

7. CBDT enters into 26 APAs

Prelims: Economics- Taxation

Mains: GS-III- Indian Economy and Issues relating to Planning, Mobilization of Resources, Growth, Development and Employment.

Why in News?

- ▶▶ The Central Board of Direct Taxes (CBDT) has entered into 26 Advance Pricing Agreements (APAs) in the first 5 months of the financial year (April to August, 2019).
- ▶▶ Out of these 26 APAs, 1 is a BAPA entered into with the United Kingdom and the remaining 25 are Unilateral Advance Pricing Agreements (UAPAs).

APA:

- ▶▶ An advance pricing agreement (APA) is an ahead-of-time agreement between a taxpayer and a tax authority on an appropriate transfer pricing methodology (TPM) for a set of transactions at issue over a fixed period of time.

Bilateral and Multilateral APAs:

- ▶▶ Bilateral APAs (BAPA) are those that also include agreements between the taxpayer and one or more foreign tax administrations under the authority of the mutual agreement procedure (MAP) specified in Income Tax Treaties.
- ▶▶ The taxpayer benefits from such agreements since they are assured that income associated with covered transactions is not subject to Double Taxation.

Significance:

- ▶▶ The progress of the APA scheme strengthens the Government's resolve of fostering a non-adversarial tax regime.
- ▶▶ The Indian APA programme has been appreciated nationally and internationally for being able to address complex transfer pricing issues in a fair and transparent manner.