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An India Supreme Court ruling means transfer pricing disputes may see longer periods of litigation.
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Companies in India Brace for More Transfer Pricing Litigation



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Companies in India face longer litigation over transfer pricing cases following a recent Supreme Court ruling that underlined greater powers of state courts to review tax decisions of lower tribunals.

The ruling effectively opens the floodgates for tribunal orders to be reviewed by the state high courts, according to tax practitioners. Some of those may be sent back to the tribunals for a second look.

"The scope and ambit of appeal or proceedings of the tribunal does not in any way get affected by the judgment," said Saurabh Soparkar, a senior advocate and president of the Income Tax Appellate Tribunal Bar Association in the western city of Ahmedabad.

However, some analysts think the tribunals will be more precise in their orders from now on.

"They would add an extra degree of carefulness in their orders, that extra degree of writing and explanation in their orders, so that when it goes to high court it's well-reasoned, well explained, and doesn't travel back to them," said Nitin Narang, partner for international tax and transfer pricing at tax and advisory firm Nangia & Co LLP.

Need for Alternative Resolution Systems

In recent years tribunal orders have often ruled in favor of taxpayers, according to practitioners. To challenge these orders, the Indian tax department had filed several appeals in the Supreme Court, asking that the high courts be open to reviewing the tribunals' orders.