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**International Controlled Transactions Schedule**
**Response by the Chartered Institute of Taxation**

## 1. Introduction

1.1. The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 20,000 members, and extensive volunteer network, in providing our response.

1.2. The technical consultation on the draft International Controlled Transaction Scheduled (ICTS) published in June builds on previous engagement around transfer pricing documentation and follows the announcement at Budget 2025 that the government would implement an ICTS. CIOT met with HMRC on 16 July 2026 to discuss the draft regulations and draft ICTS schedule published in June, and our comments in this response build on our discussions at that meeting. We welcome the engagement from HMRC with stakeholders throughout the development of the ICTS, and the constructive dialogue we had at our meeting. We support the policy objective of the ICTS which we understand is to protect the UK tax base by providing HMRC with better information to enable HMRC to better focus in assessing risk, leading to efficiencies in enquiries.

1.3. In light of the relatively short consultation period and the fact that we are aware that many other stakeholders (including the Big 4 accounting firms, multinational enterprises (MNEs) that will be within the scope of the rules and industry bodies for specific sectors) are engaged with HMRC and the consultation process, and will be feeding in more specific comments around the practicalities of the suggested data points etc., we have limited our comments to more high level points around underlying principles. Our aim is to ensure, so far as possible, that the ICTS will be practicable, achieve HMRC's policy aims and meet the CIOT's objectives for the tax system. Our stated objectives are for a tax system that includes a fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented) and a responsive and competent tax administration, with a minimum of bureaucracy. We discussed with HMRC that there needs to be a balance between providing information to HMRC to enable them to meet the policy objectives and the burden on businesses in providing that information.

1.4. We understand that HMRC is mindful of the administrative burden for businesses and we recognise and welcome the changes HMRC have made to the current draft ICTS from previous drafts shared to reduce this.

But, in our view, the 2026 ICTS remains very burdensome. Overall, in the balance between better risk analysis, with the benefit of fewer enquiries, versus the administrative burden, the scales are sitting heavier on the side of the administrative burden for businesses, and we encourage HMRC to consider how the administrative burden for businesses can be further reduced.

1.5. A key challenge in the implementation of the ICTS is ensuring an appropriate balance between gathering useful information in a format that is genuinely useful to HMRC and the administrative burden of collecting and reporting that data – particularly alongside existing reporting obligations which may be partly duplicative. Many businesses already maintain a Master File and Local Files for a number of countries, which are in line with internationally agreed content and standards. It should not be necessary to ask these businesses to provide (some of) the same information again in a different format, and at the very least we would hope that where datapoints are already included in a Local File these could be exempted from ICTS submissions (and given it is an existing obligation aligned to international standards, the Local File requirements should not be the obligation that is changed to eliminate potential duplication).

1.6. However, there is a larger point around the efficiency of the regime in considering and articulating to business how HMRC will use the combination of the Local File and ICTS. Datapoints that would complement the Local File seem to be the most useful. But, failing a selection of datapoints built around that principle, at the very least it should be ensured that whatever the ICTS risk assessment produces (be it a manual or automated process), it should be first reviewed by those in HMRC who have read the Local File and sought to understand the business before conclusions are drawn or further information requested from the taxpayer.

**2. Corporate tax compliance – the overall burden and UK competitiveness**

2.1. The ICTS will add to a compliance burden for large businesses that is already significant, because of recent international tax reforms (country by country reporting and Pillar 2 etc.) and other measures coming in in the next few years such as E-invoicing for VAT and the standardisation of corporation tax computations. It is also the latest development in the context of an overall move by the UK from a position of having a flexible (not mandated) approach to transfer pricing reporting and documentation to one which is very prescriptive and burdensome in a short period. These measures all require extensive data collection, analysis, supporting calculations and documentation to reach appropriate filing positions and represent an enormous administrative burden on in-house tax teams, as well as requiring significant investment by businesses in changes to their IT, reporting and accounting systems.

2.2. While each measure may of itself be sensible and justified, it is important to keep in mind the cumulative compliance burden, and the extent to which the reporting obligations overlap. We suggest a change in approach is required to consider the overall reporting burden on businesses, and what is required (and currently provided) in totality rather than on a measure-by-measures basis. The current direction of travel of an ever-increasing compliance and reporting burden for tax runs contrary to the overall government objectives of reducing regulation for businesses to encourage growth.

2.3. We recognise that other jurisdictions have similar regimes, but the proposed ICTS requirements go beyond internationally agreed OECD requirements at a time when other countries are looking to reduce the amount of compliance burden. The UK's transfer pricing reporting requirements – both those already in place, and the new ICTS – sitting alongside the other reporting measures will have an impact on the UK's overall global competitiveness and attractiveness as a place to invest and do business.

2.4. In this regard we note and welcome the proposed exclusion for matters covered by an Advance Pricing Agreement, but we are disappointed that transactions that have been confirmed as low risk under an International Compliance Assurance Programme (ICAP) are not exempt. Although ICAP does not provide legal certainty on pricing, we suggest that not having an exemption from reporting these transactions is contrary to international norms and a cooperative compliance approach. We suggest that an exemption from reporting within the two-year period given under ICAP is included in the ICTS.

**3. Risk assessment**

3.1. HMRC state the ICTS will be used for 'automated, data-led risk assessment' and 'manual risk identification', with the aim of 'reducing the number and length of HMRC enquiries on transfer pricing (and permanent establishment profit attribution) matters'. We support this objective and recognise that efficient risk assessment by HMRC is beneficial to HMRC and, ultimately, to taxpayers.

3.2. We understand that the ICTS is intended to give HMRC information it does not currently have, in a different format to the Master and Local Files (which are not currently filed, but available if requested), and that the digital nature of the information that will be provided is a significant part of that, permitting some level of digital and automated analysis of data. It is considered that this will enable HMRC to conduct some aspects of its risk assessment more efficiently using the ICTS.

3.3. But the level of detail that would be required by the 2026 ICTS, albeit for a smaller number of transactions, is at the level that a business would expect to provide as part of an enquiry. We suggest that this goes beyond what is required for the first step of risk assessment. It is far from clear that HMRC requires information at this level of detail to conduct sensible and successful risk assessment.

3.4. An example of excessive information being requested is the requirement to list all counterparties, including their country of incorporation and residence. For the largest groups this could result in having to list hundreds or potentially thousands of entities, and maybe multiple times for different transactions. It is not clear why HMRC requires this information to undertake risk assessment, and we suggest a list of countries would be sufficient. Although we recognise that this detail about counterparties is required by the UK's transfer pricing legislation, providing it in the ICTS creates an administration burden. That the information is available somewhere in the business is not the same thing as requiring it all to be pulled forward and set out in an ICTS.

3.5. More efficient and fewer enquiries into transfer pricing would be a welcome benefit to businesses, but that this will arise from the ICTS has not been proven. Currently, while it is possible to understand that the ICTS could reduce inefficiencies from HMRC's perspective, there is a sense that this measure pushes the work onto business, who will have to provide all the information that would be required for an enquiry, even when there is no risk to the Exchequer from their activities.

3.6. It is also the case that the compliance burden falls as much on low-risk businesses as those of higher risk to the UK tax base. The feedback that we receive is that recently, it has become more difficult to ascertain the benefits of a low-risk rating for the business (as determined through the BRR+ process), as the compliance and reporting obligations apply across the board, to all companies, regardless of their risk profile. Our member feedback is that the Boards of companies subject to BRR+ typically take the risk rating very seriously. It is something they often refer to it in their Annual Reports and Tax Strategy. If a low-risk rating is achieved, they would place reliance on this, and the assumption would be that HMRC is generally satisfied with their tax compliance. Additional burdens such as the ICTS, regardless of risk, lessen the value of the BRR+ and reduce trust in the

BRR+ process, creating confusion within a business as to the benefits of working collaboratively with HMRC to obtain and maintain a low-risk rating.

3.7. There are potential limitations to the information that is being requested, and we foresee some challenges for HMRC in using the data in risk assessing businesses when deciding whether to open enquiries. The focus of the exercise seems to be to allow risk to be flagged not just where a transaction is outside of the arm's length range, but one where it flags against other taxpayers. This comparison is not the same as the arm's length principle, and working on this basis could give risk to false positives and inappropriate flagging of risk (or conversely missing genuine risks). We understand that HMRC intend there to be a manual assessment of risks that are flagged, so that ultimately a decision whether to open an enquiry will be one of human judgement, but this does lead us to question whether the efficiencies will be as significant as currently expected.

3.8. Blending of margins is another area where (while it may marginally reduce the compliance burden by reducing the number of datapoints being reported) there is a heightened risk of both genuine risks being missed, or the appearance of risks where actually there is no or low risk. This is one of several areas where it is important to note that the administrative burden lies more in the collection and collation of data (particularly if/where that data sits across multiple systems or requires manual collation) than in the number of datapoints to include on a final submitted form.

3.9. There are specific sectors, such as insurance, re-insurance and Lloyds where the data provided could be misleading without an understanding of the underlying accounting and tax treatment of transactions. The data that will be provided for one year in isolation could give rise to false flags of risk for HMRC because contracts in these sectors run over many years and so can produce misleading 'spikey' data year on year, rather than when considered over an (often) three-year period. We understand that industry bodies for these sectors will be responding on more detail explaining these concerns.

**4. Thresholds, implementation and penalties**

4.1. Finance Act 2026 legislated for the ICTS, giving HMRC the power to introduce regulations requiring in-scope multinationals to file an ICTS. As part of this consultation, HMRC have published draft regulations - International Controlled Transaction Reporting Regulations 2026 – and the HMRC notice that, together, will implement the ICTS filing requirement.

4.2. The draft regulations set out that international controlled transactions need to be reported where the threshold requirement is met. Proposed threshold amounts are listed in the draft HMRC notice. We suggest that the thresholds form part of the framework and scope of the new ICTS requirement and, as such, should be within the regulations rather than in the HMRC notice.

4.3. The use of thresholds, introduced in the 2025 consultation, is a welcome simplification. It will take some smaller businesses out of scope. However, for most large businesses the thresholds are too small to reduce the level of reporting that will be required by them.

4.4. We would also welcome guidance on how the thresholds work and interact with each other. It is not completely clear whether these work on an individual basis, or across categories of transaction. It is also not clear how they apply to non-corporate structures such as limited liability partnerships.

4.5. We welcome that HMRC intend to work collaboratively with software providers, advisers and end users to ensure that the technology and format for filing the ICTS minimises burdens and reflects user needs, as well as

HMRC's need to ensure the information is electronically readable. Of course, with the rules expected to apply for accounting periods starting on or after 1 January 2027, time is of the essence.

4.6. We also welcome recognition in the consultation document that there will be a 'soft landing' for the first period of filing, reflecting the time required by businesses to adjust to the new filing requirement. We look forward to the further guidance from HMRC around this in due course.

## 5. Administrative burden

5.1. We recognise and welcome the changes that have been made in response to previous consultations and the 2026 ICTS does offer a more targeted approach than the 2025 ICTS.

5.2. However, while the types of transactions that HMRC are seeking information on are sensible, as we say above, the level of detail seems excessive for the purposes of risk assessment, and we remain concerned about this and the amount of information that would be required. Both Sections A and B require a lot more detail on fewer transactions – as a result it is not clear that the overall burden of the ICTS is reduced.

5.3. At our meeting with HMRC, it was mentioned that a further aim of the ICTS was to drive behavioural change and ensure that more businesses are properly collecting data for transfer pricing purposes for the requirements that already exist to maintain the Master File and Local Files. It was mentioned that the approach of the 2026 ICTS aims to follow an OECD compliant transfer pricing analysis, so a business can take a typical comparative study benchmark exercise and then use this to complete the ICTS.

5.4. While we support principle that businesses should be properly collecting data and analysing transfer pricing positions, there seems to be a significant underestimation of the challenges businesses would face in compiling data from transfer pricing and business records to report it in an automated form. Just because the data is available within a company (or group) does not mean that it can easily be pulled from various IT systems etc. to flow into a compliance report such as the ICTS.

5.5. For example, typically the records and data about the 'widget'/non-financial transactions would not be in the systems that sit within the control of the tax team of a business. Typically, the tax team sets the transfer pricing policy for treatment of these transactions, but other teams within the business would enter them into different systems within the business, feeding into the accounts. The result is that to prepare the ICTS will require a member of the tax team to spend a significant amount of man hours over the year locating the information and inputting it into the ICTS. This would either require more budget for the tax team, or a cutting back on other things that the team is doing.

5.6. Similarly, for loan relationships that must be reported, some of the granular detail that is being asked for, for example, the gearing ratio, will not be easy to locate within businesses' accounting systems and will be difficult to populate. Although this is a detail that a business would expect to have to provide if there was an enquiry, it seems excessive for the purposes of risk assessment, particularly for a low-risk business.

5.7. At our meeting we discussed that the way that the burden might fall and change over time. HMRC recognised that there may be a burden on businesses in the first year while processes are put in place to collate the information, because the data points are there, but considered that this would ease in future years into an automated process. Our understanding from members is that this will not be the case. The 2026 ICTS is seeking detail that is not usually be held in the financial systems so it would be difficult to automate. The nature and structure of the 2026 ICTS is such that this will not be a simple matter of pressing a button to get the information, and only part of it could be automated, even over time. For example, requiring the 'top five' makes it more difficult to automate and answering all the drop-down boxes and supplemental questions will involve manual input unless there are tremendous improvements in AI in future years. The ICTS presents less scope for automation than similar regimes in other jurisdictions, or country by country reporting. The Australian regime was cited as being less burdensome, principally because it is constructed on a group basis. At our meeting we also noted that the supplementary questions are very broad and will not be easily answered a straightforwardly 'yes' or 'no' for many businesses.

5.8. As we note above, the thresholds will be helpful for some but are too small to have any impact for most large businesses. At £1m, the threshold is disproportionality small for large businesses, for whom this amount would represent an immaterial level of risk. It is unhelpful that there is no transaction level threshold for derivative contracts, so the requirement is to report five even if all of these are very small.

5.9. We urge HMRC to consider further how the information required by the ICTS could be reduced further to make the administrative burden more proportionate to the potential benefits and better reflect a level of information that would permit HMRC to undertake a successful risk assessment, rather than tasking all businesses to provide enquiry level information from the outset.

5.10. A suggestion in the consultation document to limit the administrative burden on businesses who already have specific transfer pricing documentation is to allow businesses to exclude data provided in the ICTS from their Local File. As we say at paragraph 1.5 above, in our view this simplification is the wrong way round. As businesses are obliged to maintain a Local File aligned to international standards, this should be retained, and the simplification should be that information in the Local File is not required to be duplicated in the ICTS.

## 6. Assessment of impacts

6.1. It is recognised in the assessment of impacts that there will be a significant impact across the population of businesses in scope. However, this is only considered 'in aggregate' with no detailed work undertaken to understand or quantify the costs (financial and time) for individual businesses. The consultation document refers to the November announcement which estimated an aggregate cost of £6m for business. For 75,000 businesses this is £80 each, which is clearly a woeful underestimation. As we discuss above, the administrative burden will be significant. How can HMRC consider the proportionality of the measure, or the balance of expected outcomes against the burden without a more accurate assessment of costs?

6.2. There are sufficient differences to similar overseas requirements such that these will not easily mitigate additional administrative burden within the UK. In addition, there appears to be a fundamental a misunderstanding around 'readily available information' and the extent to which the information is 'readily available, and, even if it is, the ease with which it can be incorporated into an ICTS.

6.3. When considering the impact assessment of these proposals, HMRC should bear in mind that information included on the ICTS will be relevant to the tax position in other territories. It may be obtained by tax authorities in such territories and be used by them to challenge transfer prices to the detriment of the UK tax base.

6.4. We are seriously concerned that a more thorough impact assessment has not been undertaken for the introduction of such a significant new compliance measure. This lack of credible data around the costs of implementation for business may mask the potential impacts on business of the policy and raises questions as to how it can be properly evaluated in due course.

## 7. Acknowledgement of submission

7.1. We would be grateful if you could acknowledge safe receipt of this submission and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

## 8. About us

8.1. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

8.2. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

8.3. The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.

8.4. Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

The Chartered Institute of Taxation
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