



Finance Bill 2023- Reduction in Time Allowed for Furnishing Transfer Pricing Report

February 13, 2023

Background

The Finance Bill 2023 proposes to reduce time available for furnishing Transfer Pricing Report from 30 days to 10 days (from date of request by Transfer Pricing Officer). The proposed amendment is effective from April 1, 2023.

The Finance Ministry is of the view that due to limited time available for Transfer Pricing proceedings it may not be practically possible to provide 30 days for producing such information/documents which in any case are already in possession of taxpayers.

Implications of Reduced Time Limit

Indian Transfer Pricing Regulations require taxpayers to maintain Transfer Pricing Documentation by the due date (normally October 31 of the year subsequent to the financial year in which international transactions have been entered into). Non maintenance of Transfer Pricing documentation invites stringent penalty amounting to 2 percent of the value of international transactions¹. In addition to the penalty for non-maintenance there is also a 2 percent penalty for non-furnishing of Transfer Pricing documentation².

The reduction in time limit emphasizes the need to maintain contemporaneous documentation on timely basis ie by the due date. The non-furnishing of Transfer Pricing documentation or excessive delay in furnishing same may create a presumption that Transfer Pricing documentation was not maintained by the due date. Therefore, for comprehensive compliance and to avoid penalties taxpayers are advised to pro-actively maintain Transfer Pricing information/ documentation by the due date.

1. Sec.271AA of Income Tax Act, 1961

2. Sec.271G of Income Tax Act, 1961

ABOUT AMICUS

Amicus is legal and tax consulting firm with focus on corporate finance, re- structuring, private equity, international taxation, transfer pricing and goods and services tax. The Firm's tax team also represents clients in assessments and litigation including Tax Tribunal and Higher Courts.

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