

Italy: Renewed focus on tariffs and transfer pricing interplay after Trump measures

By Federico Vincenti, Carola Valente April 15 2025



Multinational groups may need to reassess their strategies in the wake of the US president's sweeping tariff changes. Federico Vincenti and Carola Valente of Valente Associati GEB Partners/Crowe Valente outline ways to mitigate the impact

The recent introduction of higher tariffs by the Trump administration has brought renewed attention to the interrelationship between transfer pricing and customs duties.

In international transactions between related parties, both direct taxation and customs duties – although based on different approaches to defining transfer pricing – require that the value of goods is not influenced by the corporate relationship between the parties involved. Therefore, in the case of purchase and sale transactions between related entities, the price of the goods exchanged must still comply with the arm's-length principle, meaning it must not be affected by the existing relationship between the companies. The price must be determined as it would have been between entirely independent parties under conditions of free market competition.

The Italian perspective

Considering the above interrelation, in Italy, the Customs and Monopolies Agency and the Revenue Agency established a joint working group, which led to the publication of the circulars No. 16/D in 2015 and No. 5/D in 2017 outlining best practices on the matter, as well as a coordination between the two topics.

From a methodological perspective, the possibility of using the traditional OECD methods for determining intercompany transfer prices has been recognised. In particular, the traditional methods (comparable uncontrolled price, resale price, and cost plus) are considered similar to the secondary methods used for determining customs value.

Income-based methods (transactional net margin and profit split) may also be applicable, although with some practical challenges and potentially closer scrutiny from the competent authorities. Furthermore, it is possible to provide the Customs and Monopolies Agency with transfer pricing documentation to explain how prices are determined, and any relevant advance pricing agreements.

Particularly interesting is the relevance, for customs purposes, of transfer pricing adjustments made after the customs transaction has taken place, in order to ensure compliance with the arm's-length principle.

In the past, the aforementioned price 'adjustments' were not subject to customs revisions in order to settle additional duties owed to the competent office (in the case of upward adjustments) or to grant a refund to the economic operator (for downward adjustments), and reconciliation at customs was neither considered necessary nor, at times, cost-effective for economic operators. Today, however, customs authorities are placing increasing importance on verifying the consistency of the customs value in relation to the transfer pricing policy.

With circulars No. 16/D and No. 5/D, the Customs and Monopolies Agency highlighted the possibility of using the simplified declaration procedure for reconciling transfer pricing values at the time of import and/or export operations. Specifically, the simplified declaration allows reliable operators to agree with the customs office on the possibility of submitting a customs declaration indicating only a provisional value. This can be supplemented with the missing information or documents, either by paying additional duties or obtaining a refund for any overpaid amounts.

The use of the simplified declaration is subject to authorisation by the Customs and Monopolies Agency. In this regard, it is worth noting that when using the simplified declaration and providing an appropriate guarantee for any potentially higher customs duties, it is possible to temporarily suspend the assessment process. The assessment can then be completed at a later stage, as established in the authorisation, by submitting a complementary declaration that includes the missing elements or documents.

An additional methodology allows the economic operator to submit a prior ruling on customs value. The economic operator – recognised as reliable and exclusively for the importation regime – would, in this case, have the advantage of determining the customs value in advance for the calculation of any import duties, with a well-considered and reasonable lump-sum amount. Therefore, the customs value so determined is not a provisional value subject to modification but a definitive value. This means that the operator will not need to intervene later to amend any customs declarations already submitted.

Considerations for multinational groups in light of the Trump tariffs

In the current international economic scenario, the imposition of higher tariffs by the Trump administration could force multinational corporations to reassess their transfer pricing policies. Tariffs can significantly reduce profitability, particularly for companies that are unable to pass on these costs to end customers.

This development has driven companies to reconsider how profits are allocated among related entities across different jurisdictions.

To mitigate the impact of such tariffs, multinational groups will therefore need to consider:

- Restructuring the supply chain (for example, relocating manufacturing operations);
- Reducing the dutiable base by evaluating changes to transfer pricing policies;
- Creating multi-tiered transactions preceding importation to remove non-dutiable costs and support the 'first sale for export' doctrine;
- Reviewing the functional and risk analysis of limited-risk distributors to assess who should bear the margin loss resulting from the application of tariffs;
- Revising benchmarking analyses to take into account the impact of tariffs on comparable entities; and
- Making specific and accurate comparability adjustments.



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