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PRESS RELEASE

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The CBDT has signed the first batch of 5 unilateral Advance Pricing Agreements (APA) on 31st March 2014. The agreements cover a period of 5 years from AY 2014-15 to AY 2018-19 and specify the arm's length price for the covered international transactions entered into by the taxpayers. These agreements cover a range of international transactions, including interest payments, corporate guarantees, non-binding investment advisory services and contract manufacturing. The agreements pertain to different industrial sectors including pharmaceuticals, telecom, exploration and financial services.

The agreements provide a complete certainty to the taxpayers for 5 years with regard to the covered international transactions. The APA programme came into effect on 1st July 2012 and the first batch of 146 APA applications was received in March 2013. The CBDT has been able to conclude the first set of agreements within a period of 1 year as against the internationally accepted norm of at least 2 years.

The whole scheme of APA has been designed with the intention of creating a taxpayer friendly environment in transfer pricing matters and to minimise the transfer pricing disputes. Before filing the APA applications, taxpayers are given the opportunity to share their expectations from the APA process during the pre-filing consultations and the APA team shares a broader understanding of the forthcoming APA procedure.

Having received an APA application, the APA team works towards establishing the appropriate economic analysis of the covered international transactions which also involves a site visit i.e. physical verification of the business of the applicant with regard to the said transactions. It is this detailed fact finding exercise which lends credibility to the determination of arm's length price under the APA. The APA team furnishes a report incorporating functions, assets and risk (FAR) analysis which is further examined at length by the CBDT before its submission for the final approval of the Central Government.

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Official Spokesperson, CBDT