

Transfer Pricing Regulations- A Study

Transfer Pricing Regulations	INDIA
Legal Position	The Finance Act 2001 introduced with effect from Assessment Year 2002-2003, detailed Transfer Pricing regulations vide Section 92 to 92F of the Income Tax Act, 1961. The Central Board of Direct Taxes (CBDT) has come out with Transfer Pricing Rules - Rule 10A to Rule 10E.
Applicability	Transfer Pricing provisions are applicable based on some criteria: Firstly, There must be an international transaction, Secondly, such international transaction must be between two or more associated enterprises, either or both of whom are non-resident/s.
Pricing Method Allowed	Arm's Length Price is to be determined by adopting any one of the following methods, being the most appropriate method: CUP method, Resale Price Method, CPM, Profit Split Method, TNMM, or Any other method prescribed by the CBDT.
Documentation/ Return	13 Different types of documents are required to be maintained. These are- (1) Enterprise-wise documents- Description of the enterprise, Relationship with other associated enterprises, Nature of business carried out. (2) Transaction-specific documents- Information regarding each transaction, Description of the functions performed, Assets employed and risks assumed by each party to the transaction, Economic & Market Analysis etc. (3) Computation related documents- Describe in details the method considered, Actual working assumptions, policies etc., Adjustment made to transfer price, Any other relevant information, data, documents relied for determination of arm's Length price etc. A report from a Chartered Accountant in the prescribed form giving details of transactions is required to be submitted within a specific time limit.
Penalty	Penalty for concealment of income or furnishing inaccurate particulars thereof- 100% to 300% of the tax sought to be evaded. Penalty for failure to keep and maintain information and documents in respect of International transaction- 2% of the value of each international transaction Penalty for failure to furnish report under Section 92E- Rs. 100000/-