



# Tax Flash News



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## Draft Income-tax Rules, 2026: Major updates in Transfer Pricing reporting, APA procedures, and block assessment

### Executive summary



The Central Board of Direct Taxes has released the draft Income-tax Rules, 2026 along with the proposed Forms, in relation to the Income-tax Act, 2025 ('the Act'), which is scheduled to come into force from 1 April 2026.

Prior to the formal notification, the draft Rules and Forms have been placed in the public domain for stakeholder consultation.<sup>1</sup>

The draft rules relating to transfer pricing propose significant changes, including those relating to the Union Budget 2026-27 announcements around rationalising of Safe Harbour Rules and fast tracking of Advance Pricing Agreements ('APA').

<sup>1</sup> The consultation window is open till 22 February 2026

## Key changes



### Form no. 48 to replace existing Form no. 3CEB

Under the draft rules, Form no. 48 comprising of eleven clauses across six parts would replace the Form no. 3CEB which is required to be filed by the taxpayers entering into international transactions with associated enterprises ('AEs') and specified domestic transactions ('SDT') under the current rules (Income-tax Rules, 1962). Form no. 48 seems to require significant additional disclosures compared to that required under Form No. 3CEB, including:

- Separate disclosure of the aggregated amounts received or paid in respect of (a) international transactions, (b) deemed international transactions, and (c) SDT.
- Permanent Account Number ('PAN') or Tax Identification Number ('TIN') or Unique Identification Number of the AEs.
- Confirmation of whether the taxpayer has kept and maintained information and documents prescribed under the Act<sup>2</sup> for various international transactions and SDT.

- Transaction level details – The draft form has separate mandatory fields for disclosing additional information, including:
  - Specific Transaction ID for each reportable transaction, across 16 defined categories of transactions, with further sub-classifications.
  - Specific details of royalty agreement, financing agreements and guarantee agreements, if applicable.
  - Details of agreements leading to business restructuring/ re-organisation.
- Details of APA - The draft form requires disclosure on whether APA has been entered by taxpayer along with the date of agreement and acknowledgement number of APA application. The form also requires disclosures mapping out the APA covered transactions with corresponding transactions disclosed in the form.
- Details of Arm's Length Price computations – The draft form seems to have an enhanced focus on transfer pricing methodologies, benchmarking details and computation of Arm's Length Price ('ALP'). Under the existing rules, such details are

<sup>2</sup> Information required to be maintained under Rule 84 of the draft rules which is similar to the Rule 10D of the existing Income-tax Rules, 1962

maintained only as a part of the Transfer Pricing Report<sup>3</sup> required to be maintained separately by taxpayers. The additional disclosures in the form include:

- Details of transactions aggregated with other closely linked transactions for the determination of the ALP;
- Details of benchmarking results as per the application of most appropriate method (Profit Level Indicator, number of comparable and arm's length margin/ range);
- Detailed notes requiring disclosure of computation of the ALP in prescribed format and consequent adjustment value, if any, under various prescribed methods;<sup>4</sup>
- Description of economic adjustments undertaken, along with the quantitative impact of such adjustments.
- Additional disclosures regarding certain expense categories – The draft form requires additional disclosure of following expense categories. The disclosures are also required on whether such expenses are recorded in the books of accounts, and whether included in the computation of the ALP.

These include expenses incurred by the AE towards:

- Stock compensation or any other bonus/ incentive paid the employees of taxpayer
- Cost and/or depreciation of assets, software, tools, licenses or databases
- Cost towards travel and other expenses of the employees of the taxpayer
- Training expenses incurred for employees of the taxpayer, or management, consultancy, or other services provided by AE
- Cost incurred on the employees seconded/ transferred etc.
- Additional disclosures regarding certain revenue categories – The draft form requires additional disclosures of certain revenue items, and whether such amounts are included in the computation of ALP. This includes any income arising on account of foreign currency fluctuations and any revenue received revenue received in form of subsidy/ grant/ cash incentive/ waiver/ duty drawback/ concession/ reimbursement etc.

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<sup>3</sup> Rule 10D of the Income-tax Rules, 1962 read with section 92D of the Income-tax Act, 1961

<sup>4</sup> Where the most appropriate method used is Comparable Uncontrolled Price Method, Resale Price Method, Cost Plus Method or Transactional Net Margin Method

## Important changes in draft Rules related to APA Program

The draft rules propose important changes related to the APA program in line with the Budget 2026-27 proposal for fast tracking the Unilateral APAs. The key proposed changes include:

- APA filing fee: Standardised at INR 20 lakhs, irrespective of transactions value (under the current rules, the fee ranges from INR 10 lakhs to INR 20 lakhs depending upon the quantum of the covered transactions).
- Withdrawal of APA: Under the draft rules, the withdrawal of an APA would not require a formal application in the prescribed form, notification to the appropriate authority would be adequate.
- Closure of APA proceedings: If no agreement is entered into within three years from the end of the financial year in which the application is filed, the Board may direct that the proceedings be treated as closed, after giving an opportunity of being heard to the applicant, if:
  - (a) the applicant has not provided any document, information, or material relevant to the application, or
  - (b) the applicant fails to comply with any directions regarding meetings, facilitating site visits, or responding to inquiries.
- Unilateral APA processing: Meetings, submissions, and site visits to be completed within one year from the end of the financial year of application, where feasible.
- Unilateral APA for IT Services: If the agreement is not concluded within two years from the end of the quarter in which the application is submitted, the proceedings will be deemed closed. However, an additional six-month window may be granted upon the taxpayer's request.
- Roll back provision: A year can be covered under rollback provisions even if the return is filed after the prescribed due date but within the extended timeline provided under the Act.
- Changes in the Form of APA annual compliance: In the prescribed form, the taxpayers are now required to provide a detailed line by line computation of any adjustments offered. The annexure to the form specifically calls for details regarding computation of PLI and the amount of adjustment required.

The draft form also includes pre-populated critical assumptions typically agreed under an APA, such as consistency in functions, assets, and risks ('FAR'), residence of AEs, invoicing and credit terms (actual versus those agreed under the APA), segmental accounts, and certification. Any additional critical assumptions included in the APA must also be disclosed.

## Block transfer pricing assessment

The Finance Act, 2025 introduced the concept of block assessment allowing transfer pricing assessments to cover multiple years in a single proceeding. Rule 82 of the draft rules sets out the process and conditions for multi-year transfer pricing assessments:

- A taxpayer can opt to determine ALP for two consecutive tax years (second and third years) following the first tax year by submitting Form no. 46.
- Form no. 46 must be filed after the third tax year but before June 30 following the third tax year, along with a certificate from an accountant (Form no. 47).
- Form no. 47 primarily requires an accountant to certify the following eligibility criteria for opting into the block assessments:
  - Timely furnishing of return of income and Form no. 48 for tax year one and two;
  - Transactions in tax year one, two and three are similar;
  - There is no change in the method to determine the arm's length price for the relevant transactions
- The functions performed, taking into account assets employed and the risks assumed, by the parties in respect of the relevant transactions remain materially consistent;
- In respect of the relevant transactions, the business activities, the relevant financial, tax, and accounting methods; and classification of the assessee, in case of a company, remained materially the same;
- The option(s) exercise would be applicable even when there is a change in the business result or holding structure of the AE, or change in the AE, provided there is no material change in the relevant transaction and no material change in the FAR; and
- There is no change in the contractual terms of the relevant transactions.
- The Transfer Pricing Officer ('TPO') will, within one month, declare the option valid or invalid. If the option is declared invalid, the taxpayer can object to the Commissioner of Income-tax within 15 days.
- If the option is cancelled or found invalid, assessment reverts to the standard single-year determination.

## Policy announcements for Safe Harbour Rules

In line with the changes proposed by the Budget 2026-27, the draft rules introduce significant amendments to the Safe Harbour regime, including new Safe Harbour for data center services, the consolidation of multiple service categories under a single category of IT Services, reduction in the prescribed profit margins and thresholds for the IT sector, and extension of the safe harbour validity period for a period of five years. Compliance procedures and documentation requirements have also been prescribed.

For detailed flash news on Safe Harbour Rules refer [Draft Income-tax Rules, 2026: Significant reforms in Safe Harbour Rules](#)

### Our comments



The draft rules mark a significant step forward in India's ongoing efforts to enhance tax transparency and certainty for businesses. With streamlined APA procedures, and revised Safe Harbour rules, the government aims to foster a more predictable and efficient tax environment.

With the introduction of Form no. 48, the draft rules also reflect a shift towards enhanced documentation standards, robust benchmarking methodologies, and heightened evidentiary requirements for cross-border transactions. The significantly higher disclosure

requirements under the proposed Form no. 48 also indicate a potential move towards risk-based scrutiny of transfer pricing cases. While these changes are driven towards robust compliance and reduce litigation, stakeholders should carefully evaluate the practical implications and provide constructive feedback during the consultation period to ensure the rules strike the right balance between regulatory objectives and ease of doing business.



# KPMG in India addresses:

## Ahmedabad

Commerce House V, 9<sup>th</sup> Floor, 902, Near Vodafone House, Corporate Road, Prahlad Nagar, Ahmedabad – 380 051.  
Tel: +91 79 4040 2200

## Hyderabad

Salarpuria Knowledge City, Orwell 6<sup>th</sup> Floor, Unit-3, Survey No 83/1, Plot No 2, Raidurg, Hyderabad – 500 081.  
Tel: +91 40 6111 6000

## Noida

Unit No. 501, 5<sup>th</sup> Floor, Advant Navis Business Park, Tower-A, Plot# 7, Sector 142, Expressway Noida, Gautam Budh Nagar, Noida – 201 305.  
Tel: +91 0120 386 8000

## Bengaluru

Embassy Golf Links Business Park, Pebble Beach, 13/02, 'B' Block, 1<sup>st</sup> & 2<sup>nd</sup> Floor, Off Intermediate Ring Road, Bengaluru – 560 071  
Tel: +91 80 6833 5000

## Jaipur

Signature Towers, Office No. 402, Fourth Floor, S Plot No. DC-II, Lal Kothi District Shopping Center, Tonk Road, Jaipur – 302 001  
Tel: +91 141 – 672 1000

## Pune

9<sup>th</sup> floor, Business Plaza, Westin Hotel Campus, 36/3-B, Koregaon Park Annex, Mundhwa Road, Ghorpadi, Pune – 411 001.  
Tel: +91 20 6747 7000

## Chandigarh

Elante Offices, Unit No. A505, 5<sup>th</sup> Floor, Plot No.178-178A, Industrial Area Phase-1, Chandigarh – 160 002.  
Tel: +91 172 664 4000

## Kochi

Syama Business Centre, 49/179, 3<sup>rd</sup> Floor, NH 47, Bypass Road, Vytilla, Kochi – 682 019.  
Tel: +91 484 302 5600

## Chennai

KRM Towers, Ground, 1<sup>st</sup>, 2<sup>nd</sup>, & 3<sup>rd</sup> Floor, No. 1, Harrington Road, Chetpet, Chennai – 600 031.  
Tel: +91 44 3914 5000

## Kolkata

Unit No. 604, 6<sup>th</sup> Floor, Tower – 1, Godrej Waterside, Sector – V, Salt Lake, Kolkata – 700 091.  
Tel: +91 33 4403 4000

## Mumbai

Lodha Excellus, Apollo Mills Compound, 2<sup>nd</sup> Floor, N M Joshi Marg, Lower Parel, Mumbai- 400 011.  
Tel: +91 22 3989 6000

## Vadodara

Ocean Building, 303, 3<sup>rd</sup> Floor, Beside Center Square Mall, Opp. Vadodara Central Mall, Dr. Vikram Sarabhai Marg, Vadodara – 390 023.  
Tel: +91 265 619 4200

## Vijayawada

PR heights, 4<sup>th</sup> Floor, NH 16 Service Rd, opp. Manipal Hospital Road, Tadepalle, Andhra Pradesh – 522 501.  
Tel: +91 0864 536 2000

## Gurugram

Building No.10, 8<sup>th</sup> Floor, DLF Cyber City, Phase II, Gurugram, Haryana – 122 002.  
Tel: +91 124 307 4000

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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Lower Parel, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000

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