

# Tax Hotline

May 21, 2003

## **GUIDELINES FOR SELECTION OF CASES FOR TRANSFER PRICING SCRUTINY ISSUED**

The Finance Act, 2001 introduced the transfer pricing legislation in India and also laid down detailed guidelines on the computation of the arm's length price in respect of international transactions carried on with associated enterprises ("**AE**"). The Finance Act, 2002 introduced the role of Transfer Pricing Officers ("**TPOs**") to be appointed for verifying the arm's length computation of the cases selected for scrutiny.

The Finance Ministry has now issued the following administrative guidelines specifying the criteria for selection of transactions for scrutiny by Assessing Officers ("**AOs**") and the process of verification by the TPOs:

- A floor level of Rs. 5 crore has been set for picking up international transactions for transfer pricing scrutiny;
- Cases where the aggregate value of more than one transaction with the same AE or transactions with more than one AE, exceed Rs. 5 crore only can be selected for scrutiny and referred to the TPO;
- Before making a reference to the TPO, the AO is required to satisfy himself that the international transaction under consideration is with an AE. However, the AO will not have the authority to scrutinize the correctness or otherwise of the price at which the transaction has been entered into;
- The TPO is required to take into account all the relevant facts and data for determining the arm's length price and is also required to use the most appropriate method for the computation as stipulated under law;
- The TPO is then required to issue a detailed order showing the method of computation and details of data used and reasons thereto for arriving at the arm's length price;
- Before making any adjustments in the total income declared by the assessee in his tax return, it is mandatory to give the assessee a formal opportunity of being heard.

The CBDT has set a deadline of June 30, 2003 for the AOs to select cases for scrutiny for the first set of returns filed with transfer pricing disclosures for the financial year ended March 31, 2002.

*Source:* The Economic Times, May 21, 2003

## **DISCLAIMER**

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

## Research Papers

### **New Age of Franchising**

June 20, 2025

### **Life Sciences 2025**

June 11, 2025

### **The Tour d'Horizon of Data Law Implications of Digital Twins**

May 29, 2025

## Research Articles

### **2025 Watchlist: Life Sciences Sector India**

April 04, 2025

### **Re-Evaluating Press Note 3 Of 2020: Should India's Land Borders Still Define Foreign Investment Boundaries?**

February 04, 2025

### **INDIA 2025: The Emerging Powerhouse for Private Equity and M&A Deals**

January 15, 2025

## Audio

### **CCI's Deal Value Test**

February 22, 2025

### **Securities Market Regulator's Continued Quest Against "Unfiltered" Financial Advice**

December 18, 2024

### **Digital Lending - Part 1 - What's New with NBFC P2Ps**

November 19, 2024

## NDA Connect

Connect with us at events, conferences and seminars.

## NDA Hotline

[Click here to view Hotline archives.](#)

## Video

### **Vyapak Desai speaking on the danger of deepfakes | Legally Speaking with Tarun Nangia | NewsX**

April 01, 2025

**SIAC 2025 Rules: Key changes &  
Implications**

February 18, 2025