Transfer Pricing and Issues That Cause a Worry by Devid Hussain

Article published on December 27th 2011 | Advertising

The entry of various international brands in Indian economy has given rise to new and complicated situation which in turn have arisen after the transaction that takes place between two or more enterprises of the same group of companies. This has called for introduction of an internationally accepted and uniform method of finding a fair, logical and equal kind of taxation and distribution of profits in case of such multinational companies.

Transfer pricing India has thus been an effort towards the aim of equitable distribution of profits. The year 2001 saw the incorporation of transfer pricing in India, when the sections 92A to 92F entered the provisions of Indian Income tax Act, 1961. These sections guide the transfer price in the case of such companies as mentioned above and also their detailed documentation process.

Transfer Pricing Method thus has found a uniform guidance in the form of the details in the income tax Act itself, thus leaving many issues related to this problem solved in simple procedures.

Thus the regulations related to transfer pricing are applicable to every enterprise that enters into any kind of international transaction with any associated enterprise. An associated enterprise on the other hand, refers to a company or any other sort of management, ownership, control or even association of one enterprise with another. Such a kind of interaction or participation can be either direct or indirect. Thus the regulation applies to all such enterprises even to the extent of making only a simple book entry and not any kind of financial transaction.

Such a kind of transfer pricing has a binding on the International Tax arena as well. Such companies which have operations in more than a single country, are definitely concerned and have to deal with the different taxation system in different countries. Such companies usually prefer to move to locations that provide low tax options, so as to avoid the loss due to higher tax regime in the countries where they are.

Transfer pricing thus is important in a country like India as it is used to manage and curb the tax evasions that result due to the companies being able to manipulate prices and avoid tax on the intra-group cross border transactions.

In such scenario, the companies concerned manage to show minimum profits in high taxing countries and maximum profits in low tax countries and then benefitting to the maximum extent. Though loopholes do exist in most of such pricing mechanisms that usually are in line with international norms, but sometimes end up in negative impact on countries like ours from where many companies have moved out having cited the reason of failing to comply with transfer pricing legislations here.

The latest transfer pricing news from India that relates to intangible property (IP) has been the main challenging issue for the nation. The same can be encountered in several contexts ranging from the right kind of royalty to be charged by a licence holder of a certain IP to the right inter-company transfer price for manufactured products that is actually sold by a distributor while the manufacturer holds the trademark for the finished products.

So transfer pricing requires a little more deliberations as far as the IPs are concerned for the maximum benefit to the deserving party.

Article Source:
http://www.articleside.com/advertising-articles/transfer-pricing-and-issues-that-cause-a-worry.htm - Article Side

Devid Hussain - About Author:
Devid Hussain is an expert author who writes on various topics with an interesting pitch. Get more information about a Transfer Pricing News at best a Transfer Pricing India.

Article Keywords:
Transfer Pricing News, Transfer Pricing India, Transfer Pricing Method, International Tax

You can find more free articles on Article Side. Sign up today and share your knowledge to the community! It is completely FREE!