FAQ'S

Doing Business in India

Transfer Pricing

1. What is transfer pricing and when was it introduced?

In transfer pricing, we compute the arm's length price to determine whether the controlled transactions between associated enterprises have been undertaken at arm's length. It was introduced in the Income - tax Act, 1961 in the year 2001.

2. What is the meaning of arm's length price?

Arm's length price is the price which is applied or proposed to be applied to transactions between persons other than the Associated Enterprises in uncontrolled conditions.

3. What are Associated Enterprises (AEs)?

Section 92A of the Income - tax Act, 1961 specifies that two or more enterprises become associated enterprises when one of them participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise(s). For further details, please access the following link.

4. What are the different types of methods which can be applied for computing arm's length price?

As per Section 92C of the Income - tax Act, 1961, the following methods can be used for computing arm's length price: a) Comparable Uncontrolled Price (CUP) Method b) Resale Price Method (RPM) c) Cost Plus Method (CPM) d) Profit Split Method (PSM) e) Transactional Net Margin Method (TNMM) f) Any Other Method

5. When are the taxpayers required to prepare Transfer Pricing (TP) Documentation as per Rule 10D of the Income - tax Rules, 1962?

Taxpayers indulging in any international or specified domestic transactions are required to maintain a set of documents specified in Rule 10D of the Income - tax Rules, 1962. The transfer pricing documentation shall be required if the value of international transactions exceeds INR 1 crore and specified domestic transactions exceed INR 20 crore in a financial year.

6. When are the taxpayers required to file accountant's report specified in Section 92E of the Income - tax Act, 1961?

All the taxpayers are mandatorily required to file an accountant's report prepared by an independent professional through Form No. 3CEB for all international transactions irrespective of the value of international transactions and specified domestic transactions if the value exceeds INR 20 crore in a financial year.