

India Transfer Pricing Guide 2026

A comprehensive practice guide for multinational enterprises, tax professionals, and in-house transfer pricing teams navigating India's rapidly evolving TP compliance, assessment, and dispute resolution landscape — including the key changes introduced by Union Budget 2026.



Compliance



Litigation



Dispute Resolution

Introduction: India's TP Landscape

India's transfer pricing landscape is undergoing rapid regulatory change, marked by increased digitisation of assessments and a stronger reliance on data-driven risk selection. In this environment, multinational groups operating in India are expected to demonstrate a significantly higher level of transparency, robust documentation, and audit readiness than in the past. TP continues to be one of the most litigated and contentious areas of Indian tax administration, driven by divergent interpretations in applying the arm's length principle.

While the statutory framework has remained broadly stable, the depth and granularity of TP examinations have resulted in a substantial body of jurisprudence across appellate forums. TP issues frequently recur across assessment years and traverse multiple levels of appeal, remaining under litigation for extended periods. Consequently, a clear and practical understanding of the entire TP cycle — from compliance through assessment to resolution — has become essential for effective tax governance.



► Union Budget 2026 Highlights

New Safe Harbour Rules for the IT/ITeS sector

Fast-tracking of unilateral APAs for the IT industry

AEs under APA permitted to file modified returns

Retrospective clarifications on limitation periods

Clarification of TPO timeline procedures

Three-year block TP assessment mechanism

What This Publication Covers

Annual TP Compliance Obligations

Statutory deadlines, documentation standards, and the evolving risk-based selection framework.

Dispute Resolution Forums

Hierarchy of forums — DRP, CIT(A)/NFAC, ITAT — and their comparative advantages.

Litigation Environment

Audit selection thresholds, referral instructions, procedural safeguards, and practical realities of TP assessments.

Alternative Dispute Resolution

APAs, MAPs, and Safe Harbour Rules and their strategic role in reducing prolonged multi-year litigation.



India's TP Compliance Framework

India's transfer pricing framework was introduced in 2001 with the objective of ensuring that cross-border transactions between associated enterprises ('AE') reflect arm's length outcomes. Over the years, as India emerged as a global destination for manufacturing, technology, R&D, and Global Capability Centres ('GCCs'), the nature and volume of controlled transactions expanded significantly. This growth has been matched by a corresponding evolution in compliance requirements, documentation standards, and enforcement intensity.



The regime today is built on a **three-tiered documentation structure** — covering the Local File, the Master File, and the Country-by-Country Report ('CbCR') — and places strong emphasis on functional analysis, economic substance, and contemporaneous documentation. In addition, companies in India are required to electronically file an Accountant's Report, certified by an Indian Chartered Accountant. Compliance discipline is essential, not only to meet statutory timelines but also to minimise litigation exposure in one of the world's most active TP jurisdictions.

LOCAL FILE

Detailed entity-level documentation of international transactions. Required when value of international transactions exceeds INR 1 Crore or SDTs exceed INR 20 Crore.

MASTER FILE

Group-level information on global TP policies, organisational structure, and financials. Two-part filing with specific thresholds for Part B.

CBCR

Country-by-Country Report required for groups with revenues exceeding INR 6,400 Crore. Provides jurisdiction-level data on revenues, profits, taxes, and employees.

ACCOUNTANT'S REPORT

Form 3CEB (Form 48 from TY 2026-27), certified by an Indian Chartered Accountant. Required for all international transactions and SDTs with no minimum threshold.

Annual TP Compliance Schedule

The following table summarises the key TP compliance obligations under Indian law, including applicable thresholds, prescribed forms, and due dates. Note that new form numbers under Income-tax Rules, 2026 are applicable from Tax Year 2026-27 onwards.

Compliance Obligation	Threshold / Applicability	Form	Due Date
Maintaining TP documentation (Local File)	Int'l transaction > INR 1 Crore; SDT > INR 20 Crore	-	31 st October following end of FY
Furnishing of Accountant's Report	Any international transaction / SDT — no minimum threshold	Form 3CEB [Form 48 from TY 2026-27]	31 st October following end of FY
Master File Intimation (multi-entity groups)	Multiple constituent entities in India belonging to same group	Form 3CEAB [Form 57 from TY 2026-27]	31 st October following end of FY
Master File — Part A	Every constituent entity, irrespective of threshold	Form 3CEAA [Form 56 from TY 2026-27]	30 th November following end of FY
Master File — Part B	Int'l transaction > INR 50 Crore AND group turnover > INR 500 Crore	Form 3CEAA [Form 56 from TY 2026-27]	30 th November following end of FY
CbCR Intimation	Group revenue > INR 6,400 Crore; all constituent entities in India	Form 3CEAC [Form 58 from TY 2026-27]	2 months prior to due date for furnishing report
CbCR Filing	Parent or alternate reporting entity is in India	Form 3CEAD [Form 59 from TY 2026-27]	12 months from end of reporting accounting year
Safe Harbour Application — International Transactions	Entities meeting eligible business activity criteria and specified thresholds	Form 49 (applicable from TY 2026-27)	By due date of filing return of income (typically 30 th November)
Safe Harbour Application — SDT	Entities meeting eligible business activity criteria and specified thresholds	Form 49 (applicable from TY 2026-27)	By due date of filing return of income (typically 30 th November)
Annual Compliance Report (ACR)	Entities for covered years who have entered into APA / BAPA / MAPA	Form 3CEF [Form 52 from TY 2026-27]	30 days from due date of return (30 th December) or 90 days of APA signing, whichever is later



New form numbers under Income-tax Rules, 2026 are applicable from Tax Year 2026-27 onwards. Taxpayers should update their compliance calendars accordingly.

Form 48: Expanded Disclosure Requirements

The CBDT has released Income-tax Rules, 2026, along with new Form 48, which will replace Form 3CEB with effect from Tax Year 2026-27. The new form represents a significant expansion in the scope and granularity of annual TP disclosures. It includes structured drop-down fields, auto-populated data, and substantially enhanced reporting requirements designed to facilitate automated risk profiling under the CASS framework.

Critically, information that was historically sought only during TP audits or APA questionnaire processes has now been integrated into routine annual compliance. This shift means that the annual Form 48 filing will directly influence the depth and direction of subsequent TP scrutiny. Taxpayers must therefore ensure complete alignment between Form 48 disclosures, their economic analysis, and financial reporting, supported by robust contemporaneous documentation.



Benchmarking & Comparables

Detailed benchmarking information including the number of comparables, arm's length margins, and any economic adjustments made; detailed break-up of cost base separating operating and non-operating costs.



APA & Transaction Reporting

APA reporting details including value and nature of covered transactions; disclosure of transaction aggregation specifying which international transactions are grouped for benchmarking and the method applied.



Employee-Related Disclosures

Travel expenses, business purpose, allocation of personnel costs to AEs, and expenses incurred by AEs for employees of the taxpayer. Revenue earned in foreign currency, separately for AE and non-AE transactions.



Technology & IP Disclosures

Specific disclosures regarding stock compensation, software/tools/licences/databases (whether provided by an AE or developed in-house), and confirmation of items considered in the ALP computation.



Asset & Capital Disclosures

Asset-level disclosures including ownership (Indian entity or AE), assets provided free of cost by AEs, capitalisation treatment, and depreciation claimed by the taxpayer.



Other Financial Items

Foreign exchange fluctuation income/loss, subsidies or grants received, depreciation of assets, and specific confirmation that TP documentation has been maintained for the relevant year.

Risk-Based Scrutiny Selection & Reference to TPO

Post filing of the Accountant's Report, cases are selected for TP assessment under a risk-based scrutiny framework. From Tax Year 2026-27 onwards, TP scrutiny is expected to shift decisively from a threshold-based approach to a disclosure-driven framework, with Form 48 requiring more granular and detailed reporting. The information reported in Form 48 will directly feed into CASS risk profiling, with automated analytics expected to flag inconsistencies, mismatches, and risk indicators that could independently trigger a reference to the TPO.

Under India's TP regime, the Assessing Officer ('AO') refers the case to the Transfer Pricing Officer ('TPO') to determine the Arm's Length Price ('ALP') of international transactions and specified domestic transactions. Over the years, CBDT has significantly reshaped the reference mechanism through a series of instructions, moving from a mechanical, value-based approach to a sophisticated, risk-driven model integrated with data analytics and automated scrutiny systems.



1

Pre-2015

Threshold-based approach — monetary thresholds governed whether a case was referred to the TPO.



2

2015 — Instruction No. 15/2015

Monetary threshold completely removed. Reference to TPO only for cases exhibiting TP risk indicators such as non-filing or incorrect filing of Form 3CEB, non-reporting of transactions, or qualifying accountant remarks.

4

TY 2026-27 onwards

Form 48 disclosures directly feed into CASS risk profiling. Automated analytics flag inconsistencies and mismatches. Disclosure-driven scrutiny replaces threshold-based selection.

3

2016 onwards — Instruction No. 3/2016

Currently applicable. Integrated TP scrutiny with CASS. Mandatory reference to TPO for cases selected on TP risk parameters. Clear demarcation of AO and TPO jurisdiction

Key Implication:

Taxpayers must ensure strong alignment between Form 48 disclosures, economic analysis, and financial reporting, supported by robust contemporaneous documentation, as these disclosures are likely to materially influence the scope and intensity of TP scrutiny for TY 2026-27 and onwards.

Assessment Timelines: TPO & AO Orders

Generally, the time limit for completion of an assessment for Assessment Years ('AYs') commencing on or after 1 April 2022 is 12 months from the end of the relevant assessment year. If the AO makes a reference to the TPO, the time limit for completing the assessment is extended by a further 12 months. The TPO is required to pass an order at least 60 days prior to the date on which the AO is required to complete the assessment.

A significant clarification was introduced by the Finance Act, 2026 to address the long-standing controversy before various courts regarding time limits for completion of assessment in DRP cases. The dispute centred on whether the limitation period applied to the Draft Assessment Order ('DAO') or to the final assessment order issued after

DRP directions. The retrospective amendment resolved this ambiguity clearly: timelines prescribed for proceedings before the DRP are in addition to, and not included within, the overall time limit for completion of assessment. Accordingly, the time-barring limitation applies only to the issuance of the DAO, not the final order post DRP proceedings.

Assessment Year	Time Limit — TPO Order	Time Limit — AO Order
AY 2023-24	31 January 2026	31 March 2026
AY 2024-25	31 January 2027	31 March 2027
AY 2025-26	31 January 2028	31 March 2028



Where a reference is made to a foreign tax authority under a tax treaty for exchange of information, the period from the date the reference is made to the date the information is received by the Indian Competent Authority is to be excluded while computing the limitation period, subject to a maximum exclusion of one year.

Remedies Available: CIT(A)/NFAC vs. DRP

Once the TPO issues the order determining the ALP, the AO incorporates the proposed adjustments into a Draft Assessment Order ('DAO'). At this stage, the taxpayer has two statutory options: file objections before the Dispute Resolution Panel ('DRP'), or await the final assessment order and thereafter file an appeal before the CIT(A)/National Faceless Assessment Centre ('NFAC'). Each route carries materially different implications in terms of timelines, cash flow, procedural requirements, and strategic outcomes.

Particulars	CIT(A) / NFAC	DRP
Time Limit to File	Within 30 days of receipt of final assessment order	Within 30 days of receipt of DAO
Payment of Demand	10% of disputed demand payable for stay; instalments may be sought in genuine hardship cases	Demand not payable immediately; crystallises only after final order pursuant to DRP directions
Disposal Timeline	Recommendatory time limit; matters often take considerably longer	Fast-track — DRP issues directions within 9 months from date of DAO
Constitution	Single-member authority (CIT(A))	Collegium of three CIT-rank officers

► Case for DRP

Speed — directions within 9 months

Defers cash outflow on disputed demand

Enables faster progression to ITAT

Preferred when expeditious resolution is the priority

► Case for CIT(A) / NFAC

More balanced, detailed fact-based review

Better suited for complex TP issues

Historically perceived as less authority-aligned

Trade-off: longer timelines and upfront payment obligation



The TP Assessment & Appellate Journey

India's TP litigation framework operates through a structured statutory process that begins with scrutiny selection and can extend across multiple appellate levels. The landscape is shaped by both the volume of TP adjustments and the formal procedures governing audit initiation. TP disputes move through multiple layers of review and adjudication, frequently spanning assessment years and extending across years of litigation before final resolution.



Each stage of the appellate hierarchy offers distinct procedural rights, timelines, and strategic considerations. Taxpayers must evaluate their litigation strategy holistically — factoring in cash flow, precedent risk, documentation strength, and long-term group TP policy — at each transition between forums. Additionally, a Block Assessment under the new scheme introduced by Income-tax Rules, 2026 may also be applicable in certain circumstances, running parallel to or intersecting with this standard process.



TP PROCEEDINGS



DRP / NFAC



CIT(A)



ITAT



HIGH COURT

Block Assessment Scheme: A New Three-Year Framework

A new three-year block TP assessment mechanism has been introduced as part of Income-tax Rules, 2026, applicable from 1 April 2026. This framework is designed to reduce repetitive TP audits in situations where the nature of international transactions and business conditions remain broadly consistent over time. Under this scheme, the ALP would be determined for two consecutive tax years along with the base year for which the TP reference is first made, subject to the taxpayer opting in and the TPO validating that the necessary conditions are satisfied.



APPLICABILITY

Applies from TY 2026-27. Covers a three-year cycle: Base Year plus two subsequent consecutive years. Transaction-specific applicability.

OPT-IN MECHANISM

Taxpayer files Form 46 (supported by accountant's certificate in Form 47). TPO decides validity within one month from month-end of option exercise.

ALP DETERMINATION

ALP from Base Year intended to apply to similar transactions for Years 2 and 3. TPO incorporates Year 2 and Year 3 determination in the order for Year 1.

REJECTION & APPEAL

If TPO rejects the option, the taxpayer may appeal to the Commissioner within 15 days. Where option is rejected or cancelled, normal TP assessment proceeds for the Base Year only.

Block Assessment: Key Practical Questions

The block assessment scheme raises important practical considerations that taxpayers and their advisers must evaluate carefully before opting in. The following Q&A addresses the most significant questions arising in practice.

Q1 Is block assessment automatic for all taxpayers?

A **No.** Taxpayers must actively opt in for the subsequent two years by filing Form 46, and the TPO must validate the option. There is no automatic application of the scheme.

Q3 Can a taxpayer opt in for only one of the subsequent years?

A **No.** The option applies jointly for both Years 2 and 3. Selective opt-in for a single subsequent year is not permitted under the scheme.

Q2 Does opting in mean the Base Year ALP is used for the next two years?

A **Broadly, yes.** Once the option is validated, the ALP determined for the Base Year is intended to apply to similar transactions for Years 2 and 3, provided there are no material changes in functions, assets, risks, or economic conditions.

Q4 What happens if the Base Year outcome is unfavourable?

A **Significant multi-year exposure.** An unfavourable Base Year determination would extend to Years 2 and 3, creating compounded multi-year TP exposure across the entire block period.

Q5 Does the block assessment reduce annual compliance obligations?

A **Not significantly.** Taxpayers must continue to prepare annual TP documentation, maintain contemporaneous analysis, and file Form 48 for each year within the block cycle.

Q6 Does the scheme apply to search cases?

A **No.** The block assessment scheme does not apply to search or requisition-based assessments. Standard TP assessment procedures apply in such cases.



Key TP Issue: Intra-Group Services



► HIGH LITIGATION RISK

Intra-group services remain one of the most highly litigated TP issues in India. The core controversy is whether the taxpayer is able to demonstrate through documentation that it has actually received services from its AE, whether such services were commercially necessary (i.e., the benefit test), and whether the charge reflects an arm's length value. Amongst intra-group service payments, charges for “management fees” are consistently the most controversial category.

Tax Authority Approach

Authorities examine the commercial need for each service, evidence of actual receipt, the benefit derived, and whether any activity is duplicative or in the nature of a shareholder function. They evaluate services at a granular, activity-level basis and resist aggregation under TNMM. In the absence of contemporaneous evidence, they frequently assume the service provided no benefit.

Key Jurisprudence Trends

Courts have consistently held that once a taxpayer demonstrates that services were received and there was a commercial benefit, tax authorities cannot override the taxpayer's business decisions. Tribunals have rejected blanket “no benefit” approaches and emphasised the importance of deliverables, communication trails, and contemporaneous allocation keys.

Practical Guidance

Taxpayers should maintain a strong evidence trail through emails, deliverables, workpapers, access logs, and periodic benefit tracking. Careful documentation of service agreements, invoices, and allocation methodologies is critical. APA or MAP can help provide certainty on the arm's length nature of such charges on a prospective basis.

» Documentation Priority:

Given the high scrutiny on management fees and intra-group services, contemporaneous documentation must go beyond contracts and invoices to include evidence of actual receipt, business purpose, and measurable benefit to the Indian entity.

Key TP Issue: Interest on Delayed AE Receivables

► HIGH LITIGATION RISK

Delays in collecting payments from AEs are frequently treated by tax authorities as an implicit financing arrangement requiring the imputation of a separate interest adjustment. This issue arises particularly in the context of export-oriented entities and service providers where the Indian entity provides services to its AE but payment is not received promptly in accordance with contractual terms or industry norms.

► Tax Authority Approach

Tax authorities compare outstanding receivable days from AEs with those from unrelated parties. If AE receivables are longer or exceed industry norms, they impute interest on such outstanding receivables on the basis that the taxpayer has effectively provided a loan to its AE. In many cases, they also disregard working capital adjustments granted under TNMM and instead impute a separate, additive interest adjustment — effectively double-counting the financing element.



What the Issue Means in Practice

The practical implication is that even where a taxpayer has received a TNMM-based working capital adjustment, the tax authorities may seek to levy an additional imputed interest charge on AE receivables that remain outstanding beyond a certain period. This creates a significant compliance and litigation risk for exporters, IT/ITeS companies, and manufacturing entities with AE customers, requiring careful monitoring of debtor ageing and proactive management of AE receivable cycles.

Documentation & Risk Mitigation

Taxpayers should maintain detailed records of payment terms agreed with AEs versus unrelated parties, actual payment histories, and working capital analyses. Where receivables are longer from AEs, a clear business justification should be documented. Ensuring alignment between TNMM working capital adjustments and the receivables position is essential to resist dual adjustment arguments by tax authorities.

APA as a Resolution Tool

Given the recurring nature of this issue across assessment years, taxpayers with material AE receivables should consider whether an APA covering the receivables characterisation and appropriate interest adjustment methodology could provide multi-year certainty and eliminate the risk of compounding adjustments over extended periods of litigation.

Union Budget 2026: Impact at a Glance

Union Budget 2026 introduced several significant measures that directly impact India's TP administration framework. These reforms reflect the Government's stated commitment to greater stability and predictability in the tax regime, with a clear focus on streamlining TP administration, reducing bottlenecks, and enhancing certainty for multinational groups. The Budget has been used as a tool for tax simplification, addressing long-standing procedural gaps and responding to concerns raised by industry and practitioners alike.



NEW SHR FOR IT/ITES SECTOR

Introduction of new Safe Harbour Rules specifically for the IT/ITeS sector, providing greater certainty on arm's length margins and reducing the need for case-by-case TP litigation for qualifying entities.



FAST-TRACKING UNILATERAL APAS

Expedited processing of unilateral Advance Pricing Agreements for the IT industry, reducing the time and administrative burden associated with APA applications and enabling faster access to certainty.



MODIFIED RETURNS FOR APA-COVERED AES

Associated enterprises covered under an APA are now permitted to file modified returns to give effect to the APA outcome, resolving a practical difficulty that previously prevented full implementation of APA terms.



RETROSPECTIVE CLARIFICATION ON TIMELINES

Retrospective amendments clarifying limitation periods and TPO timelines address long-standing procedural gaps, resolve divergent judicial interpretations, and improve administrative consistency across assessment years.

Alternative Dispute Resolution: APAs, MAPs & SHR

The alternative dispute resolution ('ADR') mechanisms available under India's TP framework play an increasingly strategic role in reducing prolonged, multi-year litigation. Advance Pricing Agreements ('APAs'), Mutual Agreement Procedures ('MAPs'), and Safe Harbour Rules ('SHR') each offer distinct benefits in terms of certainty, finality, and the resolution of cross-border pricing disputes. Together, they form a critical part of the toolkit available to multinational groups managing TP risk in India.



ADVANCE PRICING AGREEMENTS (APAS)	MUTUAL AGREEMENT PROCEDURE (MAP)	SAFE HARBOUR RULES (SHR)
<p>APAs provide binding certainty on the ALP methodology for covered international transactions for a prospective period of up to five years, with the option of a rollback for up to four preceding years. Both unilateral APAs (with the Indian tax authority) and bilateral/multilateral APAs (involving one or more foreign competent authorities) are available. Union Budget 2026 introduced fast-tracking of unilateral APAs for the IT industry and permits AEs under an APA to file modified returns.</p>	<p>MAP is a treaty-based mechanism that enables the Indian Competent Authority and its foreign counterpart to resolve cases of double taxation or taxation not in accordance with a tax treaty. MAP is particularly valuable for resolving disputes involving cross-border TP adjustments that create correlative relief issues. It can be pursued concurrently with domestic appellate proceedings and does not require the taxpayer to withdraw from domestic litigation.</p>	<p>SHR provide that where a taxpayer's declared prices or margins fall within the prescribed safe harbour ranges for eligible transactions and business activities, the declared price shall be accepted as the ALP without further scrutiny. Union Budget 2026 introduced new SHR specifically for the IT/ITeS sector, enhancing certainty for one of India's most significant TP-intensive industries. SHR are available through Form 3CEFA (international transactions) and Form 3CEFB (SDTs).</p>

Strategic Considerations: Choosing the Right Path

The choice between litigation, APA, MAP, and Safe Harbour is rarely straightforward. Each pathway involves trade-offs between certainty, cost, time, cash flow, and precedent risk. Effective TP strategy requires a holistic view of the dispute resolution landscape, aligned with the group’s broader global TP policy and the specific facts of each case or transaction category. The following framework summarises the key strategic considerations at each decision point.



In practice, organisations increasingly adopt a layered approach — pursuing Safe Harbour for routine, standardised transactions; APAs for high-value or complex transactions requiring

long-term certainty; MAP for resolving historical adjustments and cross-border double taxation; and targeted litigation where the legal position is strong and precedent-setting outcomes are

desired. Union Budget 2026’s measures significantly improve the attractiveness of APAs and SHR as preferred resolution tools, particularly for IT/ITeS entities.

TP Penalties & Consequences of Non-Compliance

India's TP regulations prescribe a stringent penalty and fee regime for various defaults. These range from documentation failures and non-disclosure to incorrect reporting and failure to furnish prescribed forms. Given the significantly expanded disclosure requirements under Form 48 (applicable from TY 2026-27), the potential for inadvertent non-compliance and attendant penalty exposure has increased materially. Taxpayers should ensure that their compliance processes, internal controls, and external advisers are aligned to the new requirements well in advance of the due dates.

2%

TP Adjustment Penalty

Penalty on the amount of TP adjustment made where no reasonable cause is established for the difference from the ALP.

2%

Failure to Maintain Documentation

Penalty of 2% of the value of each international transaction / SDT for failure to maintain prescribed TP documentation.

2%

Failure to Report Transactions

Penalty of 2% of the value of each unreported international transaction for failure to report transactions in the Accountant's Report.

INR 5L

Failure to Furnish CbCR

Penalty for failure to furnish the CbCR, with additional daily penalties for continued non-compliance after notice.

Note:

The above figures are indicative summaries. Detailed penalty provisions, including specific amounts for Master File non-compliance and CbCR reporting failures, are set out in **Annexure 1** of this publication. Taxpayers should refer to the statutory provisions for the precise penalty framework applicable to each default.

Practical Audit Readiness: Key Action Points

Given the intensification of TP scrutiny, the expanded disclosure requirements under Form 48, and the introduction of block assessments, audit readiness has become a year-round imperative rather than a reactive exercise triggered by a notice from the tax authorities. The following action framework is designed to help organisations assess their current TP readiness posture and take targeted steps to reduce litigation exposure and compliance risk.

Contemporaneous Documentation

Prepare and finalise TP documentation before the statutory due date. Ensure functional analysis, economic analysis, and benchmarking are consistent with the actual business model and financial results reported. Documentation prepared after scrutiny selection carries significantly reduced evidentiary weight.

Form 48 — Disclosure Alignment

Map all Form 48 disclosure fields to underlying financial data, accounting records, and TP study positions before filing. Identify and resolve any mismatches between economic analysis assumptions and actual reported financials. Inconsistencies in Form 48 will directly trigger CASS risk flags.

Evidence Trail for Intra-Group Services

Compile and maintain a robust evidence repository for all intra-group service transactions — including emails, deliverables, meeting records, access logs, and periodic benefit tracking reports. Ensure allocation keys are documented and consistently applied across years.

Monitor AE Receivable Cycles

Track AE receivable ageing relative to non-AE customers and prescribed industry norms. Where AE receivable days exceed benchmarks, document the business rationale. Review whether TNMM working capital adjustments adequately address the financing element or whether a separate interest adjustment risk exists.

Evaluate Block Assessment Opt-In

Assess whether the three-year block assessment scheme is strategically advantageous given the expected Base Year outcome, the consistency of transactions, and the risk of multi-year exposure from an unfavourable determination. The decision to opt in should be made in conjunction with legal advisers and with full awareness of the asymmetric downside risk.

Prioritise APA/MAP/SHR Planning

For high-value, recurring, or complex transactions, evaluate the strategic case for filing an APA or MAP. For IT/ITeS entities, assess eligibility for the new Safe Harbour Rules introduced by Union Budget 2026. Early engagement with ADR mechanisms significantly reduces the risk of prolonged, multi-year litigation.

Navigating the Appellate Hierarchy: Strategic Insights

India's TP appellate hierarchy spans from the DRP and CIT(A)/NFAC at the first appellate level, through the Income Tax Appellate Tribunal ('ITAT'), to the High Courts and ultimately the Supreme Court of India. Each level of the hierarchy has distinct procedural rules, evidentiary standards, and practical considerations that shape both litigation strategy and expected outcomes. TP disputes in India frequently remain in litigation for extended periods — spanning five to ten years or more from the original assessment year — making strategic decisions at each appellate level particularly consequential.

Supreme Court of India



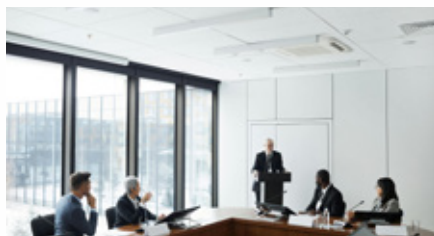
Final constitutional court. Appeals on substantial questions of law of national importance. Rare in TP matters but can set binding precedent.

High Court



Jurisdiction on substantial questions of law. Appeals from ITAT. Significant body of TP jurisprudence at High Court level across jurisdictions.

ITAT — Income Tax Appellate Tribunal



Appellate body with jurisdiction over both facts and law. Substantial TP jurisprudence developed at ITAT level. Decisions are binding on AOs and CIT(A)s within the jurisdiction.

CIT(A) / NFAC or DRP



First level of appeal. DRP offers fast-track resolution within 9 months; CIT(A)/NFAC offers more detailed review. Strategic choice depends on cash flow, complexity, and precedent considerations.

Conclusion: Preparing for the Road Ahead

India's TP enforcement environment is evolving rapidly — characterised by greater digitisation, more granular disclosure requirements, risk-based automated scrutiny, and a growing body of jurisprudence that continues to test the boundaries of the arm's length principle. Against this backdrop, the measures introduced by Union Budget 2026 represent a meaningful step towards greater administrative efficiency, procedural clarity, and taxpayer certainty. The new block assessment mechanism, fast-tracked APAs for IT entities, expanded Safe Harbour coverage, and retrospective clarifications on timelines collectively signal a more structured and predictable TP regime — while simultaneously placing higher demands on the quality and consistency of annual compliance.

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