

## **Transfer pricing income adjustments decline 14% in 2013-14**

ter a 54% jump in transfer pricing (TP) adjustments to R70,000 crore last year, additions to the income of companies conducting international transactions has dropped by over 14% to R60,000 crore in FY14.

A financial ministry official told FE that data collated after the completion of the latest round of audit pertaining to assessment year 2010-11, shows that TP adjustments have fallen mainly because the orders this year have taken into account concerns raised by the MNCs after some high-pitched adjustments last year.

The official added that additions to the income of companies in those cases have been much less than last year. The heavy TP addition cases in FY13 included those of Shell, Vodafone, Microsoft and Maruti.

In case of Shell involving share transfers to the related entities, TP additions have been only about R3,500 crore in the current audit as compared to R15,000 crore in FY13 audit. For Vodafone, the adjustments for assessment year 2010-11 has been around R3,100 crore.

Vodafone and Shell were accused of undervaluing their shares in transactions to their respective parents overseas, and legitimate tax has to be paid on that. Both have disputed this view.

The official said in the cases which are under litigation, additions have been substantially less as compared to the previous years, and in some of the new ones, no adjustments have been made at all this year.

Some 3,600 cases were taken up for TP audit in FY14 and additions have been made in about half of them. Business recast has emerged as a new issue in the TP orders in the current round.

The TP office also questioned R&D investments in India by Microsoft and Maruti last year, and made significant adjustments to their income — Microsoft was charged with understating income during FY06 and FY09 by R5,135 crore and Maruti was disallowed FY09 expenses worth R448 crore.

The IT department, however, has taken a number of steps since then to improve the TP framework as these adjustments were termed as one of the factors spooking investor sentiments. “Special care has been taken to keep TP orders reasonable,” said the official.

*(Financial Express)*