

**Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Direct Taxes**

**PRESS RELEASE**

New Delhi, 20th October, 2015

**Subject: Notification of Transfer Pricing Rules to incorporate “range concept” and “use of multi-year data” to reduce litigation on transfer pricing issues.**

The Income-tax Act provides for determination of income having regard to Arm’s Length Price (ALP) in case of international transactions and specified domestic transactions. The provisions of the Income-tax Act were amended through the Finance (No.2) Act, 2014 to facilitate alignment of Indian transfer regime with international best practices. The manner of computation of ALP is laid down Income-tax Rules.

The Government has notified the amended Rules for determining ALP vide S.O. No. 2860 (E) dated 19/10/2015. The amended regime will be applicable for computation of ALP of international transactions and specified domestic transactions undertaken on or after 1/04/2014.

The amended rules allow for introduction of a “range concept” for determination of ALP and “use of multiple year data” for undertaking comparability analysis in transfer pricing cases. The use of range concept, being a statistical tool, enhances the reliability of analysis undertaken for computation of ALP. The range concept will be applicable in certain cases for determining the price and will begin with the 35<sup>th</sup> percentile and end with the 65<sup>th</sup> percentile of the comparable prices. Transaction price shown by the taxpayers falling within the range will be accepted and no adjustment will be made. The use of multiple year data allows for yearly variations to be averaged out and would therefore add value to transfer pricing analysis.

The amended rules would therefore provide clarity in determination of price in transfer pricing cases and reduce disputes on transfer pricing issues. It is a part of the Government’s continuing initiative of providing a stable and certain direct tax regime.

The Notification is available on the website of the Department [incometaxindia.gov.in](http://incometaxindia.gov.in).

**(Shefali Shah)  
Pr. Commissioner of Income Tax (OSD)  
Official Spokesperson, CBDT**