

## Budget 2026 : Transfer Pricing Dispute Resolution Timelines

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The time barring of the transfer pricing and non-resident assessment cases has emerged as a contentious topic in the Indian dispute resolution regime (popularly known as Roca Bathroom<sup>[1]</sup> or Shelf Drilling<sup>[2]</sup> case). The two-member bench of Supreme Court had delivered a split verdict and referred the matter to a larger bench. While the matter may still be under sub-judice, the Government recognising the gravity of the matter, through 2026 Budget decided to step in and retrospectively amend the law in itself.

### **The Amendment (in Sec 92CA / 144C / 153 / 153B of Income-tax Act, 1961<sup>[3]</sup>)**

To summarise the amendments brought in through the Finance Bill, 2026 has introduced two important retrospective changes (overruling Court decisions) to timelines involving Transfer Pricing:

1. The timeline for passing the order by the Transfer Pricing Officer (TP order); and
2. The timeline for Dispute Resolution Panel (DRP) proceedings (nine months) and passing of final assessment order (additional one month after DRP directions), in case of transfer pricing / non-resident related disputes, is in addition to the normal assessment timelines (two years).

### **A brief of the disputes**

A brief of both the above disputes is discussed herewith:

#### **A. Timeline for passing TP order (60 or 61 days)**

The Madras High Court in the case of Pfizer Healthcare India (P.) Ltd.<sup>[4]</sup> had ruled that the TP order should be issued with at least 61 days to spare from the total outer timeline, a day more than the tax department's interpretation. This had led to many cases being rendered time-barred and rendering whole of the assessment being rendered invalid as many such orders were passed on a day later than the court's interpretation of timeline.

To deep dive in the provisions an extract of Sec 92CA(3A) is as follows:

*(3A) .... a reference under sub-section (1) is made .... , an order under sub-section (3) may be made at*

any time before sixty days prior to the date on which the period of limitation referred to in section 153, or as the case may be, in section 153B for making the order of assessment or reassessment or recomputation or fresh assessment, as the case may be, expires:

The courts have gone into interpreting the above provisions so as to say that the time-limit is a 'day prior' to 60 days, emphasising the word 'before' i.e. 61 days. The date of limitation has to be included while computing the 60 day period. While the controversy has not been appealed before the Supreme Court, the Government has proposed to amend the law in the Finance Bill 2026 retrospectively to specify the last day to pass Transfer Pricing Order (i.e. 30th January for a non-leap year and 31st January in leap year).

However, the retrospective change in law to change the interpretation of the due date has unsettled an already settled question of law. The proposed amendment specifies the last day to pass Transfer Pricing Order (i.e. 30th January for a non-leap year and 31st January in leap year).

While the above ruling though not as substantive as the next one, had a significant impact on transfer pricing litigation landscape.

## B. Outer timeline for Eligible Assesseees (TP cases and non-resident persons)

The dispute arose in transfer pricing and non-resident cases, when the taxpayer has an option to file objections against the draft order before the Dispute Resolution Panel (DRP). In such cases, whether the clock for completing the assessment gets extended or not, the complexity stems from the interplay of two provisions:

- Section 153 of the Act<sup>[5]</sup> which governs the *outer timelines* within which assessment, reassessment, or recomputation must be completed (passing the final assessment order); and
- Section 144C of the Act, which governs the procedure and timeline for raising objections before the DRP.

<b>153</b>	1 year (31-Mar-25) + 1 additional year for TP (31-Mar-26)	Whether Sec 144C timeline is	Inclusive timeline – 31 <sup>st</sup> March 2026
<b>144C</b>	9 months for DRP + 1 month for AO	<ul style="list-style-type: none"> <li>• included in 153 timeline</li> <li>• in addition to 153 timeline</li> </ul>	Additional timeline – 31 <sup>st</sup> January 2027

The interpretation the taxpayers (in Roca Bathroom and Shelf Drilling case) took was that the final order post the DRP directions should be passed before 31 March 2026 in the above case. However, the tax department always took the plea that the draft order should be passed before 31 March 2026, and that the time period of DRP proceedings should be over and above the time period provided under 4th proviso to Section 153(1).

To address anomalies in combined interpretation of Sec 153 and 144C, the majority of HCs across the country refused to accept the revenue's argument for an extended timeline. Both the **Madras High Court (in Roca Bathroom<sup>[6]</sup>)** and the **Bombay High Court (in Shelf Drilling<sup>[7]</sup>)** categorically ruled in favour of taxpayers, holding that final assessment orders passed beyond the statutory deadline were time-barred and therefore liable to be quashed.

The ripple effect of these rulings was significant. A large number of similar cases would inevitably have been struck down on the same ground, leading to a substantial setback for the income tax department. Recognising the gravity of the issue, the department escalated the matter to the Supreme Court. After a prolonged wait, when it was widely expected that the controversy would finally be settled, the Supreme Court delivered a **split verdict**. The two judges on the Bench could not agree on a common interpretation of the law, leaving the issue unresolved and necessitating reference to a larger Bench.

Justice Nagarathna ruled in favour of the taxpayers, whereas, Justice Satish Chandra Sharma ruled in favour of the Revenue. Considering this, the warring parties were to put forth the arguments before the larger bench, constituting three (3) SC judges, consisting of the Honourable Chief Justice of India.

However, these rulings, along with subsequent decisions that relied on them, have now been nullified. The Finance Ministry has proposed clarifications by way of retrospective amendments to erstwhile sections 153, 153B, and 144C, providing additional time for cases involving an option to approach the DRP. The amendments expressly clarify that the provisions of section 144C will prevail over section 153 of the Act.

### Way Forward

Given the proposed retrospective validation and the fact that the issue has been subject to judicial scrutiny, including proceedings before the Supreme Court, taxpayers should evaluate their ongoing litigation primarily on substantive merits rather than procedural grounds.

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[1] Roca Bathroom Products Private Limited [\[TS-473-HC-2022\(MAD\)\]](#)

[2] Shelf Drilling Ron Tappmeyer Limited [\[TS-485-HC-2023\(BOM\)-TP\]](#)

[3] Corresponding amendments in Sec 166 / 275 / 286 of Income-tax Act, 2025

[4] Pfizer Healthcare India (P.) Ltd. v. Jt. CIT [2021]

[5] Income-tax Act, 1961

[6] Roca Bathroom Products Private Limited [\[TS-473-HC-2022\(MAD\)\]](#)

[7] Shelf Drilling Ron Tappmeyer Limited [\[TS-485-HC-2023\(BOM\)-TP\]](#)