

CBDT signs 7 advance pricing agreements to cut tax litigation

In a move designed to reduce tax litigation, the Central Board of Direct Taxes (CBDT) on Friday signed seven more unilateral Advance Pricing Agreements (APAs) with taxpayers.

"This takes the tally of APAs signed so far to 39 (38 unilateral and one bilateral). In the current fiscal year, which is the third year of APA programme, 30 agreements have been signed so far," a Union finance ministry statement said here.

"Before the end of the financial year, more such agreements are expected to be signed," it added.

The latest APAs signed with taxpayers pertain to various sectors like investment advisory services, manufacturing, software development services and IT-enabled services.

APAs provide for signing an agreement between a taxpayer and the income tax department on an appropriate transfer pricing methodology for determining the value of assets and taxes on intra-group overseas transactions.

The scheme attempts to provide certainty to taxpayers in the domain of transfer pricing by specifying the methods of pricing and setting the prices of international transactions in advance, the ministry said.

"Since its inception, the APA scheme has attracted tremendous interest from taxpayers for using this mechanism to achieve tax certainty up to nine years," it added.

(Business Standard)