

Tax Hotline

August 16, 2001

CBDT TURNS DOWN A NUMBER OF OECD SUGGESTIONS

With the introduction of transfer pricing regulations in the fiscal budget, Indian economy is gearing up to comply with this much-talked new regulation. In early June 2001, the Organization for Economic Co-operation and Development (OECD) had suggested certain modifications to the draft rules on transfer pricing in India. It then appeared that the Central Board of Direct Taxes (CBDT) would accept most of the suggestions of the OECD to enable India to be more or less on par with other developed nations in this regards, since the same were introduced quite late in India.

One of the main suggestions, which is in line with international practice, is to incorporate a provision to accommodate minor differences in the prices estimated by the tax authorities and the tax paying company, if the differences fall within the range of 10 – 15%. This has not been accepted by the CBDT. The incorporation of such a provision helps the tax authorities reduce the number of litigations. The customs authorities of India do allow a certain divergence in the estimation of prices. According to certain tax experts, such a provision would need the Parliament's assent and they expect that the same could figure in the budget for the next fiscal year.

Another OECD recommendation which has also been turned down by the CBDT was the one to allow Multi National Companies (MNCs) to evolve a transfer pricing method other than what has been prescribed in the relevant rules, provided the method was in tune with the established arm's length principal.

A good news for MNC's is that on the basis of OECD's recommendations the number of documents to be submitted by the MNCs to the tax authorities under the yet to be notified transfer pricing rules, have been reduced.

The transfer pricing rules are pending with the law ministry for clearance and are expected to be notified in two weeks.

Source: The Economic Times dated August 16, 2001

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

M&A In The Indian Technology Sector

February 19, 2025

Unlocking Capital

February 11, 2025

Fintech

January 28, 2025

Research Articles

Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?

February 04, 2025

INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals

January 15, 2025

Key changes to Model Concession Agreements in the Road Sector

January 03, 2025

Audio

CCI's Deal Value Test

February 22, 2025

Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice

December 18, 2024

Digital Lending - Part 1 - What's New with NBFC P2Ps

November 19, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

Click here to view Hotline archives.

Video

Arbitration Amendment Bill 2024: A Few Suggestions | Legally Speaking With Tarun Nangia | NewsX

February 12, 2025

**What India’s Transition to New Data
Protection Law Means for Global
Businesses**

January 23, 2025

**India 2025: The Emerging
Powerhouse for Private Equity and
M&A Deals**

January 16, 2025
