ALERT
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Key Transfer Pricing Changes under the Income-Tax Act, 2025 (ITA, 2025)

Effective 1 April 2026

At a Glance – What Has Changed

- Subtle change in the meaning of Associated Enterprise (AE) u/s 162
- Form 48 (erstwhile Form 3CEB) - Revamped
- Master Filing (Form 56) – Additional Disclosure related to Intangibles
- In case of an Advance Pricing Agreement (APA), now the affected AE can also file a modified return
- Retrospective changes in timelines involving Transfer Pricing
- From Penalties to Graded Fees

Meaning of AE as per Section 162 of the ITA, 2025

- The **ITA, 2025**, introduces a streamlined and integrated definition of AE, addressing longstanding interpretational issues under the **ITA, 1961**.
- Under the erstwhile provisions, Section 92A followed a two-tier framework, with:
  - Section 92A (1) prescribing the general test of participation in management, control, or capital; and
  - Section 92A (2) listing specific deeming conditions.
- The new law consolidates the framework under Section 162(1)(a) by integrating the participation test with the deeming conditions, thereby:
  - Enhancing clarity in application, and
  - Reducing interpretational ambiguity surrounding the dual-condition requirement.

Form 48 – Revamped

- Structure of Form 48:
  - Part A - Basic particulars of Assessee
  - Part B - Aggregate value of transactions (auto-populated)
  - Part C - Details of international transactions, including deemed international transactions

- Part D - Details of Specified Domestic Transactions
- Part E - Determination of ALP
- Part F - Documentation Requirement (applicable if International Transactions > 10 million or SDT is reported)

- Key changes can be classified into two categories:
  - Structural Changes

Particulars	Changes
Clause Reference	**Form 3CEB -** Separate clause of each transaction category. **Form 48 -** All transactions consolidated under Point 7 & SDT under Point 9.
Observations	No separate field for comments or explanatory notes.
Reference for AE & Transaction ID	AE IDs & Transaction IDs to be disclosed.
Disclosure of Transactions	Selection of transaction from prescribed drop-down options.

  - Additional Disclosure Requirements

Particulars	Enhancements
Broader transaction classification	• Introduction of 70+ sub-categories for intangible transactions, significantly enhancing disclosure depth; • Specification of 13 distinct service categories to standardise reporting; and • Explicit coverage of capital financing transactions.
Determination of ALP – Aggregated vs. Standalone basis	Part E: Disclosure of manner in which ALP has been determined. Details to be provided: • Transactions benchmarked on Standalone or Consolidated basis • Value of transaction aggregated • Value of transaction not aggregated
APA Disclosure	Disclosure of APA coverage
Agreement Disclosure	Disclosure of agreements related to royalty, financing, and business restructuring arrangements.

Particulars	Enhancements
Result of Benchmarking analysis	Detailed reporting of benchmarking outcomes.
Financial Info of tested party	Mandates detailed PLI disclosures (base, adjustments, key income/expenses) with auto-computation vs comparables.
No disclosure requirement for certain financing agreements	Form 48 lacks specific fields for capital transactions (shares, debentures), but as they fall under capital financing, prudent reporting is advised until clarity emerges.
Certification for documentation	Form 48 Part F mandates explicit confirmation of contemporaneous TP documentation, increasing accountability for taxpayers and CAs.

Master Filing (Form 56)

- Additional disclosure related to intangibles to be submitted (in accordance with all constituent entities) irrespective of prescribed thresholds being breached by the Indian entity. Details to be submitted include:
  - Whether the entity is engaged in the development & management of intangible(s)
  - Whether the entity legally owns intangible(s)
  - Names of such intangible(s)

Filing of Modified Return by the affected AE of the taxpayer opting for APA

- Where an income is modified as a result of APA entered into with any person (on or after 1 April 2026), an AE can also file a modified return u/s 169 of the ITA Act, 2025.
- Due Date: 3 months from the end of the month in which the agreement was entered into.

Streamlined and Time-Bound DRP & TPO Assessment Timelines under the ITA, 2025

- The ITA, 2025, introduces clear and time-bound procedures for the disposal of cases under the Dispute Resolution Panel (DRP) mechanism.
- Key provisions include:
  - Time limit for DRP directions: The DRP is required to issue directions within 9 months from the end of the month in which the draft assessment order is served on the Assessee.
  - Finalization of assessment: Upon receipt of DRP directions, the Assessing Officer must complete the assessment within 1 month, without providing any further opportunity of being heard.
  - Override of general timelines: Where the draft order is issued within the prescribed time, the final assessment timeline shall be governed exclusively by Section 275(13) and (14), overriding Section 286 (Section 275(14) (b)).
- Timeline for Passing TPO Order u/s 92CA of ITA, 1961 (as amended by Finance Act, 2026) vis-à-vis u/s 166 of ITA,2025.

Expiry of period of limitation	Sec. 92CA of ITA, after 1961	Sec. 166 of ITA,2025
31 March	Non Leap year: 30 January	31 January
	Leap year: 31 January	
31 December	1 November	31 October

From discretionary penalties to automated graded fees for non-furnishing or Delayed furnishing of Form 48[1]

Income Tax Act, 1961	Sec. 166 of ITA,2025
Penalty of INR 0.1 million	Fees in case of= – Delay up to 1 month after due date: INR 0.05 million – Delay after 1 month after due date: INR 0.1 million

Key Transfer Pricing Changes under the Income-Tax Rules, 2026

Effective 1 April 2026

At a Glance – What Has Changed

- Safe Harbour Rules expanded unified IT Services category, margin at 15.5%, threshold increased to INR 20 billion, 5-year certainty
- APA framework simplified flat fee of INR 2 million, faster closure timelines, PCIT as nodal authority
- Block Transfer Pricing Assessments introduced multi-year ALP determination and reduced repetitive audits

1. Sec 428 of ITA 2025

Safe Harbour Rules – Key Changes

The Safe Harbour regime has been significantly rationalized to improve accessibility, reduce the compliance burden, and provide long-term certainty to eligible taxpayers.

Particulars	Earlier Regime	New Rules (2026)
Eligible IT activities	Multiple categories[2]	Single IT Services category
Prescribed margin	17% – 24%	15.5% (uniform)
Turnover threshold	INR 3 billion	INR 20 billion[3]
Validity	Year-wise	5-year block
Verification	Manual	Automated (DGIT – Systems)

Rationalization of 'Accountant' Definition under SHR[4]

The definition of 'accountant' has been rationalized under the Safe Harbour Rules to introduce objective eligibility criteria based on experience and revenue thresholds. This change broadens the pool of eligible professionals and firms, including domestic and foreign entities; thereby facilitating greater participation of credible local firms in issuing the prescribed cost certification.

2. Separate categories for - (i) Software development services, (ii) IT enabled services, (iii) KPO & (iv) Contract R&D services (for software development)
3. Eligibility to be evaluated for 1st out of 5 consecutive tax years
4. Rule 86 of IT Rules, 2026

Expanded scope of Safe Harbour Rules

- **Data Centres:** Eligible transactions now include data centre services with a prescribed 15% mark-up.
- **Custom bonded warehouse:** Non-residents undertaking component warehousing for specified electronic goods can opt for a 2% margin on gross receipts

Separate procedures for IT Services and other than IT Services[5]

Particulars	SHR for Non IT Services	SHR for IT Services
Application Form	Form 49	
Due Date	On or before the due date of return filing of relevant Tax Year	On or before the due date of return filing of first of five Tax Years
Application to be furnished before	Assessing Officer	Director General of Income-tax (Systems)
Intimation of decision	• Prescribed timelines for AO, TPO and Commissioner (in case objections are filed by the taxpayer) • Deemed validity of SHR in case the prescribed timelines are breached	Within 2 months from the end of the month
Coverage	To be applied every Tax Year	5 Consecutive Tax Years
Annual Statement	Not Applicable	Filed for 4 consecutive tax years following the first tax year
Form 49 to be verified by	Authorized person who has verified ROI	CEO/ Chairman/ MD
Withdrawal of application	Not covered	Option available till 6 months from end of first tax year

Block Transfer Pricing Assessments – New Regime

A new framework enabling multi-year transfer pricing assessments to reduce repetitive audits and improve consistency.

- Option exercised through Form 46 along with Accountant's Certificate in Form 47.
- Forms to be filed by 30 June following the third tax year. For e.g., 30 June 2028 for block of FY 25-26, FY 26-27, FY 27-28.

5. Rule 90 & 91 of IT Rules, 2026

- TPO to validate option within one month.
- Single ALP determination for the entire block period.

Advance Pricing Agreements (APA) – Key Updates

- Flat application fee of INR 2 million (additional INR 0.5 million for rollback).
- Administrative authority shifted to Principal Commissioner of Income-Tax (PCIT).
- Revised forms covering pre-filing, application, compliance and renewal.
- **Resolution Timelines:**
  - **IT Services UAPAs:** Deemed closed if not concluded within **2 years** (extendable by 6 months on request).
  - **Other than IT Services APAs:** Deemed closure after **3 years** if non-cooperation persists (e.g., failure to furnish documents or attend meetings).
  - Closure only after giving applicants a reasonable opportunity to be heard.

CBDT Introduces New Critical Assumption for APA–Safe Harbour Transition[6]

The CBDT has issued an Office Memorandum introducing an additional "critical assumption" for unilateral APAs in light of the revised Safe Harbour Rules. Under this clarification, taxpayers may opt for the Safe Harbour regime during the APA term; however, once that option is exercised, the APA will not apply to the relevant international transactions for that year and for the balance of the APA period. This clarification also extends to draft APAs that have been approved but are pending execution, ensuring alignment with the revised regulatory framework.

Transfer Pricing Forms Navigator

Form Number as per IT Rules 1962	Form number as per IT Rules 2026	Form Name as per Income-Tax Forms 2026
New Form	Form 46	Exercise of Option for ALP Determination under section 166(9) (block assessment)
New Form	Form 47	Independent accountant certification validating eligibility, transactional consistency, and correctness of information submitted in Form 46 for ALP determination
Form 3CEB	Form 48	Report from an accountant to be furnished under section 172 of the ITA, 2025 relating to international transaction(s) and/or specified domestic transaction(s)
Form 3CEFA/B/C	Form 49	Application for opting for Safe Harbour
Form 3CEC	Form 50	Application for Pre-filing Consultation for an APA
Form 3CED/3CEDA	Form 51	Application for an APA

6. F.No.500/03/2014-APA (Vol.V) dated 24 March 2026

Form Number as per IT Rules 1962	Form number as per IT Rules 2026	Form Name as per Income-Tax Forms 2026
Form 3CED/3CEDA	Form 51	Application for an APA
Form 3CEF	Form 52	Annual Compliance Report
Form 3CEEA	Form 53	Application for change in book profit pursuant to APA
New Form	Form 54	Application for Renewal of an APA
Form 3CEAA	Form 56	Information and document to be furnished by the person who is a constituent entity under section 171(4)
Form 3CEAB	Form 57	Intimation by a designated constituent entity, resident in India, of an international group, for the purposes of section 171(4)
Form 3CEAC	Form 58	Intimation by a constituent entity, resident in India, of an international group, the parent entity of which is not resident in India, for the purposes of section 511(1)
Form 3CEAD	Form 59	Report by a parent entity or an alternate reporting entity or any other constituent entity, resident in India, for the purposes of section 511(2) or section 511(4)
Form 35	Form 99	Appeal to the Joint Commissioner (Appeals) or the Commissioner of Income-tax (Appeals)
Form 35A	Form 119	Objections to be filed with the Dispute Resolution Mechanism (DRP)
Form 36	Form 115	Form of appeal to the Income-Tax Appellate Tribunal

Our Comments

Overall, the reforms represent a decisive shift toward a more coherent, streamlined, and taxpayer-centric transfer pricing regime, with a pronounced emphasis on minimizing ambiguity, curbing protracted litigation, and aligning India's framework with evolving global best practices. The move toward greater standardization, coupled with the expansion of Safe Harbour provisions and a more accessible and time-bound APA framework, reflects a conscious effort to balance administrative efficiency with robust regulatory oversight. Importantly, the calibrated focus on high-risk areas such as intangibles and financing transactions demonstrates responsiveness to the increasing complexity of cross-border value creation. Together with initiatives such as automation and block assessments, which aim to reduce repetitive compliance burdens and disputes, these measures are poised to enhance transparency, improve ease of doing business, and instil greater confidence among taxpayers. In sum, the reforms are likely to drive a more stable, predictable, and forward-looking transfer pricing environment that encourages voluntary compliance while safeguarding the tax base.

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