



Tax alert: CBDT publishes APA annual reports for FY 2024-25

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Teaser: The Central Board of Direct Taxes (“CBDT”) has published its Seventh annual report presenting numerical data and a detailed analysis of the performance of the advance pricing agreement (“APA”) program in India.

In a nutshell



APA program was introduced in 2012 with the intent to provide tax certainty and minimize transfer pricing litigation to ensure an investor-conducive tax environment in India, especially for multinational enterprises (MNEs).



CBDT has so far published six annual reports on the APA program, covering the period up to 31st March 2024.



CBDT recently published the seventh annual report covering the period ended 31st March 2025. Readers can have a complete view of the performance of the APA program over a period of 13 years.



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Background

The Central Board of Direct Taxes (CBDT) recently issued its seventh APA Annual Report for the year ending March 31, 2025. The report summarises the progress and performance of the APA program in India during the FY 2024-25 and also over a period of last thirteen years, since its inception.

Key highlights from the reports

- FY 2024-25 has been a year of resounding success for the CBDT with the highest number of APAs signed in any single year. The CBDT signed a total of 174 APAs during the year covering 109 unilateral APAs and 64 bilateral APAs and 1 multilateral APA. Both unilateral and bilateral APAs surpassed the number of APA signings in any single year. Further, India signed its first ever multilateral APA during the FY 2024-25.
- 60% of the bilateral APAs signed during the year were with the USA followed by Japan, the UK, Singapore, South Korea, New Zealand and Australia.
- There has been a steady increase in the proportion of bilateral APA conclusions in the last 3-4 years indicating increased frequency of communication and growing relationship with our treaty partners.
- Overall, CBDT has signed a total of 815 APAs (including 200 BAPAs), in last twelve cycles of APA conclusions, which has provided tax certainty for almost 4400 tax years, covering taxable income of around INR 35,000 cr and approximate tax amount of INR 10,000 cr.
- In terms of applications also, the CBDT received maximum number of APA applications during FY 2024-25 with a total of 215 applications including 125 unilateral and 90 bilateral applications. This is the highest number of bilateral APA applications received by the CBDT in any single year.
- Overall, the CBDT has got more than 2,000 APA applications by March 2025 (2,062 precise) of which 30% are bilateral APAs. However, in last four years, the proportion of bilateral APA applications has been more than 40%.
- In terms of overall inventory, out of total 2062 APA applications received by the CBDT, 815 APAs have been concluded and 389 APAs were disposed off, for various other reasons such as being withdrawn by the taxpayer, etc. Thus, the CBDT has cleared around 58% of its total APA inventory and 42%, i.e., 858 APA applications were pending for processing as on 31 March 2025.
- As per the Annual Report, the cumulative average duration of processing of unilateral APAs is approximately 45.41 months and for BAPAs it is approximately 58.9 months. However, there has been an improvement in the average duration of APA conclusions during FY 2024-25. Around 40% of the unilateral APAs were concluded in 24 months and similarly around 45% of bilateral APAs were concluded in 36 months. This is a notable progress in Indian APA program.
- Following the earlier years' trend, during 2024-25 also, majority of the APAs (both unilateral and bilateral) were concluded for service sector which primarily covers captive units of global multinationals engaged in provisions of software development ("IT"), IT enabled services ("ITeS"), Engineering design services, contract R&D services and Knowledge Process outsourcing services (KPO). At the same time, large number of APAs for manufacturing and trading were also concluded during the year.
- Most of the unilateral and bilateral APAs were concluded using Transactional net margin method ("TNMM") and "Other method".
- It is also worthwhile to note that large number of applicants have been opting to file applications for renewal of APAs. This is evident from the fact that out of total unilateral APAs signed during the FY 2024-25, 65% were renewal APAs and similarly in case of bilateral APAs, around 42% were renewal APAs.

- The APA annual report also provides an update on the status of Mutual Agreement Procedure (MAPs). There has been a steady decline in India's MAP inventory with a substantial number of resolutions each year. The CBDT resolved 131 MAPs during the year and has a closing inventory of only 386 cases by the end of calendar year 2024¹.

Comments

FY 2024-25, has undoubtedly been a record-breaking year in Indian APA program, achieving several milestones. The most significant development during the year was that large number of unilateral and bilateral APAs concluded during the year, within a period of 24 months and 36 months, respectively, which has always been on the wishlist of the Government and that of the taxpayers.

¹ MAP data is published on calendar year basis as reported to FTA MAP Forum of OECD

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