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Transfer Pricing - Key Changes in Reporting

Form 48 replaces Form 3CEB from FY 2026-27 onwards

Beginning with Tax Year 2026-27, Form 48 replaces Form 3CEB as the accountant's report for international transactions and specified domestic transactions (SDTs). Form 3CEB continues to apply to Financial Year (FY) 2025-26, corresponding to Assessment Year 2026-27. For Tax Year 2026-27, Form 48 must be filed by 31 October 2027, subject to any applicable extension.

The change is not merely a renumbering of the existing form. Form 48 introduces a more structured, transaction-wise and detailed reporting framework, with greater emphasis on the determination of the Arm's Length Price (ALP). For taxpayers, this means that Form 48 will require better transaction-level data, closer reconciliation with the books and earlier completion of the transfer pricing (TP) analysis.

1. Key Changes & Their Practical Impact

Area	Key changes in Form 48	What businesses need to do differently
Transaction reporting	Clause-wise reporting is replaced by prescribed transaction classifications linked to system-generated Transaction IDs. Amounts are separately captured as Received and Paid	Map every international / SDT transaction to the correct prescribed category and reconcile paid / payable and received / receivable amounts with the books
Associated Enterprise (AE) / Person identification	Each AE is linked through an AE ID; persons involved in deemed international transactions through a Person ID; and SDT counterparties through a DAE ID	Maintain a clean AE master containing name, address, country, Permanent Account Number (PAN) / Tax Deduction Number (TIN) / other ID and the exact relationship under the Income-tax Act, 2025
ALP computation	The form now captures the number of comparables, margins / prices, arithmetic mean / median / range, comparability adjustments, ALP and TP adjustment rather than merely the method adopted	The TP study / benchmarking cannot remain unfinished when Form 48 is filed. The economic analysis should be substantially final before filing the form
Aggregation of transactions	Where closely linked transactions are benchmarked together, the form requires disclosure of the relevant Transaction IDs, total value, amount aggregated and amount not aggregated	Clearly document why transactions have been aggregated and ensure the TP study and Form 48 follow the same aggregation approach
Advance Pricing Agreement (APA) transactions	Dedicated reporting is introduced for APA-covered transactions, including agreement date, acknowledgement number, relevant Transaction IDs and amount covered by the APA	Maintain an APA-to-transaction reconciliation instead of merely treating the APA as a background document

Area	Key changes in Form 48	What businesses need to do differently
Royalty / financing / guarantees	Additional information such as agreement date, royalty rate, financing amount, currency, interest rate, guarantee amount and guarantee commission is specifically captured	Treasury and legal agreement data will need to be collected along with accounting information; ledger values alone may no longer be sufficient
Expenses borne by AE / items outside books	Form 48 specifically captures items such as stock compensation, software / assets provided by AE, employee travel / training, secondment and outsourcing costs, including whether recorded in the books and whether considered in ALP computation	Identify costs borne by overseas group entities even where no entry has been booked in India, and document whether and why such costs have been included or excluded from the TP cost base
Forex / subsidies and similar income	Forex income and government subsidies, grants, incentives, reimbursements etc. are separately disclosed along with their treatment in the ALP computation	Review operating / non-operating classification in the TP study and ensure it agrees with Form 48 reporting
TP documentation confirmation	Part F specifically asks about maintenance of prescribed TP documentation where the specified conditions are met	TP documentation should be ready and internally validated before Form 48 is certified, rather than being completed as a separate year-end exercise later

2. Other Important Changes

Form 48 does not merely ask whether an expense such as an AE-borne employee cost exists. It asks whether the amount is recorded in the books and whether it forms part of the ALP computation. This can be particularly relevant for captive service entities using a cost-plus / Transactional Net Margin Method (TNMM) model, where group companies may directly bear stock compensation, software licence, travel, training or employee-related costs. The practical issue is therefore not only 'what needs to be disclosed', but whether the accounting records, inter-company agreements and TP study all adopt a consistent treatment.

3. Impact on TP Scrutiny and Notices

The detailed information in Form 48 may enable the TP Officer to identify potential discrepancies and raise more specific, transaction-wise queries during scrutiny. While Form 3CEB captured transaction particulars, book values, ALP based amounts and the method adopted, Form 48 provides greater detail on benchmarking calculations, comparables, APA coverage and the treatment of selected expenses and income. Consequently, notices may highlight apparent inconsistencies or seek explanations for specific disclosures, such as the exclusion of costs borne by an overseas group company from the benchmarking calculation, the treatment of foreign exchange income, or differences between reported margins and the applicable arm's length benchmark. Companies should ensure that Form 48 is consistent with their books and TP study, with supporting records available to explain the positions taken.

4. How Businesses Should Prepare for FY 2026-27

Businesses should consider the following before the first Form 48 filing:

- Build a transaction-wise data file rather than relying only on the traditional Form 3CEB checklist
- Maintain complete AE identification and relationship details
- Reconcile transaction values with the general ledger and separately identify amounts paid / payable and received / receivable
- Finalise comparable searches, margins, ranges, adjustments and aggregation methodology before Form 48 preparation, and
- Specifically review AE-borne employee costs, software / assets, secondment, travel, training, forex items, subsidies, royalty, loans and guarantees for both accounting and TP treatment

5. Conclusion

Form 48 changes TP compliance from a summary reporting exercise to a transaction-level analytical disclosure. For taxpayers, the key implementation change is that information previously contained mainly in the TP Study, agreements and internal workings will now feed directly into Form 48. Early coordination between finance, tax and TP teams will therefore be important to ensure that the books, TP documentation and Form 48 remain consistent.

Please Click Here to read Frequently Asked Questions on Form 48 issued by CBDT.

Please Click Here to read Guidance Note on Form 48 issued by CBDT.

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