

AWARENESS AND ISSUES IN THE ADOPTION AND IMPLEMENTATION OF TRANSFER PRICING: A PERCEPTIONAL STUDY AMONG THE VARIOUS KINDS OF BUSINESS

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Abstract: *Transfer pricing influences the tax base of the countries involved in cross-border transactions. In any cross border tax scenario, the parties involved are the relevant entities of the MNE group along with the tax authorities. Transfer Pricing authorities while dealing with assesses there is negative response and hence, these issues need thorough investigation and necessary modification in the structural aspects of the provisions of the act. In this scenario, the present study is taken up to find out the awareness and general and specific issues affecting the adoption and implementation of transfer pricing among the business firms in Chennai city. A descriptive methodology with the sample size of 442 is conducted. The data required is collected through a structured and tested questionnaire. The results show that, each dimension of issue is faced by the set of firms in the sample, namely awareness, modus operandi, internal and external issues. Creating awareness, resolving policy issues by the government, internal issues by the management and audit related issues in consultation with the experts can help in improving the adoption and implementation of transfer pricing tax system among the firms in a phased manner.*

Key words: *cross border-multinational entities-online transfer-pricing-audit issues.*

I. Introduction

Transfer prices serve to determine the income of both the parties involved in the cross-border transaction. The Transfer Pricing therefore, influences the tax base of the countries involved in cross-border transactions. In any cross border tax scenario, the parties involved are the relevant entities of the MNE group along with the tax

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authorities. When the tax authority of one country adjusts the profit of a member of the MNE group, this may have an effect on the tax base of another country. The outcome of this dichotomy is that Transfer Pricing has become a major tax issue for the companies. In other words, cross-border tax situations involve issues related to jurisdiction, allocation of income and valuation.

II. Review of Literature

Jabiulla & Basavaraj C.S (2006), study shows that the business and industry in India is comfortable about the specific and general issues studied in the paper. However, as regards to audit procedure, time period of 8 years to maintain documents and cooperation of Transfer Pricing authorities while dealing with assesses there is negative response and hence, these issues need thorough investigation and necessary modification in the structural aspects of the provisions under study. If this suggestion is implemented the Indian Transfer Pricing provisions positively contribute to the growth of the international trade.

Srinivasan(1972), proposed and came up with a tax evasion model. The research gave a formal analysis of the proportion of income understated derived as a function of the true income. He also argued that given the income distribution, a proportionate tax function in the absence of understatement of income, will yield larger expected revenue in the presence of optimal understatement of income.

III. Research Methodology

The current study is descriptive and fact finding in nature. For the purpose of study the Chennai city is taken as sample area. The sample firms were identified with the CII and Industry owners association and the other trade federations in the sample area. The primary aim of the study is to find out the awareness and general and specific issues affecting the adoption and implementation of transfer pricing among the sample. The top management executives dealing with the tax planning and profit planning are met with prior appointment and discussed the issues related to transfer pricing mechanism. The reasons are vary from business to business and sector to sector. In some cases, the chain of businesses held by a group the issues are many. The data collection is done by using a questionnaire. The impact of transfer pricing issues in profit planning and tax planning and the employees perceptions on the same and its relevance and relationship with the performance of the firm is explored. Chennai city is taken up as a sample unit for the present study. Initially a pilot study was conducted with 122 questionnaires and the reliability for the same was calculated by using Corn Bach's Alpha Score and found at 0.811 (81.1 Percent) as reliable.

IV. Data Analysis and Interpretation

ANOVA helps to understand the perceptual differences and similarities between the various groups of the respondents classified on the basis of demographical or socio economic or professional parameters. Here, the classification of respondents on the basis of the nature of the firm and its attributes. In addition, the transfer pricing reactions, awareness and perceptions are also used as criteria for classification. The detailed analysis and its interpretations are presented in the following pages.

Null Hypothesis: There is no significant difference among different kinds of business firms with regard to perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.1: ANOVA for significant difference among executives from different kinds of businesses with regard to awareness and perceptions of Transfer pricing and its impact

Dimensions of the study		Type of business					F value	P value
		1	2	3	4	5		
Q17.Awareness of TP	Mean	31.25	31.68	32.18	38.73	34.90	5.317	.000**
	SD	(14.88)	(14.11)	(13.04)	(12.09)	(12.60)		
Q18.Policy frame work issues of TP	Mean	24.05	24.66	25.42	29.16	26.71	4.313	.002**
	SD	(10.77)	(9.92)	(9.69)	(9.31)	(8.71)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	24.97	26.90	27.71	29.70	27.14	2.552	.038*
	SD	(10.55)	(10.38)	(9.80)	(9.26)	(8.87)		
Q22-23.Issues and challenges in TP audit	Mean	16.52	17.26	17.28	14.18	15.85	4.062	.003**
	SD	(6.38)	(6.44)	(6.52)	(6.49)	(6.35)		

Note: **- indicates highly significant at 5% level of significance. *-indicates significant at 5% level and p values without any indication represents not significant at 5% level of significance.

Note: 1-Manufacturing; 2- Trading/distribution; 3- Distribution; 4-Construction; 5-Financial Services

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the executives belongs to different kinds of businesses with regard to awareness, policy issues, audit related issues and preferred changes as factors in the adoption and implementation of Transfer pricing tax system among the firms in the sample is rejected at 1% level of significance. Based on the mean value, it is noted that, awareness and policy issues as impediments are endorsed by the respondents from construction industry. On the other hand, issues in audit and the preferred changes are not made in the policy as reasons for poor adoption and implementation of transfer price mechanism is referred by the respondents from the distribution industry in the sample.

Since p value is less than 0.05, the null hypothesis, There is no significant difference among the executives belongs to different kinds of businesses with regard to internal issues as factors in the adoption and implementation of Transfer pricing tax rules among the firms is rejected at 5% level of significance and it indicates, the moderate level of influence of internal issues in the implementation of transfer pricing tax system in the firms.

II. Null Hypothesis: There is no significant difference among the firms with different TP issues status with regard to perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table 5.2: ANOVA for significant difference among the firms with different status of TR issues and perceptions on TP impact on profit planning of the firm

		Status of TP issues					F value	P value
		Yes-resolved	No issues	Once	Twice	More than twice		
Q17.Awareness of TP	Mean	30.33	33.38	34.38	36.08	33.77	2.256	.062
	SD	(14.92)	(13.41)	(14.31)	(12.03)	(13.53)		
Q18.Policy frame work issues of TP	Mean	22.95	25.70	25.95	28.23	26.30	3.719	0.005*
	SD	(10.78)	(9.51)	(10.30)	(8.92)	(9.23)		

Q19-21.Issues and challenges in adoption and practice of TP	Mean	23.66	27.61	26.55	30.14	27.28	5.547	0.000* *
	SD	(11.04)	(9.72)	(9.95)	(8.64)	(9.33)		
Q22-23.Issues and challenges in TP audit	Mean	17.96	17.62	15.65	15.64	14.42	6.912	0.000* *
	SD	(6.31)	(6.34)	(5.98)	(6.55)	(6.47)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firms with different TP issues status with regard to awareness, policy issues, internal issues, audit related issues, rigid regulatory to the preferred changes and best practices as reasons in the adoption and implementation of transfer pricing tax system implementation and impact on profit planning of the business among the sample is rejected at 1% level of significance. Based on the same, it is inferred that, There is a highly significant difference among the firms with best practices as reasons in the adoption and implementation of transfer pricing tax system implementation among the firms.

Based on the mean value, it is noted that, the firms faced issues twice strongly endorsed the role of awareness, policy issues and internal issues as reasons for poor adoption and implementation of transfer pricing tax mechanism among the firms. Similarly, the audit related issues and rigidity in making the preferred changes in the system as reasons for poor adoption and implementation is endorsed by the firms had issues in TP transaction and resolved later in the sample.

III. Null Hypothesis: There is no significant difference among the firms with different offices handling the responsibility of TP experience with regard to perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.3 : ANOVA for significant difference among different with different offices handling the responsibility of TP experience with regard to perceptions on the impact of TP on profit planning

		Responsibility of TP activities						
Dimensions of the study		Indian office	Regional office	Global head office	Regional and global	Based on need	F value	P value
Q17.Awareness of TP	Mean	25.39	32.32	31.67	34.93	37.48	11.179	.000**

	SD	(13.46)	(14.10)	(14.18)	(13.40)	(11.56)		
Q18.Policy frame work issues of TP	Mean	19.61	25.05	24.09	27.08	28.89	13.487	.000**
	SD	(9.23)	(9.62)	(9.76)	(9.94)	(8.44)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	21.30	27.12	26.36	27.71	29.69	9.339	.000**
	SD	(10.65)	(9.63)	(9.94)	(9.96)	(8.53)		
Q22-23.Issues and challenges in TP audit	Mean	19.30	17.25	17.35	15.20	14.95	7.786	.000**
	SD	(5.13)	(6.09)	(6.27)	(6.76)	(6.59)		

There is a highly significant difference among the place of handling TP issues with regard to perceptions on the factors of implementation of TP system among the firms in the sample. based on the mean value, it is noted that, awareness, policy related issues and internal issues of the firms as reasons for poor level of adoption and implementation of transfer pricing system of taxation is quoted by the firms handling TP issues based on the need from different locations of operation. Whereas audit related issues and rigid behaviour of regulatory for the changes preferred in the system as reasons for poor level of adoption and implementation of transfer pricing system of taxation is quoted by the firms handling TP issues from Indian head quarters in the sample.

IV. Null Hypothesis: There is no significant difference among the firms with different levels of efforts on TP documentation with regard to perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.4 : ANOVA for significant difference among different with different levels of efforts on TP documentation with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Level of efforts					F value	P value
		Very high	High	Mode rate	Low	Very Low		
Q17.Awareness of TP	Mean	53.39	56.90	57.81	58.22	59.01	12.397	0.000**

	SD	(6.55)	(4.66)	(3.76)	(4.12)	(5.86)		
Q18.Policy frame work issues of TP	Mean	34.66	37.05	38.58	37.94	40.32	9.141	0.000**
	SD	(6.88)	(5.48)	(4.33)	(5.50)	(6.40)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	34.24	36.90	38.98	38.03	39.73	10.479	0.000**
	SD	(6.73)	(5.23)	(4.01)	(5.10)	(6.04)		
Q22-23.Issues and challenges in TP audit	Mean	33.31	35.96	37.23	37.06	38.82	5.815	0.000**
	SD	(9.26)	(6.94)	(4.63)	(6.38)	(6.89)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firms with different levels of efforts on TP documentation with regard to perceptions on the factors of adoption and implementation of transfer pricing system and the impact of TP on profit planning of the firm is rejected at 1% level of significance. Based on the same, it is inferred that, there is a highly significant difference among the firms with different levels of efforts on TP documentation with regard to perceptions on the factors of adoption and implementation of transfer pricing system among the firms in the sample. Based on the mean value, it is noted that, awareness, policy related issues, internal issues of the firms, audit related issues, rigid behaviour of the regulatory as reasons for the poor adoption and implementation of transfer pricing system is quilty by the firms taking nominal efforts towards transfer pricing system and documentation among the firms in the sample.

V. Null Hypothesis: There is no significant difference among the firms with different TP audit experience with regard to perceptions on awareness; policy related issues, internal issues of the firm, audit related among the firms in the sample.

Table-5.5: ANOVA for significant difference among different TP audit experience with regard to perceptions on the impact of TP on profit planning

Dimensions of the study	Experience on TP audit					F value	P value
	Highly co-	Mutually understandin	Give and take	Subjective	Rigid and		

		operative	g	approac h		problems		
Q17.Awareness of TP	Mean	37.78	34.29	38.04	38.03	38.04	5.887	0.000**
	SD	(4.70)	(7.11)	(4.74)	(5.43)	(5.81)		
Q18.Policy frame work issues of TP	Mean	37.16	32.31	36.44	36.24	37.50	6.708	0.000**
	SD	(6.06)	(9.13)	(5.71)	(7.05)	(7.07)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	37.68	33.98	37.04	36.79	38.60	7.253	0.000**
	SD	(4.51)	(8.03)	(4.83)	(5.14)	(6.13)		
Q22-23.Issues and challenges in TP audit	Mean	56.17	56.59	60.51	56.06	56.91	7.573	0.000**
	SD	(4.49)	(5.15)	(6.73)	(4.13)	(5.02)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firms with different TP audit experience with regard to perceptions on the factors of adoption and implementation of transfer pricing system among the firms and its impact of TP on profit planning among the firms is rejected at 1% level of significance. Based on the same, it is inferred that, there is a highly significant difference among the firms with different TP audit experience with regard to perceptions on the factors of adoption and implementation of transfer pricing system among the firms in the sample. Based on the mean value, it is noted that, awareness, policy related issues and internal issues of the firm as reasons for the poor adoption and implementation of transfer pricing system is quoted by the firms faced rigid behaviour of regulatory in the TP audit among the firms. Hence, awareness, policy issues and internal issues of the firms play a greater role in the adoption and implementation of the transfer pricing system of taxation.

VI. Null Hypothesis: There is no significant difference among the firms with different TP audit experience with regard to perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.6: ANOVA for significant difference among different TP audit experience with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Perception on Reliefs granted by ITAT to companies					F value	P value
		Encouraging	Considerable	Moderate	Below average	Nominal		
Q17.Awareness of TP	Mean	36.45	36.47	40.91	36.34	37.17	6.456	0.000**
	SD	(5.85)	(5.76)	(6.31)	(5.70)	(5.69)		
Q18.Policy frame work issues of TP	Mean	39.88	37.20	36.77	36.66	36.27	4.267	0.000**
	SD	(5.97)	(5.02)	(5.86)	(5.89)	(5.98)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	38.56	36.19	35.78	36.04	35.92	12.465	0.014*
	SD	(7.21)	(6.35)	(7.57)	(7.01)	(7.76)		
Q22-23.Issues and challenges in TP audit	Mean	39.96	37.61	36.06	36.45	36.47	11.955	0.001**
	SD	(6.41)	(5.16)	(6.09)	(5.85)	(5.76)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firms with different TP audit experience with regard to perceptions on the factors of adoption and implementation of transfer pricing system among the firms and the impact of TP on profit planning of the firm in the sample is rejected at 1% level of significance. Based on the mean values, it is noted that, awareness, policy related issues, audit related issues and rigid behaviour of the regulatory as reasons for poor level of adoption and implementation of transfer pricing system of taxation is quoted by the firms received moderate and encouraging level of relief granted by ITAT to companies in the sample. Hence, the relief received from ITAT has nominal role in the adoption and implementation of transfer pricing system of taxation among the sample. Similarly, p value is less than 0.05, The null hypothesis, There is no significant difference among the firms with different TP audit experience with regard to perceptions on the role of internal issues of the firms as a factor in the adoption and implementation of transfer pricing system of taxation among the firms in the sample is rejected at 5% level of significance.

VII. Null Hypothesis: There is no significant difference among the firms with different levels of satisfaction with MAP with regard to perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.7: ANOVA for significant difference among different levels of satisfaction with MAP with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Level of satisfaction with MAP					F value	P value
		Highly satisfied	Satisfied	Somewhat satisfied	Not satisfied	Not at all satisfied		
Q17.Awareness of TP	Mean	55.82	56.89	56.54	58.53	59.29	7.039	0.000**
	SD	(5.89)	(3.89)	(4.04)	(4.00)	(6.14)		
Q18.Policy frame work issues of TP	Mean	37.01	37.59	37.07	37.09	39.38	2.308	0.051*
	SD	(6.59)	(4.90)	(4.77)	(4.93)	(6.83)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	36.41	37.06	37.56	37.47	40.08	5.833	0.000**
	SD	(6.23)	(4.85)	(4.64)	(5.38)	(5.65)		
Q22-23.Issues and challenges in TP audit	Mean	34.70	37.05	36.63	37.64	37.90	3.788	0.005**
	SD	(7.64)	(6.10)	(6.16)	(6.53)	(7.78)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firms with different levels of satisfaction with MAP with regard to perceptions on the factors of adoption and implementation of transfer pricing system among the firms and the impact of TP on profit planning of the firms in the sample is rejected at 1% level of significance. Based on the same, it is inferred that, there is a highly significant difference among the firms with different levels of satisfaction with MAP with regard to perceptions on awareness, internal

factors and audit related issues as the factors of adoption and implementation of transfer pricing system among the firms. Similarly, p value is less than 0.05, the null hypothesis, There is no significant difference among the firms with different levels of satisfaction with MAP with regard to perceptions on policy related issues and preferred changes not accepted by the regulatory as factors of adoption and implementation of transfer pricing system among the firms is rejected at 5% level of satisfaction. Hence, it is inferred that, There is a significant difference among the firms with different levels of satisfaction with MAP with regard to perceptions on policy related issues and preferred changes not accepted by the regulatory as factors of adoption and implementation of transfer pricing system among the firms indicating the moderate level of influence.

VIII. Null Hypothesis: There is no significant difference among the firm's average quantum of issues facing with TP and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.8: ANOVA for significant difference among different quantum of of sales facing TP issues with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Quantum of issues faced with TP					F value	P value
		Nil	<Rs.25 crores	Rs.26-50 crores	Rs.51-75 Crores	>Rs.75 Crores		
Q17.Awareness of TP	Mean	55.82	56.89	56.54	58.53	59.29	7.039	0.000**
	SD	(5.89)	(3.89)	(4.04)	(4.00)	(6.14)		
Q18.Policy frame work issues of TP	Mean	37.01	37.59	37.07	37.09	39.38	2.308	0.057*
	SD	(6.59)	(4.90)	(4.77)	(4.93)	(6.83)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	36.41	37.06	37.56	37.47	40.08	5.833	0.000**
	SD	(6.23)	(4.85)	(4.64)	(5.38)	(5.65)		
Q22-23.Issues and challenges in TP audit	Mean	34.70	37.05	36.63	37.64	37.90	3.788	0.005**

	SD	(7.64)	(6.10)	(6.16)	(6.53)	(7.78)		
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Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firm's average quantum of issues facing with TP and perceptions on awareness, internal issues of the firm, audit related issues and best practices as factors in the adoption and implementation of transfer pricing system among the firms in the sample is rejected at 1% level of significance. Hence, the quantum of transactions are high, the adverse behaviour towards the adoption and implementation of transfer pricing system is also high. It may be due to lack of awareness, internal issues and audit related issues faced by the firms. In addition, the quantum of transaction value has direct proportionate relationship with the tax liability and other implications.

There is a significant difference among the firm's average quantum of issues facing with TP and perceptions on policy related issues and rigid behaviour of the regulatory as factors in the adoption and implementation of transfer pricing system among the firms indicating the moderate level of influence of policy related issues and rigid behaviour of the regulatory as factors in the adoption and implementation of transfer pricing system. Hence, policy level changes and diplomatic behaviour of regulatory authorities in need of the hour to improve the adoption and implementation of transfer pricing system among the firms in the sample.

IX. Null Hypothesis: There is no significant difference among the firm's with different products /services deal and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.9: ANOVA for significant difference among different products deal with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Type of products deal					F value	P value
		Consumer	Industrial	IT/ITES	Service	Fin.Services		
Q17.Awareness of TP	Mean	37.78	34.29	38.04	38.03	38.04	5.887	0.000**
	SD	(4.70)	(7.11)	(4.74)	(5.43)	(5.81)		
Q18.Policy framework issues of TP	Mean	37.16	32.31	36.44	36.24	37.50	6.708	0.000**

	SD	(6.06)	(9.13)	(5.71)	(7.05)	(7.07)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	37.68	33.98	37.04	36.79	38.60	7.253	0.000**
	SD	(4.51)	(8.03)	(4.83)	(5.14)	(6.13)		
Q22-23.Issues and challenges in TP audit	Mean	57.42	53.87	57.22	56.06	58.25	8.730	0.000**
	SD	(3.68)	(7.52)	(4.16)	(4.56)	(5.28)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firm's with different products /services deal and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample is rejected at 1% level of significance. Hence, it is inferred that, there is a highly significant difference among the firm's with different products /services deal and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample. This indicates that, higher number of transfer pricing issues may be arising in both financial and non banking financial services in the sample. Hence, it is necessary to focus on awareness creation, policy issues resolving, making changes in the system by introducing the flexibility can help in improving the degree of adoption and implementation of transfer pricing system among the firms in the sample.

X. Null Hypothesis: There is no significant difference among the firm's with varied levels of awareness and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues among the firms in the sample

Table-5.10: ANOVA for significant difference among varied levels of awareness and preparedness to TP policy with regard to perceptions on the impact of TP on profit planning

Dimensions of the study	Level of awareness and preparedness to TP policy changes					F value	P value
	Highly	Aware	Somewhat aware	Not aware	Not at all		

		aware				aware		
Q17.Awareness of TP	Mean	34.66	37.05	38.58	37.94	40.32	9.141	0.000**
	SD	(6.88)	(5.48)	(4.33)	(5.50)	(6.40)		
Q18.Policy frame work issues of TP	Mean	34.24	36.90	38.98	38.03	39.73	10.479	0.000**
	SD	(6.73)	(5.23)	(4.01)	(5.10)	(6.04)		
Q19-21. Issues and challenges in adoption and practice of TP	Mean	33.31	35.96	37.23	37.06	38.82	5.815	0.000**
	SD	(9.26)	(6.94)	(4.63)	(6.38)	(6.89)		
Q22-23.Issues and challenges in TP audit	Mean	35.16	36.66	38.15	38.17	39.19	5.205	0.000**
	SD	(7.31)	(5.90)	(4.33)	(4.52)	(6.42)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firm's with varied levels of awareness and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample is rejected at 1% level of significance. Based on the same, it is inferred that, there is a highly significant difference among the firm's with varied levels of awareness and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample. Based on the mean value, it is noted that, awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system is strongly endorsed by the firms with very low level of awareness and preparedness towards TP policy changes in the system. In many cases, intentional default and ignorance of the system is observed among the firms, hence, an effective communication between the parties is also an essential factor to establish the changes. Further best practices among the firms can help in improving the degree of adoption and implementation of new tax system among the firms.

XI. Null Hypothesis: There is no significant difference among the firm's primary issues in TP implementation and perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample

Table-5.11: ANOVA for significant difference among primary issues in TP implementation with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Primary issues in implementation					F value	P value
		Tax authorities co-operation	Tax implications	Documentation	Awareness	Consistency in reporting		
Q17.Awareness of TP	Mean	57.42	53.87	57.22	56.06	58.25	8.730	0.000**
	SD	(3.68)	(7.52)	(4.16)	(4.56)	(5.28)		
Q18.Policy frame work issues of TP	Mean	38.41	33.81	37.33	37.65	38.66	8.730	0.000**
	SD	(4.72)	(7.15)	(4.97)	(4.75)	(6.29)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	37.78	34.29	38.04	38.03	38.04	5.887	0.000**
	SD	(4.70)	(7.11)	(4.74)	(5.43)	(5.81)		
Q22-23.Issues and challenges in TP audit	Mean	37.16	32.31	36.44	36.24	37.50	6.708	0.000**
	SD	(6.06)	(9.13)	(5.71)	(7.05)	(7.07)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firm's primary issues in TP implementation and perceptions on awareness; policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample is rejected at 1% level of significance. Based on the same, it is inferred that, there is a highly significant difference among the firm's primary issues in TP implementation and perceptions on awareness; policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample. based on the mean value, it is noted that, awareness; policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms is

strongly endorsed by the firms facing issues with consistency in reporting as a primary problem in the transfer pricing.

XII. Null Hypothesis: There is no significant difference among the **firm's preferred appellate forum and perceptions on awareness; policy related issues, internal issues of the firm, audit related issues among the firms in the sample**

Table-5.12: ANOVA for significant difference among firm's Preferred appellate forum with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Preferred appellate forum					F value	P value
		CIT-A	Both CIT-A and DRP	DRP	Neither CIT-A and DRP	Arbitrat or form		
Q17.Awareness of TP	Mean	36.66	36.27	40.93	37.15	37.30	6.758	0.000**
	SD	(5.89)	(5.98)	(6.12)	(4.89)	(5.15)		
Q18.Policy frame work issues of TP	Mean	36.04	35.92	40.49	34.70	36.00	5.830	0.000**
	SD	(7.01)	(7.76)	(7.06)	(6.57)	(6.68)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	36.45	36.47	40.91	36.34	37.17	6.456	0.000**
	SD	(5.85)	(5.76)	(6.31)	(5.70)	(5.69)		
Q22-23.Issues and challenges in TP audit	Mean	39.96	37.61	59.40	57.45	55.90	13.235	0.000**
	SD	(6.41)	(5.16)	(5.85)	(4.22)	(5.51)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firm's preferred appellate forum and perceptions on awareness; policy related issues, internal issues of the firm, audit

related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample is rejected at 1% level of significance. Based on the same, it is inferred that, there is a highly significant difference among the firm's preferred appellate forum and perceptions on awareness; policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample. based on the mean value, it is observed that, awareness; policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms is strongly endorsed by the firms Preferred DRP as appellate forum when compared to others in the sample. Hence, DRP role in making the firms involve in the system is high and hence, the DRP can insist the transfer pricing mechanism of taxation among the firms in the sample.

VIII. Null Hypothesis: There is no significant difference among the **firm's** Experience with 'Advance Pricing Agreements'(APA) **and** perceptions on awareness, policy related issues, internal issues of the firm, audit related issues among the firms in the sample

Table-5.8: ANOVA for significant difference Experience with 'Advance Pricing Agreements' (APA) **with regard to perceptions on the impact of TP on profit planning**

Dimensions of the study		Experience with 'Advance Pricing Agreements'(APA)					F value	P value
		Initial stage	Good	Promising	Unjustified	No trust		
Q17.Awareness of TP	Mean	31.97	32.57	30.10	35.35	36.22	6.487	0.000**
	SD	(13.96)	(13.52)	(13.90)	(12.94)	(13.30)		
Q18.Policy framework issues of TP	Mean	24.80	25.37	23.06	27.00	28.07	7.922	0.000**
	SD	(9.80)	(9.40)	(9.80)	(9.20)	(9.79)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	26.73	26.75	24.97	27.97	29.19	5.222	0.001**
	SD	(9.94)	(9.78)	(10.34)	(9.14)	(9.62)		

Q22-23.Issues and challenges in TP audit	Mean	15.54	18.06	17.48	15.85	14.26	10.570	0.000**
	SD	(6.00)	(5.89)	(6.10)	(6.52)	(6.73)		

Since p value is less than 0.01, the null hypothesis, There is no significant difference among the firm's Experience with 'Advance Pricing Agreements' (APA) and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample is rejected at 1% level of significance. Hence, it is necessary to take necessary steps to improve the trust towards Advance Pricing Agreements'(APA) among the firms can help in convincing and to make adoption and implementation of transfer pricing system among the firms. Hence, there is a lot to do from the regulatory side than the firms.

VIII. Null Hypothesis: There is no significant difference among the firm's perceptions on the impact of Clause 49 on business and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues among the firms in the sample

Table-5.8: ANOVA for significant difference among firm's perceptions on the impact of Clause 49 on business with regard to perceptions on the impact of TP on profit planning

Dimensions of the study		Perceptions on the impact of Clause 49 on business					F value	P value
		Very low	Low	Moderate	High	Very high		
Q17.Awareness of TP	Mean	36.14	31.82	32.73	33.00	41.62	10.592	.000**
	SD	(12.89)	(13.90)	(13.60)	(13.86)	(9.41)		
Q18.Policy frame work issues of TP	Mean	27.82	24.30	25.40	25.86	31.77	11.623	.000**
	SD	(9.46)	(9.78)	(9.66)	(9.81)	(7.49)		
Q19-21.Issues and challenges in adoption and practice of TP	Mean	28.35	25.47	27.61	27.00	31.34	6.826	.000**

	SD	(9.25)	(10.13)	(9.80)	(9.56)	(8.20)		
Q22-23.Issues and challenges in TP audit	Mean	15.45	16.61	13.58	16.58	16.92	5.290	.001**
	SD	(6.98)	(6.28)	(6.45)	(6.39)	(6.77)		

P value observed for the null hypothesis, There is no significant difference among the firm's perceptions on the impact of Clause 49 on business and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample is 0.001 as less than 0.01. Based on the same, the null hypothesis is rejected at 1% level of significance. Based on the same, it is inferred that, There is a highly significant difference among the firm's perceptions on the impact of Clause 49 on business and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample.

XV. Null Hypothesis: There is no significant difference among the firm's Perceptions on degree of impact of TP on the profit planning and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues among the firms in the sample.

Table-5.15: ANOVA for significant difference among Perceptions of firm's on degree of impact of TP on the profit planning and perceptions on various dimensions

Dimensions of the study		Degree of impact of TP on profit planning perceived					F value	P value
		SDA	DA	SWA	A	SA		
Q17.Awareness of TP	Mean	25.39	32.32	31.67	34.93	37.48	11.179	.000**
	SD	(13.46)	(14.10)	(14.18)	(13.40)	(11.56)		
Q18.Policy frame work issues of TP	Mean	19.61	25.05	24.09	27.08	28.89	13.487	.000**
	SD	(9.23)	(9.62)	(9.76)	(9.94)	(8.44)		

Q19-21.Issues and challenges in adoption and practice of TP	Mean	21.30	27.12	26.36	27.71	29.69	9.339	.000**
	SD	(10.65)	(9.63)	(9.94)	(9.96)	(8.53)		
Q22-23.Issues and challenges in TP audit	Mean	19.30	17.25	17.35	15.20	14.95	7.786	.000**
	SD	(5.13)	(6.09)	(6.27)	(6.76)	(6.59)		

There is a highly significant difference among the firm's Perceptions on degree of impact of TP on the profit planning and perceptions on awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms in the sample. based on the mean value, it is noted that, awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms is strongly endorsed by the firms strongly agreed the impact of transfer pricing on the profit planning of the firm in the sample. Hence, It Is Observed That, the Firms in the sample has no positive opinion towards the transfer pricing mechanism and its procedures.

V. Findings and Observations of the study

1. **Awareness:** It is observed from the analysis that, lack of awareness on procedure aspects of computation, filing and payment is the basic issues. The significant difference of awareness is observed between the various kinds of business. Hence, the issues with regard to Tax authorities co-operation, Tax implications, Documentation, Awareness and Consistency in reporting needs to be addressed in order to improve the adoption and implementation of transfer pricing system among the firms.

2. **Internal issues:** The internal issues affecting TP practice is lack of training and expertise, management support and attitude and other administrative aspects stands as constraints in the implementation of TP mechanism. It is observed that, awareness, internal factors and audit related issues as the factors of adoption and implementation of transfer pricing system is strongly endorsed by the firms not at all satisfied with the mutually agreed procedures(MAPs) laid down by the system.

3. **External issues:** The external issues in the implementation of TP are lack of co-operation from the tax officers and the frequent changes in the mechanism. based on the mean value, it is observed that, awareness, policy related issues, internal issues of the firm, audit related issues, rigid behaviour of regulatory as factors in the adoption and implementation of transfer pricing system among the firms is

strongly endorsed by firms Perceived high level of impact of Clause 49 on business among the sample.

4. **Audit related issues:** The audit issues observed in the transfer pricing are valuation of stock, methods of valuation, maintenance of records, vouchers and discrepancies in the financial statements. Similarly, issues in audit, rigid behaviour of regulatory and best practices as reasons for adoption and implementation is quoted by the firms observed give and take experience in the audit among the sample.

VI. Suggestions to overcome the issues:

1. Each dimension of issue is faced by the set of firms in the sample. Hence, creating awareness, resolving policy issues by the government, internal issues by the management and audit related issues in consultation with the experts can help in improving the adoption and implementation of transfer pricing tax system among the firms in a phased manner.

2. Tax authorities needs to flexible and try to resolve the issues in the adoption and implementation of new system among the firms in a phased manner. A mutual understanding between the parties is a prerequisite for the same. Hence, creating awareness, implications of the system in social and statutory view point and the role of firms in economic development of the country can help in making the firms to fall in line over a period of time.

3. Encouragement from the regulatory with regard to best practices, degree of adoption of new system and co-operation in enhancing the implementation can improve the degree of adoption and implementation. The steps in this direction can give better results in doing the same.

4. Introduction of the new system, making the firms to understand the philosophy behind it, the long term implications of the system, awareness on the various provisions and procedures of transfer pricing system is need of the hour. The policy issues, rigid regulatory rules should be flexible and give a long rope to fall in line. Hence, the time given for the change in systems should be reasonable enough with mutual understanding and case to case basis can enhance the adoption and implementation.

5. The adoption and implementation of transfer pricing system is having many myths among both the parties in the system, hence, a well explained deliberation on system and procedures can help in resolving the misunderstanding and to adopt the new system with ease.

6. Based on the mean value, it is noted that, internal issues of the firms as a factor in the adoption and implementation of transfer pricing system of taxation is quoted by the firms received encouraging level of relief received from ITAT among the firms in the sample. This indicates that relief received has no role in the perceptions towards factors of adoption and implementation of transfer pricing system of taxation in the sample.

7. MAPs needs to be reviewed in the light of client's satisfaction and take necessary steps to improve the flexibility and comfort level towards the system.

8. Clause 49 of the New companies Act 2013 has a role in the adoption and implementation of transfer pricing system. The changes requested and appealed by the firms can be considered in the light of business climate and feasibility and favour the firms can help in improving the trust towards the system.

VII. Summary and conclusion

Transfer pricing system of taxation adoption and implementation may not be a difficult task among the firms in the sample provided an effective awareness campaign, explanation of mode of operation and its benefits, training on documentation and reporting, policy consistency and management support from the firm end. Similarly co-operative and empathy behaviour towards tax payers and mutual understanding between the tax payer and collector through regular communication from the regulatory end can made is possible within a short span of time. An effective follow up and support from the government, management and the arbitrators is essential in the process.

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