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Ministry of Finance



CBDT notifies Tolerance Range for Transfer Pricing for A.Y 2024-25 as per proviso to sub-rule (7) of rule 10CA of the Income-tax Rules, 1962

Notification of tolerance range shall provide certainty to taxpayers and reduce the risk perception associated with pricing of a transaction in transfer pricing

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The Central Board of Direct Taxes (CBDT) has issued notification no. 116/2024 dated October 18, 2024 notifying the tolerance range for AY 2024-25. The notification of tolerance range shall provide certainty to taxpayers and reduce the risk perception associated with pricing of a transaction in transfer pricing.

Proviso to sub-rule(7) of rule 10CA sub-rule(7) provides that, “if the variation between the arm’s length price so determined at which the international transaction or specified domestic transaction has actually been undertaken does not exceed such percentage not exceeding three percent of the latter, as may be notified by the Central Government in the Official Gazette in this behalf, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the length price.”



The tolerance range for transfer pricing is as follows:

- a. The tolerance ranges shall be 1% for transactions in the nature of “wholesale trading” and 3% for others, respectively, as notified last year and
- b. The term ‘wholesale trading’, shall be defined as an international transaction or specified domestic transaction of trading in goods which fulfil all the following conditions:
 - i. Purchase cost of finished goods is 80% or more of the total cost pertaining to such trading activities; and
 - ii. Average monthly closing inventory of goods is 10% or less of sales pertaining to such trading activities.

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