



TRANSFER PRICING: INTERNATIONAL CONTROLLED TRANSACTIONS SCHEDULE

Issued 28 July 2026

ICAEW welcomes the opportunity to comment on **Transfer Pricing: International Controlled Transactions Schedule consultation**, published by HMRC on 16 June 2026, a copy of which is available from this [link](#).

MAJOR POINTS

- ICAEW supports HMRC's objective of improving its understanding of companies' international transactions where the information collected is used to target compliance activity more effectively and reduce unnecessary enquiries for compliant businesses.
- The proposed International Controlled Transactions Schedule (ICTS) requirements should be proportionate. HMRC should carefully consider the compliance burden on smaller businesses (those just above the SME threshold), which may have limited resources and systems to meet the new reporting obligations.
- HMRC should ensure that information collected through the ICTS is considered alongside appropriate qualitative context. Reliance on quantitative data alone may result in inaccurate risk assessments and unnecessary compliance interventions.
- HMRC should introduce transitional easements for businesses entering the regime for the first time, particularly smaller companies that are unlikely to have been subject to comparable transfer pricing reporting requirements previously.
- We note that the consultation period is less than 12 weeks. This has limited the time available to engage fully with our volunteer committees and wider membership in developing this response. We encourage HMRC to allow sufficient time for consultation wherever possible, to ensure that stakeholders can provide comprehensive evidence and that robust conclusions can be drawn from the consultation process. ICAEW also notes that insufficient consultation periods are inconsistent with the Tax Faculty's Ten Tenets for a Better Tax System (Appendix 1).

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This response of 28 July 2026 has been prepared by ICAEW's Tax Faculty.

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BACKGROUND AND CURRENT COMPLIANCE CHALLENGES

1. Members acknowledged that the information currently available to HMRC through corporation tax returns, statutory accounts and country-by-country reporting (CbCR) may not always be sufficient to identify higher-risk transfer pricing cases. As a result, HMRC may open enquiries to obtain additional information, which can prove time-consuming and resource-intensive for both HMRC and taxpayers. Members therefore recognised that the introduction of the ICTS is intended to provide HMRC with better information at the outset, enabling it to target compliance activity more effectively and reduce unnecessary enquiries.
2. Members were therefore broadly supportive of the objective of the requirement providing the goal remains to reduce the number of unnecessary enquiries by focusing on high-risk taxpayers, in theory reducing the overall compliance burden.
3. However, there were also concerns that if this approach was not managed in the right way, this could lead to disproportionate compliance burdens, especially for smaller companies just above the SME threshold (see below).

COMPLIANCE BURDEN ON SMALLER TAXPAYERS

4. Members considered that, while most multinational groups are likely to have the resources and expertise needed to comply with the proposed ICTS requirements, smaller businesses with limited transfer pricing experience could face significant new compliance obligations. In many cases, these businesses are likely to require external professional support, resulting in additional compliance costs.
5. Members noted that completing the ICTS requires a degree of specialist transfer pricing knowledge, including an understanding of transfer pricing methodologies and profit level indicators. Many businesses newly in scope of the requirements are unlikely to possess this expertise in-house.
6. To ensure that the new requirements are proportionate, members suggested that HMRC should consider adopting a tiered approach to reporting, with reduced obligations for businesses closer to the SME thresholds. This may help to align the compliance burden with the level of transfer pricing risk.
7. Members noted that larger businesses are more likely to have systems capable of extracting the required information automatically, enabling them to comply with the ICTS more efficiently. By contrast, smaller businesses may need to rely on manual processes and spreadsheet-based systems, increasing the risk of errors, placing additional demands on internal resources and making compliance with the new requirements more challenging.

TRANSITIONAL SUPPORT

8. Members recommended that HMRC introduce transitional easements for businesses entering the regime for the first time, particularly smaller companies that are unlikely to have been subject to comparable transfer pricing reporting requirements previously. This could include a more supportive compliance approach and a temporary relaxation of penalties during the first, and potentially second, year of implementation. Such an approach would recognise that affected businesses will require time to develop the necessary processes, systems and understanding to comply with the new requirements.
9. We recommend that the ICTS reporting requirement should not apply in the accounting period in which a business first exceeds the relevant threshold. In many cases, businesses will not become aware that a threshold has been breached until after the year end, once the accounts and corporation tax compliance process have been completed. As a result, they may not have collected the necessary information or implemented appropriate systems and processes to capture the required data during the relevant period. We therefore recommend that the reporting obligation should apply from the first accounting period following that in

which the threshold is exceeded, allowing businesses sufficient time to prepare for compliance.

10. Members noted that experience in other jurisdictions, including Denmark, suggests that errors and implementation issues are common during the early stages of introducing transfer pricing reporting requirements. This reinforces the need for HMRC to adopt a pragmatic approach during the initial implementation period.

SUBMISSION PROCESS

11. Members noted that there remains uncertainty regarding the process for submitting the ICTS. Where possible, any software solution should integrate with existing corporation tax compliance software to minimise additional compliance costs and reduce the administrative burden on businesses.
12. Members also emphasised the importance of HMRC providing clear guidance, practical tools and appropriate support to assist businesses that are unfamiliar with transfer pricing reporting requirements. This will be particularly important for businesses entering the regime for the first time to help ensure accurate and consistent compliance.

PENALTY REGIME

13. Members noted that the proposed penalties are relatively modest when compared with those imposed in some other jurisdictions. They questioned whether the level of the penalties would provide a sufficient incentive to encourage compliance and support the policy objective of improving the quality and completeness of information submitted through the ICTS.

DATA QUALITY

14. Members observed that the information captured through the ICTS is primarily quantitative and, as a result, has inherent limitations. In isolation, quantitative data cannot provide the qualitative context necessary to understand a group's transfer pricing arrangements, commercial activities and the factors influencing pricing.
15. Members noted that traditional transfer pricing documentation includes narrative information explaining a business's operations, functions performed, assets employed and risks assumed. This contextual information is fundamental to assessing whether transfer pricing outcomes are consistent with the arm's length principle but would not be captured through the ICTS alone.
16. Members therefore expressed concern that an over-reliance on quantitative data and automated risk assessment tools could result in inappropriate conclusions and unnecessary enquiries. HMRC must ensure that quantitative information is considered alongside relevant qualitative evidence.
17. It is important that this analysis is overseen by appropriately trained HMRC staff to ensure the proposals deliver on the policy intent, reducing unnecessary and protracted enquiries for compliant businesses.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. **Statutory.** Tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament. A clear statutory basis ensures legitimacy, accountability, and public trust in the tax system.
2. **Certain.** As far as possible, the application of tax rules and compliance processes should be certain. Taxpayers should not normally need to resort to the courts to understand how the rules apply to their affairs.
3. **Simple.** The tax system should be easy to understand for all taxpayers and advisers. Complexity undermines trust, creates unfairness, and discourages compliance.
4. **Easy to administer.** Tax liabilities should be straightforward to administer for HMRC, agents, and all taxpayers. Taxes should be designed to work effectively in a digital environment, while administration must remain accessible to those with limited digital capability.
5. **Properly targeted.** Anti-avoidance rules and other targeted measures should be proportionate, clearly defined, and carefully scoped to achieve their policy objective without undermining simplicity or certainty. Poorly targeted measures add complexity and uncertainty, harming compliance.
6. **Stable.** Changes to the tax system should only be made when clearly justified by economic, social, or environmental goals. Transparent, purposeful reforms build confidence and move the system toward greater coherence and long-term stability.
7. **Subject to proper consultation.** Other than in exceptional circumstances, tax changes should be subject to open and meaningful consultation. Adequate time for stakeholder input improves policy quality, practicality, and public trust.
8. **Regularly reviewed.** Tax rules, reliefs, and policy-driven interventions should be subject to regular, transparent review to assess whether they remain relevant, effective, and aligned with current policy goals. Outdated or unjustified provisions should be reformed or repealed to maintain coherence.
9. **Fair and accessible.** The tax system should be fair and accessible in design and in operation, ensuring equitable treatment of taxpayers. Revenue authorities must exercise their powers proportionately, and all taxpayers should have timely access to HMRC assistance, independent appeal, and redress.
10. **Efficient.** The tax system should raise revenue in a way that minimises unnecessary distortions, compliance burdens, and resource misallocation. While all taxes affect behaviour to some degree, tax design should avoid cliff edges, unintended incentives, or inefficiencies that reduce economic wellbeing unless these serve a clearly defined policy aim.

For more information, please see [Ten Tenets for a Better Tax System | ICAEW](#)