

US APA report for 2024 highlights sustained efficiency with high volume of executed APAs

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In brief

What happened?

The IRS Advance Pricing and Mutual Agreement Program (APMA) on March 27 issued its 26th Annual [Statutory Report Concerning Advance Pricing Agreements](#) (APAs). The report reflects a continued high volume of executed APAs, with 142 APAs finalized in 2024 — slightly down from the record 156 in 2023. Despite the slight decline, the APA program sustained strong throughput and demonstrated improved efficiency, as the median time to complete APAs dropped from 42.0 months in 2023 to 33.5 months in 2024.

In 2024, APA applications rose modestly to 169, up from 167 in 2023, indicating continued taxpayer interest in resolving transfer pricing issues through the APA process. Meanwhile, pending APA inventory ticked up slightly to 560 cases as of year-end 2024, compared to 558 the prior year — maintaining historically elevated levels seen since the COVID-19 pandemic.

Why is it relevant?

APMA's APA program continues to show strong momentum, with a high volume of agreements finalized in the most recent year — among the most productive periods in the program's history. This signals a steady recovery from earlier pandemic-related slowdowns and highlights sustained interest from taxpayers in securing advance certainty on transfer pricing matters. Even though there was a modest rise in pending cases, the program's ability to handle cases more efficiently has improved significantly, with processing times becoming shorter. The wide participation across industries and countries reflects the continued relevance of the APA process as businesses look to manage transfer pricing risks in an evolving international tax landscape shaped by ongoing global reform efforts.

Observation: The increased efficiency and volume of executed APAs may reflect APMA's enhanced resourcing, with headcount rising to 126 by year-end 2024, up from 114 in 2023 — demonstrating the tangible impact of strategic investment in personnel on program performance. However, this trend of increased headcount might not be sustained given the Trump administration's February 11 [executive order](#) to shrink the size of the federal workforce and limit hiring to essential positions.

Action to consider

Companies currently engaged in the APA program should proactively assess how Pillar One (particularly Amount B) and Pillar Two of the OECD's global tax framework may interact with their APA-covered transactions. These new rules create additional layers of allocation and compliance complexity, especially with respect to routine returns for marketing and distribution activities.

In detail

Sustained high volumes of executed APAs and continued decline in processing time

In 2024, the IRS APMA program executed 142 APAs, slightly below the record-breaking 156 APAs in 2023 but still significantly above pre-2023 levels. Of the APAs executed in 2024, 119 were bilateral APAs, continuing the program's emphasis on coordinated tax certainty. The report also highlights that 58% of executed APAs were renewals, up from 47% in 2023, indicating a healthy level of continued participation and agreement extensions. India and Japan led the way in bilateral executions, accounting for 29% and 23%, respectively.

Processing times improved, with the median time to complete an APA dropping to 33.5 months in 2024, down from 42.0 months in 2023. While this marks a clear improvement, the number of withdrawn APAs increased to 17 in 2024, up from 13 in 2023.

Observation: The continued efficiency gains in median processing time suggest that APMA's expanded staff during 2024, and operational enhancements yielded tangible results. These developments, paired with a sustained volume of new and renewal APAs, point to a program that is maturing and improving post-pandemic workflows.

APA filings increased slightly; pending inventory remains stable at high levels

In 2024, the IRS received 169 complete APA applications, a slight increase from 167 in 2023. Additionally, APMA received 42 user fee submissions that were not yet accompanied by substantially complete APA applications as of year-end 2024, indicating an active pipeline of in-progress cases.

The total number of pending APAs at the end of 2024 was 560, up slightly from 558 at the end of 2023. As in previous years, pending bilateral APAs were heavily concentrated among a few jurisdictions; Japan (28%), India (22%), and Canada (13%) together represented the majority of the inventory. The remainder involved Mexico, Korea, Germany, the United Kingdom, Italy, and other countries.

India overtakes Japan in executed bilateral APAs; Japan leads in applications and pending inventory

The 2024 APA report reflects a shift in country distribution among executed bilateral APAs. India accounted for the largest share at 29%, overtaking Japan at 23%, which previously had led this category. Italy maintained its position as the third-most represented jurisdiction, contributing 11% of executed bilateral APAs, consistent with its share from the prior year. Canada followed at 6%, while Korea and Mexico each accounted for 5%. All other countries

(including Germany, Netherlands, France, Switzerland, the UK, and others) represented the remaining balance of executed bilateral APAs.

Japan, however, continues to dominate on the applications and pending inventory side. Among bilateral APA applications filed in 2024, Japan led with 32%, followed by India (26%) and Canada (10%). This pattern is mirrored in the pending bilateral APA inventory, where Japan held 28% of cases, India 22%, and Canada 13%. The remaining 37% of pending bilateral APAs are distributed among countries such as Mexico, Korea, Germany, the UK, Italy, and others.

Role of bilateral APAs

Of the 169 APA applications filed in 2024, 142 (84%) were bilateral, 21 (12%) were unilateral, and six (4%) were multilateral. This consistent preference for bilateral APAs reflects taxpayer interest in securing coordinated transfer pricing certainty across jurisdictions.

Among the 142 APAs executed in 2024, 119 (84%) were bilateral in nature. Notably, APA renewals made up 58% of all executed APAs, marking an increase from 47% in 2023. In 2024, a total of 83 renewals were executed—65 bilateral, 11 unilateral, and seven multilateral — a notable increase over 74 total renewals in 2023.

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, especially in complex international tax environments.

Types of transactions covered in APAs

As in prior years, the majority of APAs executed in 2024 (56%) involved transactions between non-US parents and US subsidiaries, consistent with historical trends.

In terms of transaction types, 33% of covered transactions involved the transfer of tangible goods, including both inbound and outbound sales (split between 22% inbound and 11% outbound). This represents stability from 2023 levels. Services transactions collectively accounted for 43% — 25% involved provision of services by a non-US entity and 18% by a US entity. Meanwhile, 22% of covered transactions involved the use of intangible property, with 16% involving US entities and 6% non-US entities, marking a modest increase from the prior year.

Observation: The OECD's final report on Amount B confirms that APAs agreed to before its implementation will take precedence for in-scope transactions. With the United States indicating it will apply Amount B starting in 2025, companies negotiating bilateral APAs should consider the potential implications.

Industries covered in APAs

Executed APAs in 2024 covered six general industry segments—manufacturing (30%), wholesale/retail trade (27%), services (20%), management (11%), finance, insurance, and real estate (8%), and all other industries (4%). As compared to last year, the wholesale/retail trade and finance sectors saw a decline in executed APAs, while services and management sectors increased their share in 2024, suggesting shifting taxpayer engagement across industries.

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 2024. CPM/TNMM was applied in 78% of APAs involving transfers of tangible and intangible property, and applied in 91% 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 72% of these cases. For services transactions using the CPM/TNMM, OM and operating profit to operating expense remained the dominant PLIs, applied in 67% of cases.

Observation: The 2024 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 2024 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 — sometimes was applied.

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; and
- Adjusting results to a specific royalty rate or point as stated in the APA.

APA terms

Just under 40% of the APAs executed in 2024 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 16 APAs had terms shorter than five years. The average term length across all APAs was six years, consistent with prior years. Notably, 28% of the APAs executed in 2024 included rollback years, reflecting a continued upward trend from 19% in 2023.

Observation: As in past years, APA terms in 2024 were structured to allow for a reasonable amount of prospectivity at the time of execution, balancing taxpayer certainty with administrative feasibility.

The takeaway

APAs continue to offer significant benefits for taxpayers seeking greater tax certainty, particularly in an increasingly complex and globalized environment. The long-term success of the APA program speaks to its value in reducing transfer pricing disputes and fostering cooperative relationships with tax authorities. While current uncertainty around government resources may present some challenges, taxpayers should not be discouraged from considering the APA process. Instead, taxpayers should engage proactively with their advisors to assess an appropriate path forward and determine whether an APA remains a viable and strategic option for their specific circumstances.

Let's talk

For a deeper discussion of whether pursuing an APA makes sense for your company, please contact:

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