

Direct tax body issues draft notification

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The Central Board of Direct Taxes (CBDT) issued a draft notification dated 6 October setting out the rules and guidelines for country by country reporting (CbCR) and maintaining/furnishing the master file (MF) inviting stakeholder comments and suggestions. As part of the government's commitment to implement the Base Erosion and Profit Shifting Action Plans, specifically action 13 which deals with transfer pricing documentation and CbCR, Finance Act, 2016 introduced section 286, a proviso to section 92D(1) and section 92D(4).

Section 286 broadly provides for Indian constituent entities of every international group (MNCs), to furnish the CbCR to the income tax authorities in the manner prescribed, if they are: (1) the parent entity of the international group; or (2) designated alternate reporting entity of the international group. The amendments to section 92D further provide for every constituent entity of an international group to maintain/keep and furnish a MF in the manner prescribed. Section 286 and the amendments to section 92D came into effect from 1 April 2017, however, the associated rules in relation to furnishing the CbCR, MF, the forms in that respect and monetary thresholds for such obligations to get triggered, etc., had not been prescribed until the abovementioned draft notification.

As per the draft notification, it is proposed that rule 10DA and 10DB would be introduced in the income tax rules. Rule 10DA prescribes the rules and guidelines for maintaining/keeping and furnishing the MF whereas rule 10DB prescribes the rules and regulations for CbCR. The draft notification also contains the draft forms (forms 3CEBA, 3CEBB, 3CEBC, 3CEBD, 3CEBE) for furnishing the MF and CbCR.

The business law digest is compiled by Nishith Desai Associates (NDA). NDA is a research-based international law firm with offices in Mumbai, New Delhi, Bengaluru, Singapore, Silicon Valley and Munich. It specializes in strategic legal, regulatory and tax advice coupled with industry expertise in an integrated manner.