less is accordance with Sec. 482, challenging the IRS and undergoing an audit. Canadian TNCs also prefer market methods, which are more likely to pass IRS scrutiny than the non-market methods currently preferred by U.S. TNCs. These results suggest that U.S. and not Canadian tax regulations are influencing the choice of transfer pricing methods, regardless of TNC home country.[5]

There are no differences between countries in the practices adopted to address the effects of their given transfer pricing methods in Table 5, Panel A. However, when compared by method in Panel B, non-market TNCs are more likely to keep two sets of books (tax/finance/local versus management control) and to include the effects of transfer pricing in their budgets so managers are not evaluated on parent company usage of transfer prices to achieve certain goals, such as tax minimization. When compared by method by country in Panel C, all market Canadian TNCs addressed transfer pricing effects when evaluating subsidiary performance, and none accounted for transfer pricing adjustments in their budgets, compared to 71% and 83% of their U.S. market counterparts. Of the TNCs using non-market methods, 50% of Canadian TNCs disregarded transfer pricing effects when evaluating performance compared to 18% of the U.S. non-market TNCs. These practices by non-market TNCs, particularly keeping two sets of books, may contribute to the high audit experience of U.S. TNCs.

Regarding NAFTA, both U.S. and Canadian respondents feel that Mexico received the most benefits compared to their home countries.