

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

9 April 2021



## Summary

The Central 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<sup>1</sup> 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.

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<sup>1</sup> in Part A and/or Part B of Form 3CEAA

# Contact us

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<b>NEW DELHI</b> National Office Outer Circle L 41 Connaught Circus, New Delhi 110 001 T +91 11 4278 7070	<b>NEW DELHI</b> 6th floor, Worldmark 2, Aerocity, New Delhi – 110 037 T +91 11 4952 7400	<b>AHMEDABAD</b> 7th Floor, Heritage Chambers, Nr. Azad Society, Nehru Nagar, Ahmedabad – 380 015	<b>BENGALURU</b> 5th Floor, 65/2, Block A, Bagmane Tridib, Bagmane Tech Park, C V Raman Nagar, Bengaluru – 560 093 T+91 80 4243 0700	<b>CHANDIGARH</b> B-406A, 4th Floor, L&T Elante office Building Industrial area, Phase-I, Chandigarh 160 002 T +91 172 4338 000
<b>CHENNAI</b> 9th Floor, Prestige Polygon 471, Anna Salai, Teynampet Chennai - 600 018 T +91 44 4294 0000	<b>DEHRADUN</b> Suite No 2211, 2nd Floor Building 2000 Michigan Avenue, Doon Express Business Park, Subhash Nagar, Dehradun 248 002 T +91 135 264 6500	<b>GURGAON</b> 21st Floor DLF Square Jacaranda Marg, DLF Phase II, Gurgaon 122 002 T +91 124 462 8000	<b>HYDERABAD</b> 7th Floor, Block III White House Kundan Bagh, Begumpet Hyderabad 500 016 T +91 40 6630 8200	<b>KOCHI</b> 7th Floor, Modayil Centre Point, Warriam Road Junction, MG Road, Kochi 682 016 T +91 484 406 4541
<b>KOLKATA</b> 10C Hungerford Street 5th Floor, Kolkata 700 017 T +91 33 4050 8000	<b>MUMBAI</b> 11th Floor, Tower II One International Centre SB Marg, Prabhadevi (W) Mumbai 400 013 T +91 22 6626 2600	<b>MUMBAI</b> Kaledonia, 1st Floor, C Wing (Opposite J&J office) Sahar Road, Andheri East, Mumbai - 400 069 T +91 22 6176 7800	<b>NOIDA</b> Plot No. 19A, 2nd Floor Sector – 16A, Noida 201 301 T +91 120 4855 900	<b>PUNE</b> 3rd Floor, Unit No 309 to 312, West Wing, Nyati Unitree Nagar Road, Yerwada Pune- 411 006 T +91 20 6744 8800

For more information or for any queries, write to us at [contact@in.gt.com](mailto:contact@in.gt.com)



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