



TRANSFER PRICING

2024 US APA report – India tops Japan in executed BAPAs for first time, multilateral APA trend, and speedier processing of BAPAs

Tax Alert

Overview

The Internal Revenue Service released Announcement 2025-13, the advance pricing agreement (APA) annual report dated March 27, 2025, covering the activities of the Advance Pricing and Mutual Agreement (APMA) Program during calendar year 2024. The annual report provides a summary of recent APA developments in the APMA Program and a statistical snapshot of the program's APA activities during 2024. This alert covers highlights of the 2024 APA annual report.

On March 27, 2025, the Internal Revenue Service released [Announcement 2025-13](#), its advance pricing agreement (APA) annual report covering the activities of the Advance Pricing and Mutual Agreement (APMA) Program during calendar year 2024. The annual report is issued under section 521(b) of Pub. L. 106-170, the Ticket to Work and Work Incentives Improvement Act of 1999, which requires the Secretary of the Treasury to report annually to the public on APAs and the APMA Program.

The annual report provides a summary of recent APA developments in the APMA Program and a statistical snapshot of the program's APA activities during 2024. As discussed below, during 2024 the IRS executed a near record number of APAs and received a substantial number of APA requests.

Globally, transfer pricing enforcement is expected to continue to increase throughout the world. Consequently, the certainty provided by APAs will continue to play an important role in transfer pricing risk management.

Statistical highlights of the 2024 APA annual report include the following:

Record number of completed APAs

During 2024, APMA closed 142 APAs (13 unilateral, 119 bilateral, and 10 multilateral), compared to the record 156 APAs in 2023. Initial APAs constituted 42% of total APAs executed, whereas renewal APAs constituted 58% of total APAs executed, indicating continued strong interest by taxpayers that did not previously have APAs.

Of the APAs executed in 2024, 28% included rollback years. It is likely that a significant portion of APAs with rollback years resolved transfer pricing audit activity involving either the IRS or the tax authority of a treaty partner.

High level of incoming APA requests

The IRS received approximately the same number of APA applications in 2024 compared to 2023. The IRS received 169 APA applications (21 unilateral, 142 bilateral, and six multilateral) in 2024, whereas in 2023 it received 167 APA applications. In addition, as of December 31, 2024, APMA had received 42 user fee filings (20 more than the prior year) that were not yet accompanied by substantially complete APA applications.

Treaty partners involved in filed bilateral APA requests

In 2024 Japan accounted for 32% of bilateral APA requests filed, the largest share of any country. India accounted for 26%, the second largest share of any country. Canada accounted for 10%.

Other countries accounting for meaningful percentages of filed, pending, or completed APAs with the United States are France, Germany, Italy, Korea, Mexico, the Netherlands, Switzerland, and the United Kingdom.

The share of India and Italy APA requests continues to increase, which is not surprising as, in our experience, these countries are known for high levels of transfer pricing enforcement.

Treaty partners involved in executed bilateral APAs

For the first time since the IRS started to report more detailed information on executed APAs in 2012, Japan did not top the list of executed US bilateral APAs. India achieved the top spot with 29% of US bilateral APAs (translating to approximately 35 APAs) with Japan dropping to the second spot at 23% (approximately 27 APAs). Thus, slightly more than 50% of the total number of bilateral APAs executed in 2024 involved bilateral APAs with either Japan or India. Italy and Canada took the next two spots with 11% and 6%, respectively.

Multilateral APA breakthrough

Remarkably during 2024, the IRS executed 10 multilateral APAs - equal to the number of such APAs executed over the prior 10 years. We expect that such success with multilateral issues augurs increased interest in multilateral APAs beyond global trading multilateral APAs.

Months to complete APAs – much reduced processing times for bilateral APAs

In 2024, the median time to complete a bilateral APA was 34.8 months compared to the 2023 median processing time of 42.6 months, which is approximately eight months faster than in 2023 and the fastest bilateral APA processing time in at least a decade. While short of the 24-month goal established by the OECD¹, we are hopeful that it is a harbinger of continued

improvement. Processing times are highly dependent on the treaty partner involved.

The median time to complete a unilateral APA was 29.3 months compared to the 2023 median processing time of 31.6 months.

Taxpayers renewing APAs also benefitted from faster processing times for their APA requests. For renewal unilateral and bilateral APAs, the median processing time was 30.8 months, compared to the median processing time for new unilateral and bilateral APAs of 40.8 months.

APA inventory remains approximately the same as last year

The APMA Program had 560 cases in active inventory at the end of 2024: 51 unilateral APAs, 485 bilateral APAs, and 24 multilateral APAs. This represents a small increase of two pending APAs compared to the number at the end of 2023, when there were 558 cases in active inventory. Approximately half of the pending bilateral APA requests involve either Japan or India.

Term length of APAs (including rollback years)

Of the 142 APAs executed in 2024, 56 cases had a five-year term including rollback years, while 70 cases had terms of six years or longer. The average term length in 2024 was six years. In our experience, the APMA Program and foreign competent authorities are willing to extend the standard APA term of five years when additional years are needed to address difficult results during a rollback period and/or completed APA years, or to provide some prospectivity in cases when the APA request took a long time to complete. Further, in the context of renewal APAs that were handled expeditiously, the APMA Program has shown a willingness to accept APA terms longer than five years.

Staffing

As reported in the annual report, as of December 31, 2024, the APMA Program consisted of one director, three assistant directors (each of whom oversees four managers who lead teams comprised of team leaders and economists that have responsibility for multiple countries), 12 managers, 76 team leaders, and 35 economists. The total number of personnel at APMA at the end of 2024 was 127, up from 115 at the end of 2023. Notably, staffing is geographically diverse with offices not only in Washington DC, but also in northern and southern California, Florida, and the Boston, Chicago, Denver, New York, and Seattle metropolitan areas. This geographic diversity allows the IRS to take advantage of available talent outside of its Washington DC headquarters.

Cancellations, revocations, and withdrawals

No APAs were cancelled or revoked during 2024. 17 APA requests (two unilateral and 15 bilateral) were withdrawn in 2024, which is higher than the 13 withdrawn cases in 2023.

APAs executed by industry

In 2024, manufacturing and wholesale/retail trade accounted for 30% and 27%, respectively, of the total number of executed APAs. Within the wholesale/retail trade industry, merchant wholesalers of durable goods were most common (approximately 54% of such cases). Over the last two years, we have observed higher levels of financial services industry APAs executed compared to the past.

Covered transactions and transfer pricing methods

43% of the transactions covered in APAs executed in 2024 involved the provision of services, 33% involved the sale of tangible goods, 22% involved the

use of intangible property, and 2% involved other types of covered transactions. APAs often cover more than one type of transaction, and the APA report is believed to classify the APA based on the predominant covered transaction.

The comparable profits method (CPM) was used to evaluate 78% of the transactions involving the transfer of tangible and intangible property in 2024, which is roughly consistent with recent past years. Of those transactions using the CPM, 72% used the operating margin as the profit level indicator (PLI) and 28% used other PLIs, such as the Berry Ratio and the mark-up on total cost.

For services transactions, the most frequently applied method was also the CPM (91% of cases in 2024). Of those services transactions applying the CPM, 67% used the operating margin or the mark-up on total cost as the PLI.

Adjustment mechanisms

The majority of the transactions covered in APAs executed in 2024 targets an interquartile range. Those APAs include several mechanisms to make adjustments to the tested party's results when the results fall outside the range or do not match the point required by the APA. Some examples of the mechanisms included in the 2024 executed APAs include an adjustment bringing the tested party's results to the closest edge of the range or median applied to the results of a single year, an adjustment to the closest edge or median of the range applied to the results over the APA term, or an adjustment to the specified point or royalty rate.

APA boilerplate and APMA Program contact information

The annual report also includes the version of the APMA Program's model APA agreement and includes a link to the list of primary APMA Program contacts. For India APAs only, the IRS uses a variation of this model APA, which was not included in the APA Annual Report.

In light of OECD developments and increased worldwide audit activity, the demand for APAs should continue to be strong.

To discuss whether an APA may be advisable for your organization, please reach out to one of the contacts listed.

Get in touch

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Footnotes

¹OECD (2022), Bilateral Advance Pricing Arrangement Manual, OECD Publishing, Paris, <https://doi.org/10.1787/4aa570e1-en>.

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