



RSM India Newsflash - Key Changes in Income Tax Rules, 2026 vis-à-vis Income Tax Rules, 1962 - Transfer Pricing Aspects

Newsflash

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1.0 Background and Overview

The Central Board of Direct Taxes (CBDT) has notified the Income Tax Rules, 2026 in the Official Gazette on 20 March 2026, which is formulated to implement the provisions of the Income-tax ('IT') Act, 2025 along with forms scheduled to come into force w.e.f. 1 April 2026. These rules represent a foundational shift toward tax transparency, certainty, and administrative efficiency.



This Newsflash outlines key changes in Income-tax Rules, 2026 vis-à-vis Income-tax Rules, 1962, centered on Transfer Pricing provisions.

2.0 Form 48 to replace the existing Form 3CEB

The Final Rules replaces the existing Form 3CEB with Form 48, a revised reporting form that requires broader and more detailed disclosures including details with respect to Advance Pricing Agreement (APA), detailed PLI computation, range-based benchmarking.

2.1 Reporting Requirements: Current vs. New Rules

Feature	Current Rules (Form 3CEB)	Rules 2026 (Form 48)
Reporting Depth	Aggregated Reporting	Granular Disclosure
Transaction Segregation	Combined disclosures under various clauses	Associated Enterprise (AE)-wise tabular reporting for: (a) International and Deemed International, and (b) Specified Domestic Transactions (SDTs)
Furnishing of ALP details	Maintained as a part of TP study report	To be furnished for each transaction reported
Documentation Linkage	Maintained separately in TP study reports	Explicit confirmation of documentation maintained per Rule 84 (similar to Rule 10D)

3.0 Safe Harbour Rules (SHR) Reform

3.1 Consolidation of Categories

Previously distinct categories such as Software Development, ITeS, KPO, and Software R&D, are now clubbed under a single **"IT Services"** category, provided the taxpayer assumes insignificant risk.

3.2 IT Sector Margin and Threshold Analysis

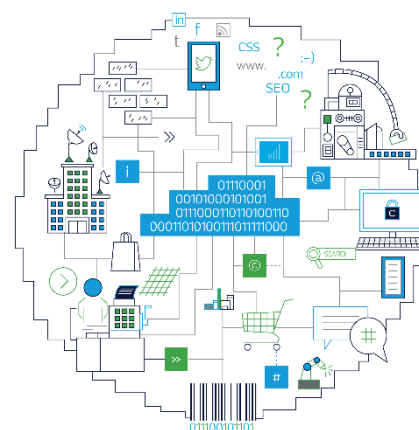
Feature	Current SHR	SHR 2026
Prescribed Profit Margin	17% to 24% (tiered)	Flat 15.5%
Transaction Threshold	INR 300 crores	INR 2,000 crores

3.3 New Service Category: Data Center Services

The rules have now introduced "Data Center Services" with a **prescribed 15% margin**. This applies to providers using physical infrastructure such as land and buildings, along with mechanical and electrical power equipment, cooling systems, and security infrastructure. It also covers the use of IT infrastructure including servers, storage systems, operating systems, networking equipment, and associated software platforms, as well as human resources located in India.

Procedural Changes:

- (i) **Distinct Procedure:** Rules 90 and 91 of the Income-tax Rules, 2026 prescribe a **separate procedure** for filing Form No. 49 for IT services, distinct from other eligible international transactions.
- (ii) **Block Period:** The Safe Harbour Rules (SHR) option applies for a **five-year block period for IT Services**.
- (iii) **Filing Deadline:** Form 49 must be filed **on or before the due date of furnishing return of income** as per section 263(1)(c).
- (iv) **Verification:** Verification is now an **automated process in case of IT services** managed by the DGIT (Systems).
- (v) **Timelines:** For IT services, acceptance or rejection is communicated within two months from the end of the month in which the application is filed.
- (vi) **Form Consolidation:** **Form 49** replaces the legacy trio of forms: 3CEFA, 3CEFB, and 3CEFC.
- (vii) **Withdrawal Option of Form No. 49:** In respect to IT services, withdrawal cannot be made after expiry of 6 months from the end of first tax year. Once withdrawn, option to opt is not available for respective and subsequent tax years.



(viii) **Certification Authority:** In the case of IT services, Form 49 must be certified by the Chief Executive Officer or the Chairman and Managing Director of the assessee, and it should be verified by the individual authorized to verify the assessee's return of income.

4.0 Advance Pricing Agreement (APA) Program Modernization

The APA program is being restructured to fast-track resolutions, particularly for the IT sector, while streamlining administrative oversight.

4.1 Fee and Authority Changes

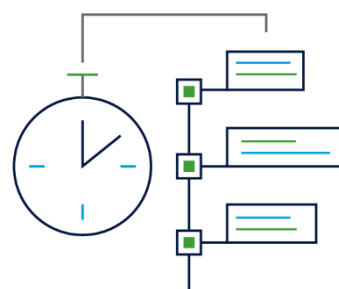
- **Standardized Fee:** A flat fee of **Rs. 20 lakhs** replaces the tiered structure. However, it is vital to note that a **rollback request incurs an additional fee of Rs. 5 lakhs**.
- **Authority Shift:** Oversight shifts from the Director General to the **Principal Commissioner of Income Tax (PCIT)**. The PCIT is now responsible for sharing copies with the Competent Authority, signaling a more integrated internal review process.

4.2 Form Number Mapping

Purpose	Old Form	New Form
Pre-filing Consultation	3CEC	50
APA Application	3CED	51
Rollback Application	3CEDA	
Annual Compliance Report (ACR)	3CEF	52
Renewal Application	New Application to be filed except for pre-filing consultation	54

4.3 Resolution Timelines and "Extension Mechanism"

- **Unilateral APAs (General):** Resolution within 3 years from the end of the financial year of filing.
- **IT Services Unilateral APAs:** Resolution within 2 years from the end of the quarter of submission.
- **Extension Mechanism:** For IT services cases, an **additional six-month window** may be granted upon the taxpayer's request if the agreement is not concluded within the two-year period.
- **Deemed Closure:** Failure to comply with holding meetings, site visits or data requests may lead the Board to direct cases as "deemed closed" after providing the taxpayer an **opportunity of being heard**.



- **Procedure to deal with Bilateral APA/Multilateral APA:** Procedure to deal with requests for bilateral or multilateral advance pricing agreements will be separately governed by **Rule 122**.

5.0 Annual Compliance Report (ACR) Enhancements

Form 52 now mandates explicit disclosures on invoicing/credit term adherence and, crucially, compliance with **Secondary adjustments (Section 170)** and **interest deductions (Section 177)**, alongside certified segmental accounts.

5.1 Introduction of Block Transfer Pricing Assessments (Rule 82)

Introduced under the Finance Act, 2025, Rule 82 allows for a single proceeding to cover a three-year block (base year plus two subsequent years).

- **Eligibility & Filing:** Assessee apply via **Form 46 from the end of tax year by 30 June following the third tax year**, supported by an Accountant's Certificate (**Form 47**).
- **Prerequisites for Stability:** Eligibility is contingent upon the **timely furnishing of the Return of Income and Form 48 for tax years one and two**.
- **Consistency Requirements:** To maintain the block, transactions must remain "similar" across the period with no change in the applied transfer pricing method. The rules prescribe that transactions in subsequent years must remain consistent with those in the first year for which the option was exercised. Consistency is determined by **no material changes in the transfer pricing method, functional profile (FAR), business and financial aspects, or contractual terms**. Notably, changes in ownership, associated enterprises, or business outcomes will not impact eligibility, provided the core transaction and its characteristics remain unchanged.
- **Timelines:** Eligibility of the option must be determined by TPO within one month from the end of the month in which the option is exercised.



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This Newsflash provides an overview of the key Transfer Pricing changes introduced in the Income-tax Rules, 2026, vis-à-vis the Income-tax Rules, 1962. It may be noted that nothing contained in this Newsflash should be regarded as our opinion and facts of each case will need to be analyzed to ascertain thereof and appropriate professional advice should be sought for applicability of legal provisions based on specific facts. We are not responsible for any liability arising from any statements or errors contained in this Newsflash.

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