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CBDT notifies changes in master file rules and eases the threshold for country-by-country report

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Summary

The Central of Board of Direct Taxes (CBDT) issued a notification on 5 April 2021, amending the threshold for applicability of country-by-country report (CbCR) and certain rules relating to the master file.

The threshold of consolidated group revenue for applicability of CbCR regulations has been increased to INR 6,400 crore from INR 5,500 crore. Further, where the multinational group has constituent entities (CEs) resident or non-resident in India, the designation can be done for the compliance of master file regulations in India.

Key changes notified by the CBDT

Threshold for applicability of CbCR

The CBDT has increased the threshold of consolidated group revenue to INR 6,400 crores from INR 5,500 crores for applicability of CbCR regulations to multinational enterprises (MNEs). The said changes are effective from 1 April 2021.

The increased threshold of CbCR would be applicable to the following:

1. Parent entity or alternate reporting entity resident in India and part of an international group which is required to file CbCR in India
2. CE resident in India, which is part of an international group and whose parent or alternate reporting entity is a non-resident, is required to file CbCR notification in India specifying the details of the entity filing the CbCR.

The CbCR contains the aggregate data on the global allocation of income, profit, taxes paid and economic activity among tax jurisdictions in which the MNE Group operates.

Filing of designation form for master file compliance, in case of multiple CEs in India

The CBDT has amended the Rules regarding Master File to allow the resident or non-resident CEs to designate one of the entities to undertake Master File compliance[1] in India.

As per the earlier rules, designation option was available only for resident CEs whereas non-resident CEs were separately required to comply with Master File regulations in India.

The said changes are also effective from 1 April 2021.

Change of designated authority for master file and CbCR

The CBDT has notified that the master file and the designation form is to be furnished to the joint director as may be designated by the Principal Director General of Income Tax (Risk Assessment).

Further, the CBDT has also clarified that the income tax authority for the purposes of CbCR shall be the Joint Director as may be designated by the Principal Director General of Income Tax (Systems) or the Director General of Income Tax (Systems).

Our comments

Earlier, the designation option was available only to resident CEs, hence, non-resident CEs such as branch offices, project offices were separately required to comply with the master file regulations. The amendment is a welcome move by the government, as it will enable the MNE group to designate a single CE for the master file compliance in India thereby reducing duplication of efforts.

[1] in Part A and/or Part B of Form 3CEAA

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