MINISTRY OF FINANCE

(Department of Revenue)

NOTIFICATION

New Delhi, the 25th November, 2026

INCOME-TAX

S.O. 6385(E).— Whereas the Income-tax Act, 1961 (43 of 1961) has been repealed and reenacted as the Income-tax Act, 2025 (30 of 2025) (hereinafter referred to as the said Act) with effect from the 1st April, 2026;

And whereas, the third proviso to sub-section (2) of section 92C of the Income-tax Act, 1961 (43 of 1961), read with the proviso to sub-rule (7) of rule 10CA of the Income-tax Rules, 1962 provides that where the variation between the arm's length price determined under section 92C of that Act and the price at which the international transaction or specified domestic transaction has actually been undertaken, does not exceed such percentage of the latter as may be notified by the Central Government in this behalf, the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price;

And whereas, section 535 (2) of the Income-tax Act, 2025 (30 of 2025), *inter alia*, provides that any order issued under sub-section(1) of the said section may provide for the adaptations or modifications subject to which the Income-tax Act, 1961 (43 of 1961) shall apply in relation to the assessments for the tax year ending on 31st March 2026, or any earlier year;

And whereas, difficulties have arisen in relation to the determination of the arm's length price for the tax year ending on the 31st March, 2026, being the previous year relevant to the assessment year 2026-2027;

Now, therefore, in exercise of the powers conferred by sub-sections (1) and (2) of section 535 of the Income-tax Act, 2025 (30 of 2025), the Central Government hereby makes the following Order, namely:—

1. Short title and commencement — (1) This Order may be called the Income-tax (Removal of Difficulties) Order, 2026.

(2) It shall come into force on the date of its publication in the Official Gazette.

2. Notification of Tolerance Range for assessment year 2026-27.— In relation to the assessments for the tax year ending on the 31st March, 2026, being the previous year relevant to the assessment year 2026-2027 and for the purposes of the third proviso to sub-section (2) of section 92C of the Income-tax Act, 1961 (43 of 1961), where the variation between the arm's length price determined under section 92C of that Act and the price at which the international transaction or specified domestic transaction has actually been undertaken does not exceed—

(i) one per cent. of the latter in respect of wholesale trading; and

(ii) three per cent. of the latter in all other cases,

the price at which the international transaction or specified domestic transaction has actually been undertaken shall be deemed to be the arm's length price.

Explanation.- For the purposes of this Order, the expression "wholesale trading" means an international transaction or specified domestic transaction of trading in goods, which fulfils the following conditions, namely:-

(a) purchase cost of finished goods is eighty per cent. or more of the total cost pertaining to such trading activities; and

(b) average monthly closing inventory of such goods is ten per cent. or less of sales pertaining to such trading activities.

[Notification No.153/2026/F. No. 500/1/2014-APA-II]

KARTHIK CHEBOLI, Dy. Commissioner of Income Tax (OSD)(APA-I)
FT&TR -I, CBDT

Explanatory Memorandum

This Order, made under section 535 of the Income-tax Act, 2025 (30 of 2025), provides for a tolerance range of one per cent. for wholesale trading and three per cent. in all other cases, in relation to the assessments for the tax year ending on the 31st March, 2026, being the previous year relevant to the assessment year 2026-2027. It is certified that none will be adversely affected by the retrospective effect being given to this Order.

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