

Revenue and Customs in the UK on the potential compliance risks, risk indicators, and best practices for “above market intragroup services.”

Public CbCR was introduced by the European Union and Australia for fiscal years beginning after June 22 or July 1, 2024 respectively for in-scope multinational companies. For most companies that operate on a calendar year basis, these public reporting requirements will apply for the first time for the year that started January 1, 2025. There is variation in the exact implementation date, deadline and form by country. Therefore, companies are encouraged to consider the practical and reputational implications of these new public reporting requirements, including data needs, diagnostic analyses, disclosure methodology, disclosure location options and the ability to supplement the data with business context.

The **new tariff system** impacted over 90 percent of US imports in 2025.² The inbound tariff system includes a global baseline tariff, product specific tariffs, and tariffs on imports from countries with large trade deficits. Inherent tensions between transfer pricing and valuations for customs purposes have been magnified by higher tariffs prompting multinational firms to undertake multi-stakeholder reassessments of their intercompany pricing and supply chains.

We saw that in 2025 **transfer pricing audits** were characterized by intensified scrutiny from tax authorities, with a strong emphasis on digital data and technology, and the need to demonstrate economic substance amid evolving global regulatory frameworks. The IRS's Notice 2025-04 allows taxpayers to elect the **Simplified and Streamlined Approach (SSA)** as a safe harbor for certain baseline activities.³ To tackle the increasing number of disputes, the IRS launched three pilot programs in 2025 aimed at expanding and enhancing its **Alternative Dispute Resolution (ADR)** processes, primarily focusing on the existing Fast Track Settlement (FTS) and Post-Appeals Mediation (PAM) programs.⁴ The purpose of these programs is to encourage taxpayers to resolve their disputes more efficiently and earlier in the process outside of formal litigation. Additionally, the IRS has expanded the applicability of its existing Accelerated Issue Resolution (AIR) process, which is a voluntary ADR program, to include all large corporate compliance cases.⁵

As 2026 approaches, multinational corporations should monitor ongoing impacts of geopolitics, increasing regulatory scrutiny driven by new transparency initiatives, and the growing role of advanced technology and data.

² <https://www.nytimes.com/interactive/2025/11/05/business/economy/trump-tariffs-us-imports.html>.

³ <https://www.irs.gov/pub/irs-drop/n-25-04.pdf>.

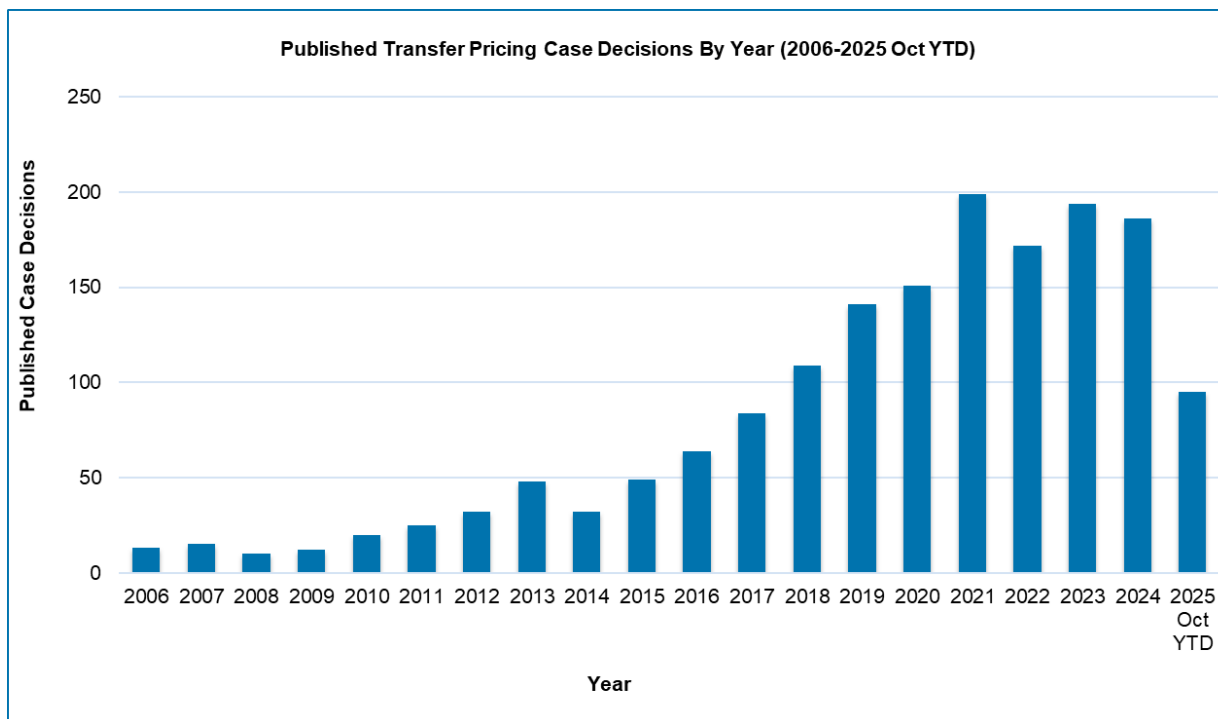
⁴ <https://www.irs.gov/newsroom/irs-initiates-fast-track-settlement-pilot-programs-in-effort-to-make-alternative-dispute-resolution-faster-and-easier>.

⁵ <https://www.whitecase.com/insight-alert/irs-expands-use-adr-programs-resolve-tax-disputes-and-other-newsworthy-procedural>.



Transfer pricing court case trends

Transfer pricing issues are increasingly being decided by the courts. Our team reviews and catalogs transfer pricing court decisions as they are published.⁶ Based on this dataset, the number of published decisions has increased from less than 50 per year before 2015 to over 150 per year in the past five years, including nearly 100 published US and non-US decisions year to date (YTD) through October of 2025.



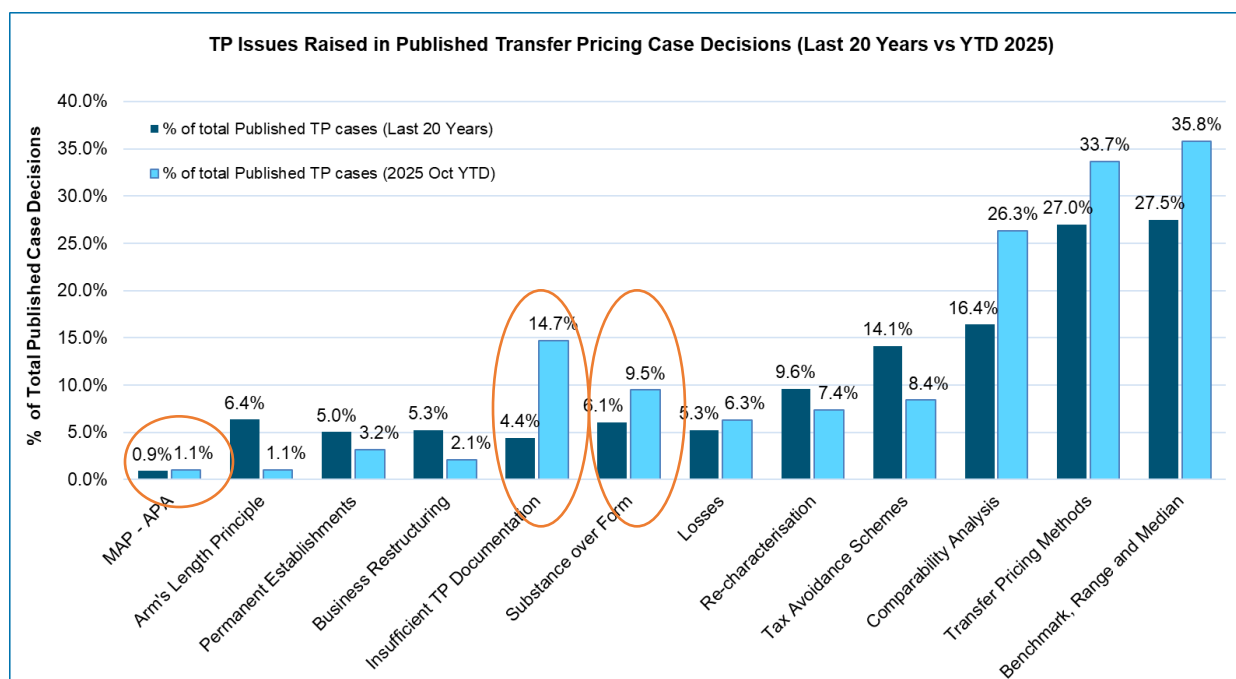
The cases provide valuable insights into how courts have resolved disputes involving a variety of transaction types and issues across over 80 jurisdictions. Transactions involving intangible property remain the most common topic, accounting for 36 percent of cases in the past 20 years, closely followed by financial transactions which are the focus of 31 percent of cases. Issues surrounding services (23 percent) and tangible goods (10 percent) make up the remaining case population.

As shown in the figure below, the top three issues most frequently raised in transfer pricing case decisions over the past 20 years and YTD 2025 remain the same:

- 1 benchmark, range, and median;
- 2 transfer pricing method selection; and
- 3 comparability analysis.

⁶ Data is collected from a variety of public sources including news publications, legal databases, and other sources such as TPcases.com and may not include the full universe of global transfer pricing cases.

However, several other topics are swiftly moving up the ranks. Specifically, the issue of **insufficient TP documentation** has moved seven spots to become the fourth most common, followed by **substance over form**. Reassuringly for taxpayers, questions surrounding **MAP and APA** have remained at the very bottom of the list.



Several recent US and non-US case decisions are summarized below.

Facebook Inc. v. United States: In 2010, Facebook US entered a **cost-sharing arrangement** with its Irish affiliate, granting the affiliate rights to Facebook US' platform outside the US and Canada. Facebook valued the territorial platform rights at \$6.3 billion on a net present value (NPV) basis. The IRS selected the income method to value the platform and determined a value of \$19.9 billion on a NPV basis. Facebook argued that the IRS' income method was inappropriate because both parties made nonroutine contributions and, even if applicable, the IRS had used flawed **valuation assumptions** such as overstated revenue projections, an unjustified discount rate, and unrealistic cost-sharing alternatives. Facebook also challenged the validity of the 2009 cost-sharing regulations and claimed that its Irish affiliate's returns were within the permissible range. The US Tax Court upheld the 2009 cost sharing regulations and agreed with the IRS that the income method was appropriate since only Facebook US provided a nonroutine contribution but found the IRS' inputs unreliable. The final valuation was reduced to USD 7.8 billion on a NPV basis, confirming the IRS' authority to adjust the transaction, while requiring corrected assumptions.

Perrigo Co. et al. v. United States: Perrigo assigned its rights under a third-party supply and distribution agreement specific to its *omeprazole* product to Perrigo Israel, an Israeli reverse hybrid, and its sole member, Perrigo LLC, formed in Delaware. The transfer price was determined under the cost plus method. The IRS asserted that Perrigo's assignment of the contract lacked **economic substance**, was without a **business purpose**, and should be disregarded under those common-law doctrines, re-attributing all *omeprazole* income to Perrigo's US entities, adding penalties and interest. The US District Court for the Western District of Michigan ruled mostly in favor of Perrigo, finding that its transactions with an Israeli affiliate did not lack economic substance and had a business purpose beyond tax avoidance. The court also found that the IRS' penalties were not appropriate.

SASU A. Menarini Diagnostics France v. France: A French subsidiary of an Italian group purchased products from related parties for resale. The French entity had **consistently reported operating losses**, despite the relevant business lines being profitable. At the conclusion of an audit, the French Tax Administration determined that the local distributor had overpaid for products purchased from two related Italian entities, Menarini IFR and AMDI. For transactions with Menarini IFR, the Supreme Administrative Court annulled the adjustment based on a failure by the tax authority to adequately analyze and attribute expenses recorded by the French subsidiary. For transactions with AMDI, the court upheld the adjustment based on the use of **one internal comparable price** by the tax authority and did not base its decision solely on the recurring losses.

Sony India Pvt. Ltd. v. India: The case addressed several transfer pricing issues, including **advertising, marketing and promotion (AMP) expenses, royalty payments, advisory services, and interest on receivables**. The Income Tax Appellate Tribunal rejected the AMP expense and intensity-based adjustments as applied by the Indian tax authority, confirming these methods are not recognized under Indian law and deleted related adjustments. For the royalty, the tax authority determined that the arm's length price should be zero under the Comparable Uncontrolled Price (CUP) method, on the basis that the manufacturing subcontractors, rather than Sony India, should have paid the royalty. The Tribunal rejected this approach, emphasizing that commercial necessity cannot be questioned and adjustments must rely on valid comparables. For advisory services, the Tribunal adjusted the set of comparable companies and highlighted an error by the **tax authority in not evaluating comparables** proposed by the taxpayer. The Tribunal also held that interest on outstanding receivables must be recalculated only for the relevant assessment years, rejecting the tax authority's broader computation.

"Tobacco BV" v. Netherlands: Among other issues, the case dealt with **compensation for the termination of licensed rights** of a subsidiary, which had expired but continued to be exploited by a UK affiliate of the British American Tobacco group, without receiving compensation. These rights had been included in a Dutch entity's equity in 2008 for €1 billion. The North Holland District Court ruled that the Dutch entity was not compensated when the rights were transferred to the UK affiliate of the British American Tobacco group.

Vulcanair s.p.a. v. Italy: The taxpayer had used the CUP method to determine the pricing of its controlled transactions. The Italian Revenue Agency set aside the CUP method and applied the cost plus method instead. The Supreme Court dismissed the tax authority's appeal and ruled for the taxpayer. The Supreme Court noted that while the original OECD Guidelines (published in 1995), which stated a preference for the CUP method, have been superseded by subsequent versions, **there remains an implicit preference for the CUP method**, entailing a specific obligation to justify the reasons for preferring other methods.

In addition, the widely discussed 3M and Medtronic cases are continuing their journey through the US courts. In **3M Co. v. Commissioner**, the US Court of Appeals reversed the earlier Tax Court decision rejecting the reallocation of unpaid royalties that Brazilian law prevented 3M Brazil from paying and remanding the case to the Tax Court to determine the amount of 3M's tax liabilities for the year at issue. For **Medtronic Inc. v. Commissioner**, the Eighth Circuit vacated the prior Tax Court decision, ruling that neither the Comparable Uncontrolled Transaction (CUT) method nor the unspecified method were appropriate for the facts in question, and directed the Tax Court to reconsider the CPM under the correct legal standard and make detailed factual findings on comparability, asset bases, and risk adjustments.



Global regulatory and legislative update



CRA Insights: GLAM in the US and Key TP Updates in the UK, Germany, and Malaysia

In our [CRA Insights issued in February, 2025](#), we highlighted significant global transfer pricing updates, including the IRS's new Generic Legal Advice Memorandum (GLAM) and developments in the UK, Germany, and Malaysia. The excerpt below focuses on the GLAM, which reaffirms the IRS's authority to make periodic adjustments under the commensurate with income (CWI) standard when actual results diverge from projections. The memo emphasizes that arm's-length compliance alone does not prevent CWI-based adjustments and that actual outcomes may be determinative when no regulatory exceptions apply. In practice, the GLAM underscores the importance of ongoing monitoring of intangible returns and strong contemporaneous documentation anticipating potential CWI scrutiny.

For more detail on the GLAM and recent regulatory updates in the UK, Germany, and Malaysia, please refer to our full [CRA Insights](#) or contact the authors, [Robin Hart](#) and [Haruka Abe](#).



UK

In addition to the guidance published by HMRC in the UK noted above, in November 2025 HMRC released [“Transfer pricing operational guidance: Evidence gathering: Searching for comparables: range of results.”](#) This guidance places stronger emphasis on the use of the interquartile range and expresses a preference for adjusting to the median of the comparable set when the tested party's result falls outside the range.

While it provides welcome clarification, the guidance does not represent a substantive departure from either the OECD Guidelines or prevailing practitioner experience, but rather reinforces the approach that was already widely applied which aligns with the US regulations.

For more information about the latest UK transfer pricing landscape, please contact [Paul Wilmshurst](#).



Canada

The 2025 Canadian Federal Budget (Budget 2025), published in November 2025, includes proposed legislative changes to modernize Canada's transfer pricing regime under Section 247 of the Income Tax Act (ITA). The proposed changes will be effective for taxation years beginning after November 4, 2025.

Specially, Budget 2025 allows the Canada Revenue Agency to adjust the *“quantum and nature”* of the related transaction or series of transactions, when such transaction(s) occurred under *“actual conditions different from arm's length condition,”* with non-resident related parties. As the Budget 2025 codifies the concept of “arm's length conditions” as *“not only the contractual terms... but also other ‘economically relevant characteristics’, including the conduction of the participants,”* it clearly emphasizes a focus on the economic substance of controlled transactions.

Additionally, Budget 2025 proposes key administrative changes, specifically increasing the penalty threshold for transfer pricing from CAD 5 million to CAD 10 million, while concurrently reducing the taxpayer's required response period for compliance documentation from three months to just 30 days.

For more information about the latest Canadian transfer pricing landscape, please contact [David Kemp](#).

European Union

In October 2025, the European Commission (EC) published its 2026 Work Programme, signaling a boarder shift in the European Union's (EU) tax policy agenda towards simplification and harmonization. Specifically, the Work Programme withdrew the previously proposed "council directive on transfer pricing" that aimed to uniformly embed a set of transfer pricing rules across Member States of the EU. By doing so, the EC signals that while TP remains on the agenda, the path forward will emphasize coordination and administrative coherence, rather than substantial new directives at this stage.

For multinational groups operating across the EU, the status quo persists, and Member States will continue to apply their domestic transfer pricing rules, each interpreting and implementing the OECD Guidelines within its own legal and administrative framework.

Israel

In 2025, the Israel Tax Authority (ITA) and the Ministry of Finance issued new guidance to clarify the treatment of local research and development (R&D) centers and intra-group intangible property transfers, in addition to implementing the OECD Pillar Two Qualified Domestic Minimum Top-Up Tax (QDMTT).

The ITA's Circular provides detailed parameters under which Israeli R&D entities may qualify for cost-plus treatment with reduced audit risk. Entities performing contract R&D exclusively for foreign affiliates, with no ownership of IP or unrelated assets, may apply a simplified cost-plus remuneration model if they meet specified operational and substance criteria. Complementary draft guidance issued earlier in 2025 outlines expectations for IP transfers and post-acquisition restructuring, emphasizing that transfer pricing outcomes must reflect functional control and contributions to DEMPE (development, enhancement, maintenance, protection, and exploitation) activities. The proposed Pillar Two legislation, though primarily focused on global minimum tax rules, is expected to interact with transfer pricing by influencing profit allocation, the intercompany pricing of IP, and the effective tax rate calculations across jurisdictions.

Australia

In 2025, the Australian Taxation Office (ATO) released two draft Practical Compliance Guidelines (PCG) on transfer pricing. The PCG 2025/D2, released in May 2025, outlines the ATO's compliance approach regarding the arm's-length nature of inbound, cross-border related party financing arrangements under the newly revised thin capitalization and transfer pricing provisions.

This guidance establishes that the arm's-length principle must now apply to the amount of debt, not just the interest rate. PCG 2025/D2 introduces a comprehensive risk assessment framework, categorizing arrangements into zones (White, Green, Blue, Red) based on factors such as options realistically available to the borrower, funding purpose, group policy, cost of funds, guarantees, covenants, leverage ratios, and debt serviceability. Taxpayers must maintain annual transfer pricing documentation demonstrating commercial rationale, serviceability, and arm's-length debt levels for all ongoing financing arrangements.

Additionally, PCG 2025/D4, released in August 2025, provides the ATO's compliance approach for cross-border software arrangements, particularly assessing whether software related payments constitute royalties subject to withholding tax. It applies only to low-risk transactions (e.g., off-the-shelf software or embedded programs) and adopts a simplified two-zone model (White and Green). Together, these two PCGs reinforce Australia's move toward qualitative, risk-based compliance management, requiring taxpayers to demonstrate economic substance, maintain robust contemporaneous documentation, and anticipate heightened scrutiny over both intercompany financing and digital intangibles.

Industry recognition

Rebel Curd, **David Kemp**, **Anna Soubbotina**, **Gene Tien**, and **Arin Mitra** have been recognized by industry publications. As a group, **CRA's Transfer Pricing** consultants have been recognized for their expertise for more than a decade.

Conferences

- ▶ Robin Hart spoke at conferences on the following topics:
 - a. **"Successful Approaches to Valuation of IP."**
 - b. **"Bridging Borders: Navigating US and European Regulatory Challenges in IP Valuation Approaches."**
 - c. **"TP Planning and Value Creation M&A Transactions – Latest Experiences."**
 - d. **"Tax Planning for Customs Duties and §1059A."**
- ▶ David Kemp spoke on **"Industry Panel: Pragmatic Approaches to Transfer Pricing."**
- ▶ Anna Soubbotina spoke at conferences on the following topics:
 - a. **"Transfer Pricing: Recent Developments in Mitigating Transfer Pricing Risk."**
 - b. **"Stream B: Risk adjustments for routine returns – methods for improving comparability."**
 - c. **"Successfully planning for transfer pricing audits and transactions in 2025."**
 - d. **"Recent Trends in Tax Court Litigation."**
 - e. **Inaugural Thought Leaders⁴ Transfer Pricing Circle**
- ▶ Rebel Curd spoke on **"Dealing with tax controversy – changes in tax audits around the globe."**
- ▶ Gene Tien presented on the following topics:
 - a. **"Essential and practical supply changes to make in a shifting economic and political landscape."**
 - b. **"Transfer Pricing Developments."**
 - c. **"Gripping the TP Challenges of Global Mobility, Profit Allocation and PEs."**

Let's talk

Tax authorities are placing greater emphasis on whether transfer pricing outcomes reflect the true substance of intercompany arrangements. At the same time, evolving customs and tariff rules are adding new variables that increase compliance complexity. Defensible documentation, backed by proactive planning and continuous monitoring, is critical to managing today's transfer pricing landscape.

Our team can help you take a forward-looking approach by assessing your overall transfer pricing framework, identifying emerging risks, and evaluating the tax and operational impacts of all types of intercompany transactions including loans, cross-charges, supply-chain changes, and restructurings.

Contact us to begin discussing a customized package of transfer pricing analysis proposals tailored specifically for your business needs.

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