

Advance Pricing Agreement

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- Advance pricing can be understood as an agreement between a taxpayer and a tax authority fixing the transfer pricing methodology to decide the pricing of future international transactions of the taxpayer.
- The idea behind signing an APA is to bring in more transparency and clarity for a taxpayer in terms of tax risks and possible exposure to such risks
- Transfer pricing is the setting of the price for goods and services sold between controlled (or related) legal entities within an enterprise.
- For example, if a subsidiary company sells goods to a parent company, the cost of those goods paid by the parent to the subsidiary is the transfer price