

PREFACE

One day in July 2012 - a few months after the advent of Domestic Transfer Pricing - a Corporate Tax Executive asked, "Is this transaction covered by Domestic Transfer Pricing?"

That all-important question was then followed up by a barrage of related questions: How do I compute the Arm's Length Price of the transaction? How do I select the Most Appropriate Method to determine the Arm's Length Price? How do I search for comparables? How do I prepare a Transfer Pricing Study Report? How will the Accountant certify the Report in Form 3CEB? And will the Transfer Pricing Authorities accept my transfer price?

Ever since, those questions have been incessantly directed at me by numerous persons; persons hailing from a variety of fields like corporate law, business management, taxation, finance, accounting and auditing. And so I was prompted to present answers in the form of this Book.

This Book is written with the objective of strengthening the hands of Taxpayers and Professionals with the knowledge needed to meet the burden imposed by Domestic Transfer Pricing. The Book is a sort of an essential reference manual intended to benefit everybody associated with the intricate field of Transfer Pricing.

The entire gamut of Domestic Transfer Pricing is covered. The legal provisions are analysed at length and in depth. About 50 Practical issues confronting Taxpayers and Professionals are thoroughly explored. Attempt also is made to offer practical solutions to those issues. Complex concepts are explained with the help of Case Studies and simple examples. Besides, guidance is provided for these procedural aspects: Functions, Assets and Risks (FAR) Analysis, selection of the Most Appropriate Method, carrying out Comparability Analysis, making Economic Adjustments, preparing Transfer Pricing Study Report and certifying Form 3CEB.

In course of conversations with the professional community it was gathered that there is a need to include Case Studies on practical

aspects of Transfer Pricing. Need also was felt to make the Book a useful tool in the practical sense. And so, instead of merely presenting an analysis of the Regulatory provisions, valuable content was added to help the Taxpayers and Professionals in every-day practice, management, compliance and planning.

The valuable content is presented in the form of Case studies on three important aspects: Functions, Assets and Risks (FAR) Analysis, selection of the Most Appropriate Method for 35 Specified Domestic Transactions (these are the transactions covered by Domestic Transfer Pricing) and Comparability Analysis involving the search for comparables in PROWESS and CAPITALINE. Also included are specimens of Transfer Pricing Study Report and filled-in Form 3CEB. Check-lists too are given to carry out these important tasks: Functions, Assets and Risks (FAR) Analysis; and examination of accounts and records to issue Form 3CEB.

I may also point out that the Chapter on Accountant's Report in Form 3CEB contains relevant content from the ICAI Guidance Note on report under sec. 92E of the Income Tax Act, 1961 (Transfer Pricing) (Revised Edition-August, 2013). That should make that Chapter useful to Professionals in issuing Form 3CEB.

A major part of what the Book contains - especially, on practical aspects and procedural matters - is relevant also to International Transfer Pricing. For instance, the Chapters on Transfer Pricing Methods, Most Appropriate Method, FAR Analysis, Comparability Analysis, Economic Adjustments, Transfer Pricing Documentation, Transfer Pricing Study Report, Transfer Pricing Assessment, Dispute Resolution and Penalties - all these Chapters are equally relevant to both Domestic Transfer Pricing as well as International Transfer Pricing.

In all sincerity it is expected that this Book will help the Reader to—

- ◆ *Determine whether a transaction is covered or not by Domestic Transfer Pricing*
- ◆ *Find solutions to about 50 practical issues confronting Companies, Businesses, Taxpayers and Professionals*
- ◆ *Select the Most Appropriate Method for a wide variety of Specified Domestic Transactions*
- ◆ *Carry out a thorough Comparability Analysis*
- ◆ *Make appropriate Economic Adjustments*

- ◆ *Determine the Arm's Length Price*
- ◆ *Prepare a Transfer Pricing Study Report*
- ◆ *Issue Form 3CEB*
- ◆ *Find the latest Case law*
- ◆ *Defend the Transfer Price in proceedings before the Transfer Pricing Authorities*

With these words I place the Book in your hands with the hope that it empowers you to take care of the day-to-day matters arising out of Domestic Transfer Pricing Regulations.

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