



India–UK transfer pricing and APA/MAP insights

26 March 2026

Agenda

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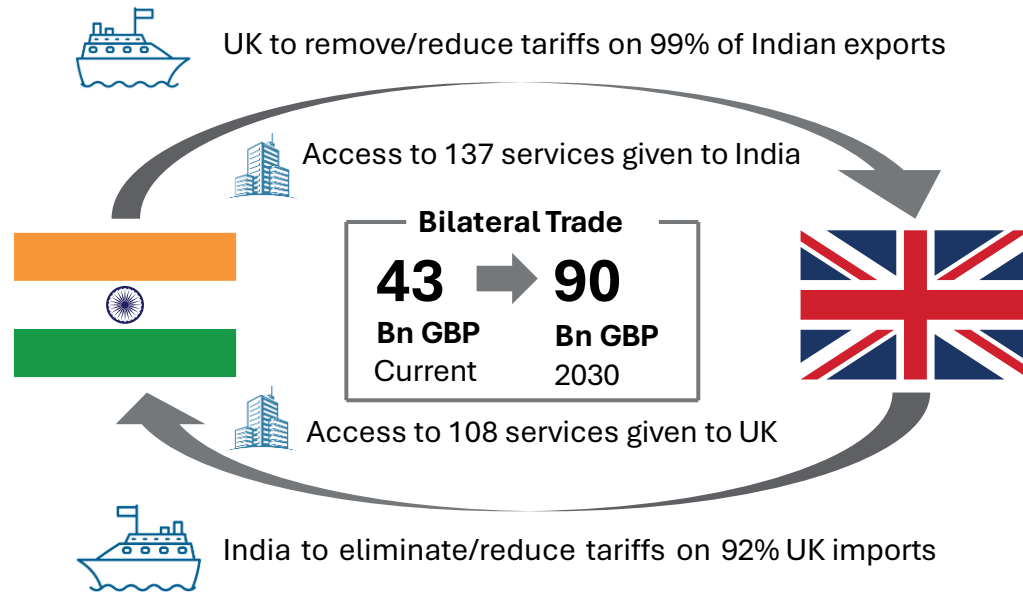
**India-UK Comprehensive
Economic & Trade Agreement (CETA)**

India – UK Comprehensive Economic and Trade Agreement (CETA)

- This is UK's most economically significant **bilateral FTA** post-Brexit and India's most **comprehensive FTA** with a trade partner outside Asia with primary focus on tariff reductions. CETA was signed on **24 July 2025**
- Domestic procedures are ongoing in both countries (UK parliamentary process + India cabinet approval). Expectation is entry into force in mid-2026

How India benefits

- **Boost Agriculture exports** – Duty free access to all Indian Agri exports to UK
- **Investment & Job Creation** - Encourages investments in India boosting employment and MSME
- **Key sectors** – Textiles, Engineering and Agriculture
- **Tariff Reduction** - UK will immediately eliminate tariffs on 99% of India-origin goods



How UK benefits

- **GDP Increase** – The deal is expected to add GBP 4.8 billion annually to UK's GDP by 2040
- Opportunity in India's fast-growing consumer and industrial goods market
- **Government procurements**
Unprecedented access to India's government procurement market ~ GBP38 billion annually for qualified UK firms
- **Key sectors** - Alcohol & Beverages, Automobiles, cosmetics and Medical devices
- **Tariff Reduction** - India will reduce tariff on 90% tariff lines

Impact

- Bilateral trade to increase by over GBP 25 billion each year over the long run
- Increase in bilateral trade by nearly 39% over next 15 years

Key Transfer Pricing Updates



Key Transfer Pricing Updates - India

Safe Harbour Rules

- All Information Technology (IT) services including software development, IT enabled services, Knowledge Process outsourcing, and contract research & development services relating to software development, are consolidated under a single “**Information Technology Services**” category, with effect from Financial Year 2026–27 onwards:
 - **15.5 percent** on cost safe harbour margin proposed
 - Eligibility threshold enhanced to GBP 162 million from GBP 24 million
 - Rule based automated approval process valid for five years
- Safe Harbour margin of **15%** on cost has been proposed for **Indian data centre operators** providing services to a related foreign company (who in turn engaged in offering global cloud services)



Advance Pricing Agreement (“APA”)

- Proposed to fast track **Unilateral APAs for IT services to conclude within two years**, with an option to extend by six months at the taxpayers’ request
- Post APA conclusion, the facility of modified returns is proposed to be made available to the associated enterprises (AEs) whose income and tax liability in India is correspondingly modified to claim the refund of additional / withholding taxes (e.g. royalties or fee for technical services received). It is effective for APA concluded on or after 1 April 2026



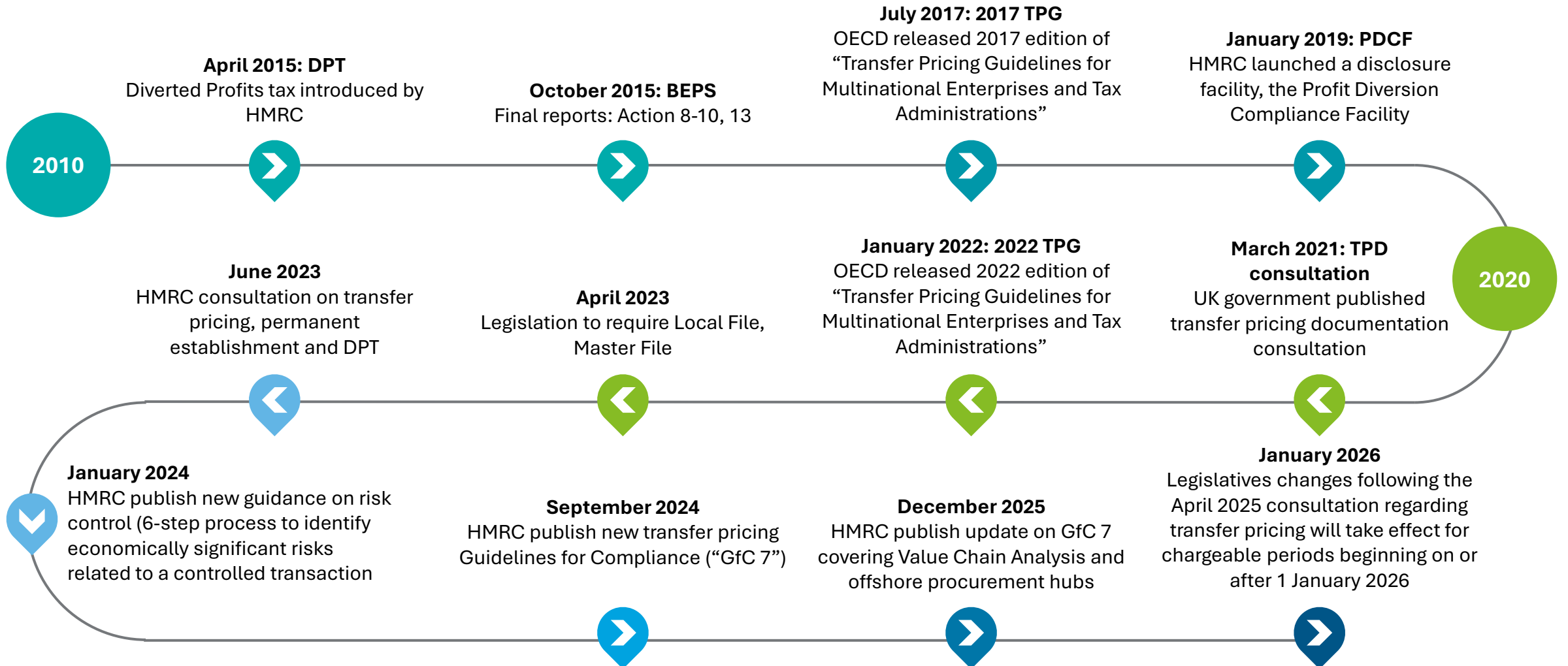
New TP Compliance Form (Form No. 48)

- The existing Accountant’s Report in Form 3CEB is replaced by Form No. 48 under draft Income Tax Rules, 2026. It enhances reporting requirements and introduces several new data-intensive disclosure requirements with effect from 1 April 2026 (i.e., FY 2026–27 onwards)
- Separate clauses for each transaction category have been removed
- Some of the key disclosures proposed in Form no. 48 are as follows:
 - Details of Economic analysis
 - Disclosures related to APA
 - Disclosures of all revenue and expenses items which has an impact on computation of arm’ length price
 - Detailed computation mechanism for each of the methods selected (RPM/CPM/TNMM/CUP)
 - Details of intangibles and intercompany agreements
 - Disclosures of aggregation of transactions



UK Transfer Pricing

Current climate and context: Timeline



Navigating key UK legislative changes: 2026 outlook



Diverted Profits Tax (DPT) Evolution

DPT is repealed as a standalone tax from 2026, replaced by 'Unassessed Transfer Pricing Profits' (UTPP) within corporation tax, retaining a higher tax rate and clearer treaty protections. The 'avoided permanent establishment' rule is abolished



UK-UK Transfer Pricing Scope

Most UK-UK transactions are exempt from transfer pricing from 2026, except for certain financial services, patent box, ring fence trades, and foreign branch exemptions. HMRC can override the exemption to prevent UK tax loss



Single Valuation Standard for Intangibles

Cross-border transactions involving intangible fixed assets must use arm's length pricing, introducing a single valuation standard for gains and losses



ICTS Regulatory Developments

A new International Controlled Transactions Schedule (ICTS) will require large businesses to report material cross-border related party transactions annually from 2027. SMEs are excluded

Topical TP audit issues and experience in APA/MAP



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Topical TP Audit Issues & Experience in APA/MAP (1/3)



Issues in TP Audit

- Nature of services – whether or not shareholder services?
- To maintain documentation to justify need, benefit and receipt test on annual basis
- ALP Determination – Nil or ad-hoc, disregarding the global allocation policy and mark-up

Experience in APA/MAP

- Documentation to justify need benefit and receipt test on sample basis
- Evaluation of pre and post payout profitability
- Capping of IGS charge at fixed % of sales
- To maintain consistency of cost allocation methodology across group companies

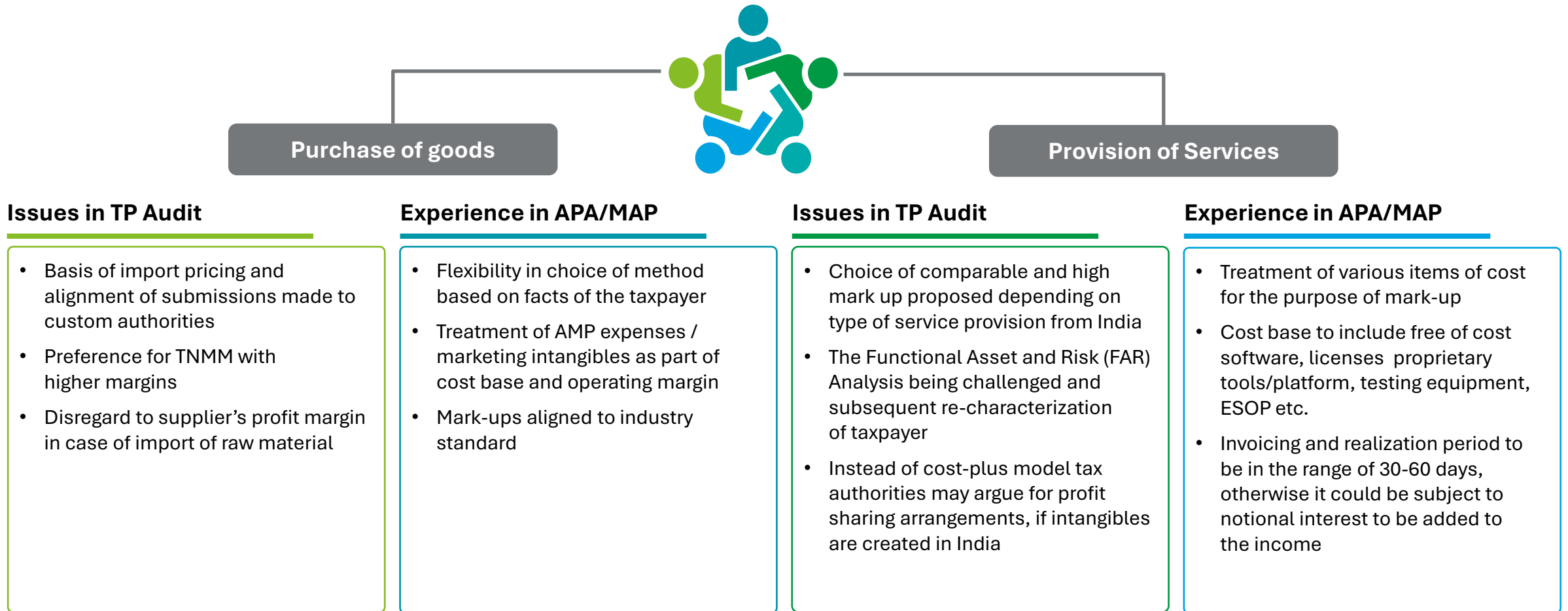
Issues in TP Audit

- Choice of Method – CUP preferred as compared to testing India operating margins under TNMM, which subsumes royalty pay-outs;
- Detailed documentation to support enhancement of technology, innovation, etc.
- Restricting it to lower percentage of sales, or in some cases at nil

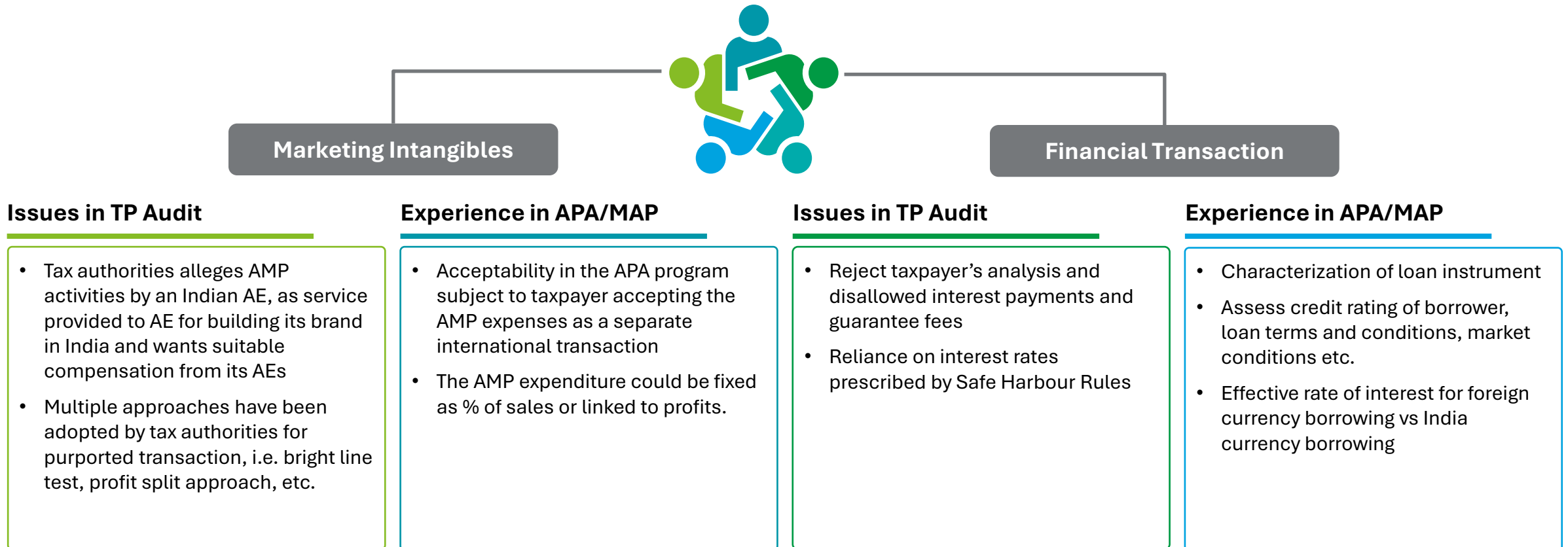
Experience in APA/MAP

- Need, benefit and rendition test to be showcased on sample basis
- Quantifiable incremental benefits from using the IP of group
- Nature of R&D done by Indian Subsidiary Co. and corresponding IP ownership
- Variable royalty linked to profits or fixed as % of revenue
- Post-royalty payout profitability
- Royalty in loss years allowed subject to external market factors and economic adjustments to profitability

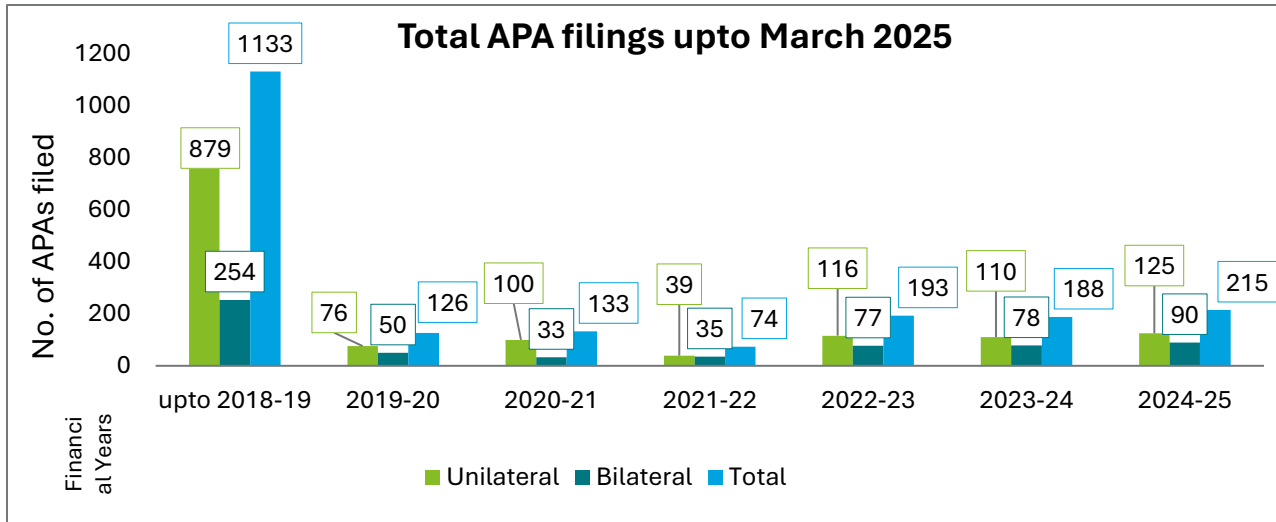
Topical TP Audit Issues & Experience in APA/MAP (2/3)



Topical TP Audit Issues & Experience in APA/MAP (3/3)

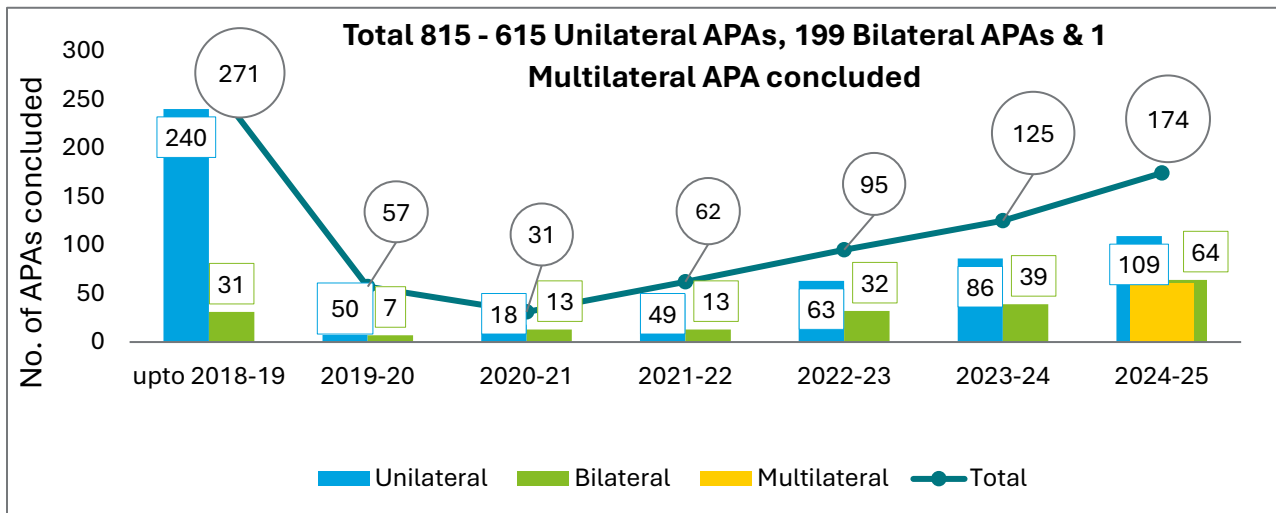


Indian Advance Pricing Agreement – Filings and Conclusions



APAs filed

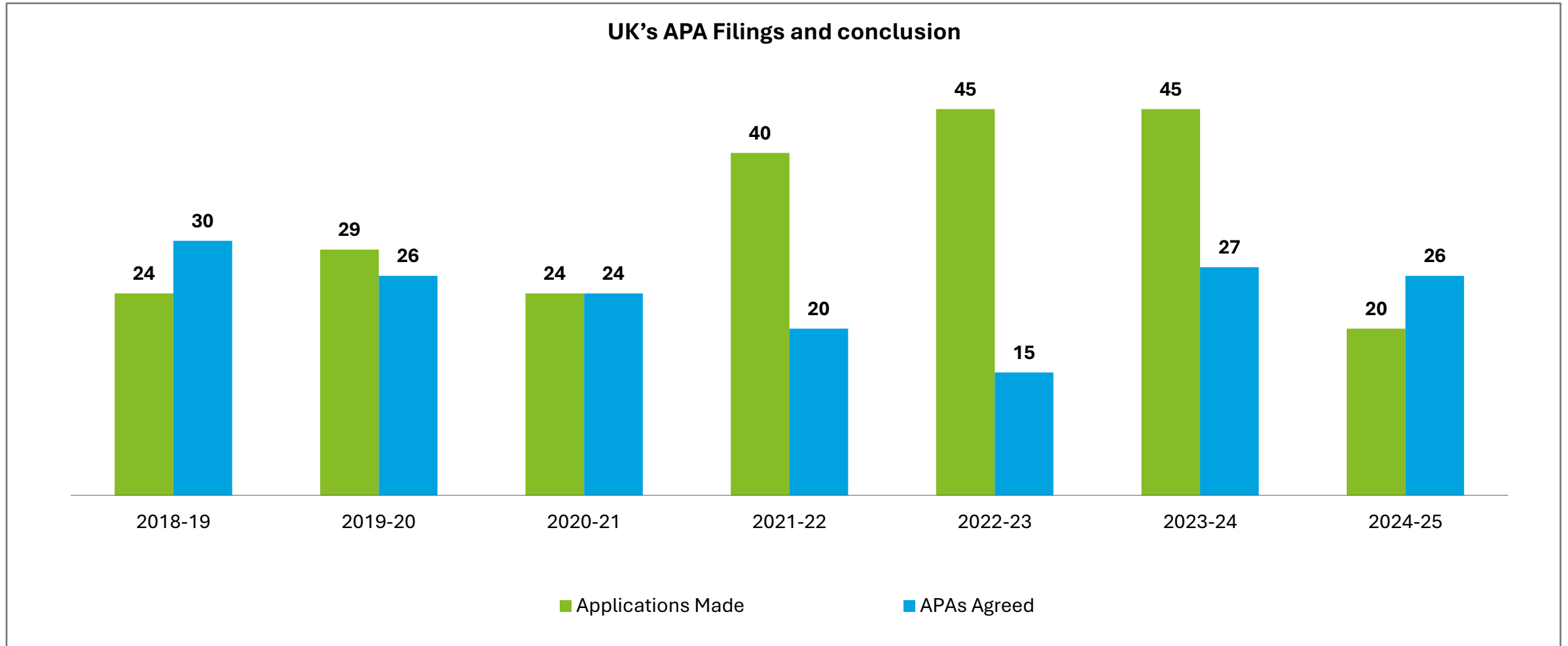
- As of 31st March 2025, India has received a total of **2062 applications (1445 Unilateral APAs, 617 Bilateral APAs and 1 Multilateral APA)**
- Average proportion of Bilateral APA applications** in last three years has been **around 40%**
- India has received Bilateral APA applications **more than 20 treaty partners and new partners are added every year. Around 69% of the Bilateral applications have been with three treaty partners i.e., the US, the UK and Japan**



APAs concluded

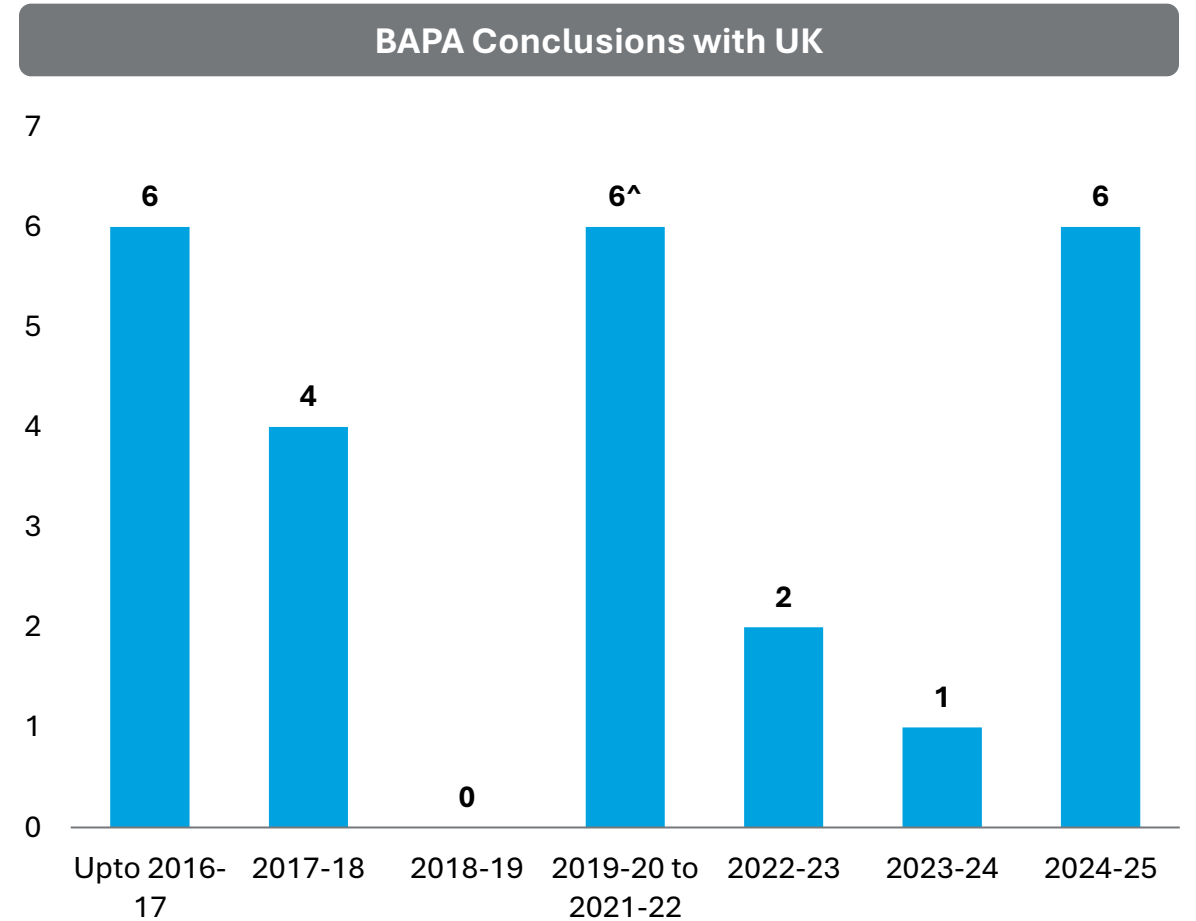
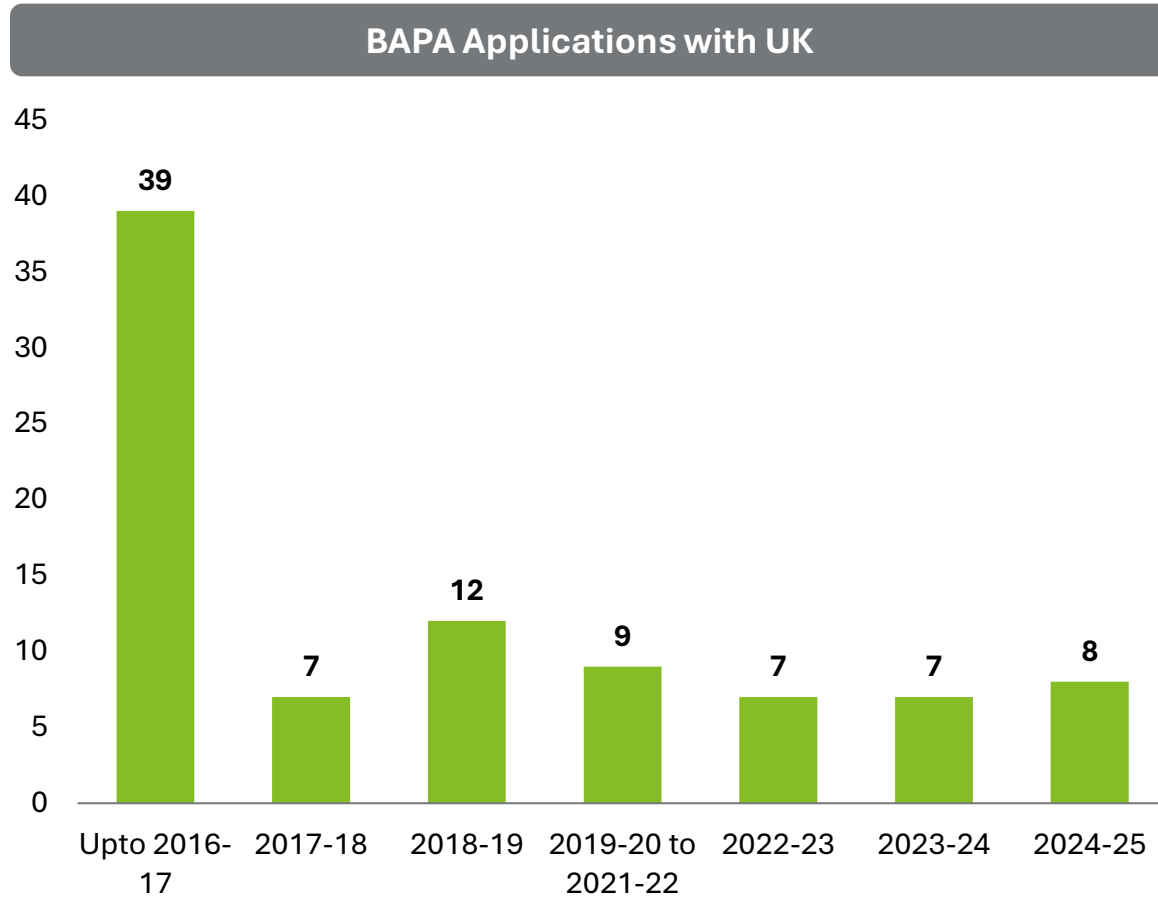
- Total APAs concluded as on 31 March 2025 is **815, including 615 U-APA, 199 B-APA and 1 Multilateral APA**
- FY March 2025 marked a record with **174 APAs** concluded in India, **the highest in a single year**
- Number of APAs concluded, has steadily increased from **95 to 174 over the last three years**
- Bilateral APAs have been signed with 12 countries**
- In FY 2024-25 India signed its first Multilateral APA with India, USA, Netherlands, and Canada

UK HMRC's APA applications and conclusions



Source : *Transfer Pricing and Diverted Profits Tax statistics: 2024 to 2025*

India – UK BAPA applications and conclusions



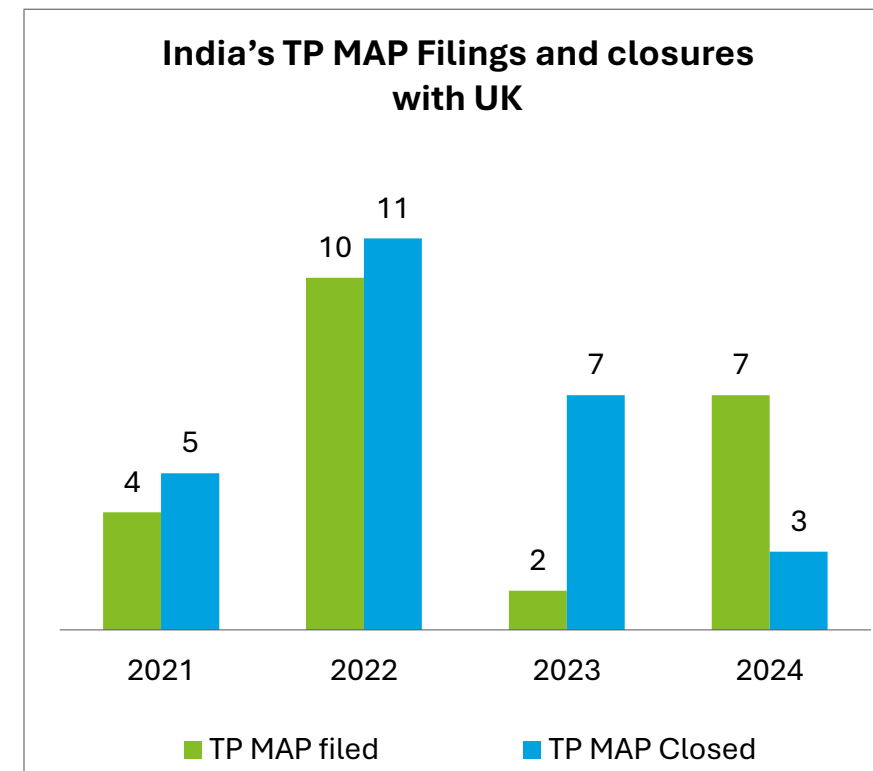
A consolidated APA annual report for the FY 2019-20 to FY 2021-22 was published by CBDT. The data for year-wise BAPA conclusions for these years is not available

Source: APA annual reports issued April 2017, August 2018, November 2019, August 2023, September 2023, December 2024, October 2025

Mutual Agreement Procedure (MAP) Statistics

Indian MAP filings and conclusions

Type of MAP Cases *	Pending cases as on January 1 st , 2024	Cases filed in 2024	Cases closed in 2024	Cases as on 31/12/2024
TP cases	337	77	96	318
Others treaty cases	84	19	35	68
Total	421	96	131	386



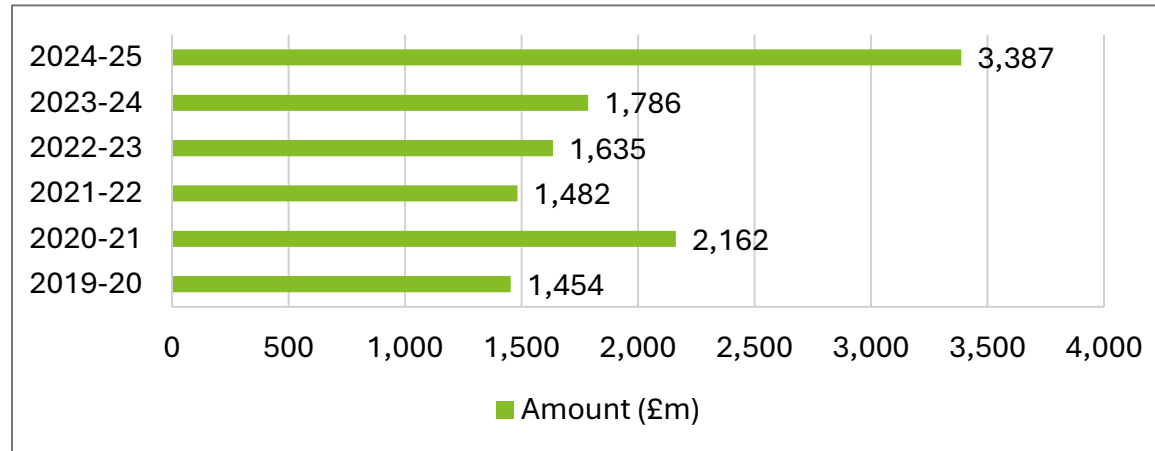
**For the cases closed in 2024 with UK, India took approx. 28 months to close TP MAP
Whereas the average time to close a TP MAP by India during the same period was 45 months**

* TP cases involve cases under Article 7 and Article 9. Other treaty cases involving treaty interpretation

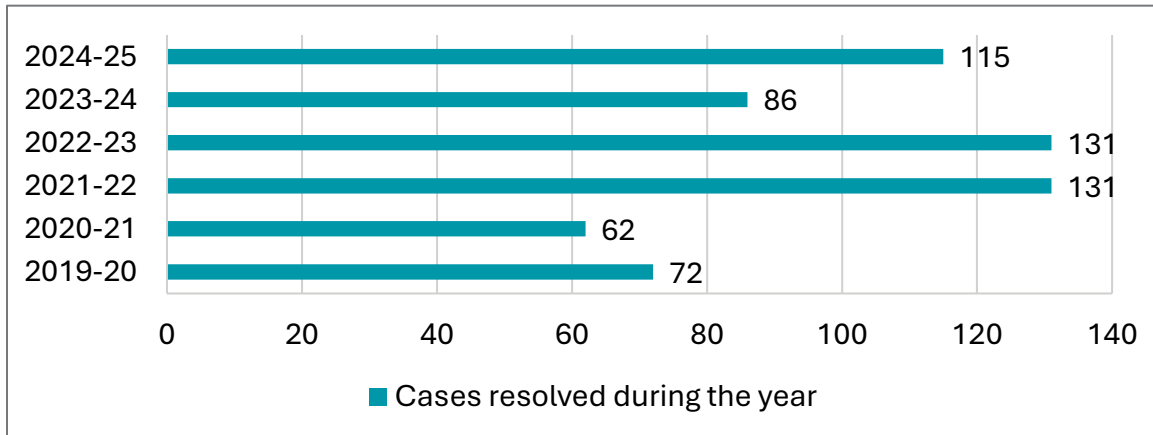
Source : OECD MAP Statistics – November 2024

HMRC – Transfer Pricing Yield and MAP Statistics

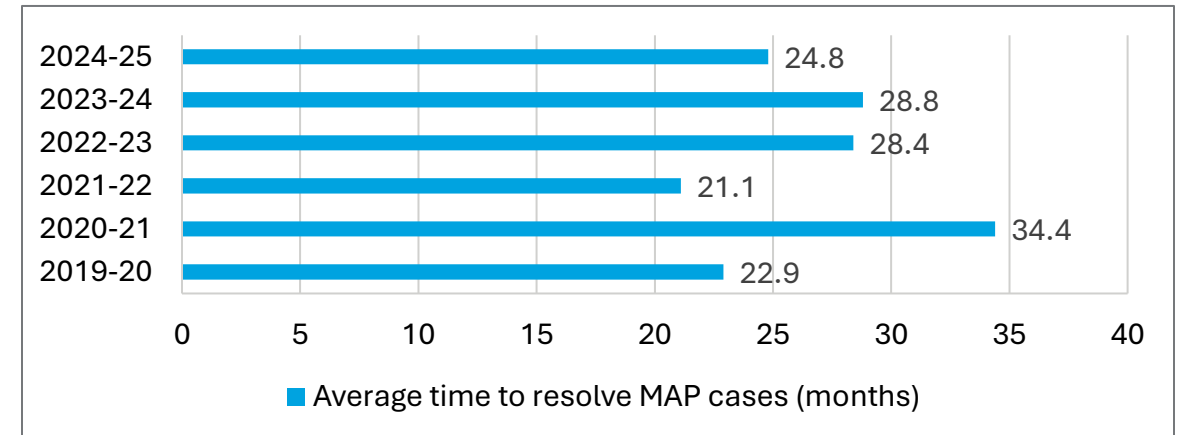
Transfer pricing yield



Number of MAP cases resolved

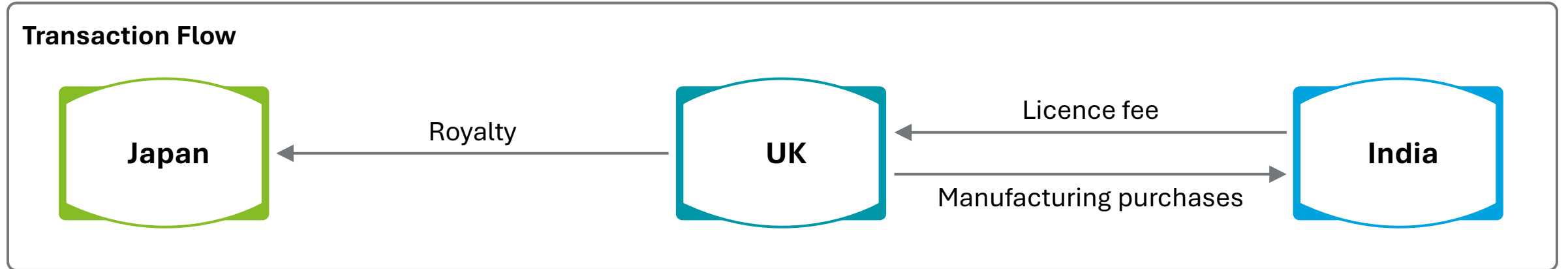


Average time to resolve MAP cases



Source : Transfer Pricing and Diverted Profits Tax statistics: 2024 to 2025

Case Study 1



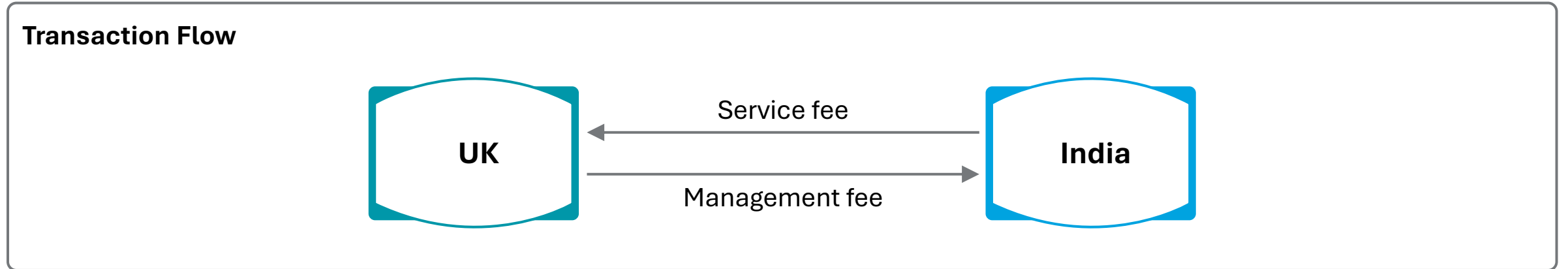
Activity

India makes equipment for UK and sells domestically.

Points at Issue

- Nature of transactions – license fee?
- APA strategy – bilateral

Case Study 2



Activity

- India providing R&D services.
- UK provides management and HQ services.

Points at Issue

- Dispute resolution strategy
- Indian audit
- MAP – unilateral vs bilateral APA

Questions & Answers





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