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Announcement 2021-6: APMA program, APA statistics for 2020

The IRS today released an advance version of Announcement 2021-6 providing the Advance Pricing and Mutual Agreement (APMA) program's annual report on advance pricing agreements (APAs) for 2020.

This is the 22nd report describing the experience, structure, and activities of the APA program. This report does not provide guidance regarding the application of the arm's length standard.

[Announcement 2021-6](#) [PDF 2.48 MB] reports that:

- The number of executed APAs in 2020 was 127.
- In 2020, the percentage of renewals executed was 59% (compared to 57% in 2019).
- As in prior years, more than half of the APAs executed in 2020 involved transactions between non-U.S. parents and U.S. subsidiaries.
- Although most of the transactions covered in APAs executed in 2020 involved the sale of tangible goods or the provision of services, approximately 25% involved the use of intangible property (noted by the IRS to be among the most challenging transactions in the APMA's inventory).
- The median completion time for new APAs and renewed APAs combined was 32.7 months (unilateral and bilateral APAs). Thus, the median time required to complete an APA continued to decrease from 38.8 months in 2019 and 40.2 months in 2018.

APA statistics for 2020

	Unilateral	Bilateral	Multilateral	Total
Applications filed	15	103	3	121

APAs executed	19	105	3	127
APAs pending as of December 31, 2020	43	384	21	448
Renewals executed in 2020	11	64	0	75
Renewals pending as of December 31, 2020	25	154	8	187
Revoked or cancelled in 2020	0	0	0	0
Applications withdrawn in 2020	2	5	0	7

KPMG observation

Despite the coronavirus (COVID-19) pandemic and the uncertainty it caused for businesses throughout 2020, the APA statistics for 2020 are generally consistent with those for 2019. New APA applications held steady, and slightly more APAs were executed than in 2019, indicating that APMA and its treaty partners quickly and successfully adapted to work in a virtual environment.

Importantly, no APAs were canceled in 2020. An APA may be canceled when a critical assumption is no longer met unless the parties agree to revise the APA's terms. While the pandemic may have resulted in critical assumption failures, the lack of any cancellations suggests that APMA and foreign competent authorities have been able to work through COVID-related issues with taxpayers.

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