



# Central Board of Direct Taxes (CBDT) notifies new Safe Harbour Regime

Posted On: 08 JUN 2017 6:33PM by PIB Delhi

In order to reduce transfer pricing disputes, to provide certainty to taxpayers, to align safe harbour margins with industry standards and to enlarge the scope of safe harbour transactions, the Central Board of Direct Taxes (CBDT) has notified a new safe harbour regime based on the report of the Committee set up in this regard.

The salient features of the new Safe Harbour Regime are:

- It has come into effect from 1st of April, 2017, i.e. A.Y. 2017-18 and shall continue to remain in force for two immediately succeeding years thereafter, i.e. up to A.Y. 2019-2020.
- Assessee eligible under the present safe harbour regime up to AY 2017-18 shall also have the right to choose the safe harbour option most beneficial to them.
- A new category of transactions being "Receipt of Low Value-Adding Intra-Group Services" has been introduced.
- The new safe harbour regime is available for transactions limited to Rs. 200 crore in provision of software development services, provision of information technology-enabled services, provision of knowledge process outsourcing services, provision of contract research and development services wholly or partly relating to software development and provision of contract research and development services wholly or partly relating to generic pharmaceutical drugs.
- In respect of transactions involving provision of software development services and provision of information technology-enabled services, safe harbour margins have been reduced to peak rate of 18% from 22% in the previous regime.
- In respect of transactions involving provision of knowledge process outsourcing services, a graded structure of 3 different rates of 24%, 21% and 18% has been provided, based on employee cost to operating cost ratio, replacing the single rate of 25% in the previous regime.
- In respect of transactions involving provision of contract research and development services wholly or partly relating to software development and provision of contract research and development services wholly or partly relating to generic pharmaceutical drugs, safe harbour margins have been reduced to 24% from 30% and 29% respectively in the previous regime.
- Risk spreads on intra-group loans denominated in foreign currency will be benchmarked to the 6-month London Inter-Bank Offer Rate (LIBOR) as on 30th September of the relevant year and on loans denominated in Indian Rupees to the 1-year SBI MCLR as on 1st April of the relevant year.
- The safe harbour regime is optional to taxpayers.

The notification is available on the department's website [www.incometaxindia.gov.in](http://www.incometaxindia.gov.in)

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