

# CBDT enters into a record 95 Advance Pricing Agreement

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**In news**– The Central Board of Direct Taxes (CBDT) has entered into a record 95 Advance Pricing Agreements (APAs) with Indian taxpayers in the fiscal year 2022-23.

## Key updates-

- Out of 95, 63 agreements are Unilateral APAs (UAPAs), and the remaining 32 are Bilateral APAs (BAPAs).
- As a result, the total number of APAs has now increased to 516 since the initiation of the APA programme. Out of these, 420 are UAPAs, and 96 are BAPAs.
- **In 2023, CBDT recorded the highest ever APA signings in any financial year since the launch of the APA programme**, signing a total of 95 APAs.
- The BAPAs were signed as a consequence of entering into Mutual Agreements with India's treaty partners namely Finland, the UK, the US, Denmark, Singapore, and Japan.
- **A record of the largest number of single day signings in the history of the programme** was also created with a total of 21 APAs signed on March 24, 2023.

## What are Advance Pricing Agreements(APA)?

- **An advance pricing agreement is an ahead-of-time agreement** between a taxpayer and a tax authority on an appropriate transfer pricing methodology for a set of transactions at issue over a fixed period of time.
- The **Government has introduced the APA Scheme through Finance Act, 2012** and Income Tax (Tenth Amendment) Rules, 2012
- Such agreement is **entered into by the CBDT with the approval of the Central Government**, with the taxpayers on the transfer price of international transactions

between associated entities.

- The signing of bilateral APAs additionally **provides the taxpayers with protection from any anticipated or actual double taxation.**
- **The APA Scheme endeavours to provide certainty to taxpayers in the domain of transfer pricing by specifying the methods of pricing** and determining the arm's length price of international transactions in advance for a maximum of five future years.
- Further, **the taxpayer has the option to rollback the APA for four preceding years**, as a result of which, tax certainty is provided for nine years.