

**ASIA-PACIFIC ECONOMIC COOPERATION BUSINESS ADVISORY COUNCIL (ABAC)**

# Harmonization of Transfer Pricing and Customs Valuation: A Unified Mechanism for APEC Economies

*Discussion paper prepared for the ABAC meeting cycle, drawing on detailed advisory analysis of Australia, China, Chile and Peru*

## 1. Executive summary

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This paper tests a single hypothesis across four APEC-relevant economies: that a single, expedited mechanism addressing transfer pricing and customs valuation simultaneously would materially reduce compliance time and cost, eliminate structural incentive misalignment between tax and customs administrations, reduce global trade friction for multinational enterprises (MNEs), and improve regulatory certainty for long-term investment decisions.

The diagnosis is confirmed unanimously: every economy independently identifies the same structural gap. The remedy, however, is not yet operational anywhere. ABAC's role at this stage is to convene, sequence and validate a path toward implementation across the region, rather than to mandate a single uniform model.

## 2. Background

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Across APEC's diverse customs and tax systems, multinational enterprises face a structural disconnect: transfer pricing certainty mechanisms bind only tax authorities, never customs administrations.

This means the same intercompany price can be simultaneously accepted under an Advance Pricing Arrangement (APA) and challenged at the border for customs valuation purposes.

Four economies studied in depth — Australia, China, Chile and Peru — confirm this gap independently, despite entirely different legal traditions and institutional structures.

Australia operates two separate agencies (tax and customs) with no binding joint instrument and no dedicated information-sharing agreement between them. Chile also operates two separate agencies, but unlike Australia it has had a standing SII–SNA information-sharing convenio in force since 2017 (renewed as recently as November 2025) and already practices joint SII/SNA signature on import-related APAs, even though a binding joint valuation instrument does not yet exist.

China adds a third dimension unique among the four: foreign exchange controls administered by SAFE, which can physically block a cross-border payment tied to a transfer pricing adjustment.

Peru is the only economy where a single agency, SUNAT, administers both tax and customs, yet internal silos still prevent the coordination this structure should make possible.

The compliance cost of this gap is material: ongoing annual burdens of USD 150,000 to over USD 500,000 per entity, and APA costs reaching into the millions of dollars with no guarantee customs risk is resolved.

Penalty exposure compounds the problem, ranging from steep flat taxes in Chile to criminal liability for customs misdeclaration in China and Peru.

Tax and customs administrations bear a parallel cost: duplicated audit effort, uncoordinated reviews of the same transaction, and litigation risk that a joint mechanism could reduce without forgoing revenue.

A coordinated, phased response across APEC economies, starting with administrative coordination and progressing toward legislative reform where feasible, offers a practical path to reducing this friction for all stakeholders.

## 3. Why this is genuine relief, not compliance theater

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### 3.1 Issues confirming relief for MNEs

- The same price can be simultaneously “right” and “wrong”: a price accepted under an APA can still be challenged at the border for the same transaction.
- Downward adjustments are economically trapped in some economies: duty paid on an import is not refundable even with a valid credit note, turning a legitimate correction into a real cash loss.
- Certainty has an expiry date the MNE cannot see, because no APA program studied binds the customs authority.
- A foreign-exchange layer can turn a pricing dispute into a liquidity event, where a single break in the approval chain blocks a cross-border payment for 30 to 90 days.
- A commodity filing deadline tied to the day of physical arrival or shipment can be mathematically unworkable, asking an importer to finalize pricing before the data exists.
- Agencies do not coordinate, so the MNE pays for two parallel defenses of the same fact pattern.

### 3.2 Issues confirming relief for tax and customs administrations

- Agencies are duplicating each other’s audit effort on the same transaction, with no information-sharing to confirm whether the other side has already reviewed it.
- Mispricing and undervaluation are the same phenomenon viewed from two sides, and uncoordinated agencies can each miss what cross-referencing would catch.
- Unresolved disputes generate litigation costs for the state that a joint mechanism, designed at the outset, would avoid.
- Capacity, not legal authority, is often the real constraint; a joint approach uses existing capacity more efficiently, especially within single-agency models.
- Investment attraction is now a stated priority for revenue authorities, and friction in this area is a revenue problem for the state, not only a cost problem for the MNE.
- A properly designed joint mechanism does not cost the government revenue: it provides certainty on already-compliant pricing rather than reducing tax otherwise owed.

## 4. Hypothesis test by economy

The diagnosis is confirmed across all four economies; operational implementation is not. Status as at June 2026:

| Dimension                                      | Australia   | China                            | Chile   | Peru                                  |
|--|---|----------------------------------|---|---------------------------------------|
| <b>Reduces compliance time &amp; cost</b>      | Partial — import-side only  | Not yet — 3 statutes needed      | Partial — legislated, not implemented   | Partial — affidavit timing untouched  |
| <b>Eliminates tax-customs misalignment</b>     | Partial — no ATO/ABF info-sharing instrument exists yet, unlike Chile's | Not yet — pilot is regional only | Mixed — joint SII/SNA signature used for import APAs; self-adjustments still don't bind customs | Best placed — one agency, two silos   |
| <b>Reduces trade friction for MNEs</b>         | Yes, qualified  | Conceptual only                  | Unrealized — no Aduana APA signed   | Different problem — timing, not price |
| <b>Improves long-term investment certainty</b> | Tax only  | Tax only                         | Tax only  | Tax only                              |
| <b>Overall feasibility</b>                     | Medium-high; will, not law  | Lowest; needs 3 statutes         | Joint signature works for imports; standalone Aduana APA path not yet operational               | Highest legal, lowest capacity        |

## 5. Comparative cost exposure

*Caution: the dollar ranges below are practitioner/advisory estimates carried over from the underlying national reports, not figures published by any of the four tax or customs authorities. None of SII, SUNAT, STA/GAC or the ATO publishes an official APA cost benchmark. An earlier version of this analysis also understated Chile's bilateral APA activity; SII's own published statistics (sii.cl, July 2025) confirm 17 APAs signed since 2012, including bilateral agreements with Canada, the UK, Switzerland and the US, and confirm that import-related APA requests already require joint signature by SII and the customs authority (SNA). All figures below should be independently verified with each authority before being used in any policy or investment decision.*

| Item                                   | Australia                                     | China                                   | Chile   | Peru                                      |
|--|---|---|---|---|
| <b>Annual baseline burden / entity</b> | AUD 150K–500K import; 100K–400K export        | USD 190K–520K, triple-agency, explicit  | Not separately quantified   | Not separately quantified                 |
| <b>Unilateral APA cost</b>             | AUD 200K–600K                                 | USD 200K–500K                           | No SII filing fee; advisor cost not publicly disclosed  | No fee charged                            |
| <b>Bilateral APA cost</b>              | AUD 800K–2.0M                                 | USD 500K–1.5M                           | 17 APAs signed since 2012 (incl. BAPAs with Canada, UK, Switzerland, US); SII fees not publicly disclosed | Not quantified, zero completions          |
| <b>Distinctive penalty risk</b>        | Diverted Profits Tax, 40% flat, no mitigation | SAFE transaction freeze / payment block | 40% flat tax if undisclosed (Art. 21)   | 5–8 years imprisonment, undeclared import |

## 6. Recommendations for ABAC

ABAC should frame this initiative as a shared revenue-and-trade efficiency gain for member economies, not as a concession to MNEs. The following five recommendations sequence implementation according to each economy's actual starting point, as evidenced by the four-economy review.

### 1. Launch joint administrative coordination first, in every economy

Direct tax and customs authorities to sign an information-sharing protocol or MOU within 12 months. Model the protocol on Chile's SII–SNA Convenio de Intercambio de Información y Colaboración, in force since June 2017 and actively updated as recently as November 2025, and on China's STA–GAC–SAFE coordination framework.

Require no new legislation, so implementation can begin immediately across all APEC members.

### 2. Pilot a binding joint instrument in two demonstration economies

Select Chile and Peru as pilots, given their distinct and complementary institutional advantages.

Have Chile extend its existing joint SII/SNA signature practice for import APAs into a formal, published procedure, and finalize the separate Article 41E(4) Aduana-only pathway.

Have Peru establish one internal SUNAT team spanning both its tax and customs divisions.

### 3. Separate timing-disclosure reforms from valuation-methodology reforms

Treat Peru's commodity affidavit deadlines as a distinct workstream from APA-customs alignment.

Engage APEC's mining and agro-export economies specifically on filing-timing relief measures.

Avoid diluting the valuation harmonization agenda with unrelated disclosure-timing fixes.

### 4. Commission an independent, APEC-wide cost-benefit study

Validate the preliminary cost figures currently cited only in individual national advisory reports.

Quantify both MNE compliance savings and government audit-duplication savings side by side.

Use the findings to build a credible, evidence-based case before any economy moves to legislate.

**5. Build a legislative reform track for economies ready to bind customs to TP outcomes**

Prioritize amending customs statutes to let customs accept an agreed prospective valuation outcome.

Confirm WTO Valuation Agreement consistency throughout, consistent with Australia's own analysis.

Sequence the rollout over 24 to 48 months, following the contained-pilot model used in Shenzhen.

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*Prepared for ABAC discussion purposes. Not legal, tax or customs advice. Figures cited from underlying national advisory reports current as at May–June 2026 and should be independently verified before use in any policy or investment decision.*