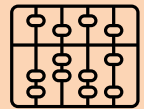


Arm's Length at Year-End - Aligning Policy, Practice, and Paperwork

Annual Transfer Pricing Compliance

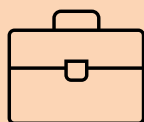
A. Key Considerations for Audit Finalization



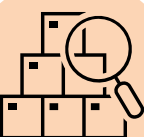
Margin Variance Adjustments: Ensure appropriate adjustments are made in the books of accounts to reflect differences between actual margins and the inter-company agreed or arm's length price. Also evaluate the impact of year-end adjustments on customs, GST etc.



Post-Audit Adjustments: If the audit is finalized, but the results are not at arm's length, one needs to consider making relevant suo-moto adjustments in the tax return. Impact of secondary adjustment should also be factored.



Safe Harbor: In case the company decides to opt for safe harbor ensure that appropriate mark-ups are maintained.



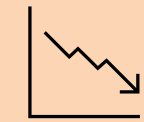
Deemed Associated Enterprises (AE's): With the introduction of section 163(1) and section 163(2) of the new Income Tax Act, 2025, effective 1st April 2026, which aimed to resolve the interpretive conflicts between 92A(1) and 92A(2), there are chances that certain entities with indirect control or influence are likely to get included under the purview of 163(2). Though these provisions are applicable only from 1st Apr 2026, it would be prudent to identify the enterprises which fall under the scope and evaluate its impact for the future years.



A. Key Considerations for Audit Finalization



Specified Domestic Transactions (SDT): Non-disclosure of SDTs can attract penalties. Review all related party transactions to identify any that may fall under SDT.



Fluctuation in Margins: In case of fluctuating margins, one may need to evaluate the reasons for the same in light of the characterization of the entity.



Non-disclosure/incomplete disclosure of transactions: Certain transactions like corporate guarantee, letter of credit or waiver of royalty/waiver of interest on ECB loans may not be reported in the financial statements, but such transactions should be reported in Form 3CEB.



Maintenance of appropriate back-up documents: In case the company wishes to adopt CUP method to determine ALP of any specific transaction, relevant third-party invoices/back-up documents are required to be obtained before closure of audit.

B. Year-End Transfer Pricing Audit Closure Checklist

1. Documentation Reconciliation

- » Match the transactions in TP documentation/Form 3CEB with financial statements and tax audit report (Form 3CD).
- » Verify the list of Associated Enterprises (AEs) aligns with disclosures under Section 92A.
- » Ensure all international and specified domestic transactions are captured

2. Inter-company agreements

- » Maintain agreements for all intercompany transactions.
- » Confirm that terms (pricing, services, deliverables) reflect actual conduct and are consistent with contract

3. Supporting Documentation

- » Maintain invoices for all related party transactions.
- » Maintain detailed related party ledgers with clear narrations to establish audit trail.
- » Include email correspondence, contracts, and relevant proofs where relevant.

4. Independent Valuations

- » Obtain third-party valuation reports for: Intangibles (IP transfers, brand valuation), Share transfers & Business restructuring arrangements

5. Segment Information

- » In certain instances, the company might be required to maintain segmental profit & loss accounts i.e. AE and Non-AE segments or different business segments depending on the substance. In such circumstances, it is important to use appropriate allocation keys to ensure fair allocation of revenues and expenses.

B. Year-End Transfer Pricing Audit Closure Checklist



6. Timely Compliance

» Ensure that statutory timelines are met.

Particulars	Form	Due Date
Transfer pricing certificate	3CEB	31 st October 2025
Master File	3CEAA (both Part A & Part B)	30 th November 2025
Master File Notification	3CEAB	31 st October 2025
CbCR notifcation	3CEAC	31 st October 2025 -calendar year companies (2 months before the due date of filing CbCR in the relevant jurisdiction)
Safe Harbor Application	3CEFA	30 th November 2025

C. Transfer Pricing Compliance – Best Practices



Benchmark all related party transactions to ensure pricing policies are consistent with the arm's length principle, as mandated under Indian TP regulations;



Apply the most appropriate transfer pricing method based on the nature of the transaction, functional profile, and availability of reliable data to substantiate arm's length pricing;



Select suitable comparables and current financial data and perform a robust economic analysis that reflects prevailing market conditions and ensures meaningful comparability with the tested party;



Undertake appropriate economic adjustments, if necessary to ensure better comparability and even out differences;



Undertake Transaction-by-transaction analysis - Apply ALP testing at the transaction level, especially for unique or high-value transactions and transactions with different functional profiles. Avoid entity-level margins unless justified by facts.

ABOUT US



- » VSTN Consultancy is a Global Transfer Pricing firm with extensive expertise in the field of international taxation and transfer pricing having its offices in India and UAE. VSTN Consultancy has been awarded by **International Tax Review (ITR)** as **Best Newcomer in Asia Pacific – 2024** and is recognized as **one of the finest performing transfer pricing firms**. VSTN Consultancy has been shortlisted in **9 awards as finalist by ITR** for Tax Innovator, Tax Compliance and Reporting Firm, Transfer Pricing Leader (founder), Transfer Pricing Rising Star (One of the Employees) in **Asia Pacific – 2025** and Best Newcomer, Tax Innovator and Transfer Pricing Leader (founder) in **EMEA – 2025** and **2 awards in the Middle East Region** - Best Newcomer and Transfer Pricing Leader (founder).
- » Our offering spans the end-to-end Transfer Pricing value chain, including design of intercompany policy, drafting of Interco agreement, ensuring effective implementation of the Transfer Pricing policy, year-end documentation and certification, Global Transfer Pricing Documentation, BEPS related compliances (including advisory, Masterfile, Country by Country report), safe harbor filing, audit defense before all forums and dispute prevention mechanisms such as Advance Pricing agreement.
- » We are structured as an inverse pyramid where leadership get involved in all client matters, enabling clients to receive the highest quality of service.
- » Being a specialized firm, we offer advice that is independent of an audit practice and deliver it with an uncompromising integrity.
- » Our expert team brings in cumulative experience of over several decades in the transfer pricing space having worked with multiple Multinational Companies across sectors/industries and have cutting edge knowledge and capabilities in handling complex TP engagements.

Locations Served

Australia	Philippines
Belgium	Singapore
Denmark	Switzerland
India	Turkey
Italy	UAE
KSA	UK
Mexico	USA
Netherlands	Zambia



Core Team

vstn



Nithya Srinivasan



Srilakshmi Hariharan



S Ranjani



E Rajesh



Nitya Joseph



Saranya Nagarajan



Triveni Palla

Our Licensed Databases

SNo	Database	Provider
1	TP Catalyst	Moody's
2	ORBIS	Moody's
3	Loan Module	Moody's
4	IP & Royalty Data	Moody's
5	Royalty Rates and Benchmark Module	ktMINE
6	Services CUT	ktMINE
7	EDF-X Bond Database	Moody's
8	EDF-X Credit Risk Analytics	Moody's
9	Loan Module	Royalty Range
10	Transfer Pricing Documenter (formerly Thomson Reuters Onesource)	Ryan
11	Prowess	CMIE

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