MAKHIJANI GERA & ASSOCIATES LLP

⚠ India Tax Update | 5 April 2026

Sweeping Change to Transfer Pricing Audit

- *Meet new Form 48 (replaced by erstwhile Form 3CEB)*

Effective India Tax Year 2026–27 | Section 172 of the Income-tax Act, 2025 | Rule 85 of the Income-tax Rules, 2026

Background

Transfer Pricing provisions *inter-alia* becomes applicable when your Indian subsidiary enters into a transaction with overseas group companies; or your overseas group companies earns taxable income from Indian group companies. It is also attracted in some specified domestic transactions.

Until now, reporting of such transactions were done using Form 3CEB which was primarily a summary of transactional report certified by independent Chartered Accountant. Now, a new detailed **Form 48** replaces Form 3CEB which ***significantly expands the detail that must be disclosed*** moving from high-level summaries **to transaction-by-transaction reporting**.

Detailed Changes — Form 48 vs Form 3CEB

1 Reporting of Transactions – Categorisation and segments

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
Transactions were grouped and reported as broad summaries for example, all service transactions were combined into a single clause entry. Details were provided in a separate Transfer Pricing Study (Local File).	There are total 16 defined transaction categories including specific sub-types for IT companies (software development, ITeS, KPO, contract R&D). Transactions are to be reported separately based on such category each carrying unique system-generated Transaction ID.

⚠ ACTION POINT FOR BUSINESS

Maintain clear segments right from start to ensure correct reporting. If you operate in the IT sector, ensure your transactions are classified under the correct sub-category, as misclassification could trigger challenges later.

2 Separate Reporting of Transaction Types

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
International transactions, deemed international transactions, and Specified Domestic Transactions (SDTs) were reported together without a clear split between them.	All three types must be reported as separate line items with their own aggregate amounts, creating a clearer audit trail for tax authorities.

⚠ ACTION POINT FOR BUSINESS

Ensure your books are structured to separately track these three categories, if applicable.

3 Identification details of your related Overseas Companies

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
Basic details of the associated enterprise (AE) were required.	PAN, Tax Identification Number (TIN), or Unique Identification Number of every associated enterprise to be disclosed.

⚠ ACTION POINT FOR BUSINESS

Collect PAN/TIN details for all your overseas related parties viz. parent companies, subsidiaries, and affiliates. Tax authorities will be able to cross-reference this information with foreign counterparts under information exchange treaties. This calls for additional details' collation and scrutiny.

4 Technical Pricing Analysis Now Part of the Filed Form

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
Only the method used and the final arm's length price were mentioned in Form 3CEB.	Form 48 requires detailed reporting including profit-level indicator (PLI) used, the number of comparable companies, the arm's length range (35th percentile / median / 65th percentile), and any economic adjustments made and their financial impact.

⚠ ACTION POINT FOR BUSINESS

Ensure your comparable company selection and economic adjustments are thoroughly documented beforehand and defensible, as they will be directly visible to tax officers.

5 Revenue to be Included in Your Pricing

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
There was no structured requirement to disclose specific revenue items or to confirm they were included in your benchmarking analysis.	Specific revenue items must now be disclosed and confirmed as included in the pricing calculation. These include: income from foreign currency fluctuations (Forex gains), and amounts received as export subsidies, duty drawbacks, or government incentives.

⚠ ACTION POINT FOR BUSINESS

Review your profitability computations and TNMM (Transactional Net Margin Method) analyses to ensure government incentives and Forex gains are appropriately treated.

6 Costs Borne by Your Overseas Affiliates on Your Behalf

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
No structured requirement to disclose costs that overseas affiliates incurred for your operations.	You must now disclose detail of specific costs paid by an overseas affiliate are recorded in your books and included in your pricing calculation. These costs include: employee stock options (ESOPs) granted to your staff, asset and software costs, travel and training costs, management fees, and costs of employees seconded to you from affiliates.

⚠ ACTION POINT FOR BUSINESS

This change directly targets a high-controversy area in Indian transfer pricing: free-of-cost services and seconded employees. If an overseas parent pays for services or personnel that benefit your Indian entity but these costs are not reflected in your books and consequently, not considered in the cost base of the Indian entities, tax authorities are now specifically looking for this. Conduct a review of all affiliate cost-sharing and Free of Cost (“FOC”) arrangements.

7 Financial Terms of Inter-Company Agreements

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
Only information in the nature of the payments and the transaction value.	Key financial terms of inter-company contracts must now be disclosed. For royalty arrangements: the rate and basis. For financing transactions: the interest rate, benchmark rate used, loan tenure, and any security provided. For guarantee arrangements: the guarantee commission. For business restructuring deals: the terms of the arrangement.

⚠ ACTION POINT FOR BUSINESS

Tax authorities can now directly verify whether your actual conduct matches the written terms of your inter-company agreements. Ensure there is consistency between what your contracts say and how transactions are actually executed and priced.

8 Advance Pricing Agreements (APAs) — New Cross-Reference Requirement

PREVIOUSLY (Form 3CEB)	NOW (Form 48)
There was no requirement to reference or map Advance Pricing Agreements within Form 3CEB. APA compliance was tracked separately.	Businesses holding an APA must now disclose the agreement date, its acknowledgement number, and explicitly map each APA-covered transaction to its corresponding entry in Form 48. This is an entirely new obligation.

⚠ ACTION POINT FOR BUSINESS

If your business has a unilateral, bilateral, or multilateral APA in place, this is an additional compliance step that did not previously exist. Your tax team needs to ensure every APA-covered transaction is correctly identified and cross-referenced.

Quick Reference — At-a-Glance Comparison

Topic	Form 48 — New	Form 3CEB — Old
Governing Law	Income-tax Act, 2025 / Rules, 2026	Income-tax Act, 1961 / Rules, 1962
Document Structure	Six parts, eleven clauses; each transaction gets a unique ID	Clause-by-clause; no individual transaction IDs
Reporting Detail	Transaction-level Every deal reported individually	Summary / aggregate level per clause
Benchmarking Data	Embedded in the form - comparable companies, price ranges, adjustments	Kept in a separate internal study; not part of the filed form
Cost Disclosures	ESOPs, asset costs, travel, secondments, training - all must be declared	Not specifically required
Revenue Items	Foreign exchange gains, subsidies, and government incentives - must be declared	Not specifically required
Agreement Details	Royalty rates, financing terms, guarantees, and restructuring terms disclosed	Limited / summary only
APA Cross-reference	Each transaction must be mapped to its APA coverage	No equivalent requirement
Transaction Categories	16 defined categories including IT-sector sub-types	Broad categories; no IT-specific breakdown

For any queries on the above, please free to reach out to us at: INFO@MGALLP.IN

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