



## India's master file due date approaches

### Global Transfer Pricing Alert 2018-005

India's Central Board of Direct Taxes (CBDT) on 31 October 2017 released final master files rules, which require companies to provide additional information not covered under BEPS action 13.

The master file in India must be filed by each constituent entity of an International Group (IG) by the due date for filing the income tax return (30 November following the financial year). However, the due date for submission of the master file for the first year (FY ending March 31, 2017) has been extended to 31 March 2018. The master file for an IG headquartered outside India must be prepared for the financial year followed by the IG's parent entity.

#### Master file

The final rules provide that the following entities are required to file the master file -- Form No. 3CEAA -- in India:

- Part A of the master file – Part A includes basic information regarding the IG and the constituent entities of the IG operating in India, such as name, permanent account number, and address. The final rules clarify that every constituent entity of an IG to whom Indian transfer pricing provisions are applicable (i.e., those that have entered into an international transaction/specified domestic transaction during the year) will be required to file Part A of the master file, regardless of any threshold.
- Part B of the master file – Part B includes the main master file information that provides a high-level overview of the IG's global business operations and transfer pricing policies. Every constituent entity of an IG that meets the following thresholds will be required to file Part B:
  - The consolidated group revenue for the accounting year exceeds INR 5,000 million (approx. USD 75 million); and
  - The aggregate value of international transactions with an Indian entity for the accounting year exceeds INR 500 million (approx. USD 7.5 million), or the aggregate value of intangible property-

related international transactions exceeds INR 100 million (approx. USD 1.5 million).

The master file information required to be submitted in India is to a large extent aligned with the information required under BEPS action 13 guidance; however, the Indian regulations have introduced certain additional data requirements, requiring IGs to customize their master files for India.

The following table summarizes the key additional requirements released in the final rules:

| Master file requirement             | Summary of OECD BEPS requirement   | Additional requirements as per Indian final rules  |
|-------------------------------------|--|--|
| <b>Organization structure</b>       | <ul style="list-style-type: none"> <li>Chart illustrating IG's legal and ownership structure and geographical location of operating entities</li> </ul>  | <ul style="list-style-type: none"> <li>Names and addresses of ALL entities of the IG</li> </ul>  |
| <b>Description of IG's business</b> | <ul style="list-style-type: none"> <li>Description of important drivers of business profit</li> <li>Description of supply chain for five largest products/services in terms of revenue and/or that contribute to more than 5 percent of IG's revenues</li> <li>Functional analysis of the principal contributors to value creation</li> <li>Important business restructuring transactions</li> </ul> | <ul style="list-style-type: none"> <li>Functions, assets, and risk (FAR) analysis of all entities contributing at least 10 percent of the IG's revenue <b>OR</b> assets <b>OR</b> profits.</li> </ul>  |
| <b>IG's Intangibles</b>             | <ul style="list-style-type: none"> <li>IG's strategy for ownership, development, and exploitation of intangibles</li> <li>List of important intangibles with ownership</li> <li>Important agreements and corresponding transfer pricing policies in relation to research &amp; development (R&amp;D) and intangibles</li> </ul>  | <ul style="list-style-type: none"> <li>Names and addresses of all entities of the IG engaged in development and management of intangible property</li> <li>The Indian regulations provide a specific and elaborate definition of intangible property vis-à-vis the OECD definition. Thus, for the purpose of complying with the Indian master file requirements, taxpayers need to refer to the Indian definition.</li> <li>Addresses of entities legally owning important intangible property and entities involved in important transfers of interests in intangible property</li> </ul> |

## IG's intercompany financial activities

- Description of how the IG is financed, including identification of important financing arrangements with unrelated lenders
- Identification of entities performing central financing function including their place of operation and effective management and corresponding transfer pricing policies
- Names and addresses of the top 10 unrelated lenders
- Addresses of entities providing central financing functions, including their place of operation and effective management

Failure to provide the BEPS Chapter 13 information plus the additional information required under the India master file rules can result in a penalty of INR 500,000 (approx. USD 7,500).

For a detailed discussion of India's master file requirements, please see the December 2017 issue of [The Arm's Length Standard](#).

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