

## **Over 100 MNCs seek advance ruling to avoid tax disputes**

Seeking to avoid transfer pricing taxation dispute, about 146 multi national companies (MNCs) have sought advance ruling under APA (Advance Pricing Agreements) mechanism.

"We have received 146 applications from companies for advance pricing agreement mechanism which would allow companies to seek guidance on pricing of goods and services in advance," a senior finance ministry official said.

The official further said no final decision has been taken by the department on any application.

He declined to give names of the companies that had filed these requests.

MNCs such as Vodafone, Shell, WNS and Nokia have recently come under the tax scanner on transfer pricing issue.

APA is a pact, usually for multiple years, between a taxpayer and a taxing authority (Central Board of Direct Taxes in India) on an appropriate transfer pricing methodology for a set of international transactions in future.

As per the APA rules notified by the Finance Ministry last year, fee for entering into APA with the CBDT would be Rs 10 lakh for international transaction up to Rs 100 crore, Rs 15 lakh for those up to Rs 200 crore and Rs 20 lakh for transactions above Rs 200 crore.

Though the provision for APA was included in the proposed Direct Taxes Code (DTC) Bill, the Centre had brought forward its implementation by including it in Finance Bill, 2012.

In his Budget 2012-13 speech, the then Finance Minister Pranab Mukherjee had said in a globalised economy with expanding cross-border production chains and growing trade within entities of same group, APA can significantly bring down tax litigation and provide tax certainty to foreign investors.

Transfer pricing is a mechanism used by large companies regarding transaction prices between separate entities of the same group. Multinationals are often accused of misusing the system to transfer profits to their subsidiaries in countries with low tax regime.

The law requires that goods and services be sold to subsidiaries by parent companies at arm's length price -- the price at which goods are traded between unconnected companies.

Taxing these units has become a complex area for the revenue department, with the government often disagreeing on the profits declared by a foreign company for its Indian unit.

*(Economic Times)*