

## Tax Hotline

August 23, 2001

### NOTIFICATION OF APPLICABLE RULES FOR TRANSFER PRICING IN INDIA

The Indian Government has notified the rules in relation to transfer pricing vide notification No.S.O.808 (E) dated 21.8.2001, inserting new rules 10A to 10E in the Income tax Rules, 1962 ("Rules"). These Rules prescribe the manner in which an arm's length price in relation to an international transaction is to be determined by the "most appropriate method", the factors to be considered in selecting the most appropriate method, and the information and the documents required to be maintained and furnished by the taxpayer.

There have been some significant changes to the draft transfer pricing rules, such as:

- The taxpayers have been allowed the use of multiple year data pertaining to comparable transactions in determining the arm's length price.
- Taxpayers are free to select the most appropriate method as long as their selection is made taking into account the factors prescribed.
- Documentation requirements have been considerably scaled down to now require only such information as is relevant to the transactions entered into.
- Documentation requirements shall not be applicable in cases where the aggregate value of international transactions entered into during a year is upto Rs.10 million.

The Central Board of Direct Taxes also proposes to issue a circular shortly, clarifying the following:

- The tax authorities shall not make any adjustments to the arm's length price adopted by the taxpayer if such price is upto 5% less or 5% more than the price determined by the Assessing Officer.
- No adverse view shall be taken by the tax authorities in case documentation requirements are not fulfilled in respect of transactions entered during the period commencing April 1, 2001 to August 31, 2001.
- It is being made abundantly clear that the tax authorities can alter the pricing adopted by the taxpayer only in cases and circumstances specified in section 92C(3) of the Indian Income-tax Act, 1961, namely, where necessary documentation has not been maintained or furnished, or the methods prescribed for determining arm's length prices have not been followed, or the data used by the taxpayer is not reliable or correct.

Source: August 23, 2001, Press Information Bureau

### DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### Privacy, Data Protection and Cyber Security in India

March 17, 2023

### India's Tryst with Space Exploration

March 07, 2023

### Doing Business in India

February 23, 2023

## Research Articles

### Shareholder Activism: An ESG tool or a Founder's curse?

October 13, 2022

### Avatar Assault in Metaverse: A Global Perspective

August 02, 2022

### Supreme Court: Personal Guarantors can be made liable under Insolvency Code prior to any action against Principal Borrower

July 06, 2022

## Audio

### Data Localization: Legal requirements, it's impact and future

November 02, 2022

### Privilege & Waiver: 'Without Prejudice' Privilege

November 02, 2022

### Due Diligences In M&A - Episode 3

September 24, 2022

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

Click here to view Hotline archives.

## Video

### M&A/PE Deals in India: Top 10 Learnings from W&I Insurance Policies

February 28, 2023

### Zee Business Aapki Khabar Aapka Fayda : Vikram Shroff

