

Tax Hotline

January 06, 2001

TRANSFER PRICING REGULATIONS TO INCLUDE PENALTIES TO CHECK FRAUDULENT TRANSFER PRICING

The Raj Narain committee appointed by the Central Board of Direct Taxes of India will make its recommendations on the transfer pricing policy by the end of January. These recommendations are expected to figure in the next budget.

One of the steps being considered is levying penalties on companies who refuse to comply with the requirements of reporting transfer pricing arrangements along with supporting documents to the Revenue authorities within the stipulated time.

The OECD guidelines suggest that the penalty should be calculated as a percentage of the understated tax. This may range from 10% to 200%. In India the aforesaid committee may opt for the already existing provisions of the Income Tax Act, which levies a penalty for concealment of income which ranges from 100 to 300 percent of the suppressed tax or may bring in a new a rate of penalty for assessments of transfer pricing.

Source: *The Economic Times*, January 6, 2001

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