

Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes

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PRESS RELEASE

Income Tax Department designates Income tax Authority before whom particulars of parent entity and alternate reporting entity to file Country-by-Country Report would be notified

In order to ensure that a multinational enterprise would report its profit correctly where it is earned, the Organisation for Economic Cooperation and Development (OECD) had developed an Action Plan called “Base Erosion and Profit Shifting (BEPS) Action Plan 13”. Under BEPS Action Plan 13, all large multinational enterprises (MNEs) are required to prepare a country-by-country (CbC) report with aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which they operate. In essence, CbC Report is an annual return that breaks down key elements of the financial statements by jurisdiction. A CbC report provides local tax authorities visibility to revenue, income, tax paid and accrued, employment, capital, retained earnings, tangible assets and activities of the concerned MNE.

This CbC report is used as a corroborating material by Income tax Authorities in carrying out revenue risk assessment.

As per corresponding provisions of Indian Income tax Laws, every MNE group which has a constituent entity resident in India is mandated to notify the Income-tax Department its parent entity and alternate reporting entity and the countries where such entities are resident. Such parent entity or alternate reporting entity is required to furnish a report called “Country-by-Country Report” specifying certain information including:

- (a) the aggregate information in respect of the amount of revenue, profit or loss before income-tax, amount of income-tax paid, amount of income-tax accrued, stated capital, accumulated earnings, number of employees and tangible assets not being cash or cash equivalents, with regard to each country or territory in which the group operates;
- (b) the details of each constituent entity of the group including the country or territory in which such constituent entity is incorporated or organised or established and the country or territory where it is resident;

(c) the nature and details of the main business activity or activities of each constituent entity.

For the above stated purpose, the Central Board of Direct Taxes(CBDT) had notified Rules 10DA, 10DB and Form Nos. 3CEAA to 3CEAE in Income-tax Rules, 1962.

The Income Tax (2nd Amendment) Rules, 2020 has amended rules 10DA and 10DB and notification no. 03/2020 dated 06.01.2020 has already been issued in this regard. As per the amended sub-rule(1) of rule 10DB, the income tax authority for the purpose of section 286 shall be the Joint Commissioner as may be designated by the Director General of Income tax (Risk Assessment).

In view of the above amendment and in exercise of the powers conferred by section 286 of the Act, the Director General of Income tax (Risk Assessment) has designated the Joint Director of Income tax (Risk Assessment)-1 having office at 4th Floor, C-Block, Dr. S.P. Mukherjee Civic Centre, Minto Road, New Delhi-110002 as the Income tax Authority for the purpose of section 286 of the Act, with effect from the first day of April, 2020.

The notification no. 03/2020 is available on www.incometaxindia.gov.in.

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