



## **REVISED TRANSCATIONS LIMIT FOR DOMESTIC TRANSFER PRICING**

### **Previous Scenario**

The existing provisions of section 92BA of the Act define “specified domestic transaction” in case of an assessee to mean any of the specified transactions, not being an international transaction, where the aggregate of such transactions entered into by the assessee in the previous year exceeds a sum of five crore rupees.

### **Specified Domestic Transactions covers the following :-**

Any expenditure in which payment has been made or will be made to a person referred to in clause (b) of sub-section (2) of section 40A of the Income Tax Act.

- For the purpose of the above provisions, the definition of person in reference to the company includes the following:
  - A director
  - The Relative of a director
  - An instance where an entity (including a company or director) has a substantial voting interest of more than 20 percent, either individually or through relatives
- Any transaction that results in the claiming of deductions as provided in the Income Tax Act.
- Any transaction that relates to the transfer of goods or services as mentioned in provisions of section 80-IA (8) & (10) of the Income Tax Act (i.e. Deductions related to profits and gains from industrial undertakings or enterprises engaged in infrastructure development, telecommunication Service Providers or producers and distributors of



power). This applies to transactions between an entity located in tax holiday area, and one located in a non-tax holiday area if both are linked by the same management structure.

- For undertakings established in a special economic zone, free trade zone (SEZ) or export oriented unit involving the transfer of goods and services to another undertaking with the same owner at a non-market price value, profits are computed at market price. Eligible deductions from these recomputed profits under SEZs and other similar units can be taken advantage of, however.

### **Current Scenario**

It is proposed to amend section 92BA of Income Tax Act, 1961 for the words “five crore rupees” occurring at the end, the words “twenty crore rupees” shall be substituted with effect from the 1st day of April, 2016.

This may effectively take 90% of assessee's out of ambit of Transfer Pricing Audit of Specified Domestic Transactions.

### **Effect**

From Financial Year 2015-16 and Assessment Year 2016-17 limit for Transfer Pricing audit in case of Specified Domestic Transactions will be raised to INR 20 Crores.

**Written by:**

**Kashish Khandelwal**

**(Articled Assistant)**