

# Overview of Transfer Pricing including Overview of Provisions and Rules

Study Course on Transfer Pricing organized by WIRC

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Mumbai



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- 1 What is Transfer Pricing
- 2 Various Concepts
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A photograph of four business professionals in a meeting, with a large blue and red graphic overlay on the right side. The text 'Transfer Pricing - Introduction' is centered in a red box within the graphic.

## Transfer Pricing - Introduction

# India Transfer Pricing Environment

**THE ECONOMIC TIMES**

**Finance**

## Many MNCs use profit shifting strategy to evade tax: Report

NEW DELHI: Many multinational companies operating in India and having links to tax havens use profit shifting strategies to "evade" taxes, according to a research report by Christian Aid.

The conclusions from the research report by UK-based international development group Christian Aid comes at a time when the Indian government is making efforts to crackdown on tax evasion and increase the tax base.

**THE FINANCIAL EXPRESS**

## Cleaning up the transfer pricing mess

It is increasingly getting clear that transfer pricing regime in India needs quick, corrective steps. CBDT must revise safe harbour norms fast and expedite APAs

Two important developments last week in the transfer pricing domain have the potential of completely transforming the way this critical and controversial tax area has been handled by the income-tax department.

## Business Standard

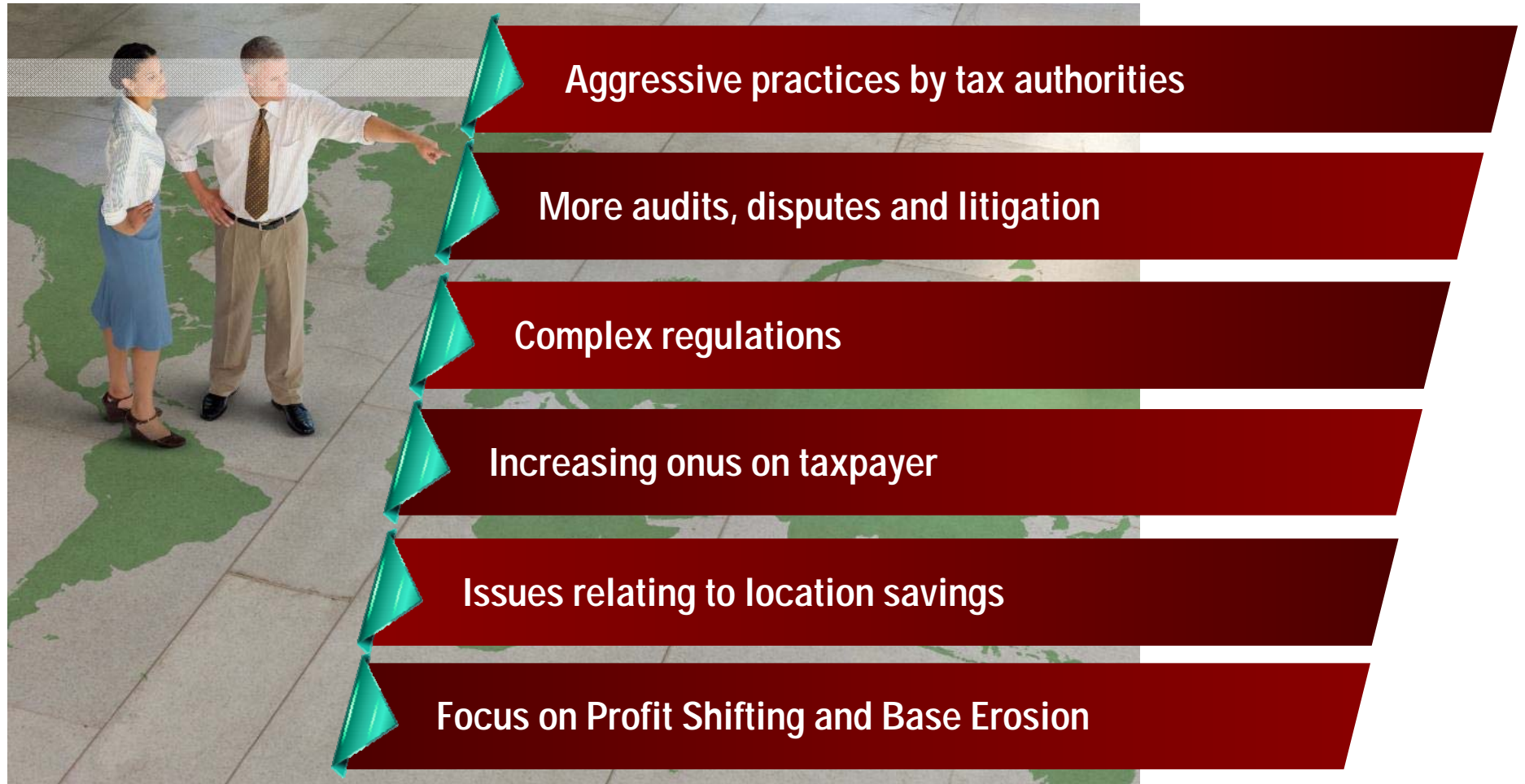
### Ad expenses of Indian arm of MNCs fall under transfer pricing:

Press Trust of India | New Delhi March 17, 2015 Last Updated at 20:02 IST

The Delhi High Court has held that money spent by Indian subsidiaries of foreign companies on advertising, marketing and promotion (AMP) of their global brand here are international transactions and fall under the purview of transfer pricing rules.



# Global Scenario



Aggressive practices by tax authorities

More audits, disputes and litigation

Complex regulations

Increasing onus on taxpayer

Issues relating to location savings

Focus on Profit Shifting and Base Erosion

# Global Transfer Pricing Environment

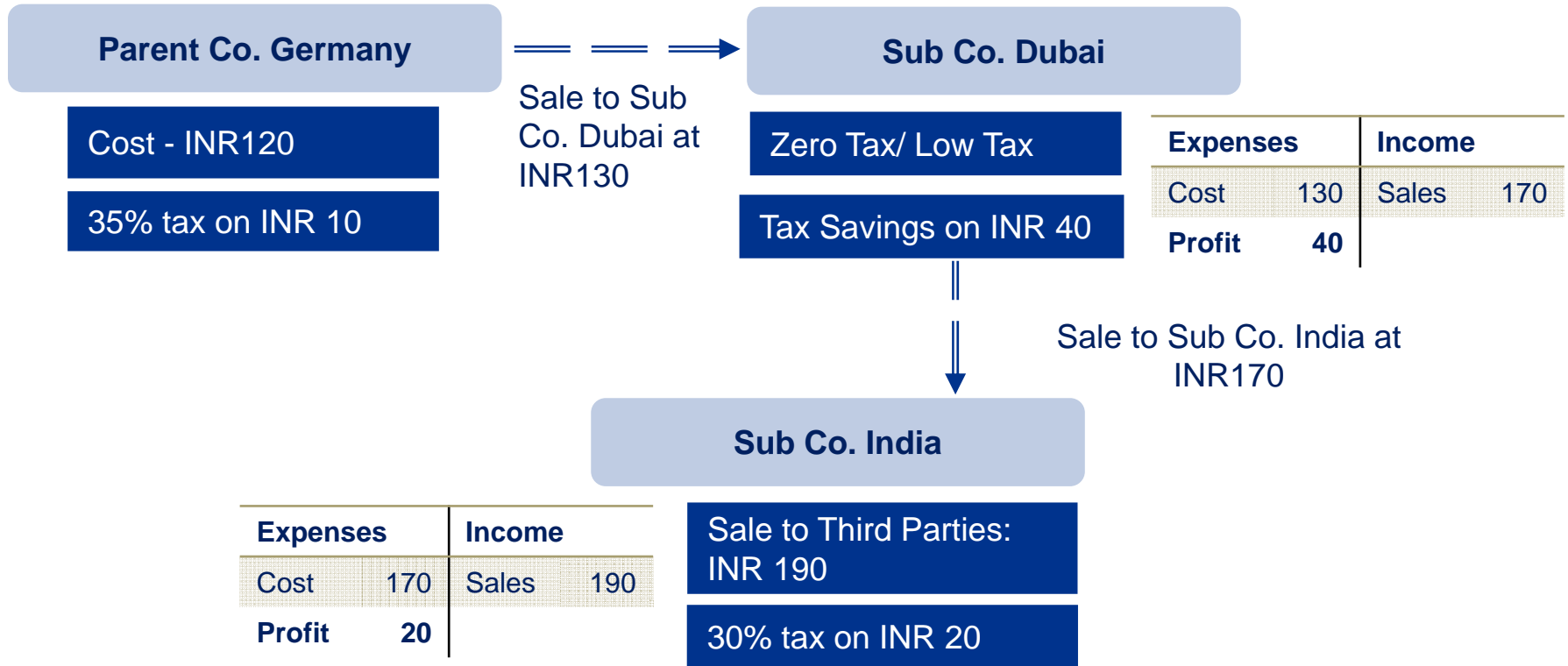


# What is Transfer Pricing?

- TP is a mechanism for pricing of goods/ services between Associated Enterprises (AEs)
- When two related entities enter into a transaction, price at which they undertake transaction is transfer price
- Due to the special relationship between related companies, transfer price may be different than price that would have been agreed between two unrelated companies
- Price between unrelated parties in uncontrolled conditions is known as Arm's Length Price ("ALP")
- TP mechanism introduced for international transactions from FY 2001-02 and extended to specified domestic transactions from FY 2012-13
- Detailed annual contemporaneous documentation requirements, annual filing of Accountant's Report (Form 3CEB)
- Tolerance band between transfer price and ALP (1% for wholesale traders and 3% in all other cases) for FY 2012-13
- Stringent penalty provisions for non-compliance

# Why Transfer Pricing?

To ensure fair share of tax revenue to respective jurisdictions



**To Prevent:** Shifting of profits outside India by manipulating prices



# Scheme of Transfer Pricing Regulations in India

## Relevant Provisions under Section 92

Computation of Income from  
**International Transaction** having regard to **Arm's Length Price**

With



**Associated Enterprises**

Section 92A

**International Transaction**

Section 92B

**Specified Domestic Transaction**

Section 92BA

**Arm's Length Price**

Section 92C + Rule 10B/ 10C

**Documentation and Certificate**

Section 92D and Section 92E

Scrutiny



**Power of AO and TPO**

Section 92CA

**Dispute Resolution Panel**

Section 144C

**Penalties**

Section 271 (1) (c), 271AA, 271BA, 271G

## ...Scheme of Transfer Pricing Regulations in India

Other relevant provisions

**Advance Pricing Agreements**

Section 92CC and CD+ Rules 10F to 10T

**Safe Harbour**

Section 92CB + Rules 10TA to 10TG

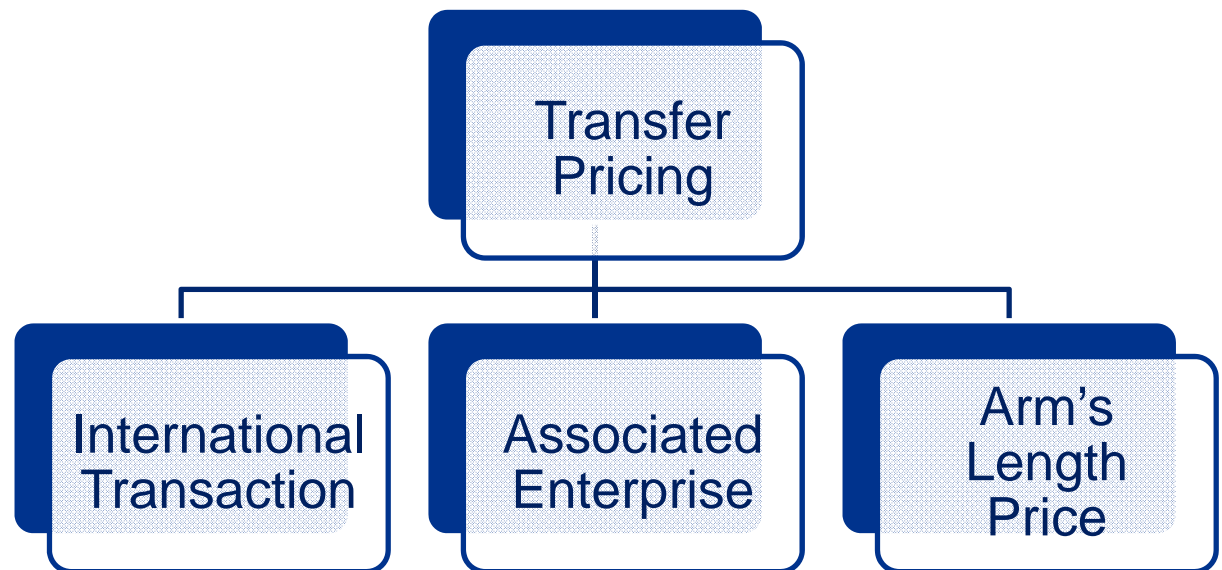


## Various Concepts

# Applicability of TP Regulations – Cross Border Transactions



Any income arising to associated enterprises from an international transaction shall be computed having regard to the Arm's Length Price



# Associated Enterprises – Article 9 of a DTAA

## ARTICLE 9

### ASSOCIATED ENTERPRISES

#### 1. Where :

- (a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State ; or
- (b) the same persons participate directly or indirectly in the management, control, or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which, but for those conditions would have accrued to one of the enterprises, but by reason of those conditions have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

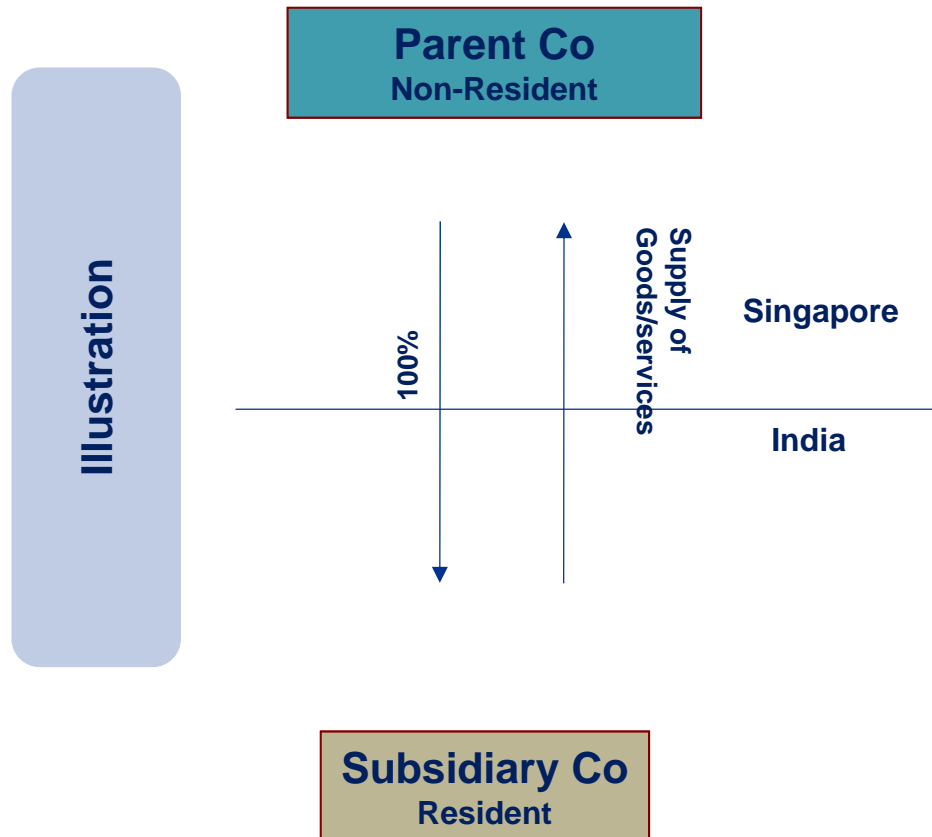
2. Where a Contracting State includes in the profits of an enterprise of that State, and taxes accordingly, profits on which an enterprise of the other Contracting State has been charged to tax in that other State, and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall, if necessary, consult each other.

## Associated Enterprises – Key triggers as per the Income-tax Act

- Direct or indirect voting power of not less than 26%
- Loan advanced by one enterprise constituting not less than 51% or the book value of assets
- One enterprise provides guarantee of not less than 10% or more of the total borrowings
- More than half of the board of directors or members of the governing board, executive directors or members of the governing board are appointed by the same person
- Common parent appoints more than half of directors on board or one executive director in both
- Dependence on the knowhow, patents, copyrights, trade marks, licenses, franchises or any other business or commercial rights of similar nature of the other
- 90 percent of the raw materials consumed for the manufacture or processing of goods and articles carried out by one enterprise is supplied by the other enterprise
- Goods or articles manufactured by one enterprise are sold to other enterprise or parties specified by the other enterprise

# International Transaction

- Transaction between two or more associated enterprises, **either** or **both** of whom are non-residents
- In the nature of -
  - Purchase, sale or lease of tangible or intangible property, or
  - Provision of services, or
  - Lending or borrowing money, or
  - Any other transaction having a bearing on the profits, income, losses or assets of such enterprises,
  - Any mutual agreement or arrangement on allocation or apportionment or any contribution of cost or expenses



# Scope of Domestic Transfer Pricing

## Expenditure incurred towards Specified Persons and tax holiday transactions are covered (Section 92BA)

### Expenditure to specified person - [section 40A(2)(b)]

- Any expenditure in respect of which payment has been made or to be made to a specified person;

### Tax Payer's enjoying tax holiday

- Inter unit transfer of goods or services [sub-section (8) of section 80-IA];
- Transaction between the taxpayer and other person having close connection [sub-section (10) of section 80-IA];
- Inter unit or intra group transaction for taxpayer enjoying benefit of Chapter VI-A or section 10AA (SEZ units); or
- Profits and gains of undertaking/ unit/ eligible business is to be computed having regard to arm's length price in case of inter unit transfer of goods or services by the taxpayer [section 80A];

### Applicability

- Applicable where aggregate amount of exceeds INR 50 million (approximately US \$ 1 million) in a year
- Applicable from Financial Year (FY) 2012-13 onwards

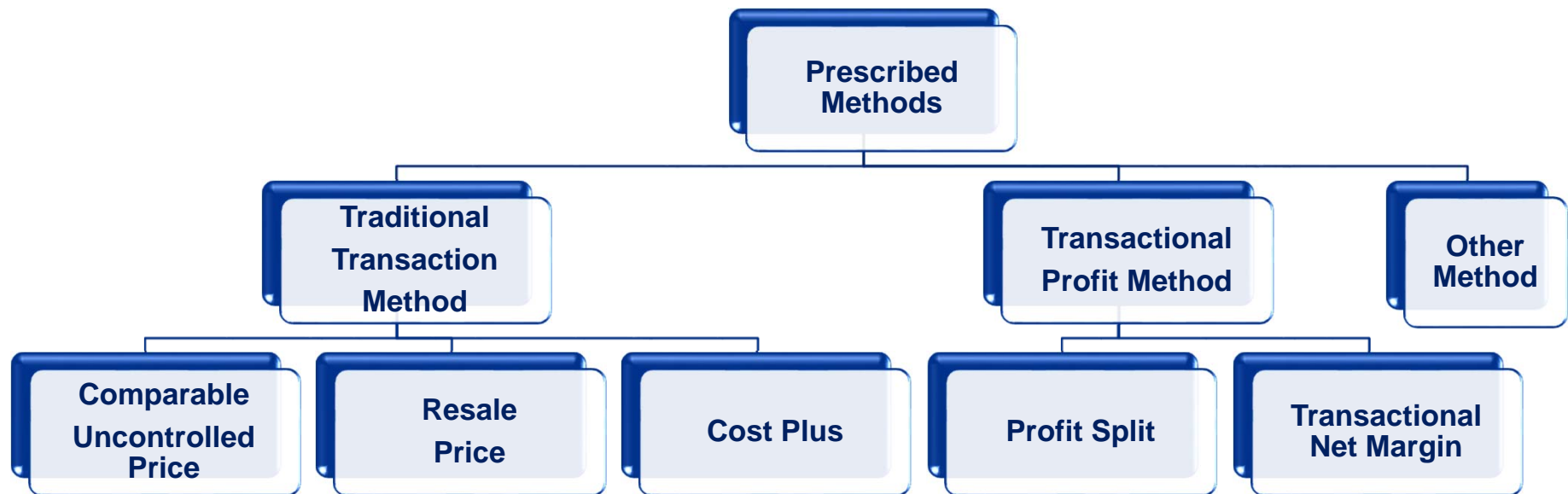
### Compliance Requirement

- Preparation of Transfer Pricing Documentation (TP Report) and Accountant's Report (Form No. 3CEB)
- Transfer Pricing Assessment



# Computation of Arm's Length Price

- Determination of ALP using one of the Prescribed methods -
  - Best suited to the facts and circumstances of each particular international transaction and
  - Provides the most reliable measure of an arm's length price in relation to the international transaction ~ termed as the "**Most Appropriate Method**"
- Where more than one ALP is determined, the arithmetic mean of such prices is taken to be the ALP
- **Industry specific variance to ALP is proposed to be implemented w.e.f Finance Act 2011**



**No hierarchy or preference of methods prescribed under the Act**

# Most Appropriate Method: Rule 10C of the Rules

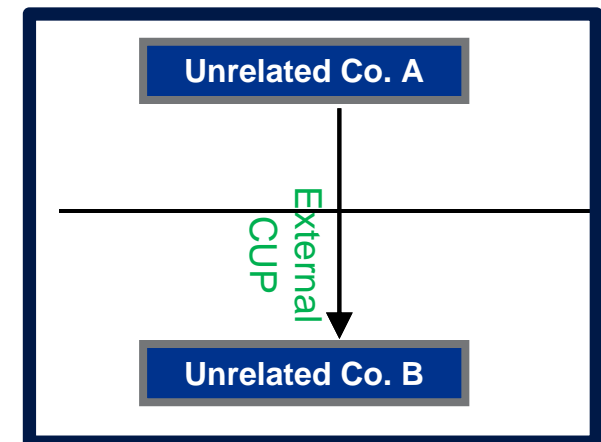
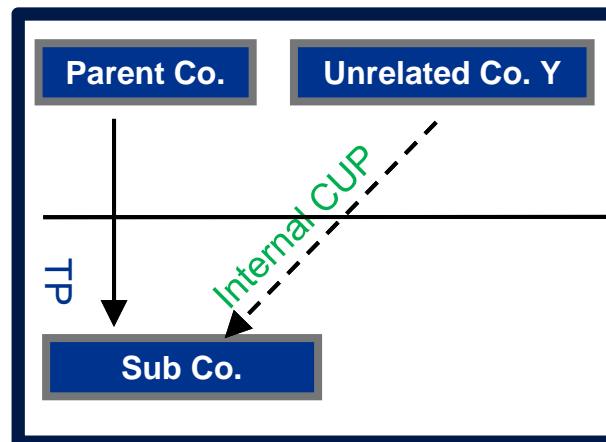
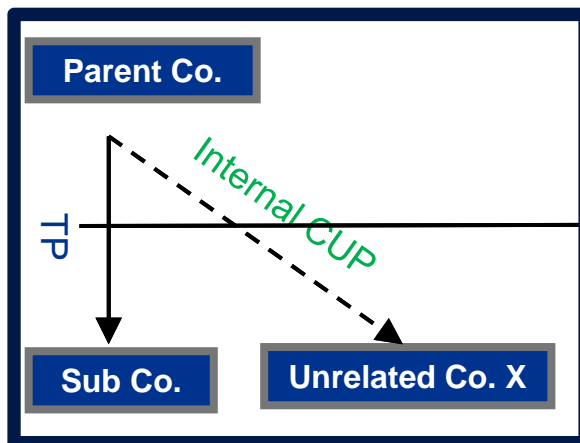
## Factors considered for selection of the most appropriate method:

- Nature and class of international transaction
- Class of associated enterprise and functions performed
- Availability, coverage and reliability of data
- Degree of comparability between the International transaction
- Extent to which reliable and accurate adjustments can be made
- The nature, extent and reliability of assumptions for application of the method



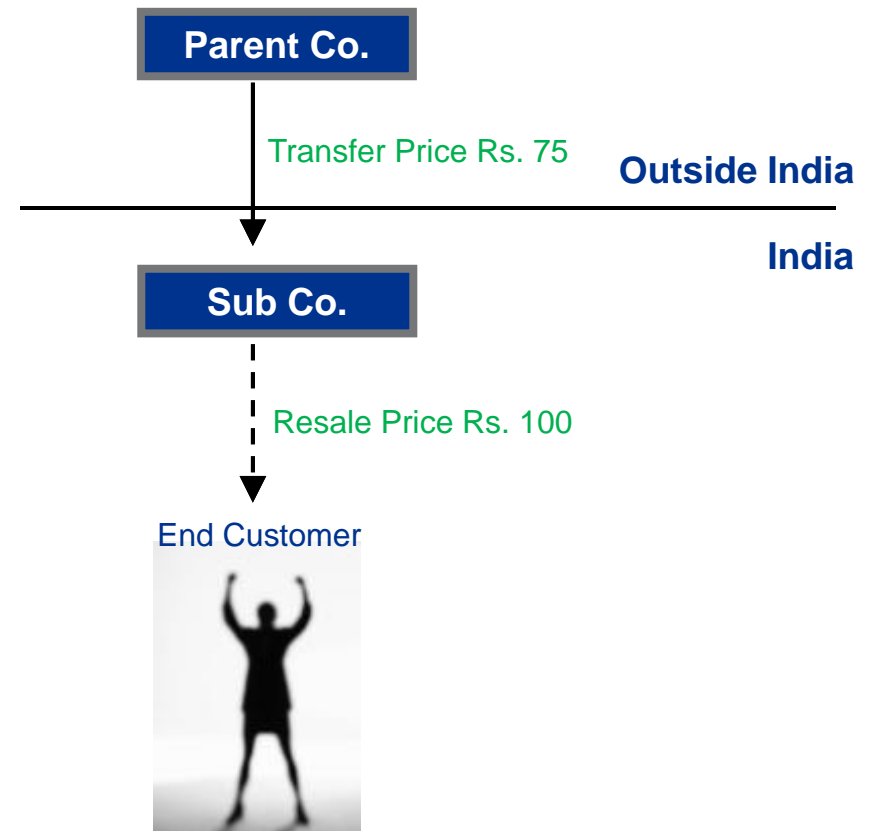
# Comparable Uncontrolled Price Method

- Most Direct Method
- Prices are benchmarked without any reference to the profits
- Requires strict comparability in products, contractual terms, economic terms, etc.
  - Volume/ quantity of product
  - Credit terms
  - Geographic market
  - Other terms of contract
- Two types of CUPs available - Internal CUP & External CUP
- Typically Internal CUP is preferred over External CUP due to higher degree of comparability



# Resale Price Method

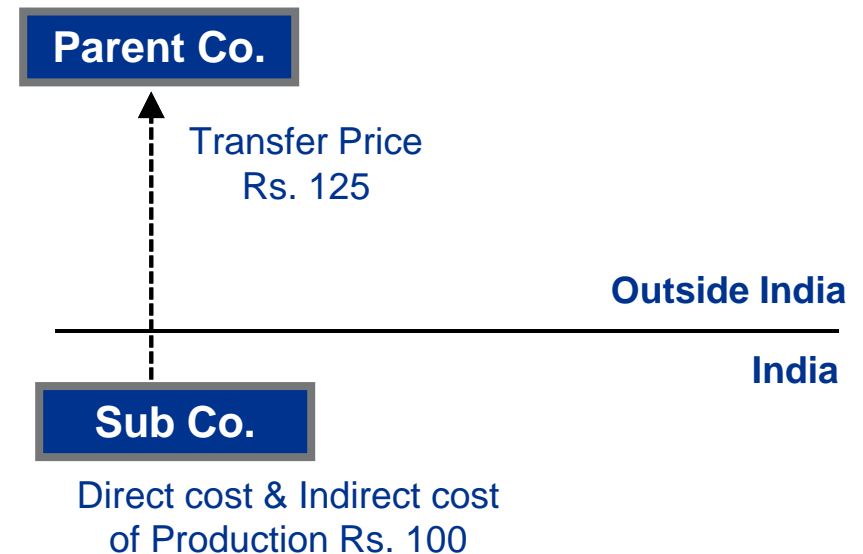
- Compares resale **Gross Margin**
- Preferred method for a distributor - buying purely finished goods from a group company
- Comparability is relatively less dependent on strict product comparability and additional emphasis is on similarity of functions performed & risks assumed
- Used when reseller does not add substantial value to the goods and does not apply intangible assets to add value
- Difficult to apply where goods are further processed before resale



**Price paid by Sub Co. to AE is at arm's length if the 25% resale margin earned by Sub Co. is more than margins earned by similar Indian distributors**

# Cost Plus Method

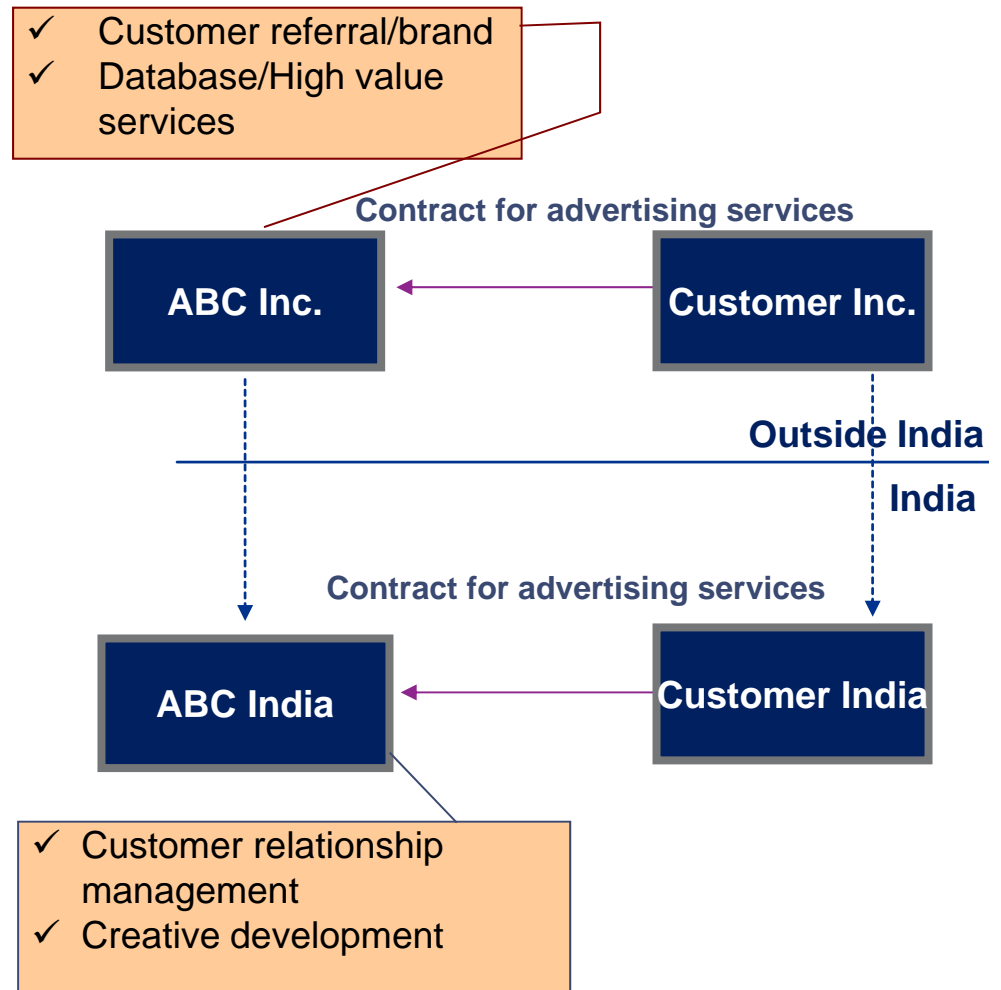
- Compares and identifies mark-up earned on direct and indirect costs of production incurred with that of comparable independent companies
- Preferred method in case-
  - Semi-finished goods sold between related parties
  - Contract manufacturing agreement
- To be applied in cases involving manufacture, assembly or production of tangible products or services that are sold/ provided to AEs
- Comparability under this method is relatively not as much dependent on close physical similarity between the products.
- Larger emphasis on functional comparability



**Price charged by Sub Co. to AE is at arm's length if the 25% mark-up on cost is more than that of similar Indian assemblers**

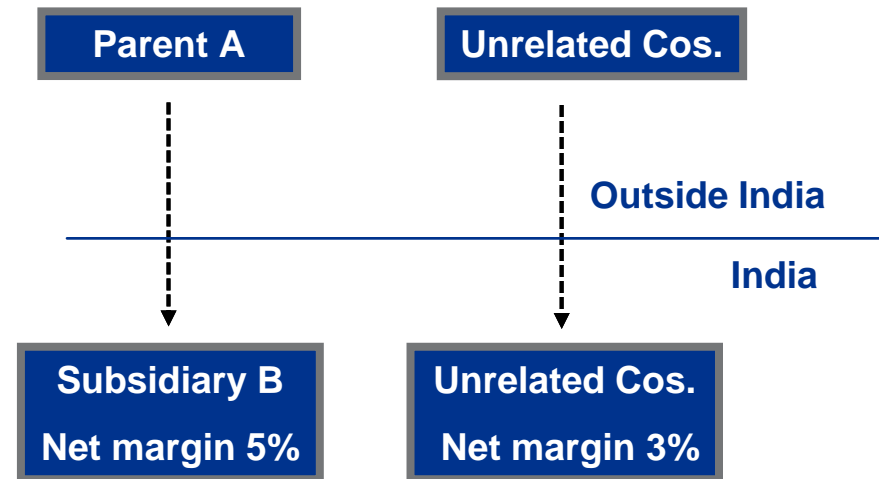
# Profit Split Method

- To be applied in cases involving-
  - transfer of unique intangibles; or
  - in multiple international transactions that cannot be evaluated separately
- Calculates the combined operating profit resulting from an inter-company transaction based on the relative value of each AEs contribution to the operating profit
- Evaluates allocation of combined profit/loss in controlled integrated transactions
- The contribution made by each party is based upon a functional analysis and valued, if possible, using external comparable data



## Transactional Net Margin Method (1/2)

- Most frequently used method, due to lack of availability of data for application of other methods
- Examines net operating profit from transactions as a percentage of a certain base (can use different bases i.e. costs, turnover, etc)
- Both internal TNMM and external TNMM are possible
- Broad level of product comparability and high level of functional comparability
- Applicable for most categories of transaction and often used to supplement analysis under other methods



## Transactional Net Margin Method (2/2)

- Grouping of transaction - Relevant controlled transactions require to be aggregated to test whether the controlled transaction earn a reasonable margin as compared to uncontrolled transaction
- **Selection of tested party - Least complex entity**
- Selection of Profit Level Indicator such as Operating Margin, Return on Value added expenses, Return on assets – Unaffected by transfer price
- Benchmarking exercise (**on Databases**)
  - Entity with similar industry classification to the tested party – through search in Prowess and Capitaline plus databases
  - Screen entities by applying appropriate quantitative filters, such as mfg sales <75%, R&D exp >5%, Advertisement exp >5%.
  - Review financial and textual information available in the public database of the selected entities – for qualitative filters
  - Computation of ALP

**Usually regarded as an indirect and one-sided method, but is most widely adopted**



## “Other Method” - Sixth method notified by CBDT

- CBDT has notified the “Other method” vide a Notification
- Applicable from FY 2011-12

**Rule 10AB - “any method which takes into account the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances, considering all the relevant facts.”**

- Effectively this implies that “quotations” rather than “actual prices” charged or paid can also be used
- Could also cover new instances of ALP computation which would now arise due to the various amendments introduced in the Finance Act 2012 – Expansion of definition of “international transaction” and introduction of domestic transfer pricing
- To maintain proper documentation specifying the rejection reasons for non-application of other five methods and appropriateness of the “other method”

# Summary of Methods

**Profit & Loss Account**– used as a base

Particulars	Amount (In INR)		
Manufacturing Income	xxx	} <b>Gross Profit</b>	Comparable Price Method Uncontrolled Method
Trading Income	xxx		
<b>Total Income</b>	<b>xxx</b>		
Purchase of raw material	xxx	} <b>Resale Price Method</b>	Cost Plus Method
Purchase of finished goods	xxx		
Change in Stock	xxx	} <b>Net Profit</b>	TNM Method Profit Split Method
Personnel Cost	xxx		
Selling & Distribution Expenses	xxx		
Administrative Expenses	xxx		
Finance Cost	xxx		
Depreciation	xxx		
<b>Total Expenses</b>	<b>xxx</b>		
Profits	xxx		
Taxes	xxx		

A photograph of four business professionals in a meeting, overlaid with a large blue and red geometric graphic. The text 'Documentation Requirement' is centered in a white box on the red part of the graphic.

## Documentation Requirement

# Transfer Pricing Documentation: Section 92D / Rule 10D

## Entity related

- Profile of industry
- Profile of group
- Profile of Indian entity
- Profile of associated enterprises

## Price related

- Transaction terms
- Functional analysis (functions, assets and risks)
- Economic analysis (method selection, comparable benchmarking)
- Forecasts, budgets, estimates

## Transaction related

- Agreements
- Invoices
- Pricing related correspondence (letters, emails etc)

- Contemporaneous documentation requirement – Rule 10D
- Documentation to be retained for 9 years
- No specific documentation requirement if the value of international transactions **is less than one crore rupees.**

# Transfer Pricing Process

## Stage 1

### Functional analysis

- Detailed analysis of functions assets and risks
- Characterization of each entity
- Agreement reviews

## Stage 2

### Economic Analysis

- Search strategy
- Access to local & global database
- Analysis of internal comparables
- Judicious identification of arm's length range

## Stage 3

### Additional Analysis

- Understand existing costing mechanism
- Determination of billing methodology

## Stage 4

### Finalization of Documentation

- Finalization of Transfer Pricing Documentation

## Stage 5

## Accountant's Report: Section 92E / Rule 10E

- Obtained by every person entering into an international transaction and specified domestic transactions
- To be filed by the due date for filing return of income (**e-filing mandatory**)
- Opinion whether prescribed documents have been maintained the particulars in the report are “true and correct”
- Inputs:
  - Related party ledgers extracts
  - Related party Schedule under AS-18
  - Sample Invoices/ Vouchers / DN / CN
  - Relevant intra-group agreements
  - CUP/ Internal comparison info

Form No. 3CEB

[See rule 10E]

Report from an accountant to be furnished under section 92E relating to international transaction(s)

1. We have examined the accounts and records of ENTITY NAME AND POSTAL ADDRESS - PAN No. that have been made available to us relating to the international transactions and specified domestic transactions entered into by the assessee during the previous year ending on 31st March 2014.
2. In our opinion proper information and documents as are prescribed have been kept by the assessee in respect of the international transaction (s) and specified domestic transaction (s) entered into so far as appears from our examination of the records of the assessee.
3. The particulars required to be furnished under section 92E are given in the Annexure to this Form. In our opinion and to the best of our information and according to the explanations given to us, the particulars given in the Annexure are true and correct.

Place :

Date :

For B S R & Co. LLP  
Chartered Accountants

## Penalties: Section 271A / Sec 271AA

<u>Default</u>	<u>Penalty</u>
In case of a post-inquiry adjustment, there is deemed to be a concealment of income (Section 271(1)(c) of the Act)	100-300% of tax on the adjusted amount
Failure to maintain documents (Section 271AA of the Act)	2% of the value of transaction
Failure to furnish documents (Section 271G of the Act)	2% of the value of transaction
Failure to report a transaction in accountant's report (Section 271AA of the Act)	2% of the value of transaction
Maintaining or furnishing incorrect information or documents (Section 271AA of the Act)	2% of the value of transaction
Failure to furnish accountant's report (Section 271BA of the Act)	Rs. 100,000

**Transfer Pricing Documentation is the key to avoid penalties**

A photograph of four business professionals in a meeting, overlaid with a large blue and red geometric graphic. The graphic consists of several overlapping shapes: a large blue trapezoid at the top, a smaller blue trapezoid below it, and a dark red rectangle in the center. The text 'Case Studies' is centered within the red rectangle. The background image shows a man in a suit speaking to three other people seated around a table with water glasses.

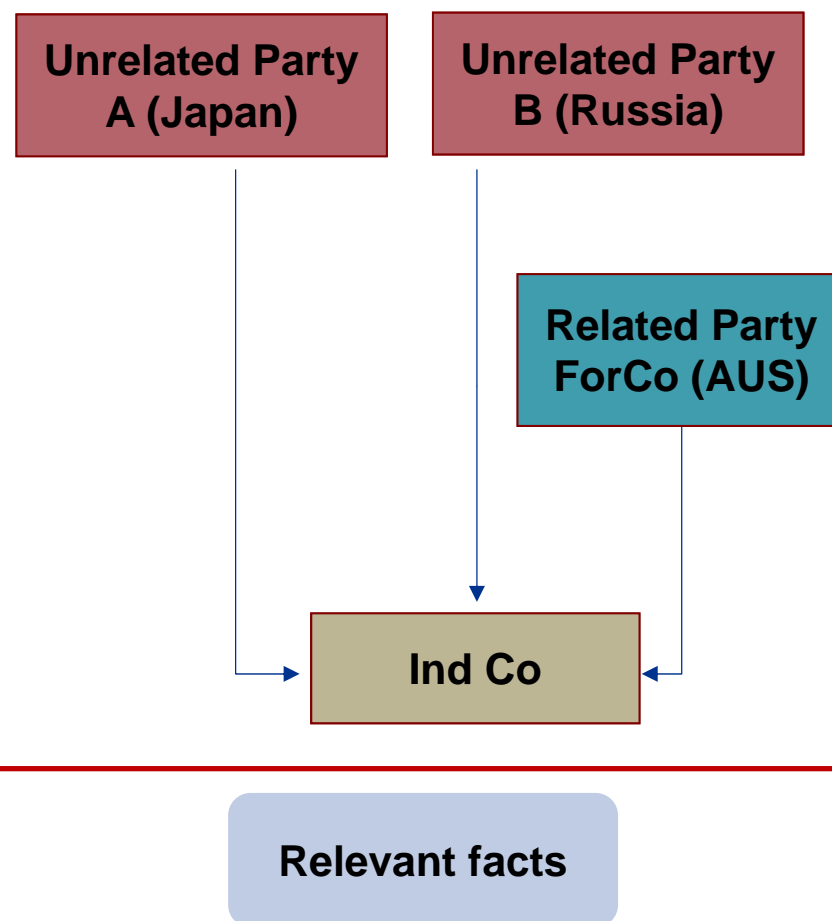
## Case Studies



## Case Study I: Application of CUP Method

### Facts

- Ind Co, an Indian Company is engaged in the refining and sale of copper metal.
- Ind Co purchases crude metal from both related and unrelated parties
- Volume of supplies made by Ind Co ~ 2800 MT
- Critical factors that affect the crude copper price are:
  - Volume,
  - Tenure of supply contract (long terms, short term)
  - Product mix (with or without small quantities of other metal alloys like gold and silver)
  - Other terms of contracts (FOB vs CIF, port of shipment etc)



## Case Study I: Application of CUP Method

### Comparison of various CUPs

Criteria	Related Party ForCo (Australia) Controlled	Unrelated Party A (Japan) Uncontrolled	Unrelated Party B (Russia) Uncontrolled
Tenure of Contract	Long Term (10 yrs)	Long Term (8 yrs)	Short Term (2 yrs)
Volume during year under consideration	2200 MT	3000 MT	9000 MT
Alloy Mix	0.5% Gold, 1% silver	1% Gold, 1% silver	None
Port of shipment	Australia	Japan	Russia
Price (per MT)	INR 29,500 (applicable for entire year)	INR 32,000 (applicable for entire year)	INR 28,500 (applicable for entire year)
Other Terms	FOB basis	CIF basis	FOB basis

## Case Study I: Application of CUP Method

### Conclusion

- **Best Method:** given the availability of required data, CUP is the most appropriate method
- **Rejection of CUP related to Supplier B:** the significant difference in volume render the Supplier B transactions unreliable as suitable adjustments cannot be made to account for the difference
- **Acceptance of CUP related to Supplier A:** the uncontrolled transaction with Supplier A is comparable with the controlled transactions with ForCo. Although, certain adjustments need to be made

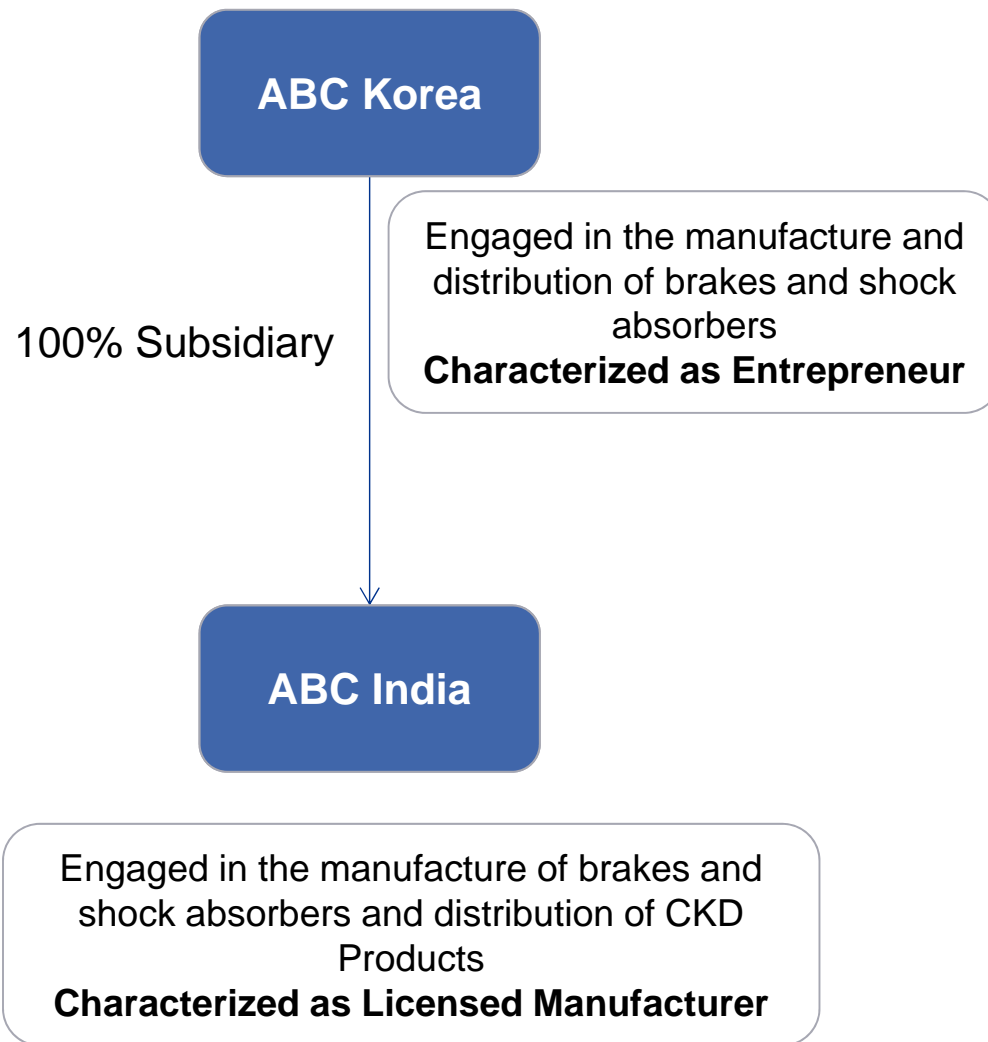
#### Adjustments

- **Difference in pricing basis (FOB vs CIF)** – add freight and insurance cost
- **Difference in alloy mix** – adjust Supplier A's price to exclude price for higher content of gold



# Case Study II: Application of TNMM Method

## Facts



Inputs	Processing	Output
<p><b>Inputs Received from</b></p> <p><b><u>Domestic Parties</u></b></p> <ul style="list-style-type: none"> <li>• Purchase of CKD products</li> </ul>		<p><b>Output Delivered to</b></p> <p><b><u>Domestic Parties</u></b></p> <ul style="list-style-type: none"> <li>• Sale of Brakes and Shock Absorbers</li> </ul>
<p><b><u>Related Parties</u></b></p> <ul style="list-style-type: none"> <li>• Import of components</li> <li>• Provision of drawings, technical knowledge, and manufacturing information <b>(R &amp; D Center)</b></li> </ul>		<p><b><u>Related Parties</u></b></p> <ul style="list-style-type: none"> <li>• Sale of CKD Products</li> </ul>

## Case Study II: Application of TNMM Method

### Snapshot of International Transactions

Particulars	Amount
Import of Components	15,000
Payment towards Royalty	5,000
Payment towards Technical fees	5,000
Sale of CKD Products	150,000
Reimbursement	15,000

The following international transactions are inextricably linked with the manufacturing function of ABC India and hence have been aggregated:

- Import of components; and
- Payment towards royalty and technical fees

## Case Study II: Application of TNMM Method

### Segmented P&L

Particulars	Manufacturing	Trading	Total
Sales	200,000	300,000	500,000
Manufacturing expenses / cost of purchases	90,000	210,000	300,000
Royalty and technical fees	10,000	-	10,000
Employee cost	30,000	24,000	54,000
Administrative expenses	24,000	15,000	39,000
Selling and distribution cost	16,000	24,000	40,000
Depreciation	16,000	12,000	28,000
Total Expenses	186,000	285,000	471,000
Total Profit	14,000	15,000	29,000
<b>Net cost plus Margins (NCP)</b>		<b>5%</b>	
<b>Net Profit Margins (NPM)</b>	<b>7%</b>		

**Results :** The NCP and NPM earned by ABC in the trading and manufacturing segments are 5% and 7% respectively. The weighted average arithmetic mean margins of comparable companies engaged in similar trading and manufacturing business are 4.44% and 6.20% respectively.

## Case Study II: Application of TNMM Method

### Analysis of Comparable companies

Name of comparable companies	Weighted Avg NPM
A N G Industries Ltd	16.21
Bosch Chassis Systems India Ltd.	6.95
Brakes India Ltd	9.52
C M Smith & Sons Ltd	3.46
Hindustan Composites Ltd	1.59
Rambal Ltd	12.83
Rane Brake Lining Ltd	6.57
Renowned Auto Products Mfrs. Ltd	-7.54
<b>Arithmetical Mean</b>	<b>6.20</b>

Companies engaged in similar manufacturing or assembly activities

Companies engaged in similar trading activities

Name of comparable companies	Weighted Avg NCP
George Oakes Ltd	4.02
Jullundur Motor Agency (Delhi) Ltd	4.78
Speed – A – Way Pvt Ltd	6.22
Sri Aruna Auto Service Ltd	1.73
PAE Ltd	5.44
<b>Arithmetical Mean</b>	<b>4.44</b>

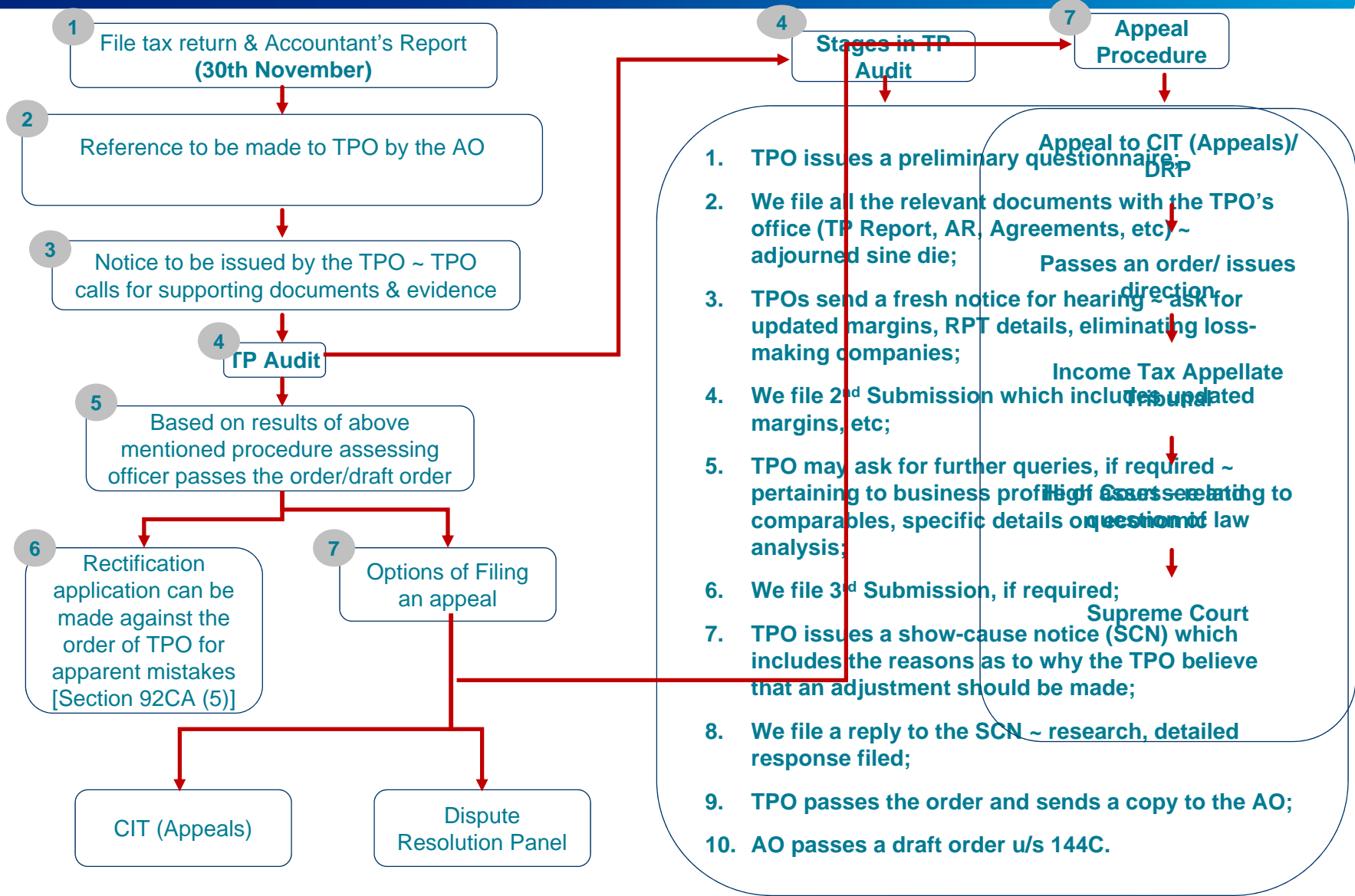
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# **Transfer Pricing Litigation**

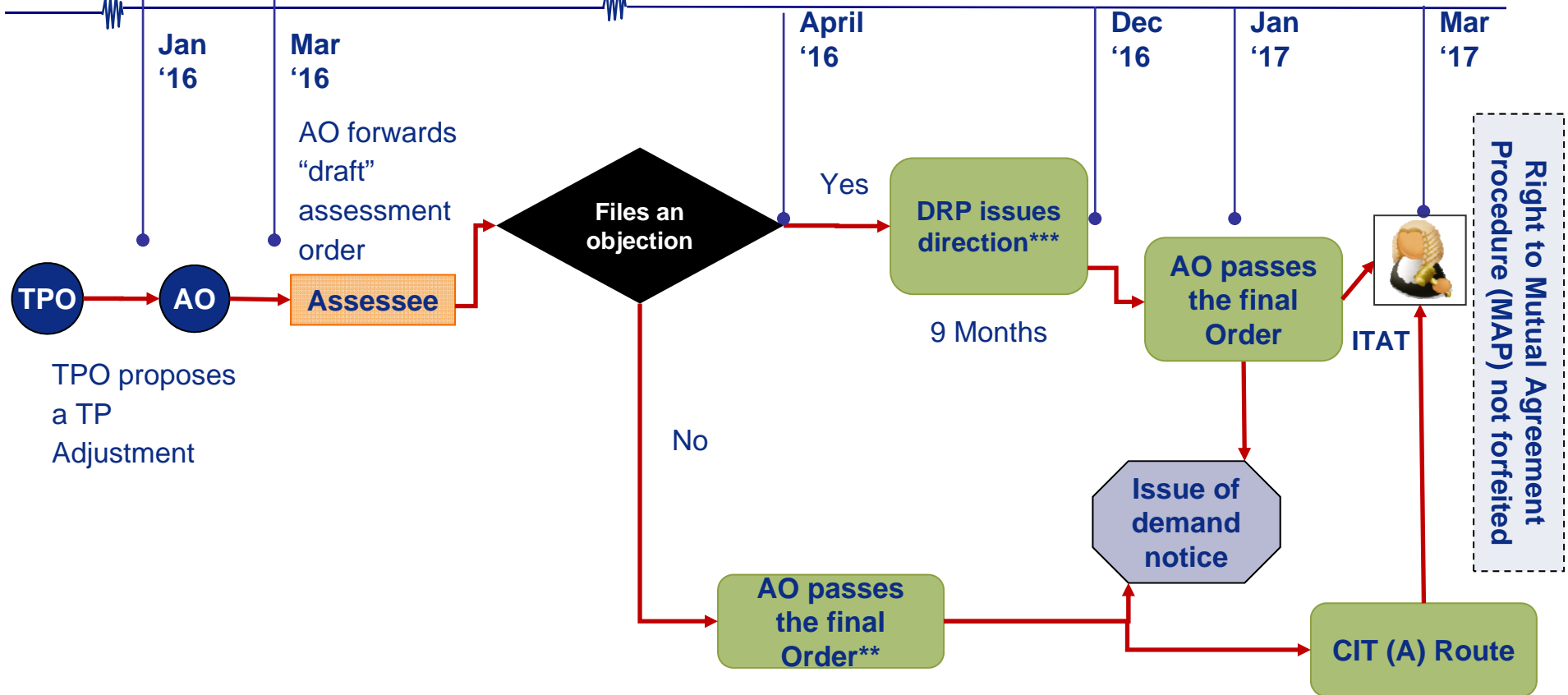
## **- An Overview**



# Audit Process



# Audit Process for AY 2012-13



\*\* One month from the end of the month in which acceptance is received or objection period expires

\*\*\* Time limit of 9 months from the end of the month in which the draft order is made available to the assessee

# Additional time after which demand notice will be issued in case AO passes an order under DRP's direction

ITAT: Income-tax Appellate Tribunal

CIT(A): Commissioner of Income-tax (Appeals)

# Evolving Dispute Resolution Mechanism

## Dispute Resolution Panel (DRP)

- Alternate dispute resolution mechanism to 1st level appellate proceeding before the CIT (A)
- Specialist 3 member collegium for settling disputes on a fast track basis
- No demand till Assessing Officer issues final order after directions of DRP

## Advance Pricing Agreement (APA) – Introduced in Finance Act 2012

- Would be limited to a maximum term of five consecutive financial years
- The ALP shall be determined on the basis of prescribed methods or any other method
- Rules governing the APA regime notified by CBDT

## Safe Harbour – to reduce transfer pricing disputes

- Safe Harbor rules notified
- Seeks to reduce the impact of judgmental errors in transfer pricing
- Stipulation of margins-specified industries (Priority -IT/ITeS) / Class of transactions / threshold limits
- Safe Harbour regime would be optional and could be exercised on a year to year basis

## Mutual Agreement Procedure (MAP) – To avoid double taxation and provide relief

- MAP is an alternate mechanism incorporated into tax treaties for the resolution of international tax disputes
- Resolution of disputes through the intervention of competent authorities of each State who evolve a mutually acceptable solution
- Indo-US Competent Authorities arrived at a mutual agreement in respect of US captive providing software\ IT enabled services for FY 2004-05

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## **Advance Pricing Agreements**

## APA Program in India

- APA provisions introduced in India with effect from July 1, 2012
- Used as an effective controversy management tool internationally
- Can be entered to determine Arm's Length Price ('ALP') or specifying manner to determine ALP
- Valid for 5 future years; rollback provisions (for 4 prior years) introduced w.e.f. October 1, 2014
- Unilateral / Bilateral / Multilateral option
- Optional Pre-filing consultation meeting – anonymous also possible
- No Pre-filing Consultation fee; Government Fee at the time of filing final Application as follows:

Value of Transactions	Government of India - Filing Fees
Assuming cumulative value of transactions over 5 years to be INR 1,000 million or less (USD 16.67 million)	INR 1 million (USD 16,667)
Assuming cumulative value of transactions over 5 years to be between INR 1,000 million and INR 2,000 million (USD 16.67 million to USD 33.33 million)	INR 1.5 million (USD 25,000)
Assuming cumulative value of transactions over 5 years to be above INR 2,000 million (USD 33.33 million)	INR 2 million (USD 33,333)
(rollback fees are charged separately)	

A photograph of four business professionals in a meeting, with a large blue and red graphic overlay on the right side. The text 'Safe Harbour' is centered in a white box on the red part of the overlay.

**Safe Harbour**

## Safe Harbour Rules - Background

- “Safe harbour” - Circumstances in which the income-tax authorities shall accept the transfer price declared by the assessee.
- Introduced in India by Finance (No.2) Act, 2009 w.r.e.f. 1.4.2009 and new Section 92CB inserted in the Act.
- Safe Harbour Rules have been framed based on the recommendations of the Rangachary Committee – Committee to Review taxation of development centres and the IT sector chaired by N. Rangachary.
- Rangachary Committee has submitted six reports including specific sector-wise/transaction-wise reports for
  - IT Sector,
  - ITES Sector
  - Contract R&D in the IT and Pharmaceutical Sector
  - Financial Transactions-Outbound loans
  - Financial Transactions-Corporate Guarantees
  - Auto Ancillaries-Original Equipment Manufacturers

## Upcoming Areas

- BEPS
- Range Concept
- Multiple Year Data



## Abbreviations and Acronyms

Abbreviations and Acronyms	Full Name
AEs	Associated Enterprises
APA	Advance Pricing Arrangements
AO	Assessing Officer
CIT(A)	Commissioner Income Tax Appeals
CPLM	Cost Plus Method
CUP	Comparable Uncontrolled Price Method
DRP	Dispute Resolution Method
ITAT	Income Tax Appellate Tribunal
NCP	Net Cost Plus Margins
NPM	Net Profit Margins
PLI	Profit Level Indicator
PSM	Profit Split Method
RPM	Resale Price Method
The Act	Income Tax Act, 1961

## Abbreviations and Acronyms

Abbreviations and Acronyms	Full Name
The Rules	Income Tax Rules, 1962
TPO	Transfer Pricing Officer
TNMM	Transactional Net Margin Method

# Thank You

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