EXPECTATIONS FROM UNION BUDGET 2021 | *TRANSFER PRICING PERSPECTIVE*

As the run-up to Budget 2021-22 has begun and we inch closer to the budget date, the focus of multinational corporates ('MNCs') in India will be on what the budget brief-case holds for them. The unprecedented economic conditions prevailing around the world calls for exceptional measures to put growth on the driving seat.

Under current situation MNCs are practically facing challenges in applying transfer pricing rules ('TP Rules') and arms' length principle ('ALP') due to impact of COVID 19 pandemic, therefore there is an urgent need to address such practical challenges.

For this, tax administration should focus on guidance with respect to application of TP Rules and ALP that may differ from as applied in earlier years.

Union Budget should focus on following key transfer pricing areas for FY 2020-21 and FY 2021-22 on an exceptional ground, without further ado:

1 - Adopting globally accepted concept of Interquartile Range (i.e. 25th percentile - 75th percentile) instead of the range concept currently followed i.e. 35th percentile - 65th percentile.

2 - Single year data instead of multiple year data.

3 - Bringing back the tolerance band of +/- 5%.

4 - Granting exemption or enhancing the limit of INR 10 million under section 94B.

5 - Granting relief under section 92CE for repatriation of money from associated enterprises.

6 - To ease down compliance burden, it should look for upward revision in threshold limit applicable for filing of Master File and Country-by-Country Reporting.

7 - Reducing the Safe Harbour margins for FY 2020-21 and FY 2021-22.

8 - Specific guidance for assessment proceedings including transfer pricing issues for FY 2020-21 and FY 2021-22 to avoid undue hardship on taxpayers.

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