

CBDT Notifies Rules & Forms for Rollback of Advance Pricing Agreement:

The Finance (No.2) Act, 2014 introduced the rollback provisions under the Advance Pricing Agreement (APA) program. The rules have been notified on 14 March 2015 setting out the applicability and the requirement for applying rollback.

Some of the salient features of the rollback rules are as below:

1. The agreement may provide for determining the arm's length price or specify the manner in which arm's length price shall be determined in relation to the international transaction entered into by the person during the rollback year.
2. The international transaction proposed to be covered under the rollback is to be the same as covered under the main APA.
3. The return of income for the relevant rollback year has been or is furnished by the applicant before the due date specified in Explanation 2 to sub-section (1) of section 139.
4. The report in respect of the international transaction had been furnished in accordance with section 92E.
5. The applicant has made an application seeking rollback in Form 3CEDA with proof of payment of an additional fee of five lakh rupees..
6. In a case where an application has been filed prior to the 1st day of January, 2015, Form No. 3CEDA along with proof of payment of additional fee may be filed at any time on or before the 31st day of March, 2015 or the date of entering into the agreement whichever is earlier.
7. The rollback provision will not be applicable for that year in case the application of the rollback provisions would result in reduction of the income offered to tax or increasing the loss as declared in the Return of Income for a particular year,
8. The rollback provision will not be applicable where Appellate Tribunal has passed an order disposing of such appeal at any time before signing of the agreement.
9. Further pre-filing consultation which was mandatory has been made optional. Therefore, going forward an applicant can directly file the main APA application in the Form No. 3CED without filing for pre-filing consultation.

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Guidelines for Outsourcing of Financial Services by Banks:

The Reserve Bank of India has issued some guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Banks for maintaining high

19 March 2015

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standard of care in performing the services as would be employed by the banks.

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Following are the brief points in respect of Outsourcing of Financial Services by Banks:

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1. In view of concerns raised that the instructions of managing risks and code of conduct are not being adhered to Outsourced service provider, RBI has issued a guideline and have been advised to bank to take steps to ensure that the service provider employs the same high standard of care in performing the services as would be employed by the banks, if the activities were conducted within the banks and not outsourced.
2. Banks should not engage in outsourcing that would result in their internal control, business conduct or reputation being compromised or weakened.
3. Banks have been advised that the outsourcing contract should provide for prior approval/ consent by the bank of the use of subcontractors by the service provider for all or part of an outsourced activity. Before giving their consent, banks should review the subcontracting arrangements and ensure that these arrangements are compliant with the extant guidelines on outsourcing.
4. Banks should ensure that reconciliation of transactions between the bank and the service provider (and/ or its subcontractor), are carried out in a timely manner.

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