31 July 2026

The International Controlled Transactions Schedule (ICTS)

Comments from Saffery LLP

1. Executive summary

1.1 We welcome the opportunity to comment on the proposed details of a draft International Controlled Transactions Schedule (ICTS) reporting requirement.

1.2 In summary, our key points are as follows:

- The ICTS is a significant new compliance requirement designed to support HMRC's move towards automated, data-led transfer pricing risk assessment
- The regime casts the net too widely and does not appear sufficiently targeted at taxpayers and transactions presenting the greatest transfer pricing risk
- The compliance burden is likely to fall most heavily on businesses which cannot claim the small and medium-sized enterprise (SME)exemption but are below the Country-by-Country Reporting (CbCR) threshold
- Many disclosures appear to assume a level of transfer pricing analysis similar to that contained in a local file, creating uncertainty regarding HMRC's expectations
- The proposed disclosure thresholds are low and are capable of capturing routine commercial arrangements
- The accuracy requirements and associated penalties require additional guidance to provide taxpayers with greater certainty
- We welcome simplifications to the 2026 ICTS, including the aggregation rules and a more focused approach to financing disclosures
- We encourage HMRC to adopt a more proportionate and targeted approach that better balances the compliance burden against the information HMRC requests in the draft ICTS

1.3 Section 2 below makes some general comments on the proposals, and section 3 covers our responses to the specific questions raised in the consultation document.

1.4 We would be happy to discuss the points raised here in further detail. If you have any questions, or would like any further information, please contact: Sean McGinness, National Tax Partner, on +44 (0)131 221 3217 or email sean.mcginness@saffery.com or Ami Jack, Partner, National Tax, on +44 (0)330 094 3079 or email ami.jack@saffery.com.

2. General points

2.1 The ICTS represents a significant change in transfer pricing compliance and should not be viewed simply as an additional reporting requirement. The proposals are clearly intended to support HMRC's move towards automated, data-led transfer pricing and permanent establishment risk assessment. We recognise the potential value of this approach and understand how the information collected could assist HMRC in identifying risk more effectively.

2.2 Our main concern is that the regime casts the net very widely. Rather than focusing enhanced reporting requirements on taxpayers and transactions that are already considered higher risk, the proposals appear designed to collect data from a broad population and then use that information to determine where risk lies. We are concerned that this approach may impose a disproportionate compliance burden on many businesses that present relatively limited transfer pricing risk.

2.3 We expect the compliance burden to fall most heavily on businesses which cannot claim the SME exemption but are below the CbCR threshold. These taxpayers are not currently required to prepare mandatory local files but may nevertheless need to significantly upgrade their current documentation to a local file- to complete the ICTS accurately. This creates uncertainty regarding HMRC's expectations and risks imposing documentation requirements that are more extensive than current UK requirements or the transfer pricing risks at stake.

2.4 More generally, the proposals appear to move towards a summary electronic local file rather than a broader international dealings schedule as was originally expected. The complexity of the information required is likely to increase compliance costs and, in many cases, will require specialist transfer pricing input. We therefore encourage HMRC to ensure that the final requirements remain proportionate to the transfer pricing risks being targeted.

3. Specific consultation questions

3.1 Question 1: The government welcomes views on Part 1 of the draft International Controlled Transaction Reporting Regulations 2026.

3.1.1 We have no significant concerns regarding Part 1 of the draft regulations.

3.1.2 The provisions are largely introductory and provide the framework for the operation of the ICTS, including key definitions and the use of HMRC notices to set out detailed reporting requirements.

3.1.3 Our main comment is that the proposed start date of 1 January 2027 appears ambitious. Given that consultation on the regulations remains ongoing in July 2026, affected businesses will need time to establish the systems, processes and governance procedures necessary to collect, validate and report the required information before the first reporting cycle. This is particularly relevant given the breadth and granularity of information required under the ICTS and the need for businesses to ensure the accuracy of reported data where penalties may apply.

3.1.4 We encourage HMRC to publish guidance and technical specifications as early as possible to give businesses sufficient time to prepare for the new reporting requirements.

3.2 Question 2: The government welcomes views on Part 2 of the draft International Controlled Transaction Reporting Regulations 2026.

3.2.1 We welcome the confirmation that transactions which are exempt from transfer pricing, including those covered by the SME exemption, will generally fall outside the reporting requirement unless the permanent establishment condition applies.

3.2.2 We note that where a Specified International Controlled Transaction (SICT) meets both the transfer pricing and permanent establishment conditions, information may need to be reported under both categories.

3.2.3 We have no significant concerns regarding the overall framework set out in Part 2. The provisions largely reflect the existing transfer pricing and permanent establishment regimes and set out the mechanics for reporting SICTs.

3.2.4 Our main observations relate to the breadth of the reporting requirements and the level of detail required in ICTS filings. We have addressed these points in our responses to the draft HMRC notice and ICTS template below.

3.3 Question 3: The government welcomes views on Part 3 of the draft International Controlled Transaction Reporting Regulations 2026.

3.3.1 We note that the proposed penalty regime is broadly aligned with existing regimes, including those applying to CbCR and the Transfer Pricing Records Regulations 2023.

3.3.2 Our main concern relates to the requirement in regulation 6(2) that specified information provided by a reporting entity must be accurate, together with the proposed penalty where information is found to be inaccurate.

3.3.3 Some of the data fields required by the ICTS are open to interpretation and may require taxpayers to exercise reasonable judgement when determining the information to be reported. For example, calculations such as thin capitalisation ratios may require adjustments to accounting figures that could reasonably differ between taxpayers while still representing a just and reasonable approach to the application of the rules.

3.3.4 We are concerned that, without further guidance, taxpayers may face uncertainty as to what constitutes inaccurate information for the purposes of the penalty regime. This may be particularly challenging where information is estimated, relies on assumptions or requires judgement to be exercised.

3.3.5 We therefore encourage HMRC to provide additional guidance on the evidential standards expected, the circumstances in which penalties may apply and the extent to which reasonable judgement will be taken into account when considering whether information is inaccurate.

3.3.6 We welcome HMRC's intention to provide a soft-landing period and would encourage clear guidance on the operation of this concession well in advance of implementation.

3.4 Question 4: The government welcomes any other comments on the draft International Controlled Transaction Reporting Regulations 2026, including any aspects not covered by the regulations at this time.

3.4.1 We recognise the practical need for a degree of flexibility in the operation of the ICTS and understand the rationale for allowing detailed reporting requirements to be specified in an HMRC notice.

3.4.2 However, much of the practical reporting obligation sits within the HMRC notice rather than in the regulations themselves. This means that important aspects of the reporting requirement could potentially be changed without further legislative scrutiny.

3.4.3 Given the compliance burden associated with the ICTS, we encourage HMRC to exercise this power with care. Material changes to reporting requirements should be subject to appropriate stakeholder consultation and should be limited to what is necessary to achieve the policy objectives of the regime.

3.4.4 In particular, HMRC should avoid introducing changes that materially increase the volume of information required or broaden the reporting burden beyond the scope consulted upon, without providing taxpayers and representative bodies with an opportunity to comment.

3.5 Question 5: The government welcomes views on the draft threshold amounts specified in the draft HMRC notice.

3.5.1 We are concerned that the proposed thresholds in the draft HMRC notice do not adequately focus the reporting requirements on the transactions and taxpayers that present the greatest transfer pricing risk.

3.5.2 The filing threshold is very broad. It applies to any transaction with a non-qualifying territory and to aggregate transactions of £1 million or more with qualifying territories. This means that a large proportion of taxpayers within scope of transfer pricing could be required to file an ICTS.

3.5.3 We are also concerned that the distinction between qualifying and non-qualifying territories does not necessarily align with transfer pricing risk. Not all non-qualifying territories are low-tax jurisdictions and not all transactions involving such territories present a heightened risk of profit diversion. We therefore question whether it is appropriate for all transactions with non-qualifying territories to be subject to the filing requirement regardless of value.

3.5.4 We would welcome confirmation of how the rules are intended to apply to arrangements involving US Limited Liability Companies (LLCs).

3.5.5 Once a taxpayer is within the regime, the disclosure thresholds for businesses outside the CbCR population appear relatively low. A £100,000 threshold for most transactions and £5 million for financial transactions can capture routine commercial arrangements. The £100,000 threshold can easily be exceeded by low risk routine management and operational service recharges and employee secondment activities and is unlikely to be viewed by many businesses as a high-risk threshold.

3.5.6 We expect the compliance burden to fall most heavily on taxpayers which cannot claim the SME exemption but are below the CbCR population. Very large groups already subject to mandatory master file and local file requirements are more likely to hold the information being requested and to have the systems, governance and documentation needed to comply. The £1 million disclosure threshold is also aligned with the local file de minimis transaction threshold. For these taxpayers, the challenge is largely one of data extraction and reporting. By contrast, many mid-market businesses are subject to transfer pricing rules but are not required to prepare a mandatory local file. As a result, the ICTS is likely to create the greatest incremental compliance burden for those taxpayers currently subject to the lowest formal documentation requirements, particularly given the £100,000 disclosure threshold. This appears disproportionate and is not well aligned with existing compliance obligations.

3.5.7 While the ICTS does not impose a local file requirement, many of the disclosures require taxpayers to identify and explain transfer pricing methodologies, tested parties, profit level indicators, financing analyses and valuation methodologies. In practice, many taxpayers may need to undertake local file-type analysis in order to provide accurate responses.

3.5.8 If HMRC expects taxpayers which cannot claim the SME exemption to undertake analysis equivalent to that contained in a local file, this should be stated clearly and supported by proportionate guidance. The current proposals risk creating uncertainty by requiring information that may, in practice, be difficult to provide without carrying out a more detailed transfer pricing analysis than is currently expected. This uncertainty is particularly important given the penalties that may apply where information is reported inaccurately.

3.5.9 More fundamentally, the proposed thresholds and reporting requirements do not appear to be designed to identify situations where a taxpayer should have made a transfer pricing adjustment but has not done so. While the proposals will provide HMRC with a significant volume of additional information, it is not clear that the information requested will necessarily identify the transactions that present the greatest transfer pricing risk.

3.5.10 Overall, we believe a more targeted approach would provide a better balance between the information obtained by HMRC and the compliance burden placed on taxpayers. For example, HMRC should consider increasing transaction thresholds, including a £1 million threshold for all taxpayers, or reducing the level of information required from taxpayers outside the CbCR population.

3.6 Question 6: The government welcomes views on whether the draft HMRC notice clearly conveys the detailed requirements of an ICTS filing.

3.6.1 From a general transfer pricing perspective, we consider the draft HMRC notice to be clear.

3.6.2 However, the overall regime is more difficult to follow because the reporting requirements are spread across several documents, including Finance Act 2026, the draft regulations, the draft HMRC notice and the draft template.

3.6.3 The position becomes more complex where different reporting requirements apply to areas such as financial transactions, permanent establishments and Lloyd's syndicates. While these distinctions may be necessary, taxpayers may find it difficult to identify exactly what information is required, where those requirements are set out and fail on the accuracy requirement.

3.6.4 We therefore encourage HMRC to consider whether further simplification is possible and to ensure that clear guidance is available to help taxpayers understand how the various legislative provisions, reporting categories and supporting documents interact.

3.7 Question 7: The government welcomes any other views on the draft HMRC notice.

3.7.1 We believe HMRC should provide clearer guidance on its expectations for taxpayers which cannot claim the SME exemption but are below the CbCR threshold.

3.7.2 Many of the disclosures require taxpayers to identify and explain transfer pricing methodologies, tested parties, profit level indicators, financing analyses and valuation approaches. While the ICTS does not formally require a local file, many taxpayers are likely to find it difficult to provide this information accurately without undertaking a level of analysis similar to that contained within a local file and increase their tax return filing costs as a result.

3.7.3 If HMRC's intention is that taxpayers which are not subject to the SME exemption should now be expected to undertake documentation and analysis equivalent to a local file, this should be stated clearly and supported by proportionate guidance. Otherwise, the regime risks creating uncertainty for taxpayers who are not formally subject to local file requirements but may nevertheless be expected to produce information that requires local file-level analysis to support.

3.7.4 More broadly, we encourage HMRC to consider whether the compliance burden imposed by the ICTS is proportionate to the additional information being obtained. The regime extends beyond the global consensus agreed in the OECD Action 13 documentation framework and may increase compliance costs for a significant number of businesses, potentially impacting on the UK's competitiveness as a place to do business.

3.7.5 Taxpayers would also benefit from a clearer explanation of how HMRC intends to use the data collected through the ICTS. The regime appears primarily designed to support data-led risk assessment and risk identification. Greater transparency regarding how the data will be used, how it will interact with existing HMRC risk assessment processes, including Business Risk Reviews, and how reported information will be interpreted would help taxpayers better understand the purpose and expected outcomes of the regime.

3.8 Question 8: The government welcomes overall views on whether the 2026 ICTS offers a reduced administrative burden and a more targeted approach than the 2025 ICTS.

3.8.1 We do not believe that the 2026 ICTS materially reduces the compliance burden compared with the 2025 proposal.

3.8.2 While the revised aggregation rules may reduce the number of entries that need to be reported in some cases, the main compliance burden arises from collecting, analysing, validating and documenting the information required to complete the return. That burden remains significant.

3.8.3 More fundamentally, the regime continues to apply to a broad population of taxpayers rather than being limited to those taxpayers or transactions presenting the greatest transfer pricing risk. As a result, the compliance burden is likely to fall on a much wider group of taxpayers than those that HMRC may ultimately identify as higher risk.

3.8.4 We expect this burden to fall most heavily on taxpayers within the scope of transfer pricing but below the CbCR threshold. Many of the disclosures continue to require transfer pricing analysis that goes well beyond simple transactional reporting.

3.8.5 We are also concerned that some of the information requested is not necessary to achieve HMRC's stated objective of improving transfer pricing risk assessment. For example, SIC codes are already available from Companies House and are not always a reliable indicator of the activities undertaken by a business. Similarly, the requirement to report exchange rates could create a significant reporting burden despite not being related to international controlled transactions.

3.8.6 While some of the concepts and terminology used in the ICTS will be familiar to transfer pricing specialists and larger in-house tax teams, many businesses and advisers may be unfamiliar with concepts such as one-sided transfer pricing methods or other detailed transfer pricing analyses. This increases the risk of inaccurate or inconsistent filings potentially reducing the usefulness of the information collected and creating additional work for both taxpayers and HMRC.

3.8.7 If HMRC's objective is to improve targeting while reducing burdens, consideration should be given to a more proportionate approach. This could include higher transaction thresholds, limiting enhanced disclosures to taxpayers within the CbCR population or requiring only objective financial and transactional data from smaller taxpayers.

3.9 Question 9: The government welcomes views on the draft Section A of the 2026 ICTS.

3.9.1 We welcome the revised aggregation rules, which should reduce the number of entries required in some circumstances and better align reporting with the way transfer pricing policies are often applied in practice.

3.9.2 However, we remain concerned that Section A appears to assume that all in-scope taxpayers have undertaken a level of transfer pricing analysis similar to that contained in a local file. This is not currently mandatory for many taxpayers within the scope of the UK transfer pricing rules.

3.9.3 We are concerned that Section A may effectively impose additional documentation burdens on taxpayers that are not otherwise required under current legislation. In particular, the information requested appears to assume that taxpayers have undertaken a level of analysis similar to that envisaged by HMRC's GfC7 guidance. While taxpayers may choose to follow that guidance, it is not a statutory requirement for all businesses within the scope of the UK transfer pricing rules. The ICTS should not be used to introduce, indirectly, documentation expectations that go beyond current legislative requirements.

3.9.4 We also note that some of the information requested appears to go beyond that normally included in a local file. For example, taxpayers may be required to provide information such as the percentage of costs incurred that are included in the cost base, charged out and marked up. Many businesses may find it difficult to identify within their systems and provide this information without undertaking significant additional analysis.

3.9.5 The List Data for Section A is helpful. We are concerned that interpretation of parts of Section A may be beyond the general knowledge of the average taxpayer's management team or non-transfer pricing specialist tax advisers, especially in respect of the valuation methodologies tab relating to intangibles, leading to accidental inaccuracy of completion. Additionally, the detailed information required for Section A may be difficult to gather and validate, particularly where the relevant information is not readily available to the UK entity.

3.9.6 As a result, we are concerned that a significant number of taxpayers will struggle to complete Section A accurately and consistently. We therefore encourage HMRC to review whether all the information requested is necessary to achieve its stated objectives and to ensure that the reporting requirements remain proportionate.

3.10 Question 10: The government welcomes views on the draft Section B of the 2026 ICTS.

3.10.1 We welcome the move to focus detailed disclosures on the five largest borrowing arrangements and the five largest lending arrangements. This should provide HMRC with more meaningful risk assessment data than the previous approach and reflects the accounting impact of financing arrangements rather than focusing solely on formal legal loan agreements.

3.10.2 We also recognise that this approach will bring within scope a broader range of intercompany balances that may not be regarded as formal loans. This is an important consideration given the way many groups conduct their intra-group financing and day to day working capital arrangements.

3.10.3 We remain concerned that the reporting requirements for financing transactions are highly detailed and place considerable emphasis on intra-group financing. The volume of information requested may be difficult for some taxpayers to gather and validate, particularly where the relevant information is not readily available to the UK entity.

3.10.4 We are particularly concerned by the requirement to report debtor and creditor relationships beyond the five largest arrangements. Many multinational groups maintain many intercompany balances, including trading balances that fluctuate throughout the year and may be of limited transfer pricing significance. While disclosure of the largest arrangements is understandable from a transfer pricing risk perspective, the requirement to identify, aggregate and report all remaining balances is likely to create significant additional compliance costs with limited additional benefit to HMRC.

3.10.5 We therefore recommend removing the requirement to report debtor and creditor relationships beyond the five largest arrangements. In our view, the largest arrangements should generally provide HMRC with sufficient information to identify areas of material transfer pricing risk.

3.10.6 We are also concerned by the volume of information required in relation to interest rates, credit ratings and thin capitalisation metrics. These requirements apply equally to lending arrangements, where information relating to the overseas borrower may be of limited relevance to UK transfer pricing risk and obtaining this information could impose a disproportionate compliance burden relative to the likely benefit for HMRC.

3.10.7 The filing threshold for transactions with non-qualifying territories is £1 million and is assessed by reference to income and expense amounts, whereas the disclosure threshold for creditor financing arrangements is £5 million and is assessed by reference to opening and closing balances. In certain circumstances an enterprise may not breach the £1 million income and expense threshold despite having opening and closing balances in excess of £5 million. . This use of different metrics could create uncertainty for taxpayers in determining whether filing obligations arise and therefore further clarity on the application of the thresholds in such circumstances would be welcome.

3.11 Question 11: The government welcomes views on the draft Section A(i) of the 2026 ICTS.

3.11.1 No comment.

3.12 Question 12: The government welcomes views on the draft Section B(i) of the 2026 ICTS.

3.12.1 No comment.

3.13 Question 13: The government welcomes views on the draft list data for the 2026 ICTS.

3.13.1 The lists are helpful but in our view much of the content requires greater transfer pricing knowledge than that found more generally in management teams and in tax practices which do not have a specialist transfer pricing team, especially for those enterprises which do not meet the CbCR reporting threshold and lack an in house tax team.

3.14 Question 14: The government welcomes views on any other information requested in the 2026 ICTS.

3.14.1 We recognise that much of the information requested will be useful to HMRC in supporting automated risk assessment. For example, it may help identify taxpayers that have undertaken restructurings, changed transfer pricing policies, highlight key risk areas discussed in GfC7, etc. The information should enable HMRC to target its compliance activity more effectively.

3.14.2 However, the usefulness of the information to HMRC must be balanced against the practical challenges faced by taxpayers in obtaining, validating and reporting it. Although some of the information may already be available to businesses that prepare local files, many taxpayers will need to gather, reconcile and structure data from multiple sources in order to complete the ICTS accurately.

3.14.3 We therefore encourage HMRC to continue reviewing whether all requested information is necessary to meet the policy objective and explore opportunities to simplify reporting requirements where the compliance burden may outweigh the additional benefit obtained from the data.

4. About Saffery LLP

4.1 At Saffery, we're more than just chartered accountants and tax and business advisers. We're a partner-led and people-focused firm, committed to our clients and honouring our heritage.

4.2 Since 1855, we've evolved in size and scope, but our unwavering dedication to exceptional client service remains the same.

4.3 As a proud member of Nexia, a worldwide network of trusted member firms, we've got access to local insight on a global scale.

4.4 In the UK, Saffery LLP is the 15th largest accountancy firm by fee income, with 90+ partners and 1,300+ staff across nine offices. Saffery also has an office in Dublin, Ireland.