

# How do you drive transfer pricing certainty in uncertain times?

2024 EY International Tax and Transfer Pricing survey



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# Contents

01

How more controversy accelerates the case for a new TP certainty lens

---

02

How broader pressures on the business are affecting TP

---

03

The critical components of a TP roadmap

---

04

Five things businesses should do next

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The 2024 EY International Tax and Transfer Pricing Survey was conducted by an external independent vendor from Oxford Economics from September to October 2023. The double-blind study queried 1,000 executives at large companies in 47 jurisdictions and across 19 industries about a variety of international tax and TP issues. The EY organization was not identified as the sponsor of the survey.





# Introduction

The 2024 EY International Tax and Transfer Pricing Survey finds businesses need a robust transfer pricing policy to manage new risks.

Concerns about double taxation resulting from global tax reform are fundamentally transforming the way businesses think about transfer pricing (TP) certainty and their operational TP needs, the 2024 EY International Tax and Transfer Pricing Survey of 1,000 TP professionals shows.

An overwhelming majority of respondents say they face a moderate or significant risk of double taxation related to the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) project, which introduces various new tax regimes under Pillar Two, including a new global minimum tax of at least 15% for multinational enterprises. More than 50 jurisdictions worldwide are in various states of implementing those rules, some as early as this year.

The survey shows that the concern about double taxation, broader tax and legislative change and business volatility are driving TP change within organizations in many important ways.

First, businesses are increasingly seeking certainty on their TP positions to facilitate more predictability in new calculations required to comply with the Pillar Two rules. Additionally, they are busily running new calculations required to comply with the Pillar Two rules. This is evidenced by a surge in levels of interest in advance pricing agreements (APAs) and dispute resolution programs offered by tax administrations. This proactive approach allows for more certainty in both TP disputes and Pillar Two implementation.

Second, both executives and TP professionals realize that data, in particular standard transfer pricing data, underpins certainty in controversy and predictability of Pillar Two calculations. The transition into both a tax environment in which the minimum taxes described in Pillar Two, as well as a more transparent world related to public disclosures of the Country-by-Country Reports, are compelling corporations to attempt to standardize their internal data to manage the groundswell of tax authority controversy-related requests and Pillar Two calculations. Specifically, standardized data will help businesses address workload demands and effectively manage current and anticipated tax controversy. More control over their data will also help businesses manage increasing demands for public transparency about their tax payments globally.

Finally, TP executives are recognizing that they perform a very strategic role in their organizations. In this new world, where double taxation risks have increased rapidly, TP executives need to be more connected with the rest of the business and rely on technology to perform more traditional operations and compliance functions. This is especially true given the pressures of other externalities, including inflation, rapid changes in supply chains, and initiatives related to their organization's environmental, societal and governance (ESG) objectives.

"There's a premium on transfer pricing certainty that never existed before," says Tracee Fultz, EY Global Transfer Pricing Leader. "Transfer pricing uncertainty has too many downstream impacts on significant business decisions, including capital outlays and the potential for double taxation."

# 84%

of survey respondents say they face a moderate or significant risk of double taxation due to global tax reforms.



Respondents report the impact of the BEPS project is unmistakable:

**84%** say they face a moderate or significant risk of double taxation due to BEPS Pillar One and Pillar Two initiatives.

**82%** say tax rate stability will have a moderate or significant impact on their global transfer pricing policy over the next three years.

**71%** say global minimum taxes will have a moderate or significant impact on their transfer pricing policy.

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There’s a premium on transfer pricing certainty that never existed before.

Tracee Fultz  
EY Global Transfer Pricing Leader

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As a result, respondents expressed more interest in APAs and similar programs than at any other time in the 30-year history of the survey:

**61%** of bilateral advance pricing agreements (APA) and

**59%** of multilateral APAs will be “very useful,” up from 34% and 30% respectively, in 2021.

**59%** say unilateral APAs will be “very useful” in managing transfer pricing-related controversy over the next three years, more than double the 2021 proportion of 29%.

**46%** say mutual agreement procedures (MAP) will be “very useful,” up from 33%.

**41%** say the International Compliance Assurance Program (ICAP) will be “very useful,” up from 27%.

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The combined survey results point to a groundswell of businesses that are now looking for some type of cooperative forum to settle their transfer pricing disputes. This is a significant change from prior surveys when most companies preferred to deal with the outcomes of audits by tax authorities and signals a general need to take a more proactive approach to their transfer pricing rather than a reactive one.



## Biggest source of risk facing transfer pricing in the next three years

% reporting a moderate to significant risk



Source: The 2024 EY International Tax and Transfer Pricing Survey

It is also clear that to achieve the certainty they seek with multiple tax authorities, standardizing data and overcoming challenges with transfer pricing operations and execution has become critical. But overwhelming proportions of respondents say they struggle in these key areas:

75%

say ineffective use of technology was their first or second biggest challenge.

67%

rank "poor data quality" as their first or second biggest challenge.

73%

say investing in advanced operational transfer pricing technology would result in moderate or significant improvement in risk management.



# 01

How more controversy  
accelerates the case for  
a new TP certainty lens



## TP professionals are dealing with more transparency, shifting business priorities and the impact of issues like inflation.

Emerging technology, such as GenAI, and the massive amounts of data being produced daily will soon profoundly impact tax controversy.

Respondents to the [2023 EY Tax Risk and Controversy Survey](#) say they anticipate the number and intensity of audits to grow by 79% in the next two years compared with the previous two. TP was again identified as the top area for risk in that survey, as 53% of respondents say they expect tax authorities to focus more on cross-border tax issues in the coming years.

While TP has always been a flashpoint for tax controversy, the very nature of TP audits is changing. For one thing, authorities have more access to taxpayer information than ever. That data, combined with the power of GenAI and related technologies, will enable tax authorities conducting audits in the future to ask for more detailed information about positions taken today and to interrogate the data provided more effectively. That's why harnessing and standardizing data now is critical for businesses to respond effectively to these more intensive examinations.

"Audits conducted two or three years from now will likely be very different from the way they're administered now," says Joel Cooper, EY Global International Tax and Transaction Services (ITTS) Controversy Leader. "Therefore, you need to be thinking about your current actions in terms of these new ways in which they will be examined in the future."

To prepare for audits of the future, TP professionals need to think about two things: first, what does the world say about their business? And second, what does the company's data say about their business?

# 96%

of respondents say they face "some" or "substantial" additional work to prepare for public disclosure of Country-by-Country Reports.

Assessing what the world says about the business involves understanding what is in the public domain and ensuring that its TP policies and positions align with information available externally. Public regulatory filings, historical job advertisements, social media profiles, news articles and intellectual property (IP) registrations are all information sources that tax authorities can and will be able to analyze collectively to evaluate risk and challenge positions.

Understanding the company's data means going beyond functional interviews and the other processes typically used during fact-finding for transfer pricing analyses. New sources of information that tax authorities routinely review include e-mail data, the calendars of key executives, the mobile devices and computers

“Audits conducted two or three years from now will likely be very different from the way they're administered now.”

**Joel Cooper**  
EY Global ITTS Controversy  
Leader

of company officials, HR profiles, job descriptions and reviews, social media postings, regulatory filings and financial data.

In both assessments, businesses should expect to soon use GenAI tools to take proactive initial steps to align their TP policies while identifying and addressing risks. This will help equip their people to build stronger repositories of supportive information and evidence to buttress their positions.

"Global tax reform, including new levels of transparency, has completely changed how TP departments prepare, analyze and present data," says Joe Lawson, EY Oceania Transfer Pricing Leader. "It's more important than ever to make sure positions are clear, defensible and easily understood."

## Pre-filing agreements surge in popularity

Tax controversy is expensive and time-consuming for both businesses and tax administrators. In 2022 alone, respondents say they spent an average of US\$56.3 million in tax costs over initial assessments in TP-related disputes. They also spent an average of US\$24.7 million on penalties, interest and surcharges and US\$21.3 million on legal fees, including litigation. While concerns about double taxation and the challenge of operationalizing TP functions topped the list of respondents' concerns, traditional sources of disputes during TP audits, such as IP, payments for contract manufacturing, limitations on some deductibility and a variety of cross-border transactions, were all rated as posing "moderate to significant risk" by at least half of respondents.

Amidst all these pressures – implementation of global minimum taxes, technology-empowered tax examinations, digitally generated automatic assessments, and traditional sources of disputes on audit – the new TP survey shows a surge in enthusiasm for various programs and tools governments offer to taxpayers who want to negotiate TP positions before filing tax returns. There is also growing interest in programs designed to make disputes less contentious when they arise.

One of the survey's most notable, yet unsurprising findings is the dramatic increase in interest in advance pricing programs. In the past, survey respondents have expressed some hesitation about participating in such programs, citing the time involved in setting them up, among other things. Now, however, the proportion saying these programs will be "very useful" to them in the future has more than doubled.

"APAs provide an element of certainty that has more value in a Pillar Two world," Fultz says. "There is now far more downside risk to having a position challenged than there's been in the past."

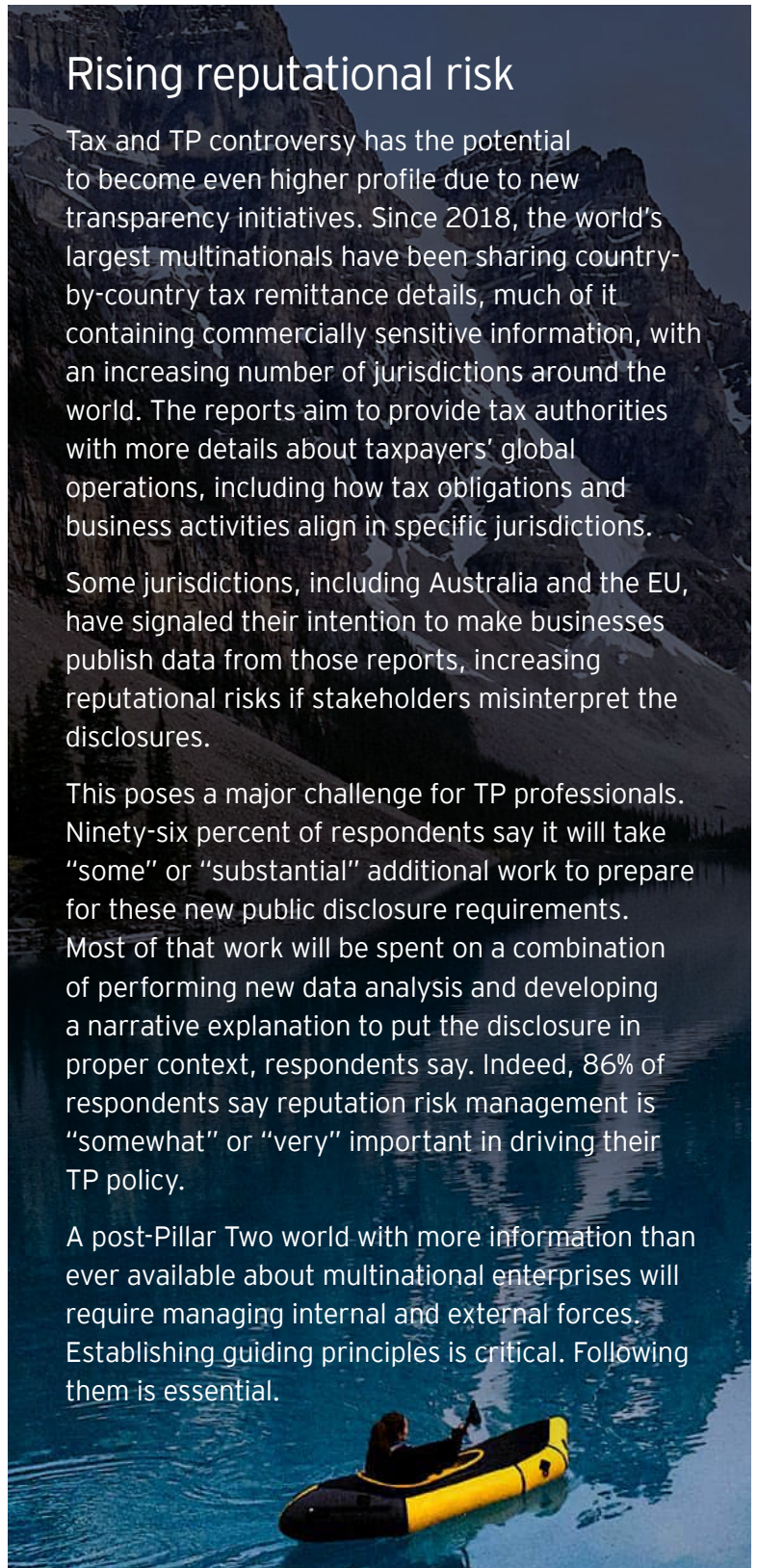
## Rising reputational risk

Tax and TP controversy has the potential to become even higher profile due to new transparency initiatives. Since 2018, the world's largest multinationals have been sharing country-by-country tax remittance details, much of it containing commercially sensitive information, with an increasing number of jurisdictions around the world. The reports aim to provide tax authorities with more details about taxpayers' global operations, including how tax obligations and business activities align in specific jurisdictions.

Some jurisdictions, including Australia and the EU, have signaled their intention to make businesses publish data from those reports, increasing reputational risks if stakeholders misinterpret the disclosures.

This poses a major challenge for TP professionals. Ninety-six percent of respondents say it will take "some" or "substantial" additional work to prepare for these new public disclosure requirements. Most of that work will be spent on a combination of performing new data analysis and developing a narrative explanation to put the disclosure in proper context, respondents say. Indeed, 86% of respondents say reputation risk management is "somewhat" or "very" important in driving their TP policy.

A post-Pillar Two world with more information than ever available about multinational enterprises will require managing internal and external forces. Establishing guiding principles is critical. Following them is essential.

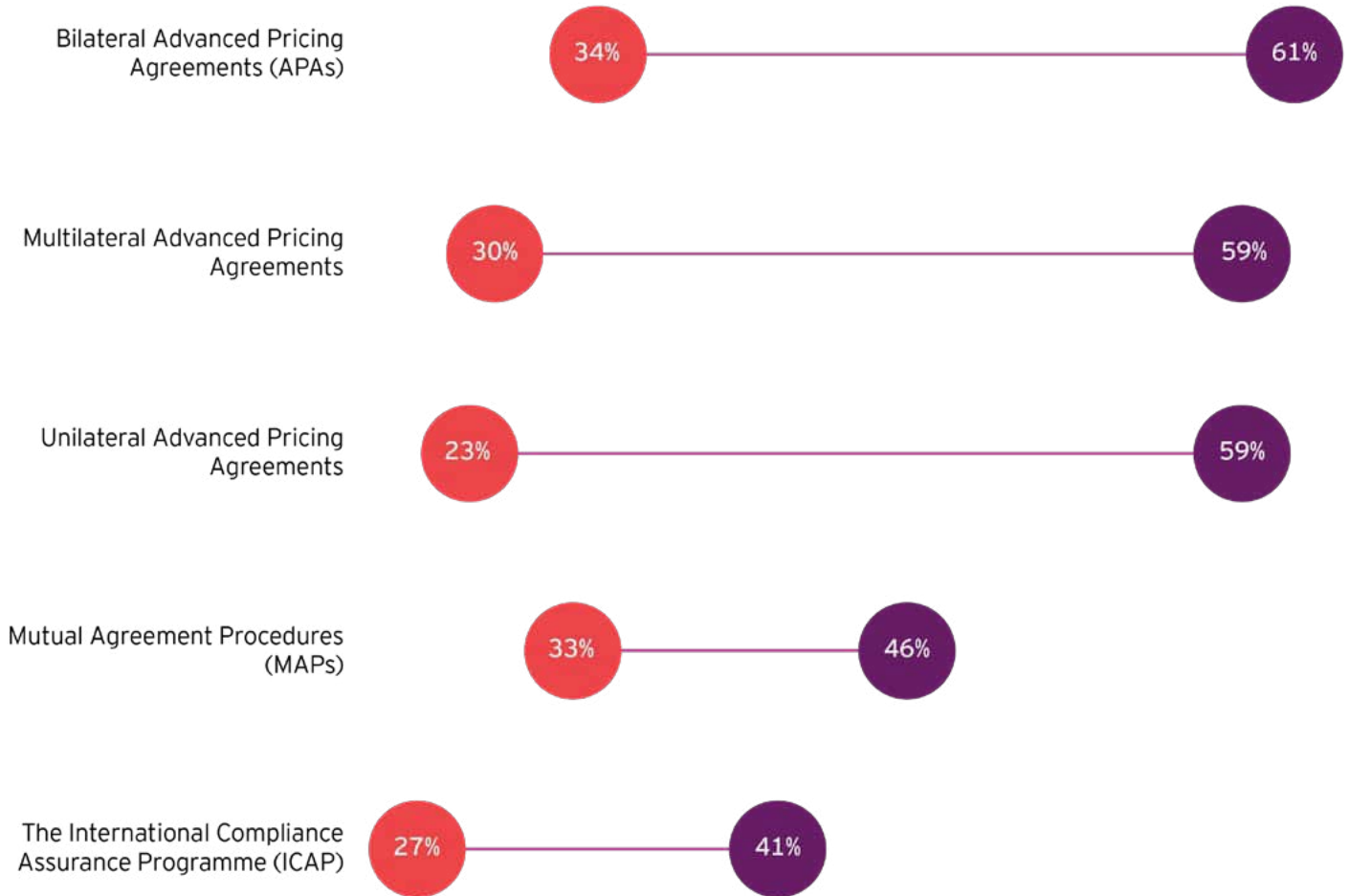




# Pre-filing and dispute resolution programs become more popular

The proportion of respondents describing these programs as "very useful" dramatically increased since 2021.

Year ● 2021 ● 2023



Source: The 2024 EY International Tax and Transfer Pricing Survey



# 02

How broader pressures on the business are affecting TP



**Inflation, supply chain changes and ESG are all acute business pressures.**

Beyond Pillar Two-related concerns about double taxation and the increased risk of controversy, TP professionals have had to help manage the impacts of broader business decisions. Some of these in recent years have included responses to inflation, changes in supply chains and commitments to ESG objectives. The cascade of externalities complicating their roles has only grown since the pandemic. All of these have significant business impacts for cash flow, earnings per share and brand perception.

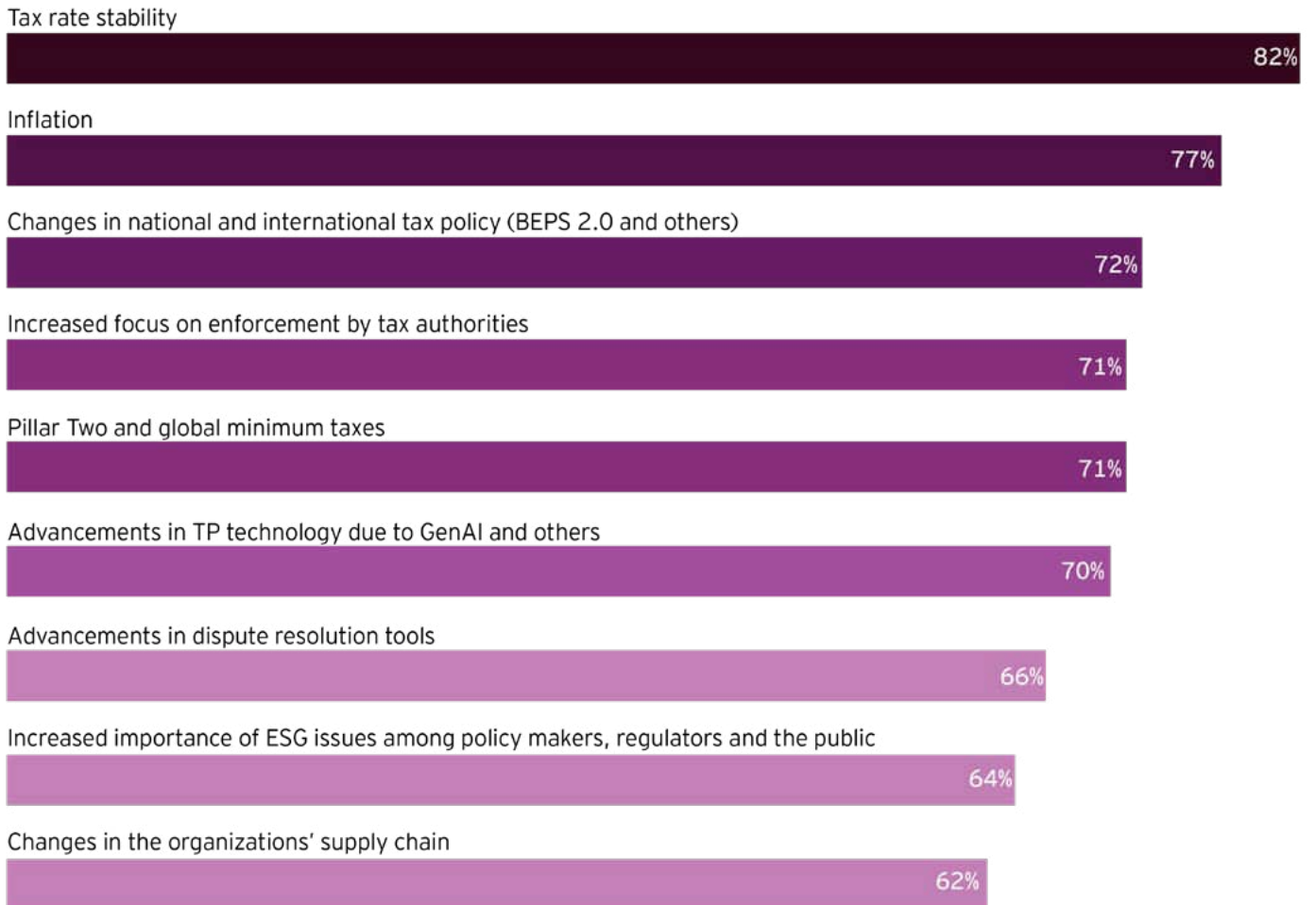
Inflation, for example, wasn't even asked about in the previous 2021 survey; this year, 77% of respondents say inflation will have a moderate or significant impact on their transfer pricing policy over the next three years, second only to the importance of tax rate stability. Fifty-one percent of respondents say higher interest rates because of inflation have most impacted their medium and long-term intercompany debt pricing. In contrast, 27% say interest rates have had the biggest impact on factoring arrangement pricing. Twenty-one percent cite cash pool pricing as being most impacted by higher rates.

**77%**

of respondents say inflation will have a moderate or significant impact on their TP policy over the next three years.

**Top issues impacting transfer pricing in the next three years**

% expecting a moderate to significant impact



Source: The 2024 EY International Tax and Transfer Pricing Survey



Higher interest rates have also affected broader business decisions, many of which have implications for transfer pricing – 41% of respondents say their organizations have either increased or significantly increased their use of re-shoring or near-shoring strategies. In comparison, 54% say their organizations have significantly decreased expansion into new markets. Fifty-five percent of respondents say they are decreasing their expansion into new markets due to higher interest rates, while 61% say they are increasing the use of re-shoring or near-shoring.

“Inflation and the higher interest rates to combat it will continue to have an effect on transfer pricing for years,” says Jay Camillo, EY Global Operating Model Effectiveness Leader. “To the extent it contributes to a trend of more bloc trading and less reliance on extended and linear supply chains, it will keep TP professionals busy dealing with the new value and supply chains that will be created as a result.” These are significant capital decisions that amplify the strategic value that transfer pricing professionals are providing.

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**Inflation and the higher interest rates to combat it will continue to have an effect on transfer pricing for years.**

**Jay Camillo**  
**EY Global Operating Model Effectiveness Leader**

## Supply chains and ESG

Supply chains have also changed radically since the pandemic. Forty-two percent of respondents say their organizations have relocated production from one jurisdiction to another in the last three years because of geopolitical issues, the number one reason cited; 39% of respondents say they've made changes linked to changing tax policies. Nearly a third (32%) cited disruptions related to the COVID-19 pandemic. Respondents also say supply chains will continue to be a factor, with 62% saying they anticipate changes to supply chains having a moderate or significant impact on their TP policy in the coming three years.

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62%

of respondents say changing supply chains will have a moderate or significant impact on their TP policy in the coming three years.

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ESG continues to be a major focus of C-suites, with initiatives affecting TP. Just 28% of respondents report already having changed their TP policy to account for their ESG policy, consistent with the 28% reporting their organizations are at an advanced stage of their ESG journey. With more than 70% of respondents still in the process of assessing supply chain changes to meet ESG goals, ESG will continue to represent a major workstream for TP professionals in the coming years

A clear roadmap for standardizing tax and transfer pricing data is needed so that it can be efficiently accessed and analyzed to help businesses better react to these challenges. But Tax and TP professionals will also need to adopt a more proactive role in advising the C-suite. The survey found that fewer than half report being asked to weigh in on TP consequences of key business decisions at the beginning of the process.





# 03

## The critical components of a TP roadmap





## A TP approach for the future requires a mindset change, and a strategy supported by standard data and technology.

Historically, TP functions have taken a linear approach starting with planning, then implementing, and ultimately supporting transfer pricing positions through compliance and during controversy. This often meant that TP teams were siloed and specialized. This approach will no longer work in an environment where decisions must focus on transparency and certainty. This means TP functions must take a new iterative path that starts with understanding their company's data and requiring that both external and internal data are fully aligned. They will need standard data in order to achieve quicker and multi-sided dispute resolution. In this new model, data is the starting point instead of something that needs to be gathered in the controversy phase of the current linear model.

Traditional TP operations are labor-intensive especially when focused on compliance and controversy inquiries. Intercompany data sets are, by nature, large and complex. Reconciliation between local statutory and central GAAP accounts is required. Adjustments to ensure prices match policy must happen throughout the year, not just at year-end. Aggregating the TP-required data from multiple systems is a major challenge in a TP audit. Many tax authorities think TP data requested for an audit can be easily produced and often expect responses within thirty days. Taxpayers find the requested data is unavailable, inaccurate, or incomplete. Files are saved in an *ad hoc* manner (e.g., by country or employee) with no ability to cross-reference to similar situations. Indeed, the survey finds that only a quarter of respondents say they manage compliance activities, routine or complex, centrally;

42% say their most complex and significant transactions are managed at the jurisdictional level.

Because of the complexities inherent in intercompany data, data is often sourced and managed through local relationships that are required to navigate tax audits. As a result, resourcing pressure across the globe is the most common pain point. Because TP touches controllers, broader finance, supply chain organization and tax, this appeal often presents within differing organizational silos and to varying degrees. Requests for more resources come from many different stakeholders, and thus the totality of the organizational pain may be grossly underestimated.

"This data complexity issue will not be solved by adding more people," says Rebecca Coke, EY US Central Transfer Pricing Leader. Establishing new processes enabled by standardized data and technology can create more efficiency using existing TP resources. "The components of the TP roadmap may include a need for resources, but the starting point is likely a reorientation of internal data mapping and monitoring processes." This mapping allows for technology to then handle disparate sources of TP related information.

25%

of respondents say they centrally manage routine or complex compliance activities.

### How standard data and technology can facilitate certainty today

Even as they reshape the future data and comprehensive files of tax documentation, taxpayers must still deal with their open years. This means focusing on understanding the most efficient paths to dispute resolution. This can be achieved with two steps.

The first is to understand the totality of all TP transaction flows and what parties are on each side of each transaction. Once that is known, it becomes easier to identify common parties, which allows taxpayers to bundle multiple transactions into one dispute resolution forum. Consolidating key controversies can be used as a benchmark for negotiated settlements elsewhere.

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This data complexity issue will not be solved by adding more people.

Rebecca Coke  
EY US Central Transfer Pricing Leader





The second step is to look across jurisdictions for common challenges. For example, a business may observe that several countries continually have large true-up adjustments or require maintaining tax reserves for uncertain TP positions. Businesses need to determine which elements, including data management, poor monitoring, price-setting, exchange rate volatility, or other issues, are contributing to deeper issues that must be resolved. Automating and standardizing data for one country equips the business to better deal with similar issues that arise in dozens of others. This is an exponential leap towards certainty, not an incremental one. “Even if businesses start with small use cases for setting up a data concept considering different possibilities of data sources and internal processes, it will help them exponentially,” says Hanna Moebus, Director, Operational Transfer Pricing, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY Germany).

Every organization should examine all their TP processes through this new lens and ask whether they are linear or siloed (a key symptom of being siloed is keeping decentralized files that cannot be easily accessed or shared). If they are, businesses need to shift their focus to a systemic approach that involves standardizing data, moving up the TP technology curve and ultimately automating, eventually using GenAI or other machine automation. Our experience managing these transformations indicate organizations report saving 30% of all hours spent on TP-related matters in the finance department in a five-year period.

## How to harness technology

Data and technology are notable game changers, providing companies with the ability to significantly reduce cost, reduce risk and drive more value. Today’s technology allows companies to ingest data into a data lake, validate the data, transform the data into a common data model, and drive reuse of the data via standard reporting, analytics, and computational engines. Yet, the [2023 EY Tax and Finance Operations \(TFO\) survey](#) found that 72% of that survey’s respondents have gaps when it comes to tax sensitizing their Enterprise Resources Plannings (ERPs). These challenges are magnified when they involve transfer pricing at the product, transactional or jurisdictional level.

Systemic reform is also necessary if businesses want to gain their expected benefits from GenAI. In the survey, 88% of respondents expect TP technology to save their organization money over the next three years. But they also acknowledge they have work to do in the interim – 76% of respondents say they need to have in place a robust TP policy that clearly defines TP processes, while 47% say they need to move data into a centralized repository. Thirty-six percent say they need to improve the quality of their data.

Businesses need a plan to harness the power of data, systems and third-party technology. They can either invest internally with data strategies, tax sensitization of ERPs and systems improvements, or partner with a service provider who has built these capabilities. Another option is pursuing a hybrid of the first two choices. The TP technology curve continues to expand with multiple technology options available. It is important that businesses start to think about their IT infrastructure and how

to pull data together from different systems, Moebus says. Once they have tackled standard data questions, technology can readily be deployed.

Ultimately, components of the TP roadmap will reveal where automation cannot help. TP professionals can struggle to keep up with C-suite and business demands. Efficiencies from implementing the roadmap and automation will free up TP professionals to meet more value-added needs of the organization, such as tax authority negotiations and more active participation in R&D and supply chain planning. Better connectivity with the C-suite will also contribute to leveraging GenAI effectively – 69% of respondents say they need to improve their integration of the tax department with a broader business strategy over the next three years to reap the benefits of the technology.





# 04

## Five things businesses should do next



A series of steps can help businesses position their TP functions for success in managing future controversy and evolving technology.

The 2024 EY International Tax and Transfer Pricing Survey has a clear message: the old methods for doing TP are losing relevance. Cross-border businesses have a new path to prepare for the new realities. There are five things in particular businesses should do now:

**1****Refocus on TP certainty**

Pillar Two is changing the international tax landscape. Ultimately, all businesses are going to need to have more precision around their TP. Due to the heightened risk of double taxation, getting certainty is at a premium. This means being as proactive as possible in dealing with anticipated and current controversies.

**2****Map out future and current dispute resolution mechanisms**

Future controversy is expected to be more intensive, but only for businesses that are unprepared. Those that invest now in a new approach to TP will be better positioned to engage tax authorities on future issues and better support positions taken today. Internally, that means ensuring TP and tax policies are aligned with the organization's broader public face. Externally, it means investigating the variety of pre-filing and dispute resolution programs offered by governments, such as APAs, MAP and ICAP.

**3****Center TP processes around standard data to decrease risk**

Develop a three-year plan for TP processes that systemically decreases risk instead of continuing traditional TP processes that follow the outdated, linear approach of planning, implementing and ultimately supporting positions. Traditional and siloed TP processes are outdated and may not be reflective of a cross border, global footprint, and therefore, may have become riskier in this new world where double taxation is a bigger concern than before, and tax authorities have more information and data capabilities than ever. The capabilities of tax authorities will continue to rise, perhaps faster than those of businesses. TP functions must rely less on country-by-country management, so they gain the "bigger picture" of the totality of their positions and identify anything auditors might find objectionable. The world's tax authorities already share tax data at unprecedented rates due to Tax Information Exchange Agreements. It is imperative businesses do the same thing within their organizations and do not leave their data siloed locally.

**4****Prepare for a world where data underpins your transfer pricing approach**

Define your external and internal narrative and rely on standardized data to tell it and to align the business' tax positions with broader business objectives. Standardized data also will help prepare the organization for TP controversy and to meet its expectations for GenAI-powered efficiencies and analytics that deliver better insights to the C-Suite.

**5****Prepare to engage more with the C-suite**

Ultimately, systemic change in TP processes will free up TP professionals to play a bigger role in advising the rest of the business. It's critical that TP professionals advise on key business decisions that affect profits and losses and balance sheets. Gaining more certainty around TP and tax matters will also help TP professionals better help the business react to economic and geopolitical disturbances in a tax-neutral manner.



# About the survey

## Insights from 1,000 executives globally

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