



## Transfer Pricing Insight with information

Manual Selection Criteria  
for Tax Scrutiny Announced  
by CBDT for FY 2015- 2016

**Issue no: TP/9/2015**

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# Executive Summary

The Central Board of Direct Taxes (the CBDT) announced on August 31, 2015, criteria for manual selection of tax and transfer pricing cases for compulsory scrutiny during Financial Year (FY) 2015–2016. The new criteria are almost similar to those announced last year for FY 2014-2015. In FY 2014-2015, the CBDT had done away with value-based selection criteria for transfer pricing cases, i.e. international transactions of Rs. 15 crores and above and had moved to criteria based on the audit results—selection to be made of those cases where the TP addition was of at least Rs 10 crore in the earlier assessment years and the same was confirmed in the first appeal or was pending before an appellate authority. For 2015-16, the CBDT has continued with the same criteria.

For corporate tax cases, the selection criteria is also the same as was last year, except that taxpayers claiming weighted deduction under section 35(ii) and 35(iii) or income exemption under section 10(46) of the Income Tax Act, 1961 (Act) have also been added in the selection basket this year. The Guidelines provide for compulsory scrutiny of all those taxpayers that have claimed weighted tax deduction under section 35 (ii) and 35(iii) of the Act for the contribution made for any scientific research and research in social science and/or statistics respectively to any research organization or university, college or other organization (organizations) where the competent authority has already withdrawn the approval from such organizations. Similarly, any Body, Authority, Board or Trust set up for administering or regulating any activity of general public under section 10(46) of the Act but their approval has been subsequently withdrawn by the competent authority have also been added to the criteria.

In addition to manual selection of cases, the computer-aided scrutiny selection (CASS) would continue to be on the basis of broad-based selection filters which are yet to be notified.

# Selection criteria issued by CBDT

The criteria for compulsory manual selection of cases for scrutiny for the current year, FY 2015–16 has been compared with those in FYs 2013-14 and 2014-15 in the Table below for ready reference:

Sl.no	FY 2013-2014	FY 2014 -2015	FY 2014 - 2016
1.	Cases where value of international transactions under Transfer Pricing exceeds Rs. 15 crore	No such criteria	No such criteria
2.	Transfer pricing cases with a TP addition of more than Rs. 10 crore in earlier assessment which is confirmed in appeal or in which appeal is pending before an appellate authority	Same	Same
3.	Cases with addition on corporate tax issue of more than Rs 10 lacs in earlier assessment which is confirmed in appeal or in which appeal is pending before an appellate authority	Same	Same
4.	All cases that have come under survey u/s 133A of the Act However, survey cases would not be selected for compulsory scrutiny if the following conditions are satisfied: a) there is no impounding of books of accounts/ documents and b) Returned income ( excluding disclosures made during survey) is higher than the returned income of the previous year and c) Taxpayer has not retracted the disclosures made during the survey	Same	Same
5.	Cases under search and seizure under section 158B, 158BC, 158BD, 153 and 153C read with section 143(3) of the Act	Same.	Same.
6.	Returns filed for income escaping assessment u/s 148 of the Act	Same	Same
7.	All cases where exemption u/s 11 has been claimed by any trust or institute	Only cases where exemption u/s 11 has been claimed by any trust or institute for	Same as FY 2014 - 2015

		which registration u/s 12AA has not been granted or has subsequently been cancelled by the competent authority	
8.	All cases where exemption u/s 10(23C) of the Act has been claimed	Cases where exemption u/s 10(23C) has been claimed but the approval required under the section has been denied or has been withdrawn.	Same as FY 2014 – 2015 Additionally, following have been included <ul style="list-style-type: none"> <li>• cases claiming weighted deduction u/s 35(ii) and 35(iii) of the Act but the approval required from the competent authority by the organizations (to which contributions been made) under the section has been denied or subsequently withdrawn</li> <li>• cases claiming exemption u/s 10(46) of the Act where the approval has been denied or subsequently withdrawn</li> </ul>
9.	Entities receiving donations from another countries for an amount exceeding Rs. one crore during FY 2011 – 2012 under the Foreign Contribution Regulation Act (FCRA)	No such criteria	No such criteria
10.	Cases in which information is received from other government departments about tax evasion.	Same	Same

From the above, it can be stated that though there has been some change in the manual selection criteria for picking up scrutiny cases, but overall, past litigation would continue to determine the selection of cases for scrutiny.

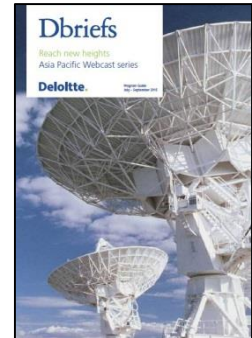
**Source:** Source: CBDT instruction No. 08/2015 dated August 31, 2014

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## Transfer Pricing Developments in India: Range, Multiple Year Data, Advance Pricing Agreements, and Audits

**On 10 September 2015 from 11:30 AM to 12:30 PM IST**

Recent transfer pricing developments in India include proposals from the Government to reduce the extent of audits and litigation. The range and multiple year data concept will soon be incorporated into law. Furthermore, some high profile judgments are ensuring that the path to transfer pricing certainty slowly becomes clear in India. What does this mean for your Indian operations? Find out how companies impacted by Indian transfer pricing can navigate the regime with these updates. For more information, visit the [Dbriefs](#) page.



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