TRANSFER PRICING DIGEST – JULY 2026

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I. *Applicability of TP Provisions*

a. *International Transactions*

1. **TPV Technology India Pvt. Ltd. vs. ACIT [TS-555-ITAT-2026(DEL)-TP] [22-07-2026] – ITA No. 1947/Del/2023 – [AY 2015-16] – [2026] 188 taxmann.com 846 (Delhi - Trib.)**

   ITAT: Where goodwill recognized in an assessee's books upon demerger of its AE's branch undertaking represents merely an accounting entry recognizing the excess of liabilities over assets, without any purchase, sale, transfer, lease or use of an intangible asset, it does not constitute an "international transaction" under section 92B, and no penalty under section 271AA can be levied for its non-disclosure in Form 3CEB; where, further, the accounting treatment is revenue neutral and the assessee has made complete disclosure to its accountant for preparation of Form 3CEB, reasonable cause under section 273B exists for such non-disclosure, warranting deletion of penalty.

   The assessee, a wholly owned Indian subsidiary of its Hong Kong AE engaged in selling products manufactured by the AE group in India, recognized goodwill in its books pursuant to a court-approved demerger of the Indian branch office of its AE It was subjected to penalty under section 271AA for not disclosing this as an international transaction in Form 3CEB. The AO held that the demerger constituted a business re-organization falling within the international-transaction definition under section 92B and levied penalty for non-disclosure. The CIT(A) held that the goodwill entry merely denoted the excess of liabilities over assets of the demerged undertaking without any acquisition, transfer, or use of an intangible asset, that the accounting was revenue neutral since the amortized goodwill charged to profit and loss was added back in computing income, and that the assessee had made complete disclosure to its accountant, and accordingly deleted the penalty as also based on a vague, mechanical notice. The Tribunal rejected the Revenue's contention that the demerger amounted to a business re-organization covered by section 92B, holding that since no goodwill existed in the demerged undertaking's own books, its recording in the assessee's books was merely an accounting entry and not the acquisition or transfer of any asset, so no international transaction arose It further held that the revenue-neutral treatment of the amortized amount having been added back while computing taxable income constituted reasonable cause under section 273B for non-disclosure, and accordingly upheld the CIT(A)'s deletion of penalty.

2. **Standard Chartered Bank Ltd. [TS-549-ITAT-2026(Mum)-TP] [16-07-2026] - ITA Nos. 4247, 4275, 4264 & 4265/Mum/2025 - [AYs 2004-05 & 2005-06] - [2026] 188 taxmann.com 675 (Mumbai - Trib.)**

   ITAT: Issue of applicability of TP provisions to transactions between an enterprise and its own PE in India stands covered against the assessee by binding Special Bench precedent.

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Assessee, a UK-based bank operating in India through its branch. Assessee contended that TP provisions were inapplicable since the India Branch and Head Office/overseas branches, being the same legal entity, could not constitute "associated enterprises" under Article 10/Section 92 read with the definitions under the Act. Both parties agreed the issue is concluded against the assessee by the Special Bench (Ahmedabad) decision in ***TBEA Shenyang Transformed Group Company Ltd. v. DCIT, 169 taxmann.com 145***. Ground dismissed, following binding Special Bench precedent.

3. **NTT DATA FA Insurance Systems (India) Pvt. Ltd. vs. DCIT [TS-505-ITAT-2026(Bang)-TP] [29-06-2026] -** IT**(TP)A No. 1557/Bang/2024 – [AY 2020-21] - [2026] 188 taxmann.com 139 (Bangalore - Trib.)**

   ITAT: held that outstanding receivables from an AE constitute an international transaction; however, the arm's length interest is to be computed at LIBOR + 2%.

   _The assessee did not treat outstanding receivables from its AE as a separate international transaction, contending that they were intrinsically linked to the primary software development services and stood subsumed within the benchmarking of such services under TNMM. The assessee further submitted that it was a debt-free company, had incurred no borrowing costs, did not charge interest from its AE and had contractually agreed to a credit period of 90 days, whereas the TPO arbitrarily adopted a 30-day credit period and computed notional interest at 13.62%. The TPO treated the receivables as a separate international transaction and made an adjustment, which was sustained by the DRP. The Tribunal observed that, in the assessee's own case for AY 2016-17, it had already held, following the Karnataka High Court in *PCIT v. AMD India Pvt. Ltd.*, that outstanding receivables constitute an international transaction under section 92B. However, it had also held that the appropriate benchmark for such receivables is LIBOR + 2%. Following the principle of consistency, the Tribunal set aside the interest rate adopted by the AO/TPO and directed recomputation of the adjustment by applying LIBOR + 2% in accordance with its earlier order. ***[NTT DATA FA Insurance Systems (India) Pvt. Ltd. v. DCIT [TS-742-ITAT-2022(Bang)-TP] followed]***

b. *Specified Domestic Transactions*

1. **Lakshmi Machine Works Ltd. vs. DCIT [TS-521-ITAT-2026(CHNY)-TP] [03-07-2026] – ITA No. 2094/Chny/2017 – [AY 2013-14]**

   ITAT: For captive consumption of electricity, the arm's length price under section 80-IA (8) is the tariff charged by the State Electricity Board to industrial consumers and not the tariff at which the Board purchases surplus power from generators.

   The assessee, engaged in the manufacture of the entire range of textile spinning machinery, benchmarked the specified domestic transaction relating to the transfer of wind energy from its eligible power units to its manufacturing units under the CUP

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method by adopting the tariff at which Tamil Nadu Electricity Board (TNEB) supplied electricity to industrial consumers. The TPO rejected the benchmarking and adopted the rate at which TNEB purchased power from generators, resulting in a downward adjustment to the deduction under section 80-IA. The Tribunal held that the TPO's approach ignored the settled legal position governing captive consumption of electricity. It observed that where the assessee is not engaged in the business of selling electricity to distribution companies but generates power solely for captive consumption, the purchase price paid by the Electricity Board to generators cannot represent the market value or arm's length price. The appropriate benchmark is the tariff payable by industrial consumers purchasing electricity from the State Electricity Board in the open market, since that reflects the price which the consuming unit would ordinarily incur. The Tribunal further held that the amendment to the Explanation to section 80-IA (8), introducing the concept of arm's length price for specified domestic transactions, did not alter or dilute the principle laid down by the Supreme Court in ***CIT v. Jindal Steel & Power Ltd*** regarding determination of market value. As the assessee had benchmarked the transaction using the consumer tariff of TNEB, the Tribunal held that the transfer satisfied the arm's length standard and directed deletion of the TP adjustment. ***[Prabhu Spinning Mills Pvt. Ltd [TS-478-ITAT-2025(CHNY)-TP], CIT v. Jindal Steel & Power Ltd. [(2023) 460 ITR 162 (SC)], PCIT v. Rungta Mines Ltd. [TS-402-HC-2024(CAL)-TP] relied upon]***

2. **Tamil Nadu Newsprint & Papers Limited vs. Dy. CIT [TS-560-ITAT-2026(CHNY)-TP] [21-07-2026] – ITA No. 1280/Chny/2026 – [AY 2017-18] - [2026] 188 taxmann.com 845 (Chennai - Trib.)**

   ITAT: Where assessee engaged in manufacturing paper transferred electricity from its captive power unit to its own division, valuing it at tariff charged to industrial consumers and claimed no deduction under section 80-IA due to loss, no adjustment could be made under normal provisions and market value was rightly taken as rate charged by distribution company to consumers.

   Assessee engaged in manufacturing of paper, had captive power generating units which transferred electricity for captive consumption to its paper manufacturing division. Assessee valued said transfer at Rs. 6.35 per unit based on tariff charged by TANGEDCO (Tamil Nadu Generation and Distribution Corporation Limited) to industrial consumers. No deduction under section 80-IA was claimed due to returned loss. TPO determined ALP at Rs. 5.05 per unit and proposed upward adjustment of about Rs. 45.98 crores. Noting that deduction under section 80-IA did not arise for year, he quantified adjustment on protective basis. CIT(A) deleted adjustment holding that market value should be rate at which TANGEDCO supplied power to consumers. Tribunal ruled that once no deduction under section 80-IA was claimed, there was no occasion to make any adjustment under normal provisions. Even otherwise, market value/ALP was taken as rate at which electricity was supplied to consumers by distribution company. Accordingly, the order of the CIT(A) deleting the TP adjustment of Rs.45.98 crore is upheld.

3. **DCM Shriram Ltd. vs. DCIT [TS-516-ITAT-2026(DEL)-TP] [03-07-2026] – IT(TP)A No. 35/Del/2025 – [AY 2022-23] - [2026] 188 taxmann.com 98 (Delhi - Trib.)**

ITAT: The purchase price of electricity from the State Electricity Board is the appropriate CUP for benchmarking captive power transfers, and the Revenue cannot disregard binding judicial precedents merely because an SLP is proposed.

Assessee is a public limited company engaged in the business of manufacturing and trading of chemical, PVC Resins, PVC compounds, UPVC Windows & Door Systems, Cement, Sugar, Fertilizers, seeds, textile yarn, power generation etc. The assessee benchmarked the transfer of electricity from its eligible captive power units to non-eligible units using the rate at which it purchased electricity from the State Electricity Board (DGVCL) under the CUP method. The TPO rejected this approach and instead adopted Indian Energy Exchange (IEX) rates with an ad hoc 30% markup. The Tribunal held that the TPO's benchmarking was contrary to the settled position in the assessee's own case and lacked any factual or legal basis. It reiterated that electricity supplied by the State Electricity Board constitutes a reliable external CUP, whereas IEX prices represent short-term exchange transactions and are not comparable with uninterrupted industrial power supply. The Tribunal further held that the AO, TPO and DRP violated the doctrine of judicial discipline by refusing to follow the binding Delhi High Court decision merely because the Department intended to file an SLP. Unless the High Court judgment is stayed or reversed, subordinate authorities are bound to implement it. Accordingly, the adjustment was deleted. The Tribunal followed **DCM Shriram Ltd. [TS-13-HC-2025(DEL)-TP]**, affirming the use of SEB rates as CUP by relying on **CIT v. Jindal Steel & Power Ltd. (460 ITR 162, SC)**. It also relied upon **Samir N. Bhojwani [TS-21-HC-2026(BOM)]** to reiterate that binding judicial precedents must be followed until stayed or overturned.

4. **DCM Shriram Ltd. vs. DCIT [TS-516-ITAT-2026(DEL)-TP] [03-07-2026] – IT(TP)A No. 35/Del/2025 – [AY 2022-23] - [2026] 188 taxmann.com 98 (Delhi - Trib.)**

ITAT: Steam is a commercially valuable product whose ALP (for its purchase by non-eligible units from eligible units) cannot be determined at Nil and the same would be based on its cost of production - binding judicial precedents cannot be ignored on the ground of a proposed SLP.

Assessee is a public limited company engaged in the business of manufacturing and trading of chemical, PVC Resins, PVC compounds, UPVC Windows & Door Systems, Cement, Sugar, Fertilizers, seeds, textile yarn, power generation etc. The assessee benchmarked the inter-unit transfer of electricity (from its eligible captive power units to non-eligible units) The TPO determined the ALP of steam transferred by eligible power units to non-eligible units at Nil on the premise that steam was merely a by-product of power generation and had no independent cost. The Tribunal rejected this approach, holding that steam is a commercially viable product with an ascertainable cost of production and cannot be valued at Nil merely because it arises during electricity generation. It observed that the issue stood conclusively decided in the assessee's own case and that the Revenue authorities were bound to follow the Delhi High Court's decision instead of keeping the matter contingent upon a proposed appeal before the Supreme Court. Reiterating the principles of judicial discipline and consistency, the Tribunal deleted the adjustment. It followed **DCM Shriram Ltd. [TS-**

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13-HC-2025(DEL)-TP], which upheld valuation of steam based on its cost of production, and relied upon **Union of India v. Kamlakshi Finance Corporation Ltd. (AIR 1992 SC 711)** and **Samir N. Bhojwani [TS-21-HC-2026(BOM)]** to hold that subordinate authorities must implement binding precedents unless their operation has been stayed.

5. **K.R. Pulp & Papers Ltd. vs. ACIT [TS-517-ITAT-2026(DEL)-TP] [03-07-2026] – ITA No. 5741/Del/2024 – [AY 2021-22] - [2026] 188 taxmann.com 136 (Delhi - Trib.)**

ITAT: Purchase tariff charged by the State Electricity Board is the appropriate CUP for benchmarking captive transfer of electricity; IEX rates cannot replace a binding judicially accepted benchmark.

The assessee, engaged in the manufacture of kraft paper and writing & printing paper, benchmarked the specified domestic transaction of transfer of electricity from its eligible captive power unit to non-eligible units by adopting the tariff at which electricity was purchased from the State Electricity Board under the CUP method. The TPO rejected the SEB tariff and adopted Indian Energy Exchange (IEX) rates with suitable adjustments, contending that SEB tariffs contained cross-subsidy elements. The Tribunal held that the issue stood concluded in the assessee's own earlier years and that no change in facts or law had been shown to justify a different approach. It observed that electricity traded on IEX represents short-term exchange transactions under materially different conditions and is not comparable to continuous industrial supply by distribution companies. Since the assessee's benchmarking had consistently been upheld in earlier years, the Revenue could not depart from the settled position. Following the principle of judicial consistency, the Tribunal deleted the adjustment and restored the deduction under section 80-IA. In doing so, it followed **CIT v. DCM Shriram Ltd. [TS-13-HC-2025(DEL)-TP]**, affirming the application of SEB tariff as the appropriate benchmark based on **CIT v. Jindal Steel & Power Ltd. (460 ITR 162) (SC).**

6. **K.R. Pulp & Papers Ltd. vs. ACIT [TS-517-ITAT-2026(DEL)-TP] [03-07-2026] – ITA No. 5741/Del/2024 – [AY 2021-22] - [2026] 188 taxmann.com 136 (Delhi - Trib.)**

ITAT: Steam is a commercially valuable product having an ascertainable cost of production and its ALP cannot be determined at nil.

The assessee benchmarked the specified domestic transaction of transfer of steam from its eligible power unit to non-eligible units at its certified cost of production. The TPO determined the ALP of steam at Nil, treating it as a by-product of electricity generation. The Tribunal held that the issue was fully covered by the decisions rendered in the assessee's own case for earlier years, wherein it had consistently been held that steam is a commercially viable form of power with an identifiable production cost. It observed that the assessee had substantiated the cost through certificates issued by qualified professionals, which were rejected by the Revenue without any cogent basis. The Tribunal further noted that the jurisdictional High Court had already affirmed the assessee's methodology, and the Revenue had accepted similar orders in earlier years. Applying the rule of consistency, it held that steam could not be valued at nil and deleted the adjustment while restoring the deduction under section 80-IA.

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The Tribunal followed **CIT v. DCM Shriram Ltd. [TS-13-HC-2025(DEL)-**TP] which recognised steam as a commercially valuable product capable of independent valuation. ***[CIT v. Excel Industries Ltd. [2013] 38 taxmann.com 100/219 Taxman 379/358 ITR 295 (SC) followed]***

7. **Luminous Power Technologies Pvt. Ltd. vs. Addl. CIT [TS-569-ITAT-2026(DEL)-TP] [22-07-2026] – ITA Nos. 6996/Del/2017, 6084/Del/2018, 8768/Del/2019 & 608/Del/2021 – [AYs 2013-14 to 2016-17] - [2026] 188 taxmann.com 875 (Delhi - Trib.)**

   ITAT: Where Clause (i) of section 92BA, covering payments to persons specified under section 40A(2)(b), stood omitted by the Finance Act 2017 without a saving clause, the provision must be treated as never having existed on the statute book, rendering invalid any reference made to the TPO for benchmarking a specified domestic transaction falling exclusively within that clause.

   The assessee had challenged a TP adjustment made in respect of a specified domestic transaction (SDT) concerning purchase of goods, on the ground of excess expenditure. Without going into the merits of the disallowance, the Tribunal noted that Clause (i) of section 92BA covering expenditure paid to persons referred to in section 40A(2)(b) had been omitted from the statute by the Finance Act 2017 with effect from 01.04.2017, without any saving clause. The Tribunal followed the Karnataka **High Court's ruling in Texport Overseas Pvt. Ltd.,** wherein it was held that such an omission renders the provision as never having existed in law and consequently invalidates any AO reference to the TPO made under it. The TP adjustment made in respect of the SDT was accordingly deleted, and the related grounds were partly allowed. ***[PCIT vs. Texport Overseas Pvt. Ltd. [114 taxmann.com 568 (Karnataka HC)] followed]***

8. **Luminous Power Technologies Pvt. Ltd. vs. Addl. CIT [TS-569-ITAT-2026(DEL)-TP] [22-07-2026] – ITA Nos. 6996/Del/2017, 6084/Del/2018, 8768/Del/2019 & 608/Del/2021 – [AYs 2013-14 to 2016-17] - [2026] 188 taxmann.com 875 (Delhi - Trib.)**

   ITAT: Where a head office allocates only common corporate costs to all units, tax-exempt and tax-paying alike, at cost without mark-up and renders no other service, it cannot be treated as an independent business unit providing business support services, and section 80IA (8) has no application, irrespective of any mark-up separately charged on inter-unit sales.

   The assessee's head office undertook common managerial, administrative and corporate functions and allocated these costs to all units, including 80IC-eligible units, based on turnover without mark-up. The TPO characterised these costs as business support services rendered by the head office as a separate business unit and made a cost-plus mark-up adjustment, alleging diversion of costs to inflate tax-exempt units' profitability; the DRP upheld this, treating the head office as a separate profit centre, and the Revenue pointed to the assessee's mark-up on inter-unit sales as inconsistent with its cost-only allocation of head office expenses. The Tribunal held that the head office performed functions for the entity as a whole rather than for tax-paying or tax-

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exempt units specifically, so such allocation could not be regarded as a service rendered by it, distinguishing this from inter-unit sales between eligible and non-eligible units, which did warrant a mark-up as rightly charged. Since only common costs were being allocated at cost irrespective of tax status, the head office was a pure cost centre, not an independent business unit, and section 80IA (8) had no application; the Tribunal also noted the assessee's consistent methodology in earlier years without adverse inference. The ground was allowed, with the reasoning applied mutatis mutandis to AYs 2014-15 to 2016-17.

9. **ACIT vs. Viney Corporation Limited [TS-534-ITAT-2026(DEL)-TP] [08-07-2026] – ITA No.16/Del/2022 – [AY 2016-17] - [2026] 188 taxmann.com 348 (Delhi - Trib.)**

ITAT: Failure to refer specified domestic transactions to the TPO before determining their arm's length price is a procedural irregularity and not an incurable illegality; matter restored to the AO for making an appropriate reference to the TPO.

The assessee, engaged in the business of manufacturing auto components, entered into specified domestic transactions (SDTs) aggregating to ₹41.52 crore during the relevant assessment year. Instead of making a reference to the TPO under section 92CA (1), the AO adopted the transfer pricing adjustment made by the TPO in the immediately preceding assessment year and proportionately computed the arm's length price of the SDTs, making a TP adjustment of ₹1.49 crore in the assessment order without issuing a draft assessment order under section 144C. The CIT(A) quashed the assessment order holding that the AO was not empowered to determine the ALP himself and that the failure to refer the matter to the TPO and issue a draft assessment order rendered the assessment void ab initio. The Tribunal held that the AO ought to have referred the specified domestic transactions to the TPO for determination of the ALP instead of himself computing the adjustment based on the TPO's order for the preceding assessment year. However, reading Clauses 3.3 and 3.7 of CBDT Instruction No.3/2016 harmoniously, it observed that while Clause 3.3 could support the AO's approach in certain circumstances, Clause 3.7 specifically mandates that where no reference is made to the TPO, the AO should not determine the ALP himself. Accordingly, the lapse constituted only a procedural irregularity and not an incurable illegality warranting annulment of the assessment. The Tribunal set aside the orders of the AO and CIT(A) and restored the matter to the AO for making an appropriate reference to the TPO under section 92CA (1), with consequential fresh assessment in accordance with law. The Tribunal also restored the other corporate tax issues to the AO for de novo adjudication, keeping all contentions open. ***[PCIT v. S G Asia Holdings India Pvt. Ltd. (CA No.6144 of 2019, SC) followed]***

II. Most Appropriate Method

a. Comparable Uncontrolled Price Method

1. **Kloeckner Desma Machinery Private Ltd vs. DCIT/ACIT [TS-548-ITAT-2026(Ahd)-TP] [17-07-2026] – I.T.A(TP) No. 555/Ahd/2017; ITA No. 2579/Ahd/2017; ITA No.**

2322/Ahd/2017 – [AY 2012-13 & 2013-14] - [2026] 188 taxmann.com 689 (Ahmedabad - Trib.)

ITAT: Where a TPO rejects assessee's aggregated TNMM approach for benchmarking commission payments to AE for marketing and sales support and substitutes CUP based on database-extracted agreements (ne agreements), the TPO must establish that such agreements are functionally comparable in terms of functions, risks and commercial circumstances; failure to do so warrants remand rather than confirmation of the adjustment.

The Tribunal held that a CUP comparable requires a high degree of similarity in functions performed, risks assumed and commercial circumstances, since minor differences in contractual obligations, market conditions or geographical factors may materially affect the commission rate. It found that the TPO had brought no material on record to establish that the KMine agreements represented comparable uncontrolled transactions, while the DRP had merely approved the TPO's action without examining functional comparability. It accordingly restored the issue to the TPO/AO for fresh adjudication, directing examination of the assessee's TNMM benchmarking and verification of the CUP comparables after affording a hearing. For AY 2013-14, on identical facts and an adjustment of Rs. 37,07,151 computed on the same basis, the Tribunal followed its findings for AY 2012-13 and restored the issue for fresh adjudication on the same terms, additionally directing that the assessee be permitted to furnish additional comparables before the TPO, since the DRP had also erred in rejecting such additional evidence.

2. **Vodafone Idea Ltd. vs. DCIT [TS-509-ITAT-2026(Mum)-TP] [30-06-2026] – ITA No. 8971/Del/2019 – [AY 2015-16] - [2026] 188 taxmann.com 32 (Mumbai - Trib.)**

ITAT: Controlled transactions cannot constitute valid CUP comparables for benchmarking royalty payments.

The assessee, engaged in providing telecom services, paid royalty to its Associated Enterprise for the use of the "Vodafone" brand and benchmarked the transaction under the CUP Method. The TPO rejected the assessee's benchmarking and adopted the agreement between Virgin Enterprises Ltd. and Virgin Mobile USA LLC as the comparable uncontrolled transaction. The Tribunal held that a controlled transaction cannot be adopted as a CUP comparable and that the ALP of an international transaction must be determined only with reference to comparable uncontrolled transactions in accordance with Rule 10B. Since identical royalty arrangements had consistently been accepted in the assessee's own cases and those of its group entities, and the Revenue failed to demonstrate any distinguishing feature, the Tribunal deleted the adjustment. While doing so, it followed *CIT v. EKL Appliances Ltd.*, which held that ALP must be determined strictly in accordance with Chapter X and the prescribed methods, and *Technimont ICB Pvt. Ltd. v. ACIT*, which held that controlled transactions cannot be used as CUP comparables. ***[CIT v. EKL Appliances Ltd. [(2012) 345 ITR 241 (Del.)], Technimont ICB Pvt. Ltd. v. ACIT [(2013) 36 taxmann.com 19 (Mum. Trib.)], Vodafone Digilink Ltd. v. DCIT (ITA No.1073/Del/2015, AY 2010-11), DCIT v. Vodafone West Ltd. (ITA***

Nos.1634/Ahd/2015 & 944/Ahd/2015, AY 2010-11), DCIT v. Vodafone West Ltd. (ITA No.443/Ahd/2016, AY 2011-12) relied upon]

3. **Yizumi Advanced Processing Technology Private Limited vs. ITO [TS-510-ITAT-2026(Ahd)-TP] [29-06-2026] – ITA No. 2036/Ahd/2024 – [AY 2021-22]**

   ITAT: For benchmarking interest on foreign currency ECBs, CUP is the most appropriate method, and the ALP should ordinarily be determined using the LIBOR-plus approach with appropriate credit spread adjustments.

   The assessee, engaged in the business of manufacturing and trading machinery for the plastic industry, obtained an ECB from its AE and benchmarked the interest payment by adopting the Other Method as the MAM using RBI data. The TPO rejected the benchmarking, adopted the CUP Method based on Bloomberg database comparables and determined a downward TP adjustment. Alternatively, the assessee requested the TPO to benchmark the transaction under the CUP Method itself by applying the internationally accepted LIBOR plus approach, which was rejected as an afterthought. The Tribunal held that, under settled Indian transfer pricing jurisprudence, CUP is the MAM for benchmarking interest on foreign currency loans, since interest is directly measurable. It further held that the arm's length rate should ordinarily be determined by applying LIBOR plus an appropriate credit spread, after considering factors such as the borrower's credit rating, tenure, security, subordination and prevailing market conditions. The Tribunal observed that the DRP itself had held the TPO's rejection of the assessee's alternate benchmarking to be erroneous and reiterated that an assessee is legally entitled to resile from the MAM adopted in its transfer pricing study. Accordingly, it restored the matter to the TPO with a direction to re-determine the ALP by applying the CUP Method based on the LIBOR-plus approach.

b. *Transactional Net Margin Method*

1. **DCM Shriram Ltd. vs. DCIT [TS-516-ITAT-2026(DEL)-TP] [03-07-2026] – IT(TP)A No. 35/Del/2025 – [AY 2022-23] - [2026] 188 taxmann.com 98 (Delhi - Trib.)**

   ITAT: Where extraordinary business conditions materially distort profitability, transactional TNMM with suitable adjustments is preferable to entity-level TNMM.

   Assessee was a public limited company engaged in the business of manufacturing and trading of chemical, PVC Resins, PVC compounds, UPVC Windows & Door Systems, Cement, Sugar, Fertilizers, seeds, textile yarn, power generation etc. It benchmarked the sale of hybrid seeds to its AE under the Cost-Plus Method, whereas the TPO rejected the method and applied entity-level TNMM after modifying the comparable set, resulting in an adjustment. The Tribunal observed that the assessee's bio seed business (i.e. sale of hybrid seeds) during the relevant year was affected by extraordinary circumstances, including substantial reduction in sales volumes,

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provisioning for non-moving inventory and destruction of seeds, which materially impacted profitability. It held that in such circumstances entity-level TNMM does not reliably measure the arm's length outcome, particularly when the international transaction constitutes only a small proportion of the overall business. The Tribunal directed the TPO to benchmark the transaction using transactional TNMM, examine the assessee's segmental workings, appropriately adjust the margins of comparables to neutralise the impact of extraordinary events, reconsider the disputed comparables after granting adequate opportunity, and delete the adjustment if the transactional margin falls within the arm's length range prescribed under section 92C read with Rule 10CA. In doing so, it relied upon **Madhura Coats Pvt. Ltd. v. ACIT [2026] 182 taxmann.com 741**, which recognised the primacy of internal/transactional TNMM where reliable segmental data is available and entity-level losses arise from extraordinary commercial circumstances rather than transfer pricing distortions.

2. **Kloeckner Desma Machinery Private Ltd vs. DCIT/ACIT [TS-548-ITAT-2026(Ahd)-TP] [17-07-2026] – I.T.A(TP) No. 555/Ahd/2017; ITA No. 2579/Ahd/2017; ITA No. 2322/Ahd/2017 – [AY 2012-13 & 2013-14] - [2026] 188 taxmann.com 689 (Ahmedabad - Trib.)**

   ITAT: Where a TPO rejects assessee's aggregated TNMM approach for benchmarking commission payments to AE for marketing and sales support and substitutes CUP based on database-extracted agreements (Kmine agreements), the TPO must establish that such agreements are functionally comparable in terms of functions, risks and commercial circumstances; failure to do so warrants remand rather than confirmation of the adjustment.

   The Tribunal held that a CUP comparable requires a high degree of similarity in functions performed, risks assumed and commercial circumstances, since minor differences in contractual obligations, market conditions or geographical factors may materially affect the commission rate. It found that the TPO had brought no material on record to establish that the KMine agreements represented comparable uncontrolled transactions, while the DRP had merely approved the TPO's action without examining functional comparability. It accordingly restored the issue to the TPO/AO for fresh adjudication, directing examination of the assessee's TNMM benchmarking and verification of the CUP comparables after affording a hearing. For AY 2013-14, on identical facts and an adjustment of Rs. 37,07,151 computed on the same basis, the Tribunal followed its findings for AY 2012-13 and restored the issue for fresh adjudication on the same terms, additionally directing that the assessee be permitted to furnish additional comparables before the TPO, since the DRP had also erred in rejecting such additional evidence.

3. **TDK India Pvt Ltd vs. DCIT [TS-556-ITAT-2026(Kol)-TP] [22-07-2026] – I.T.A. No.1998/KOL/2024 – [AY 2020-21] - [2026] 188 taxmann.com 752 (Kolkata - Trib.)**

   ITAT: Where the assessee has consistently benchmarked marketing support services rendered to its AEs under TNMM, selecting itself as tested party with net cost plus as the profit level indicator, and the Revenue has accepted this approach without adjustment or successful challenge across several preceding years, the rule of consistency requires TNMM to be followed in the absence of

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any change in facts, and a CUP-based adjustment premised on functionally, geographically and remuneration-wise dissimilar agreements is unsustainable. ***[TDK India Pvt. Ltd. v. DCIT, ITA No.2565/Kol/2024 [TS-723-ITAT-2025(Kol)-TP] followed]***

c. *Any Other Method*

1. **Beauty Etoile Private Limited vs. ACIT [TS-507-ITAT-2026(Mum)-TP] [02-07-2026] - ITA No. 6456/Mum/2025 – [AY 2022-23]**

   ITAT: held that the TPO cannot benchmark an international transaction by importing the restrictive provisions of section 94B through the "Other Method" under Rule 10AB. It further held that interest capitalised to work-in-progress and not claimed as a deduction cannot be subjected to disallowance under section 94B.

   The assessee, engaged in the real estate business, had issued NCDs to its AE, and paid interest which it benchmarked as an international transaction. Out of the total interest accrued, Rs. 13.41 crore was capitalised to work-in-progress and not claimed as a deduction, while the balance Rs. 10.89 crore, debited to the profit and loss account, was voluntarily disallowed by the assessee under section 94B while filing its return of income. The TPO relying upon the thin capitalisation provisions under section 94B, treated the statutory restriction on deductibility of interest as the "Other Method" under Rule 10AB. Since the assessee's EBITDA was negative, the TPO determined the arm's length price of the interest at Nil and proposed an adjustment of the entire interest of Rs. 24.30 crore, which was upheld by the DRP. The assessee contended that section 94B merely restricts the deduction of interest expenditure and cannot be adopted as a transfer pricing methodology for determining the arm's length price. It further submitted that interest capitalised to work-in-progress was never claimed as a deduction and that the interest debited to the profit and loss account had already been voluntarily disallowed under section 94B, leaving no scope for any further adjustment. The Tribunal accepted the assessee's contentions and followed its own decision in the assessee's case for AY 2020-21. It held that Rule 10AB requires benchmarking with reference to prices charged in comparable uncontrolled transactions, whereas section 94B is only a deductibility provision applicable to interest paid to AEs and does not prescribe any transfer pricing methodology. Consequently, the restrictions contained in section 94B cannot be imported into the "Other Method" for determining the arm's length price. The Tribunal further held that section 94B applies only where interest expenditure is claimed as a deduction while computing business income. Since the interest of Rs. 13.41 crore was capitalised to work-in-progress and not claimed as an expenditure, it fell outside the scope of section 94B. Likewise, the balance interest of Rs. 10.89 crore had already been disallowed by the assessee in its return of income, and therefore any further adjustment would result in double disallowance. Accordingly,

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the Tribunal deleted the entire transfer pricing adjustment. ***[Beauty Etoile Private Limited v. ACIT (ITA No. 4073/Mum/2024, AY 2020-21) relied upon]***

III. Comparability – Inter Industry

a. IT enables services

1. **Global Analytics India Private Limited vs. DCIT, Circle 1(1), Chennai [TS-584-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A No.30/Chny/2026 – [AY 2022-23]**

   The assessee, a captive ITeS/BPO service provider to its AEs, benchmarked its segment under TNMM.

   Tribunal rejected/excluded the following TPO's comparables from the set of comparables:

   1. **Integra Software Services Pvt. Ltd.** — as it was predominantly engaged in e-publishing services (content creation, digitisation, publishing solutions, specialised knowledge-based services) requiring specialised domain expertise, substantially different from the assessee's routine ITES back-office support; classification under the broad "ITES" label held insufficient for comparability. ***[Rage Frameworks India Pvt. Ltd. v. ACIT [ITA No.674/PUN/2022], Infor (India) Pvt. Ltd. v. DCIT [IT(TP)A No.1341/Hyd/2024], BNY Mellon International Operations (India) Pvt. Ltd. v. NAC [ITA No.699/PUN/2021] relied upon]***
   2. **Cheers Interactive (India) Pvt. Ltd.** — as it was engaged in specialised research analytics, sales support and marketing solutions, with revenue from information technology services rather than routine ITES processing.
   3. **Vitae International Accounting Services Pvt. Ltd.** —as it was engaged in specialised accounting, bookkeeping, staffing and professional financial services involving domain-specific expertise, unlike the assessee's routine ITES support services. ***[Rage Frameworks India Pvt. Ltd. v. ACIT [ITA No.674/PUN/2022], Infor (India) Pvt. Ltd. v. DCIT [IT(TP)A No.1341/Hyd/2024] relied upon]***
   4. **E Care India Pvt. Ltd.** —as it was engaged in medical transcription and allied healthcare outsourcing, involving specialised medical terminology and healthcare domain expertise qualitatively different from the assessee's routine back-office services. ***[Meritor Commercial Vehicle India Pvt. Ltd. v. DCIT [IT(TP)A No.1831/Bang/2024], Headstrong Services India Pvt. Ltd. v. DCIT [ITA No.508/Del/2017] relied upon]***

   Tribunal accepted /included the following assessee'scomparables in the set of comparables

   1. **Cameo Corporate Services Ltd** — TPO rejected the company solely on the ground that it failed the employee cost filter. On examination of annual report, it was seen that employee-related expenditure was embedded under "Cost of

Services" rather than separately disclosed. Tribunal ruled that rejection based merely on nomenclature, without examining the composition of expenditure is not sustainable.

2. **CES Ltd.** — TPO rejected solely on the alleged failure of the employee cost filter on the basis of segmental information. It was noted that company has reported segmental financials, but the employee costs have been disclosed only at the entity level and not separately for each segment. Tribunal ruled that non-disclosure of segment-wise employee cost alone is insufficient to reject an otherwise functionally comparable company. ***[Societe Generale Global Solution Centre Pvt. Ltd. v. DCIT [IT(TP)A No.1188/Bang/2011], Agilent Technologies (International) Pvt. Ltd. v. ACIT [ITA No.1171/Del/2022] followed]***

3. **Silgate Solutions Ltd.** — Rejected by the TPO on the same employee-cost filter ground as CES Limited. Except for the application of the employee cost filter, no other functional dissimilarity has been brought on record by the Revenue for excluding the company. Thus, Tribunal included the comparable. ***[Societe Generale Global Solution Centre Pvt. Ltd. v. DCIT [IT(TP)A No.1188/Bang/2011], Agilent Technologies (International) Pvt. Ltd. v. ACIT [ITA No.1171/Del/2022] followed]***

2. **Tribal Fusion R & D LLP vs. DCIT [TS-579-ITAT-2026(DEL)-TP] [27-07-2026] – I.T.(T.P.) A.No.8/Del/2026 – [AY 2022-23] - [2026] 188 taxmann.com 1066 (Delhi - Trib.)**

ITAT: Foreign exchange gains/losses on export invoices require verification before treatment as operating income, with a corresponding adjustment to comparables' margins; SEIS scrip-sale income, being derived from the government scheme rather than export of services, is not operating income but must symmetrically be excluded from comparables' margins; a comparable predominantly in IT products with an insignificant ITeS revenue share is not includible; and a plea for inclusion/exclusion of a comparable raised for the first time before the DRP, or for exclusion of one's own comparable, cannot be rejected without a speaking order examining search criteria and FAR.

Assessee was engaged in the business of providing Offshore Software Development Services, Online Advertising Support Services and IT Enabled services to its wholly owned holding company in USA. For the ITeS segment. On foreign exchange gains/losses arising from the time-lag in realizing export invoices, the Tribunal agreed these should be treated as operating income but remitted the issue to the TPO for verification, with a corresponding adjustment to comparables' margins. On income from sale of SEIS (Services Export from India Scheme) scrips, it held such income was sourced from the government scheme rather than from ITeS exports and could not be treated as operating income but directed its exclusion from comparables' margins for parity. Its findings on the disputed comparables are set out below. ***[Liberty India v. CIT [(2009) 317 ITR 218 (SC)], CIT v. Sterling Foods [(1999) 237 ITR 579 (SC)], Pandian Chemicals Ltd. v. CIT [(2003) 262 ITR 278 (SC)] relied upon]***

Tribunal rejected/excluded assessee’s following comparable:

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1. **Virinchi Limited** as ts core operations were in IT products/concentric services, with an insignificant (under 3%) ITeS revenue share. Exclusion upheld.

Tribunal remitted TPO's following comparable

1. **Vitae International Accounting Services Private Limited and Tech Mahindra Business Services Limited –** It was part of the assessee's own TP study and the TPO's final set; exclusion sought first before the DRP, rejected on a bare finding of similarity. Tribunal held detailed FAR analysis was required and remitted for verification.

Tribunal remitted assessee's following comparable

1. **Silgate Solutions Limited and Cosmic Global Limited –** Sought for inclusion first before the DRP, not part of the assessee's TP study or the TPO's search. DRP rejected solely on this ground. Tribunal held no bar exists on first-time inclusion pleas before the DRP and remitted for verification.

2. **CES Limited**, **Microland Limited, I Services India Private Limited and Sundaram Business Services Limited** - remitted due to TPO's alleged failure to correctly give effect to the DRP's direction to recompute the margins.

3. **Tetra Pak India Private Limited vs. DCIT [TS-553-ITAT-2026(PUN)-TP] [17-07-2026] – ITA No.1906/PUN/2024 – [AY 2020-21] - [2026] 188 taxmann.com 584 (Pune - Trib.)**

The assessee, engaged in developing, manufacturing and commercializing processing and packaging systems for liquid and other food products. For the Hub Services (ITeS) segment

Tribunal accepted/included Assessee's Comparable:

1. **Bhilwara Infotechnology Ltd** — Rejected by TPO on forex/revenue filter; its medical transcription segment, covered under Rule 10TA(e), satisfied the export filter and was comparable to the assessee's ITeS business.

Tribunal remitted Assessee's following Comparables:

1. **Ideavate Solutions Pvt Ltd** — Rejected by TPO and DRP on RPT filter; assessee's data indicated RPT below threshold. Remitted to TPO to verify the RPT/sales percentage and include if below the applicable filter.
2. **Thomson Reuters International Services Pvt Ltd** — Not examined by TPO/DRP despite submissions on functional similarity. Remitted to TPO to verify FAR-test compliance and include if satisfied.
3. **Global Healthcare Billing Partners Pvt. Ltd.** — Not examined by TPO/DRP despite submissions on functional similarity. Remitted to TPO to verify FAR-test compliance and include if satisfied. ***[Seco Tools India Pvt. Ltd. vs. DCIT (2019) 112 taxmann.com 83 (Pune-Trib.) followed]***

4. **HCL Technologies Ltd vs. DCIT, Central Circle-2, New Delhi [TS-585-ITAT2026(DEL)-TP] [30-07-2026] – ITA No.1842/Del/2014, ITA No.2327/Del/2015 &**

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ITA No.1645/Del/2016 (with SA Nos.197 & 198/Del/2026) – [AY 2009-10, 2010-11 & 2011-12] - [2026] 189 taxmann.com 11 (Delhi - Trib.)

ITAT: A foreign AE that retains only a limited share of transaction value and reports negative margins while operating in a different economic/currency zone cannot be the tested party in preference to the domestic taxpayer performing the substantive functions. An adjustment based on entity level TNMM attributing the entire ALP shortfall to the international transaction is unsustainable.

The assessee rendered BPO/ITES services to its AEs, HCL GB and HCL America, benchmarking under TNMM with the AEs as tested party. The TPO rejected this, treated the assessee as tested party instead, and benchmarked it against comparables yielding a higher margin, restricting the adjustment to the value retained by the AEs; the DRP upheld it. The assessee argued the AEs were the least complex entities and should be retained as tested party and separately disputed several comparables. The Tribunal upheld rejection of the AEs as tested party, since they operated in differing economic/currency zones and reported negative margins despite limited functions, whereas the assessee performed the substantive functions and bore the reflected risk. As regards comparables:

Tribunal rejected/ excluded TPO's comparables

1. **Accentia Technologies Ltd.** — Excluded: distorted by an amalgamation with Ascent Infoserve Pvt. Ltd., and functionally dissimilar (medical-coding KPO/healthcare vs. the assessee's front-end BPO), with no segmental ITES data available.
2. **Infosys BPO Ltd., TCS E-Serve Ltd. & TCS E-Serve International Ltd.** — Excluded for huge turnover and a distinct FAR profile.
3. **iGate Global Solutions Ltd.** — Excluded: distorted by a restructuring/acquisition event, with no segmental data available.

Tribunal accepted TPO comparables:

1. **Cosmic Global Ltd.** — Accepted: engagement in medical transcription/consultancy did not take it outside the BPO fold.
2. **E4e Healthcare** — Accepted, subject to the TPO collecting and sharing segmental data with the assessee.
3. **Fortune Infotech Ltd.** — Accepted, subject to the TPO providing segmental BPO/KPO data.

Tribunal remitted TPO comparables:

1. **ICRA Techno Analytics Ltd.** — Predominantly a software-development/engineering-design entity; inclusion remitted, conditional on the TPO furnishing segmental ITES data, failing which to be excluded.

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b. Software Development Services

1. **Emids Technologies Pvt. Ltd. vs. DCIT [TS-515-ITAT-2026(Bang)-TP] [02-07-2026] – IT(TP)A No. 2475/Bang/2024 – [AY 2021-22] - [2026] 188 taxmann.com 151 (Bangalore - Trib.)**

   The assessee, a captive service provider was interalia engaged in rendering IT/software development services to its AE, benchmarked its international transactions under TNMM.

   Tribunal accepted/ included Assessee's Comparables:

   1. **Orangescape Technologies Ltd**. – as its exclusion merely because it did not appear in the TPO's database search was unjustified when it was functionally comparable and satisfied the prescribed filters.
   2. **Infomile Technologies Ltd.** – Included for the same reason as orangescape technologies Ltd.

   Further the Tribunal rejected/ excluded TPO's Comparables:

   1. **Net4Nuts Ltd**. – as it was engaged in diversified enterprise solutions, ERP, cloud computing and software products, making it functionally dissimilar.
   2. **Aptus Software Labs Pvt. Ltd**. – E since it provided infrastructure management, cloud computing, software testing and quality assurance services beyond routine software development.
   3. **Consilient Technologies Pvt. Ltd**. – because it was engaged in specialised software algorithms, speech, data and video processing solutions and other diversified services, rendering it functionally incomparable.

2. **Kronos Solutions India Private Limited vs. DCIT [TS-544-ITAT-2026(DEL)-TP] [15-07-2026] – IT(TP)A No. 4/Del/2026 – [AY 2022-23].**

   The assessee, a captive service provider engaged in rendering software development services and back-office support services to its AEs, benchmarked its software development services under the TNMM.

   The Tribunal rejected/excluded the following TPO's Comparables:

   1. **Odyssey Technologies Ltd-** since it was engaged in software development focused on information security products, public key infrastructure and cryptography, making it functionally different from a captive software development service provider. It also failed the export earning filter applied by the TPO and had been rejected in the assessee's own earlier years.
   2. **Domex E-Data Pvt. Ltd-** as it was engaged in knowledge process outsourcing activities such as patent analysis, technical editing and scientific research indexing, besides diversified operations without segmental information, rendering it functionally incomparable. ***[Syngenta Services Private Limited (ITA No.1905/MUM/2022) followed]***

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3. **Sasken Technologies Ltd-** as it was engaged in product engineering and digital transformation, providing concept-to-market and chip-to-cognition R&D services across semiconductor, automotive and other industries, and had also been rejected by the DRP in the assessee's own cases for AYs 2016-17 and 2017-18 on account of functional dissimilarity.
4. **Cybage Software Pvt. Ltd-** since it was engaged in diversified activities including digital product engineering, digital services, ITeS and BPO services, without segmental financial information for software development activities. The Tribunal also noted that the DRP had rejected this company in the assessee's own case for AY 2017-18 in the absence of segmental results.

c. *Engineering / Designing and related Consultancy Services*

1. **Saipem India Projects Private Limited vs. ACIT [TS-532-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.8/Chny/2018 – [AY 2013-14] - [2026] 188 taxmann.com 408 (Chennai - Trib.)**

   In the case of the assessee, engaged in providing engineering design services.

   The Tribunal rejected the following TPO's Comparables:

   1. **I-Design Engineering Solutions Ltd. –** as it failed the Related Party Transaction (RPT) filter of 25% adopted by the TPO himself since its RPT transactions amounted to 35.94%
   2. **Tata Consulting Engineering Ltd. –** as it was engaged in diversified activities including engineering consultancy, project management consultancy and construction management consultancy and segmental financial information was not available ***[PCIT v. Bechtel India Pvt. Ltd. [TS-704-HC-2019(DEL)-TP followed]***

d. *Transport / Freight / Tours / Travel Services*

1. **A. HARTRODT India Pvt. Ltd. vs. DCIT [TS-514-ITAT-2026(DEL)-TP] [03-07-2026] – ITA No. 5823/Del/2024 – [AY 2021-22]**

   The assessee, engaged in providing international freight forwarding and logistics services, benchmarked its freight forwarding transactions with AEs under TNMM.

   The Tribunal remitted TPO's following Comparables:

   1. **Cargo Service Center India Pvt. Ltd.** – Remitted to the DRP as the additional evidence regarding its specialised cargo terminal and airport handling operations required verification through a detailed FAR analysis before determining functional comparability. ***[Copal Research India Private Limited v. DCIT (2016) 73 taxmann.com 157(Del) relied upon]***

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2. **Unique Speditore Pvt. Ltd.** – Remitted to the DRP since the assessee's additional evidence indicated that the company undertook turnkey logistics, project cargo, material handling and other value-added services, necessitating a fresh FAR analysis before deciding its comparability. ***[Copal Research India Private Limited v. DCIT (2016) 73 taxmann.com 157(Del) relied upon]***

e. Manufacturing & Contracting

1. **DCIT, Circle-2(2)(1), Bangalore vs. Continental Automotive Components (India) Pvt. Ltd. [TS-586-ITAT-2026(Bang)-TP] [23-07-2026] – ITA No.1318/Bang/2025 (with CO No.21/Bang/2025) – [AY 2013-14]**

   The assessee, a wholly owned subsidiary of Continental Automotive GmbH, Germany, rendered software development services to its AEs under its services segment and benchmarked the segment under TNMM.

   Tribunal rejected/excluded TPO's comparables:

   1. **CGVak Software & Exports Ltd.** — since it was engaged in software development and product sale involving high R&D expenditure and outsourced product development, with no segmental data, rendering it functionally dissimilar.
   2. **Larsen & Toubro Infotech Ltd.** — as it incurred expenditure on "cost of brought out items for resale" and owned significant intangible assets and brand value in software, rendering it functionally dissimilar.
   3. **Persistent Systems Ltd.** — since it was engaged in product engineering services, platforms, solutions and IP-related business with no segmental data and was thus functionally different from a pure software development service provider.

   Tribunal accepted/included assessee's following comparables:

   1. **Akshay Software Technologies Ltd.** — though rejected by the TPO as support/IT-enabled services, its core activity of professional services, ERP implementation, support and maintenance constitutes software development services, forming most of its revenue.
   2. **Cigniti Technologies Ltd.** — though engaged in software testing, that activity forms part of the software development life cycle.

2. **Sanden Vikas India Pvt. Ltd. vs. ACIT [TS-562-ITAT-2026(DEL)-TP] [22-07-2026] – ITA No. 1754/Del/2021 – [AY 2017-18] - [2026] 188 taxmann.com 751 (Delhi - Trib.)**

   The assessee, engaged in manufacturing Car Air Conditioner Systems and Components for sale primarily to unrelated parties in India, benchmarked its purchase of raw materials and components from its AEs under TNMM

   Tribunal accepted assessee's comparable:

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1. **Calsonic Kansei Motherson Auto Products Pvt. Ltd.** – Rejected by the TPO for functional dissimilarity and by the DRP on confirmation of the TPO's comparable set. The Tribunal held that, viewed on broader functional comparability as required under TNMM, the company's manufacture of core auto components (air/gas compressors, fans, vacuum pumps, ventilating/recycling hoods and filters for the automotive industry) was comparable to the assessee's functions, and that the TPO's own inclusion of this very company as a comparable in the assessee's transfer pricing orders for AY 2020-21 and AY 2023-24, on unchanged functional facts, left no basis for its exclusion in the year under consideration.

3. **Tetra Pak India Private Limited vs. DCIT [TS-553-ITAT-2026(PUN)-TP] [17-07-2026] – ITA No.1906/PUN/2024 – [AY 2020-21] - [2026] 188 taxmann.com 584 (Pune - Trib.)**

The assessee, engaged in developing, manufacturing and commercializing processing and packaging systems for liquid and other food products, benchmarked its manufacturing and distribution transaction in the Indian market under TNMM.

Tribunal rejected /excluded TPO's following Comparables

1. **Holistik India Ltd** — since it was Engaged in printing and allied activities (manufacturing of holograms, holographic films and paper labels) with no segmental data isolating packaging income, so its comparability to the assessee's packaging business could not be established.
2. **Naini Papers Ltd** — since it was Operating across paper and inorganic-chemical segments, manufacturing of papers and thus held not comparable to the assessee's aseptic packaging business. Excluded.
3. **Sri Luxmi Tulasi Agro Paper Pvt. Ltd.** —since it was engaged in kraft paper manufacturing and power generation without segmental data; revenue from the relevant product failed the TPO's own turnover filter.[***Tetra Pak India Private Limited ITA Nos.1610/PUN/2013, 1647/PUN/2013 and 1609/PUN/2013relied upon***]
4. **S J S Enterprises Ltd** — since it was Engaged in manufacturing decorative/aesthetic automotive and consumer components and owning significant intangibles (technical know-how), held functionally dissimilar to the assessee's aseptic carton packaging business.
5. **Garware Hi-Tech Films Ltd** — since it was Engaged in manufacturing specialty polyester and other films, functionally dissimilar to the assessee, lacking segmental data, and predominantly export-oriented against the assessee's wholly domestic segment.
6. **S M L Films Ltd** — since it was Engaged in manufacturing and exporting BOPET and related films with no separate reportable segment, held functionally dissimilar.
7. **Astron Paper & Board Mill Ltd** — since it was Engaged in kraft paper manufacturing from waste/recycled paper, unlike the assessee's process; excluded following the coordinate bench ruling in the assessee's own case for an earlier AY.

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8. **Ruchira Papers Ltd** — Engaged in kraft and writing/printing paper manufacturing using wastepaper and agricultural residue, held functionally dissimilar and lacking segmental data.

Tribunal Accepted/included Assessee's following Comparable:

1. **Huhtamaki PPL Ltd** — Rejected by TPO/DRP only for following a different financial year; Tribunal found it passed the turnover filter, and that corresponding-period data was available from its accounts, following Punjab & Haryana High Court and coordinate bench precedent it directed inclusion with extrapolation of results. [***CIT vs. Mercer Consulting (India) Pvt. Ltd. [TS-664-HC-2016(P&H)-TP], Vodafone Global Services Pvt Ltd vs. ACIT [TS-221-ITAT-2023(PUN)-TP] followed]***]

4. **Trimex Industries Pvt. Ltd. vs. DCIT [TS-531-ITAT-2026(CHNY)-TP] [02-07-2026] – IT(TP)A No.131/CHNY/2024 – [AY 2021-22] - [2026] 188 taxmann.com 399 (Chennai - Trib.)**

The assessee, engaged in trading industrial minerals, benchmarked its international transaction of export of barite to its Associated Enterprises under TNMM using OP/OC as the PLI.

The Tribunal rejected TPO's Comparable:

1. **HD Micrones Ltd**: The Tribunal found that the company was engaged mainly in processing and sale of China clay and that its annual report did not provide segmental information distinguishing processing from trading activities. As the assessee was a pure trader in barite, the company was held to be functionally incomparable and was directed to be excluded.
2. **Shivom Minerals Ltd**: The Tribunal observed that the company was primarily engaged in manufacturing sponge iron. It also noted the inconsistency in the TPO's approach, having excluded other manufacturing entities while retaining this company. Since its principal activities were manufacturing and not trading, it was directed to be excluded.
3. **Gimpex Pvt. Ltd:** The company carried on multiple activities including manufacture, trading, import and export of ores, metals and minerals. As no segmental information was available for its various business activities, the Tribunal held that its entity-level margins could not be adopted for comparison with the assessee's trading segment and directed its exclusion.
4. **Naga Ltd:** The Tribunal found that the company derived the overwhelming portion of its revenue from manufacturing activities, while its trading operations were confined to wheat. In the absence of segmental financials and considering the functional differences from the assessee's trading business, it directed exclusion of the company.

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IV. *Comparability – Intra Industry*

a. Turnover Filter

1. **Clinchoice Private Limited vs. DCIT, Circle 2(2)(1), Bangalore [TS-554-ITAT-2026(Bang)-TP] [20-07-2026] – IT(TP)A No. 846/Bang/2026 – [AY 2022-23]**

   ITAT: Companies with turnover more than times higher than that of the tested party (assessee) (viz Sutherland Global Services Pvt. Ltd., Tech Mahindra Business Services Ltd, TTEC India Customer Solutions Pvt. Ltd -liable to be excluded from the final set of comparables on application of the turnover filter, consistent with the settled coordinate-Bench position that high turnover renders a company non-comparable with a low-turnover entity. *[Marvell India Pvt. Ltd. v. DCIT [IT(TP)A No. 115/Bang/2023 relied upon]*

2. **MatchMove India Private Limited vs. DCIT [TS-526-ITAT-2026(Bang)-TP] [06-07-2026] – MA No. 45/Bang/2026 – [AY 2021-22]**

   ITAT: rectifies its earlier order under section 254(2) by adjudicating an omitted ground and directs exclusion of high-turnover companies from the final set of comparables.

   The assessee, engaged in providing software development services to its Associated Enterprises, filed a Miscellaneous Application contending that the Tribunal, while disposing of its appeal, had inadvertently failed to adjudicate its ground seeking exclusion of six comparables having substantially higher turnover than the assessee. The Tribunal held that the omission to decide the specific ground constituted a mistake apparent from the record warranting rectification under section 254(2). It observed that the assessee's turnover from software development services was only ₹24.40 crores, whereas the six companies sought to be excluded had significantly higher turnovers. Accordingly, the Tribunal rectified its earlier order and directed exclusion of **Mindtree Ltd., L&T Infotech Ltd., Tata Elxsi Ltd., Wipro Ltd., Infosys Ltd. and TCS Ltd.** from the final set of comparables.

3. **NTT DATA FA Insurance Systems (India) Pvt. Ltd. vs. DCIT [TS-505-ITAT-2026(Bang)-TP] [29-06-2026] - IT(TP)A No. 1557/Bang/2024 – [AY 2020-21] - [2026] 188 taxmann.com 139 (Bangalore - Trib.)**

   ITAT: held that companies having turnover exceeding ten times that of the assessee cannot be regarded as comparable to a captive software development service provider. Followied the principle consistently applied in the assessee's own case and other coordinate bench decisions

   The assessee, a captive software development service provider rendering services exclusively to its parent AE, benchmarked its international transaction of provision of software development services under the TNMM by selecting itself as the tested party.

   The Tribunal rejected the TPO's/AO's comparables:

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1. **Larsen & Toubro Infotech Ltd:** Excluded as its turnover was substantially higher than that of the assessee, making it incomparable to a captive software development service provider under the consistently applied upper turnover filter.
2. **Nihilent Ltd.**: Excluded as its turnover exceeded the prescribed turnover threshold and was more than ten times that of the assessee.
3. **Wipro Ltd.**: Excluded owing to its extraordinarily high turnover, which materially affected comparability with the assessee.
4. **Tata Consultancy Services Ltd.**: Excluded as its enormous scale of operations and turnover rendered it **incomparable** with the assessee's captive software development business.
5. **Great Software Laboratory Pvt. Ltd.**: Excluded since its turnover exceeded the accepted upper turnover threshold applied by the Tribunal.
6. **Mindtree Ltd.**: Excluded for having turnover significantly exceeding that of the assessee and therefore failing the turnover filter.
7. **Tata Elxsi Ltd.**: Excluded as its turnover and scale of operations rendered it unsuitable for comparison with the assessee.
8. **Infosys Ltd.**: **Excluded** because its turnover was exceptionally high compared to the assessee, consistent with the Tribunal's earlier decisions applying the turnover filter.
9. **Cybage Software Pvt. Ltd.**: Excluded as its turnover was substantially higher than that of the assessee and therefore it failed the upper turnover filter.

[NTT DATA FA Insurance Systems (India) Pvt. Ltd. v. DCIT [TS-742-ITAT-2022(Bang)-TP]; Autodesk India Pvt. Ltd. v. DCIT [(2018) 96 taxmann.com 263 (Bang. ITAT)]; Trilogy E-Business Software India Pvt. Ltd. v. DCIT [(2013) 29 taxmann.com 310 (Bang. ITAT)] followed]

4. **SunTec Business Solutions Pvt. Ltd. vs. DCIT [TS-525-ITAT-2026(CHNY)-TP] [03-07-2026] – ITA No. 2510/Chny/2024 – [AY 2020-21] - [2026] 188 taxmann.com 244 (Chennai - Trib.)**

ITAT: Companies having turnover exceeding ₹200 crore cannot be compared with a captive software development service provider having substantially lower turnover.

The assessee, engaged in providing software development services to its AE, challenged the inclusion of five high-turnover companies as comparables. The TPO rejected the assessee's objection and retained the comparables. The Tribunal held that turnover is a significant criterion for determining comparability in the software development services sector, as companies with substantially higher turnover enjoy economies of scale, brand value, diversified customer base, superior bargaining power and higher risk-bearing capacity, making them incomparable with a captive, limited-risk service provider. Following the Tribunal's orders in the assessee's own case for AYs 2016-17 and 2017-18, it upheld the ₹200 crore upper turnover filter and rejected the Revenue's contention that a one-tenth to ten-times turnover range should be applied. The Tribunal directed exclusion of all comparables having turnover exceeding ₹200 crore and remitted the computation to the TPO/AO to verify whether

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the assessee's margin falls within the arm's length range under section 92C read with Rule 10CA, in which case no adjustment would survive.

The Tribunal rejected TPO's following Comparables:

1. **Larsen & Toubro Infotech Ltd.** – Excluded as its turnover (₹10,184.20 crore) far exceeded the assessee's turnover of ₹136.96 crore, rendering it incomparable to a captive software development service provider.
2. **Nihilent Ltd.** – Excluded on account of turnover of ₹353.18 crore exceeding the accepted ₹200 crore turnover threshold.
3. **Mindtree Ltd.** – Excluded as its turnover of ₹7,764.30 crore made it functionally incomparable on the turnover filter.
4. **Tata Elxsi Ltd.** – Excluded since its turnover of ₹998.63 crore exceeded the ₹200 crore threshold.
5. **Cybage Software Pvt. Ltd.** – Excluded as its turnover of ₹1,609.60 crore was substantially higher than that of the assessee.

5. Technvision Ventures Limited vs. ITO [TS-563-ITAT-2026(HYD)-TP] [17-07-2026] – ITA No.1091/Hyd/2024 – [AY 2021-22] - [2026] 188 taxmann.com 774 (Hyderabad - Trib.)

ITAT: While applying the turnover filter under TNMM, comparables must be selected within ten times the assessee's turnover either side, since scale-driven operational efficiencies and intangibles render high-turnover companies incomparable to a small captive software development service provider; comparables challenged on functional dissimilarity, or rejected without assigning reasons, require fresh verification by the TPO in light of FAR analysis and annual-report data

The assessee, engaged in providing software development services to its US-based AE on a cost-plus mark-up basis, benchmarked the international transaction by applying TNMM as the most appropriate method.

Tribunal rejected TPO's following Comparables:

1. **Evoke Technologies Ltd., Mindtree Ltd., Great Software Laboratory Pvt. Ltd., Nihilent Limited, LTIMindtree (Formerly L&T Infotech), Wipro Limited, Tata Elxsi Limited, Infosys Limited, Robosoft Technologies Ltd. and Cybage Software Pvt. Ltd.** – The Tribunal held that these companies had turnover exceeding ten times the assessee's turnover on either side, and that larger companies enjoying operational efficiencies and intangibles on account of scale. Holding that such large-scale companies could not be compared with a small company like the assessee, which renders software development services to its AE on a cost-plus mark-up basis, the Tribunal directed exclusion of all ten companies from the final set of comparables, since their reasoning for exclusion was identical.

Tribunal remitted TPO Comparables:

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1. **Net4Nuts, Systango Technologies Ltd., KSolves and Aptus Software Labs** – The Tribunal noted that the annual-report descriptions indicated these companies were engaged in artificial intelligence, machine learning, app development, cloud engineering, network operations and infrastructure management, seemingly different from the assessee's functions, but held that the exact nature of services and the revenue generated from each vertical could not be ascertained from the material on record, and that the TPO too had not examined FAR similarity with reference to the nature of services rendered. The comparability of all four companies was remitted to the TPO for fresh consideration in light of the assessee's objections, including difference in FAR analysis.

Tribunal accepted Assessee Comparable:

1. **G S S Infotech Limited** – The TPO had excluded it solely for failing the RPT filter; the Tribunal found, on the strength of the annual report furnished by the assessee, that there were no related-party transactions for the year and no other objection had been raised by the TPO. The company was directed to be included in the final set of comparables.

Tribunal remitted Assessee Comparable:

1. **Cadsys (India) Ltd.** – The TPO had rejected it based on an annual-report extract regarding its sales-service income, without assigning any further reasons. The Tribunal remitted its comparability to the TPO for fresh verification in light of the company's annual report and the assessee's FAR analysis.

b. *Related Party transaction (RPT) Filter*

1. **Saipem India Projects Private Limited vs. ACIT [TS-532-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.8/Chny/2018 – [AY 2013-14] - [2026] 188 taxmann.com 408 (Chennai - Trib.)**

   ITAT: Companies failing the RPT filter cannot be selected as comparables for benchmarking engineering design services under TNMM.

   Assessee was engaged in providing engineering design services to its group companies and to third party customers in India and overseas. TPO has applied an RPT filter of <25% and included I-Design Engineering Solutions Ltd. Tribunal rejected the TPO’s Comparable as it failed the RPT filter of 25% adopted by the TPO himself since its RPT transactions amounted to 35.94%.

2. **Technvision Ventures Limited vs. ITO [TS-563-ITAT-2026(HYD)-TP] [17-07-2026] – ITA No.1091/Hyd/2024 – [AY 2021-22] - [2026] 188 taxmann.com 774 (Hyderabad - Trib.)**

   ITAT: While applying the turnover filter under TNMM, comparable excluded solely for failing the RPT filter must be included where the annual report discloses no related-party transactions for the year under consideration

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The assessee, engaged in providing software development services to its US-based AE on a cost-plus mark-up basis, benchmarked the international transaction by applying TNMM as the most appropriate method. The TPO had excluded G S S Infotech Limited solely for failing the RPT filter. The Tribunal found, on the strength of the annual report furnished by the assessee, that there were no related-party transactions for the year and no other objection had been raised by the TPO. The company was directed to be included in the final set of comparables.

c. *Segmental Data*

1. **ICL Management and Trading India Pvt. Ltd. vs. DCIT, Circle-10(1) [TS-577-ITAT-2026(DEL)-TP] [24-07-2026] – IT(TP)A No.22/Del/2025 – [AY 2022-23] - [2026] 188 taxmann.com 981 (Delhi - Trib.)**

   ITAT: A TPO giving effect to a DRP direction that the trading income filter need not be applied at the entity level once a comparable's segmental trading margin is identifiable cannot reintroduce that entity-level filter to exclude the comparable; and a comparable whose audited financials show it was engaged purely in trading, with nil cost of materials consumed, satisfies the trading income filter.

   Tribunal accepted/included assessee's following comparables:

   1. **Nikhil Adhesives Limited** – Excluded by the TPO on the ground that trading constituted only 20.6% of its entity-level revenue, despite the DRP's direction that this filter need not apply where segmental data is used. The Tribunal held the TPO had disregarded the binding direction and, segmental data being available, directed inclusion adopting the trading segment's margin.
   2. **Solvo-chem (India) Private Limited** – Excluded for failing the trading income filter. The Tribunal found the company was engaged purely in trading with nil cost of materials consumed, held the exclusion factually incorrect, and directed its inclusion.

2. **MSN Laboratories Private Limited vs. ACIT [TS-564-ITAT-2026(HYD)-TP] [17-07-2026] – I.T.A. Nos.319, 320 & 1066/Hyd/2026 – [AY 2020-21 & 2021-22] - [2026] 188 taxmann.com 783 (Hyderabad - Trib.)**

   ITAT: Where segmental data of a functionally comparable business segment is available, a comparable's predominant engagement in a different activity or the minority share of revenue from that segment does not bar its inclusion, provided the segment's FAR profile matches the tested party; under TNMM, which is tolerant of product and sectoral differences, functional comparability alone governs.

   The assessee, engaged in manufacturing bulk drugs and formulation products, paid commission to its AEs in the USA, Colombia, Peru and the UK for marketing support services and benchmarked the transaction under TNMM with OP/OC as the PLI,

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including the Indenting Commission Segment of Priya International Ltd. as one of five comparables. The TPO accepted TNMM but rejected three comparables, i.e., Kestone Integrated Marketing Services Private Limited, Ketchum Sampark Private Limited, and Priya International Limited (Indenting Commission Segment)., on the ground of functional dissimilarity, recomputing the arithmetic mean PLI of the remaining two comparables and making a TP adjustment; the CIT(A) upheld the exclusion. The assessee had not challenged the first two comparables but contended that the AEs' marketing support functions were functionally similar to **Priya International Ltd.**'s indenting segment, both being low-risk activities carrying no inventory, market or credit risk, and that segmental data disclosed in the comparable's annual report could validly be used despite its predominant trading activity. The Tribunal agreed, holding that once the FAR analysis of a comparable's segment matches the tested party, mere predominance of a different activity or a minor revenue share from the comparable segment cannot justify rejection, and that TNMM's tolerance for product differences means functional, not sectoral, comparability governs commission benchmarking. It accordingly held that the Indenting Commission Segment of **Priya International Ltd.** was rightly included by the assessee, set aside the CIT(A)'s order, and directed the TPO to include it in the final set of comparables and recompute the ALP and consequent TP adjustment, if any, for both assessment years. ***[Microsoft India (R&D) (P.) Ltd. vs. DCIT [(2023) 153 taxmann.com 199 (Delhi HC)], SLP dismissed in PCIT vs. Microsoft India (R&D) (P.) Ltd. [(2024) 161 taxmann.com 770 (SC) relied upon]***

d. *Loss Making Company*

1. **Trimex Industries Pvt. Ltd. vs. DCIT [TS-531-ITAT-2026(CHNY)-TP] [02-07-2026] – IT(TP)A No.131/CHNY/2024 – [AY 2021-22] - [2026] 188 taxmann.com 399 (Chennai - Trib.)**

   ITAT: A company cannot be treated as persistently loss-making merely because it incurred losses in two out of three years,

   The assessee, engaged in trading industrial minerals, benchmarked its international transaction of export of barite to its Associated Enterprises under TNMM using OP/OC as the PLI.

   The Tribunal accepted assessee comparable:

   1. **Ashok Alcochem Ltd.**: The TPO rejected the company by applying the persistent loss-making filter as it had incurred losses in two out of three financial years. Since Ashok Alcochem Ltd. had earned profits in one of the three years, its exclusion was unjustified.

2. **FIH India Private Limited vs. DCIT/ACIT [TS-573-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A Nos.137/Chny/2024 & 1/Chny/2025 – [AY 2007-08] - [2026] 188 taxmann.com 947 (Chennai - Trib.)**

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ITAT: A comparable rejected on the assumption that its business had ceased cannot be excluded absent supporting documentary evidence of the date of cessation; and the persistent loss filter applies only where a company has incurred losses in all three years under consideration, not merely in some.

Tribunal accepted assessee comparables:

1. **Naman Plastic Processor Ltd** – Rejected by the TPO on the ground that the company was in the process of winding up its business, a position upheld by the CIT(A). The Tribunal found from the company's financial disclosures that its business was shut down only in AY 2008-09, so the TPO's assumption of an earlier stoppage, unsupported by any document, could not be sustained; the company was operational throughout AY 2007-08 and was accordingly directed to be included.
2. **Arcee Industries Ltd** & **Synthetic Moulders Ltd**– Rejected by the TPO applying the persistent loss filter, having incurred losses in two of three years under consideration, but the CIT(A) directed its inclusion. On the Revenue's appeal, the Tribunal held that the persistent loss filter applies only where a company has incurred losses in all three years, and since this company had made profits in one of the three years, it could not be treated as persistently loss-making; the CIT(A)'s inclusion was upheld and the Revenue's ground dismissed.

e. *Winding up*

1. **FIH India Private Limited vs. DCIT/ACIT [TS-573-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A Nos.137/Chny/2024 & 1/Chny/2025 – [AY 2007-08] - [2026] 188 taxmann.com 947 (Chennai - Trib.)**

ITAT: Tribunal accepted a comparable rejected by TPO on the alleged ground that it was being wound-up accepted by tribunal on the basis of company's financial disclosures that it was shut down in the subsequent years.

Tribunal accepted assessee comparable:

Naman Plastic Processor Ltd – Rejected by the TPO on the ground that the company was in the process of winding up its business, a position upheld by the CIT(A). The Tribunal found from the company's financial disclosures that its business was shut down only in AY 2008-09, so the TPO's assumption of an earlier stoppage, unsupported by any document, could not be sustained; the company was operational throughout AY 2007-08 and was accordingly directed to be included.

f. *Multiple Years Data*

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1. **IBM India Pvt. Ltd. vs. DCIT [TS-508-ITAT-2026(Bang)-TP] [03-07-2026] - M.A. No. 22/Bang/2026 in IT(TP)A No. 1218/Bang/2025 – [AY 2002-03]**

   ITAT: allowed the assessee's miscellaneous application, holding that its earlier order suffered from an apparent mistake in directing examination of three-year average data instead of single-year data. The Tribunal directed the CIT(A) to determine the arm's length price by examining the assessee's claim based on single-year data in accordance with Rule 10B.

V. Computation / Adjustments

a. Operating/ Non - operating Income/ expense

i. Operating income

1. **SAP India Private Limited vs. DCIT [TS-520-ITAT-2026(Bang)-TP] [06-07-2026] – MA No. 23/Bang/2026 (in ITA No. 1519/Bang/2024) – [AY 2020-21]**

   ITAT: rectifies its earlier order under section 254(2) by adjudicating an omitted ground and directs inclusion of revenue from customer events as operating revenue while computing the assessee's operating margin.

   The assessee, engaged in the distribution of enterprise software products of its Associated Enterprises, filed a Miscellaneous Application contending that the Tribunal had inadvertently failed to adjudicate its ground challenging the exclusion of revenue from customer events from operating revenue while determining its operating margin. The Tribunal held that the omission to decide a specifically argued ground constituted a mistake apparent from the record amenable to rectification under section 254(2). On merits, it observed that customer events were organised to promote SAP products, engage customers and partners, provide product training and support the assessee's software distribution business. Since the events were intrinsically connected with the assessee's core operating activities, the revenue earned from such events formed part of the operating revenue of the software distribution segment. Accordingly, the Tribunal rectified its earlier order and directed the Assessing Officer to include the revenue from customer events while computing the assessee's operating margin.

2. **DCIT, Circle-2(2)(1), Bangalore vs. Continental Automotive Components (India) Pvt. Ltd. [TS-586-ITAT-2026(Bang)-TP] [23-07-2026] – ITA No.1318/Bang/2025 (with CO No.21/Bang/2025) – [AY 2013-14]**

   ITAT: Foreign exchange gains and losses arising in the ordinary course of an assessee's transactions are to be treated as operating in nature for computing the profit-level indicator, consistent with a coordinate bench's treatment of the identical issue in the assessee's own case.

Assessee, a wholly owned subsidiary of Continental Automotive GmbH, Germany, rendered software development services to its AEs under its services segment. The Revenue contested the CIT(A)'s direction treating forex fluctuation as operating in nature. The CIT(A) had followed a coordinate-bench ruling in the assessee's own case for AY 2012-13, which had remitted the issue for the TPO to determine the arm's length price after considering a forex-fluctuation adjustment on account of the assessee's disproportionately high import content relative to its comparables; on giving effect, the TPO had treated forex fluctuation as operating in nature. Finding no change in facts, the Tribunal upheld the CIT(A)'s direction and dismissed Revenue's grounds.

3. **FIH India Private Limited vs. DCIT/ACIT [TS-573-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A Nos.137/Chny/2024 & 1/Chny/2025 – [AY 2007-08] - [2026] 188 taxmann.com 947 (Chennai - Trib.)**

   ITAT: An assessee cannot claim elimination of packing cost as an abnormal, non-operating expense merely because it was unable, in its first year of operation, to establish recycling facilities, unless it establishes that such additional cost was not recoverable from the customer.

   The assessee sought exclusion of packing material cost as an abnormal, non-operating expense, contending it was unable, in its first year of operation, to establish facilities for recycling packing material used at its customer's request and could not pass on this cost; the TPO treated the cost as routine business expenditure factored into pricing, and the CIT(A) upheld this treatment. The Tribunal agreed, holding that mere inability to establish recycling facilities in the first year did not by itself qualify the assessee for the claimed adjustment, and that the assessee, having failed to establish that the cost was not recoverable from its customer, could not claim the adjustment as a matter of right; the ground was accordingly dismissed.

4. **NatWest Digital Services India Pvt. Ltd. (formerly RBS Services India Pvt. Ltd.) vs. DCIT [TS-550-ITAT-2026(DEL)-TP] [16-07-2026] – ITA No. 3198/Del/2017 & ITA No. 3060/Del/2017 – [AY 2009-10] - [2026] 188 taxmann.com 694 (Delhi - Trib.)**

   ITAT: forex fluctuation inextricably linked to the underlying international transaction must be treated as operating income

   The assessee, a wholly owned Indian subsidiary providing routine software development and maintenance support services to its AE on a cost-plus basis, benchmarked the transaction under TNMM with OP/OC as PLI, its margin aligning with the comparables' mean. However, the TPO treated the forex fluctuation as non-operating income. The tribunal held that since the forex fluctuation was inextricanly linked to the international transaction. Had to be treated as operating income

5. **Chanel (India) Private Limited vs. DCIT [TS-583-ITAT-2026(DEL)-TP] [27-07-2026] – ITA No.2341/Del/2022 – [AY 2012-13]**

   ITAT: Subsidy received from an AE that is paid routinely, based on annual sales performance, to compensate a routine distributor for unabsorbed costs under a distribution agreement is operating income having a direct nexus with the

distribution activity, and cannot be treated as non-operating merely because it is segregated from the aggregated benchmarking of closely linked transactions.

The assessee benchmarked its purchase of traded goods and receipt of subsidy from its AE on an aggregated basis under TNMM, treating the subsidy as operating income given its nexus with distribution activity, a position the TPO had earlier accepted. On reassessment, the AO excluded the subsidy as non-operating and segregated it for benchmarking, resulting in the impugned adjustment upheld by the DRP. The assessee contended the subsidy was a routine, performance-linked payment under its distribution agreement to reimburse unabsorbed start-up costs, consistently treated as operating revenue and accepted as such in the preceding year, and that segregating one component of a closely linked, aggregated transaction without cogent reasons was impermissible. The Tribunal found the subsidy was paid annually based on sales performance to compensate the assessee for unabsorbed costs and held that compensation tied to sales performance can only be operating income, relying on coordinate precedents recognising AE support payments compensating losses as operating in nature. It accordingly deleted the addition and allowed the appeal. ***[Nalco Water India Ltd. v. ACIT [(2019) 111 taxmann.com 194 (Pune)], MSD Pharmaceutical P Ltd. v. DCIT [(2020) 114 taxmann.com 719 (Pune)] relied upon]***

ii. Non-operating expenses/ cost

1. **Kennametal India Limited vs. DCIT [TS-575-ITAT-2026(Bang)-TP] [23-07-2026] – IT(TP)A No.2564/Bang/2024 – [AY 2021-22] - [2026] 188 taxmann.com 949 (Bangalore - Trib.)**

   ITAT: Exceptional costs incurred during the COVID-19 pandemic to retain manpower and sustain business continuity, which generated no corresponding operating revenue, constitute extraordinary expenditure outside the regular course of business and must be excluded from operating costs while computing the tested party's PLI.

   The Tribunal held that such costs, incurred as a measure to preserve employment and long-term business continuity rather than in the ordinary course of operations, generated no operating revenue and were therefore extraordinary and non-operating in nature; relying on the OECD guidance recognizing separate treatment for clearly identified, non-recurring pandemic-related costs, and on Rule 10B(1)(c)(3) permitting adjustment for differences materially affecting comparability, it directed exclusion of such expenditure from operating costs in computing the PLI. ***[DCIT vs. M/s Lam Research (India) Pvt. Ltd. – IT(TP)A No.2327/Bang/2016, DCIT vs. ITE Ltd. – 104 taxmann.com 281 relied upon]***

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2. **DCIT, Circle-2(2)(1), Bangalore vs. Continental Automotive Components (India) Pvt. Ltd. [TS-586-ITAT-2026(Bang)-TP] [23-07-2026] – ITA No.1318/Bang/2025 (with CO No.21/Bang/2025) – [AY 2013-14]**

   ITAT: Amortization of goodwill arising from an extraordinary event such as a business acquisition is an extraordinary item not pertaining to the assessee's regular operations and is accordingly to be treated as non-operating in nature and excluded from the cost base for computing the operating margin.

   Assessee, a wholly owned subsidiary of Continental Automotive GmbH, Germany, rendered software development services to its AEs under its services segment. The assessee had accounted for goodwill arising from its acquisition of Siemens Limited's automotive components business, amortized over five years, and treated the amortization expense as non-operating for computing its segmental operating margins. The CIT(A) upheld this, relying on a coordinate-bench ruling in the assessee's own case for AY 2012-13, which followed a Delhi Tribunal decision holding that goodwill amortization from an extraordinary acquisition event is not part of regular operations and is non-operating in nature. Finding no change in facts and noting the AO had accepted this position in a subsequent year's remand report, the Tribunal upheld the treatment and dismissed Revenue's grounds. ***[ST Ericsson India Pvt. Ltd. v. DCIT [IT(TP)A No.609 & 168/Del/2015 relied upon]***

3. **Elgi Rubber Co. Limited vs. DCIT [TS-530-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.07/Chny/2026 – [AY 2022-23] - [2026] 188 taxmann.com 420 (Chennai - Trib.)**

   ITAT: Advances written off and bad debts arising from exceptional circumstances attributable to the Covid-19 pandemic are non-operating items and cannot be included in operating costs while computing the PLI under TNMM.

   The assessee benchmarked its international transactions relating to sale of products to AEs under TNMM by adopting OP/OC as the PLI. While recomputing the assessee's margins, the TPO treated advances written off and bad debts written off as operating expenditure, resulting in a TP adjustment. Although the DRP held that such items were non-operating in nature, it erroneously proceeded on the assumption that the TPO had already excluded them from operating costs and consequently sustained the adjustment. The Tribunal held that the advances written off and bad debts written off arose under exceptional circumstances attributable to the Covid-19 pandemic and did not reflect the assessee's normal operating performance. Once these extraordinary items were excluded from operating costs, the assessee's operating margin exceeded the arithmetic mean margin of the comparable companies, and the international transactions satisfied the arm's length standard under TNMM. The Tribunal therefore directed deletion of the TP adjustment. ***[SAP Labs India Pvt. Ltd. v. ACIT – (2011) 44 SOT 156, Four Soft Ltd. v. Dy. CIT – (2011) 142 TTJ 358. Relied upon]***

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4. **Ilink Multitech Solutions Private Limited vs. DCIT [TS-537-ITAT-2026(CHNY)-TP] [06-07-2026] – IT(TP)A No.24/Chny/2026 – [AY 2022-23] - [2026] 188 taxmann.com 424 (Chennai - Trib.)**

   ITAT: Product development expenses relating to a product under development and merger & acquisition expenses incurred for business expansion are non-operating in nature and cannot be considered while benchmarking software development services under TNMM.

   The assessee, engaged in providing software development services to its associated enterprises, benchmarked its international transaction under TNMM by adopting OP/OC as the PLI after treating product development expenses and merger & acquisition (M&A) expenses as non-operating. The TPO accepted TNMM as the most appropriate method but treated both expenses as operating, rejected most of the assessee's comparables, selected a fresh set of comparables and proposed a TP adjustment, which was partly modified by the DRP. The AO, however, passed the final assessment order without giving effect to the DRP's directions and the rectification order passed by the TPO. The Tribunal held that expenditure incurred on the "BEAK" product, which was still under development and had not generated any revenue, had no nexus with the software development services rendered to AEs and, therefore, could not be treated as an operating expense for benchmarking. It also held that M&A expenses relating to acquisition and integration of domestic entities were unrelated to the international transactions with AEs and were likewise non-operating. Accordingly, both product development and M&A expenses were directed to be excluded from operating costs. The Tribunal further held that while internal TNMM was unsuitable due to differences between the domestic non-AE and export AE segments, the audited AE segmental results could be benchmarked against external comparables selected by the TPO. After excluding the non-operating expenses, the assessee's margins were found to be at arm's length, and the TP adjustment was deleted. ***[Sageezza India Pvt. Ltd. v. DCIT [(2017) 80 taxmann.com 183 (Chennai-Trib.)], HSI Automotive Ltd. v. DCIT [IT(TP)A No.28/Chny/2021] relied upon]***

5. **FIH India Private Limited vs. DCIT/ACIT [TS-573-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A Nos.137/Chny/2024 & 1/Chny/2025 – [AY 2007-08] - [2026] 188 taxmann.com 947 (Chennai - Trib.)**

   ITAT: Pre-commencement expenditure incurred by a start-up tested party, having no connection with the international transaction under examination, ought to be excluded from operating cost while comparing its margin with well-established comparables that would not have incurred similar expenditure.

   The assessee sought exclusion of pre-commencement expenses from its operating cost base, contending its comparables were well-established companies unlikely to have incurred similar expenses; the TPO declined the adjustment for want of substantiation that the comparables had not incurred such expenses, and the CIT(A) upheld this view. The Tribunal held that pre-commencement expenditure, though inherent to setting up a manufacturing facility, is not relevant for well-established, long-existing comparables, and that requiring the assessee to prove the absence of such expenditure in the comparables' financials was untenable, since such expenses would not be separately disclosed therein. It reasoned that since TP analysis is directed at detecting profit-shifting through international transactions, and pre-commencement expenditure bore no connection to the assessee's international transaction, it was inappropriate to treat it as an operating cost for benchmarking. The TPO was directed to exclude the pre-commencement expenses from operating cost, and the ground was allowed.

b. *Working Capital Adjustment*

1. **Kennametal India Limited vs. DCIT [TS-575-ITAT-2026(Bang)-TP] [23-07-2026] – IT(TP)A No.2564/Bang/2024 – [AY 2021-22] - [2026] 188 taxmann.com 949 (Bangalore - Trib.)**

   ITAT: A claim for working capital adjustment while computing the ALP must be substantiated with data demonstrating the material impact of such differences on price, cost or profit; in the absence of such demonstration, the matter warrants remand for the assessee to establish the claim before the TPO.

   The assessee, engaged in manufacturing mining tools, metal castings, fixtures and jigs and special-purpose machines. The assessee sought a working capital adjustment under Rule 10B(3), contending that TNMM requires elimination of material differences affecting profit comparability between the tested party and comparables. The DRP rejected the claim, holding that the assessee had failed to demonstrate with any data the impact of working capital differences on price, cost or profit, making an accurate adjustment impossible to ascertain. The Tribunal agreed that the claim remained undemonstrated and, without recording any independent finding on entitlement, remitted the issue to the AO/TPO directing the assessee to establish the material differences warranting an adjustment, allowing the ground for statistical purposes.

2. **DCIT, Circle-2(2)(1), Bangalore vs. Continental Automotive Components (India) Pvt. Ltd. [TS-586-ITAT-2026(Bang)-TP] [23-07-2026] – ITA No.1318/Bang/2025 (with CO No.21/Bang/2025) – [AY 2013-14]**

   ITAT: Where a coordinate bench, in the assessee's own case for prior years, has directed grant of a working-capital adjustment and the TPO has given effect to that direction, the Tribunal will follow the same on judicial consistency absent any change in facts.

3. **FIH India Private Limited vs. DCIT/ACIT [TS-573-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A Nos.137/Chny/2024 & 1/Chny/2025 – [AY 2007-08] - [2026] 188 taxmann.com 947 (Chennai - Trib.)**

   ITAT: A working capital adjustment prepared in accordance with ICAI guidelines, based on opening and closing values of debtors, creditors and inventory, cannot be denied merely because data on intra-year movement of such balances or their trade/non-trade breakup is unavailable in the public domain, such details not being mandated by the guidelines.

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The TPO denied working capital adjustment for want of substantiation of the impact of working capital differences, citing unavailability of daily data; the CIT(A) upheld the denial, additionally faulting the assessee's workings for not capturing intra-year movements or the trade/non-trade breakup of debtors and creditors. The assessee contended its adjustment was computed on reliable, publicly available information consistent with ICAI guidelines. The Tribunal held that the benefit could not be denied for want of details neither available in the public domain nor mandated by the ICAI guidelines, since such a requirement would render working capital adjustment impossible to compute in practice; it also found the CIT(A)'s reliance on the Tribunal's earlier ruling in NVH India Auto Parts misplaced, that ruling having since been modified on remand in MA No.170/Chny/2023. Following its coordinate rulings in Hyundai Wia India and Doowon Automotive Systems, the Tribunal directed the TPO to grant working capital adjustment on the final set of comparables, allowing the ground. ***[Hyundai Wia India Private Limited vs. DCIT – IT(TP)A No.48/Chny/2024, Doowon Automotive Systems India Private Limited vs. DCIT – IT(TP)A No.88/Chny/2024 followed]***

4. **Coca Cola India Inc. vs. DCIT [TS-519-ITAT-2026(DEL)-TP] [08-07-2026] – ITA No. 8275/Del/2018 – [AY 2002-03] - [2026] 188 taxmann.com 279 (Delhi - Trib.)**

   ITAT: Where assessee, a debt-free Indian branch, recovered reimbursements from AEs after a considerable delay, since its entire working capital requirements were funded by Head Office and it incurred no borrowing or interest cost, TPO was not justified in making working capital adjustments to comparables for determining ALP. *[Bechtel India (P.) Ltd. vs. Additional Commissioner of Income Tax, Special Rang - 2, New Delhi [2021] 125taxmann.com 67/86 ITR(T) 544/188 ITD 460 (Delhi - Trib.) followed]*

5. **NatWest Digital Services India Pvt. Ltd. (formerly RBS Services India Pvt. Ltd.) vs. DCIT [TS-550-ITAT-2026(DEL)-TP] [16-07-2026] – ITA No. 3198/Del/2017 & ITA No. 3060/Del/2017 – [AY 2009-10] - [2026] 188 taxmann.com 694 (Delhi - Trib.)**

   ITAT: Where working capital adjustment and treatment of forex fluctuation as operating income bring the assessee's margin within the tolerance range under the proviso to section 92C(4), no TP adjustment arises whether or not an APA's rollback margin, inapplicable to a year outside its rollback period, is hypothetically applied, matter remanded and a working capital adjustment otherwise allowable on furnished workings requires verification by the TPO/AO.

   The assessee, a wholly owned Indian subsidiary providing routine software development and maintenance support services to its AE on a cost-plus basis, benchmarked the transaction under TNMM with OP/OC as PLI, its margin aligning with the comparables' mean. The TPO retained TNMM/PLI but revised the comparable set and treated forex gain as non-operating, proposing a substantial adjustment; the CIT(A) allowed working capital adjustment, treated forex fluctuation as operating in nature, and, despite the year falling outside the rollback period, applied the assessee's APA-agreed margin to scale the adjustment down. The Tribunal held that the APA margin could not apply to the year under consideration at all, but that whether or not it was hypothetically adopted, the assessee's margin with working capital adjustment and forex fluctuation treated as operating income fell within the tolerance range under the proviso to section 92C(4), warranting no adjustment either way; forex fluctuation, being inextricably linked to the underlying transaction, had to be treated as operating income, while the working capital adjustment, though allowable on furnished workings, required verification by the TPO/AO, to whom that limited exercise was restored with a direction that no adjustment need be made if verified margins fall within the tolerance range. The comparables dispute was accordingly left unadjudicated as academic, the TDS-credit issue was restored to the AO, and both appeals were partly allowed for statistical purposes.

c. *Capacity Utilization Adjustment*

1. **Kennametal India Limited vs. DCIT [TS-575-ITAT-2026(Bang)-TP] [23-07-2026] – IT(TP)A No.2564/Bang/2024 – [AY 2021-22] - [2026] 188 taxmann.com 949 (Bangalore - Trib.)**

   ITAT: Where a claim for economic adjustment on account of capacity underutilization cannot be verified for want of comparables' capacity-utilization data in the public domain, the onus lies on the TPO, not the assessee, to obtain such data from the comparable companies by exercising powers under section 133(6) before the claim for adjustment can be evaluated.

   The assessee, whose manufacturing revenue was substantially derived from the automotive sector, claimed a capacity underutilization adjustment citing a pandemic and semiconductor-shortage-driven slowdown in automobile production and a consequent decline in its own sales across vehicle segments; it also relied on the DRP's acceptance of a similar claim in its own case for an earlier AY. The TPO rejected the claim for lack of evidence on comparables' capacity utilization, and the DRP, while accepting that comparability adjustment for capacity differences is contemplated under the OECD guidelines, declined to grant it citing the assessee's failure to maintain data on comparables not available in the public domain. The Tribunal held that the assessee had in fact underutilized capacity during the year and was eligible for adjustment, but that placing the burden of furnishing comparables' capacity data on the assessee amounted to requiring it to perform an impossible task, when the TPO could instead have collated such data from the comparable companies by exercising his powers under section 133(6). It accordingly directed the TPO to call for capacity-utilization details of the comparables under section 133(6), granting the assessee a further opportunity before any adjustment is made, and allowed the ground for statistical purposes. ***[M/s Kiara Jewellery P. Ltd. – ITA No.8109/Mum/2011 [TS-140-ITAT-2014(Mum)-TP] relied upon]***

2. **DCIT, Circle-2(2)(1), Bangalore vs. Continental Automotive Components (India) Pvt. Ltd. [TS-586-ITAT-2026(Bang)-TP] [23-07-2026] – ITA No.1318/Bang/2025 (with CO No.21/Bang/2025) – [AY 2013-14]**

   ITAT: Where the exact capacity-utilisation data of comparable companies is not available in the public domain, remitting the issue to the TPO with a direction to

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obtain the data directly from the comparables and decide the claim afresh, consistent with a coordinate bench's treatment of the identical issue in the assessee's own case, does not warrant interference.

Assessee, a wholly owned subsidiary of Continental Automotive GmbH, Germany, rendered software development services to its AEs under its services segment. The Revenue challenged the CIT(A)'s grant of a capacity-utilisation adjustment for the manufacturing segment without independent verification of the comparables' capacity utilisation. The CIT(A) had followed a coordinate-bench ruling in the assessee's own case for AY 2012-13, holding that since such data is not publicly available, the TPO should obtain it directly from the comparables and decide the issue afresh after hearing the assessee, and remitted the issue accordingly. Finding no change in facts, the Tribunal upheld the remand and dismissed Revenue's grounds.

3. **Fast Forward Logistics Pvt. Ltd. vs. ITO, Corporate Ward 2(1) [TS-572-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A No.10/Chny/2025 – [AY 2017-18] - [2026] 188 taxmann.com 946 (Chennai - Trib.)**

   ITAT: An underutilisation adjustment for excess employee cost in a start-up/ramp-up year ought to be granted where fixed costs are not fully absorbed, but the quantum must be derived by comparing the tested party's employee-cost-to-total-cost ratio with the comparables' average ratio and applying the differential to the operating cost, not by applying the differential of the employee-cost-to-turnover ratio to total revenue.

   The assessee, engaged in freight forwarding and warehousing services, benchmarked its international freight forwarding transactions under TNMM with OP/OR as PLI; the TPO aggregated this segment with the non-AE domestic warehousing segment, revised the comparables, and held the transactions not at arm's length, while the CIT(A) excluded four comparables but rejected the employee cost adjustment and segmental claims. Before the Tribunal, the assessee contended that AY 2017-18, being its first year of full operations, Assessee had recruited additional manpower and leased additional office space in Mumbai and Kolkata in anticipation of new business. However, as anticipated by the assessee, the revenue did not materialize therefore the Assessee chose to lay off the excess and under-utilised employees in the subsequent year and in the subsequent year after shedding the excess manpower, the Assessee has earned profits, and sought an adjustment based on the differential between it and the comparables' employee-cost-to-turnover ratios applied to total revenue. Relying on its coordinate ruling in Eversendai Constructions, where a similar ramp-up adjustment was ultimately granted for excess employee cost, depreciation and rent, the Tribunal held that an underutilisation adjustment ought to be granted, but found the assessee's computation flawed since the ratio was derived on an employee-cost basis applied to total revenue instead of cost; it directed that the differential between the assessee's and comparables' employee-cost-to-total-cost ratios be treated as excessive employee cost and reduced from operating cost. The issue was remitted to the TPO to re-determine the margin on this corrected basis, with liberty to the assessee to press its alternate segmental and comparable-selection arguments if the margin remained outside the arm's length range, and the appeal was partly allowed

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for statistical purposes. ***[Eversendai Constructions Pvt Ltd vs. DCIT – IT(TP)A No.14/Chny/2025 relied upon]***

4. **FIH India Private Limited vs. DCIT/ACIT [TS-573-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A Nos.137/Chny/2024 & 1/Chny/2025 – [AY 2007-08] - [2026] 188 taxmann.com 947 (Chennai - Trib.)**

   ITAT: Where a tested party is in its first year of operation and has operated only part of the year, an underutilisation of capacity adjustment ought to be granted based on the average capacity data available for the comparables that have disclosed such data and cannot be denied merely because capacity data is not available for all comparables.

   The assessee, engaged in manufacturing parts and accessories for telecommunication makers, benchmarked its international transactions under TNMM with OP/OC as PLI, substantiating them as being at arm's length after several claimed economic adjustments; the TPO accepted the method and PLI but declined the claimed adjustments, including for idle capacity, and revised the margin and comparable set to hold the transactions not at arm's length, while the CIT(A) upheld rejection of the capacity adjustment for want of capacity data for all comparables. The assessee contended that being in its first year of operation with commercial operations for only part of the year, it had achieved lower capacity utilisation than the comparables for which data was available, warranting an adjustment for differential capacity and fixed-cost absorption. The Tribunal held that expecting a part-year, first-year entity to achieve optimum capacity was unreasonable, and since the comparables were mature entities, a reasonable adjustment ought to be granted; having admitted the adjustment in principle, the lower authorities could not deny it merely for want of data on all comparables, available data being indicative of the industry trend. Relying on its coordinate ruling in ***Valeo India Private Limited***, which required the TPO to quantify such adjustments from available data rather than deny them outright, the Tribunal directed the TPO to allow the adjustment based on average capacity data among the final comparables, partly allowing the ground for statistical purposes. ***[Valeo India Private Limited vs. DCIT – IT(TP)A No.77/Chny/2024 relied upon]***

d. *Restrict Adjustment to AE Transactions*

1. **Kennametal India Limited vs. DCIT [TS-575-ITAT-2026(Bang)-TP] [23-07-2026] – IT(TP)A No.2564/Bang/2024 – [AY 2021-22] - [2026] 188 taxmann.com 949 (Bangalore - Trib.)**

   ITAT: A transfer pricing adjustment under Chapter X can be made only in respect of income arising from international transactions with associated enterprises and cannot be extended to transactions entered into with unrelated (non-AE) parties. ***[PCIT vs. TT Steel Service India (P.) Ltd. [2024] 168 taxmann.com 515 (Karnataka) followed]***

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2. **DCIT, Circle-2(2)(1), Bangalore vs. Continental Automotive Components (India) Pvt. Ltd. [TS-586-ITAT-2026(Bang)-TP] [23-07-2026] – ITA No.1318/Bang/2025 (with CO No.21/Bang/2025) – [AY 2013-14]**

   ITAT: Following the Supreme Court's ruling that benchmarking of the arm's length price must be confined to transactions with associated enterprises rather than the entire turnover, a transfer pricing adjustment is to be restricted to the value of the international transactions with the AE and not extended to the assessee's entity-level operations.

   Assessee, a wholly owned subsidiary of Continental Automotive GmbH, Germany, rendered software development services to its AEs under its services segment. The TPO had computed the manufacturing-segment adjustment at the entity level rather than restricting it to the proportion of international transactions to total segmental cost. The CIT(A) directed that the adjustment be confined to AE transactions, relying on a coordinate-bench ruling in the assessee's own case for AY 2012-13 that applied the Supreme Court's ruling in **CIT v. Hindustan Unilever Ltd.** Finding no change in facts, the Tribunal upheld this restriction and dismissed Revenue's grounds. ***[CIT v. Hindustan Unilever Ltd. [99 taxmann.com 134 (SC)] relied upon]***

e. *Unaudited Segmental data*

1. **IVY Mobility Solutions Pvt. Ltd. vs. DCIT [TS-539-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.34/Chny/2026 – [AY 2022-23] - [2026] 188 taxmann.com 425 (Chennai - Trib.)**

   ITAT: Segmental results cannot be rejected merely because they are unaudited or the allocation methodology is alleged to be unsubstantiated without examining the supporting evidence on merits; matter remanded for fresh verification.

   The assessee, engaged in providing route-to-market solutions and cloud-based enterprise software solutions, rendered software development services to both its associated enterprises (AEs) and non-AEs. It benchmarked the international transaction by adopting segmental results, contending that the AE segment earned a cost-plus margin of 20%, which exceeded the safe harbour margin of 17%, and therefore the transaction was at arm's length. The TPO rejected the segmentation on the ground that the segmental financials were unaudited and that the basis of cost allocation between AE and non-AE segments had not been substantiated. Consequently, the TPO benchmarked the transaction by adopting entity-level margins, which was affirmed by the DRP. Before the Tribunal, the assessee furnished audited segmental financials, detailed cost allocation methodology and supporting documents as additional evidence and also pointed out that the same segmentation methodology had been accepted by the Revenue in the subsequent assessment years under the Safe Harbour Rules. The Tribunal held that rejection of the segmentation merely because it was unaudited or because the allocation methodology had not been properly examined was unsustainable without verification on merits. Since the additional evidence went to the root of the issue and the lower authorities had not examined the segmentation exercise, the Tribunal admitted the additional evidence and restored the issue to the AO/TPO for fresh examination after considering the evidence and keeping in view the acceptance of the same segmentation methodology in the subsequent safe harbour proceedings.

f. + / - 5% Adjustment

1. **FIH India Private Limited vs. DCIT/ACIT [TS-573-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A Nos.137/Chny/2024 & 1/Chny/2025 – [AY 2007-08] - [2026] 188 taxmann.com 947 (Chennai - Trib.)**

   ITAT: The erstwhile proviso to section 92C (2), providing a tolerance band of 5% around the arithmetic mean, being applicable for AY 2007-08, the TPO must apply this benefit after re-determining the margins of the assessee and final comparables pursuant to the adjustments directed, and delete the TP adjustment if the assessee's margin falls within the tolerance band.

2. **Tribal Fusion R & D LLP vs. DCIT [TS-579-ITAT-2026(DEL)-TP] [27-07-2026] – I.T.(T.P.) A.No.8/Del/2026 – [AY 2022-23] - [2026] 188 taxmann.com 1066 (Delhi - Trib.)**

   ITAT: Where the assessee's PLI falls within the 35th-to-65th percentile range of the comparables' PLI, no TP-adjustment is warranted under Rule 10CA (4) and 10CA (5) read with section 92C, irrespective of the median.

   Assessee was engaged in the business of providing Offshore Software Development Services, Online Advertising Support Services and IT Enabled services to its wholly owned holding compay in USA. The assessee benchmarked the Software development services transaction under TNMM. The TPO computed the assessee's PLI at 10.84%. The TPO recomputed on selected eleven final comparables with a median PLI of 18.39%, resulting in an adjustment; pursuant to DRP directions, the range was reworked to 5.7% (35th percentile) and 21.62% (65th percentile). The assessee contended that its PLI fell within this tolerable range, a plea the DRP had rejected without reasons. The Tribunal held that since the assessee's PLI lay within the comparables' 35th-to-65th percentile range, no adjustment was warranted under Rule 10CA (4) and 10CA (5) and directed its deletion.

3. **Tribal Fusion R & D LLP vs. DCIT [TS-579-ITAT-2026(DEL)-TP] [27-07-2026] – I.T.(T.P.) A.No.8/Del/2026 – [AY 2022-23] - [2026] 188 taxmann.com 1066 (Delhi - Trib.)**

   ITAT: Where fewer than six comparables are finally selected, Rule 10CA(7) (not Rule 10CA (4)-(6)) applies, deeming the ALP to be the actual transaction price where the variation from the comparables' arithmetic mean does not exceed the notified 3% tolerance.

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Assessee was engaged in the business of providing Offshore Software Development Services, Online Advertising Support Services and IT Enabled services to its wholly owned holding compay in USA. The assessee benchmarked its online advertisement support services under TNMM; the TPO rejected all of the assessee's comparables and selected fresh ones, which the DRP reduced to five, giving an arithmetic mean PLI of 13.41% against the assessee's 10.84%. The assessee argued that with fewer than six comparables, Rule 10CA (7)'s 3% tolerance applied. The Tribunal agreed that Rule 10CA (4)-(6) was inapplicable, and computing the ALP on the comparables' mean, found the variation from the actual transaction value at 2.32%, within the 3% tolerance; it accordingly directed deletion of the adjustment.

4. **Aveva Information Technology India Private Limited vs. DCIT [TS-580-ITAT-2026(Mum)-TP] [10-07-2026] – ITA No. 1064/Mum/2026 – [AY 2022-23] - [2026] 188 taxmann.com 1020 (Mumbai - Trib.)**

   ITAT: Where the final comparable set under TNMM comprises only four entities, Rule 10CA (7) deems the ALP to be the transaction price if the variation from the dataset's arithmetical mean is within the notified tolerance; a service provider not satisfying the inventory-based conditions for "wholesale trading" under Notification No. 70 of 2022 is entitled to the 3% (not 1%) tolerance, warranting deletion of the adjustment where the variation falls within that range.

   The assessee, engaged in sub-licensing software products of its group companies to end customers in India, benchmarked its payment of sub-licensing fees under TNMM; the TPO rejected the assessee's comparables and computed an adjustment, which the DRP reduced by excluding certain comparables, leaving a final set of four on which the AO/TPO based a revised adjustment. The assessee contended that with only four comparables surviving, Rule 10CA (7) applied and its margin fell within tolerance, entitling it to the 3% (not 1%) wholesale-trading variation under Notification No. 70 of 2022. The Tribunal held that, the four-comparable set being undisputed, Rule 10CA (7) deemed the ALP to be at arm's length if the variation from the dataset's mean did not exceed the notified percentage; since the assessee's financial statements and GST filings reflected services rather than sale of goods, and it did not meet the inventory conditions for "wholesale trading," the 3% tolerance applied. Finding the variation between the TPO's ALP and the actual transaction price well within 3%, the Tribunal directed deletion of the adjustment and dismissed the remaining TP grounds as academic, while directing verification of short TDS credit and treating interest/penalty grounds as consequential.

g. Others

1. **DCIT, Circle-2(2)(1), Bangalore vs. Continental Automotive Components (India) Pvt. Ltd. [TS-586-ITAT-2026(Bang)-TP] [23-07-2026] – ITA No.1318/Bang/2025 (with CO No.21/Bang/2025) – [AY 2013-14]**

ITAT: Where a coordinate bench has, in the assessee's own case, remitted the issue of adjustment for non-cenvatable customs duty to the TPO for fresh consideration in light of the assessee's disproportionately high import content relative to its comparables, and the TPO has given effect by granting the adjustment, the Tribunal will follow the same on judicial consistency.

Assessee, a wholly owned subsidiary of Continental Automotive GmbH, Germany, rendered software development services to its AEs under its services segment. The assessee sought an adjustment for non-cenvatable customs duty attributable to its higher import content relative to comparables. The CIT(A) allowed the adjustment, relying on a coordinate-bench ruling in the assessee's own case for AY 2012-13 that had remitted the issue to the TPO, and on giving effect, the TPO granted the adjustment after verifying that the assessee's import ratio substantially exceeded that of its comparables. Finding no change in facts, the Tribunal upheld the adjustment and dismissed Revenue's grounds.

2. **Barclays Securities (India) Private Limited vs. ACIT [TS-547-ITAT-2026(Mum)-TP] [14-07-2026] – ITA No. 8715/Mum/2025 – [AY 2012-13] - [2026] 188 taxmann.com 684 (Mumbai - Trib.)**

   ITAT: Burden to establish the necessity and quantum of a comparability adjustment under CUP lies on the taxpayer; absent cogent material, empirical analysis or contemporaneous evidence, a higher adjustment cannot be substituted for a reasoned lower adjustment already granted by the CIT(A).

   The assessee, engaged in merchant banking, distribution of mutual funds, stock broking, depository services and portfolio management, benchmarked its international transaction of provision of broking services (Cash Equities segment) to its AE under TNMM, corroborated by CUP with the AE as tested party. The TPO rejected TNMM and the AE as tested party, and applying CUP with the assessee as tested party, adopted the brokerage rate of 0.22% charged to an independent client as the arm's length rate, making an adjustment of Rs. 74,37,865. The CIT(A) upheld CUP with the assessee as tested party but directed adoption of the average brokerage charged to all comparable third-party clients (instead of a single comparable) and granted an overall 25% discounting factor to account for functional differences in research, marketing and volume. Before the Tribunal, the assessee's grievance was confined to quantum, contending that a 40% adjustment ought to have been allowed instead of 25%, relying on decisions granting 40% discounts in comparable broking cases. The Tribunal held that the burden to establish the necessity and quantum of a comparability adjustment rests on the taxpayer, and that beyond a general assertion, the assessee had placed no cogent material, empirical analysis or contemporaneous evidence justifying a 40% discount; it noted there is no fixed yardstick for such adjustments and the quantum depends on the facts of each case. Observing that the CIT(A) had already substantially mitigated the adjustment's impact by directing use of the average third-party rate and a 25% discount, and that these directions were founded on judicial precedent and represented a fair and reasonable application of the transfer pricing provisions, the Tribunal found no infirmity and dismissed the assessee's appeal.

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VI. *Specific Transactions*

a. Advertisement, Marketing and Promotion Expenses

1. **Fujifilm India Pvt Ltd vs. AO [TS-559-ITAT-2026(DEL)-TP] [20-07-2026] – ITA No.3446/Del/2024 – [AY 2020-21] - [2026] 188 taxmann.com 710 (Delhi - Trib.)**

   ITAT: Deletes TP-adjustment qua AMP-expenses for Fujifilm India, subject to outcome of Sony Ericsson SLP pending before SC

   The assessee, engaged in importing medical imaging, photo imaging, digital camera and related products from its overseas AEs for resale in the Indian market, did not own the 'Fuji' brand, which was owned by its parent AE. The TPO treated the assessee's AMP expenditure as an international transaction undertaken for building the 'Fuji' brand for the parent AE's benefit and computed its ALP by applying the Bright Line Test comparing the assessee's AMP spend against comparables making an adjustment on substantive basis, while an alternative adjustment computed under the intensity method was proposed on protective basis; the DRP upheld application of BLT and directed verification of comparables' margins, pursuant to which the TPO's giving-effect order sustained the BLT-based addition while reducing the intensity-method addition to nil. The Tribunal noted that neither party could point to any contrary decision of a superior court or to any stay of the Sony Ericsson judgment, and held that, respectfully following Sony Ericsson, the BLT-based addition could not be sustained. It accordingly deleted the addition, directed that both parties would be bound by the outcome of the pending SLP, and kept the remaining grounds open; the ground disputing the existence of the international transaction was not pressed and dismissed as conceded, the penalty-proceedings ground was dismissed as premature, and the appeal was partly allowed. ***[Sony Ericsson Mobile Communications India Pvt. Ltd. Vs. CIT [(2015) 374 ITR 118 (Delhi)] followed]***

2. **Vodafone Idea Ltd. vs. DCIT [TS-509-ITAT-2026(Mum)-TP] [30-06-2026] – ITA No. 8971/Del/2019 – [AY 2015-16] - [2026] 188 taxmann.com 32 (Mumbai - Trib.)**

   ITAT: AMP expenditure cannot be regarded as a separate international transaction in the absence of evidence of an arrangement with the AE. *[Maruti Suzuki India Ltd. v. CIT [(2016) 381 ITR 117 (Del.)], CIT v. Whirlpool of India Ltd. [(2016) 381 ITR 154 (Del.)], Vodafone Idea Ltd. (ITA No.9160/Del/2019) relied upon]*

b. Commission

1. **Elgi Rubber Co. Limited vs. DCIT [TS-530-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.07/Chny/2026 – [AY 2022-23] - [2026] 188 taxmann.com 420 (Chennai - Trib.)**

   ITAT: Where commission paid to AEs for marketing support and order procurement forms part of closely linked transactions benchmarked under

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TNMM and the assessee establishes actual rendition of services through contemporaneous evidence, the TPO cannot determine the ALP at Nil.

The assessee, engaged in manufacturing raw materials, equipment, tools and accessories predominantly used in the tyre sector of the rubber industry, paid commission to its AEs for procuring export orders and facilitating overseas sales. It benchmarked the commission transaction along with sales and purchase transactions under TNMM by adopting an aggregated approach under Rule 10A(d). The TPO rejected the aggregation approach, held that the assessee had failed to establish actual rendition of services by the AEs and determined the ALP of the commission payment at Nil, which was affirmed by the DRP. The Tribunal found that the assessee had furnished extensive contemporaneous evidence including e-mail correspondences, invoices, shipping documents, export realization certificates and reconciliation statements establishing that the AEs identified customers, procured export orders, negotiated commercial terms, coordinated supplies and provided post-sale support. It further held that the commission transaction was intrinsically linked with the export sales and had been validly aggregated with other international transactions under TNMM. Since the TPO failed to demonstrate why the aggregation approach was inappropriate or establish that the consideration was not at arm's length, determination of the ALP at Nil was unsustainable. The Tribunal accordingly directed deletion of the TP adjustment.

2. **Magick Woods Exports Pvt. Ltd. vs. ACIT [TS-578-ITAT-2026(CHNY)-TP] [22-07-2026] – IT(TP)A No. 31/Chny/2026 – [AY 2022-23**]

   ITAT: Where international transactions are closely linked and benchmarked under TNMM on an aggregated basis, the TPO cannot selectively segregate one expenditure (agency commission) and determine its ALP at Nil under the Other Method without cogent reasons under Rule 10A(d)/10B or an independent benchmarking exercise; once rendition of services is undisputed, ALP cannot be pegged at Nil merely for want of demonstrated benefit, as the TPO cannot sit in judgment over the assessee's commercial expediency.

   The assessee, engaged in manufacture and export of kitchen and bath vanity products to the US market, benchmarked its export sales and payment of agency commission to its US subsidiary (AE) on an aggregated basis under TNMM. The TPO accepted the overall TNMM benchmarking but segregated the agency commission and determined its ALP at Nil under the "Other Method" without independent benchmarking, solely on the ground that need-benefit was not demonstrated; the DRP mechanically upheld this, terming the services stewardship activities. The assessee contended that once TNMM aggregation is accepted, the commission cannot be subjected to a different method absent cogent reasons, and that it had furnished voluminous Need Benefit Documentation, including email correspondence and evidence of the AE's role in customer coordination, inventory planning and securing display space, establishing actual rendition of services. The Tribunal held that neither the TPO nor the DRP recorded any legally sustainable reason for rejecting the aggregation approach, and that the TPO's function is confined to ALP determination under section 92C read with Rule 10B, not to questioning commercial wisdom; since the TPO himself acknowledged the services as "low value added," rendition of services stood accepted, making a Nil ALP unsustainable, particularly as no benchmarking under Rule 10AB was carried out and increase in customer base alone could not be the yardstick for necessity or benefit of the expenditure. The Tribunal accordingly directed deletion of the adjustment towards agency commission. ***[Magneti Marelli Powertrain India Pvt. Ltd. v. DCIT [(2016) 389 ITR 469 (Delhi)], SLP dismissed by the Supreme Court, CIT v. EKL Appliances Ltd. [345 ITR 241 (Delhi)], Cushman & Wakefield India Pvt. Ltd. [TS-150-HC-2014(DEL)-TP] relied upon]***

c. *Receivables*

i. *Principal international transaction at arm's length*

1. **Elgi Rubber Co. Limited vs. DCIT [TS-530-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.07/Chny/2026 – [AY 2022-23] - [2026] 188 taxmann.com 420 (Chennai - Trib.)**

   ITAT: No separate TP adjustment for outstanding trade receivables is warranted where the principal international transactions are accepted under TNMM, and the assessee follows a consistent policy of not charging interest from both AEs and non-AEs.

   The assessee, engaged in manufacturing products for the tyre industry, did not charge interest on delayed realization of receivables from its AEs. The TPO treated the outstanding receivables as a separate international transaction, allowed a credit period of 30 days, applied an interest rate of 3.84% and made a TP adjustment, which was sustained by the DRP. The Tribunal held that the receivables arose directly from the principal international transactions already benchmarked under TNMM and that the assessee had consistently not charged interest from both AEs and certain non-AE customers, demonstrating a uniform commercial policy. It further observed that the assessment year was affected by the aftermath of the Covid-19 pandemic and that the TPO had failed to justify the assumptions adopted for benchmarking the receivables independently. Holding that closely linked receivables ought to be examined on an aggregated basis with the principal transactions, the Tribunal directed deletion of the TP adjustment. ***[Integra Software Services (P.) Ltd. v. DCIT – [2022] 145 taxmann.com 460 (Chennai-Trib.), Toshiba Technical Services International Corporation – [2022] 145 taxmann.com 474 (Ahmedabad-Trib.), WNS Global Services (P.) Ltd. – [2019] 103 taxmann.com 75 (Mumbai) followed]***

2. **Kronos Solutions India Private Limited vs. DCIT [TS-544-ITAT-2026(DEL)-TP] [15-07-2026] – IT(TP)A No. 4/Del/2026 – [AY 2022-23].**

   ITAT: No separate transfer pricing adjustment for outstanding receivables is warranted where the principal international transaction has been benchmarked at arm's length after considering working capital adjustment.

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The assessee received consideration for software development services from its AEs, and the TPO treated the delay in realization of trade receivables as a separate international transaction, imputing notional interest thereon. The DRP upheld the adjustment. The Tribunal observed that the receivables arose directly from the principal international transaction of software development services, whose arm's length nature had already been examined after considering working capital adjustment. Following the assessee's own case for AY 2017-18 and the settled legal position, the Tribunal held that once the principal international transaction is at arm's length, the consequential receivables stand subsumed within it and do not require a separate benchmarking exercise. The adjustment towards notional interest on outstanding receivables was accordingly deleted. ***[Kusum Healthcare Pvt. Ltd. (ITA No. 6814/Del/2014), affirmed by the Delhi High Court in ITA No. 765/2016, CIT v. EKL Appliances Ltd. (2012) 345 ITR 241 (Delhi) relied upon]***

3. **MSN Laboratories Private Limited vs. ACIT [TS-564-ITAT-2026(HYD)-TP] [17-07-2026] – I.T.A. Nos.319, 320 & 1066/Hyd/2026 – [AY 2020-21 & 2021-22] - [2026] 188 taxmann.com 783 (Hyderabad - Trib.)**

   ITAT: Delayed realization of trade receivables from AEs is a distinct international transaction requiring separate benchmarking despite entity-level aggregation, and credit-period parity between AEs and non-AEs alone does not establish an arm's length result where they are in different tax jurisdictions; however, where the assessee's margin, with or without working capital adjustment, exceeds that of the comparables, the opportunity cost of delayed receivables stands subsumed in pricing and no separate addition is warranted, subject to TPO verification.

   The assessee did not charge interest on delayed realization of trade receivables from its AEs, benchmarking the non-charging as at arm's length under CUP on the footing that the realization period from AEs was shorter than from third parties, and alternatively contending under TNMM that the impact of delayed receivables stood subsumed within the ALP of the principal sale transaction. The TPO rejected this and computed notional interest by applying the SBI short-term deposit rate, making a TP adjustment for both years; the CIT(A) directed the TPO to instead adopt LIBOR plus 200 basis points and to compute the interest on an invoice-by-invoice basis. The assessee contended before the Tribunal that it followed a uniform policy of not charging interest on delayed receivables from AEs and non-AEs alike, and that no separate benchmarking of receivables was required once the principal transaction stood at arm's length under TNMM at the entity level. The Tribunal rejected both contentions, holding that trade receivables from AEs constitute a distinct international transaction under Section 92B requiring independent benchmarking, and that credit-period parity between AE and non-AE receivables is relevant only where the tested party and the AE share the same tax jurisdiction, which was not the case here. However, following the Delhi High Court's rulings that no separate addition is warranted where the impact of receivables on working capital already stands factored into the pricing and profitability of the principal transaction vis-à-vis comparables, the Tribunal found, on the assessee's TP-study figures, that its net profit margin was substantially higher than that of the comparables both before and after working capital

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adjustment, and held that any opportunity cost of interest on delayed receivables stood subsumed in that margin. It accordingly restored the issue to the TPO to verify the assessee's margin against that of the comparables after working capital adjustment, directing that the addition be deleted if the assessee's margin is found to be higher. ***[Principal CIT vs. Kusum Healthcare Private Limited [(2018) 99 taxmann.com 431 (Delhi)]; Principal CIT vs. Calcom Vision Ltd. [(2020) 122 taxmann.com 302 (Delhi)] followed]***

ii. *Where assessee is debt free*

1. **Global Analytics India Private Limited vs. DCIT, Circle 1(1), Chennai [TS-584-ITAT-2026(CHNY)-TP] [21-07-2026] – IT(TP)A No.30/Chny/2026 – [AY 2022-23]**

   ITAT: A separate TP adjustment for notional interest on outstanding receivables duplicates the working-capital adjustment already absorbed in a debt-free captive service provider's TNMM benchmarking and is unsustainable absent proof of an independent AE-financing arrangement, particularly where the credit period and LIBOR mark-up are fixed arbitrarily without regard to comparable credit periods or Covid-era RBI realisation relaxations.

   The assessee, a debt-free captive ITeS provider, extended credit to its AEs beyond the TPO's assumed period. The TPO treated the receivables as a separate transaction and computed notional interest on a uniform 30-day credit period, ignoring comparable credit periods and RBI's Covid-era relaxation; the DRP upheld this and further enhanced the LIBOR mark-up without reasons. The assessee argued the receivables were subsumed in its already-benchmarked principal transaction and that, being debt-free with no financing cost, no separate adjustment was warranted. The Tribunal agreed, holding that a receivables adjustment cannot be made mechanically and would duplicate the TNMM benchmarking's working-capital impact absent proof of an independent financing benefit to the AE; noting the assessee's undisputed debt-free status, and following the Delhi High Court's ruling that no such adjustment applies to a debt-free assessee using no interest-bearing funds, it also found the TPO's 30-day credit period arbitrary, the DRP's mark-up enhancement unreasoned, and the Covid-era RBI relaxation unexamined. It accordingly deleted both the adjustment and the DRP's enhancement. ***[Bechtel India Pvt. Ltd. v. DCIT [ITA No.1478/Del/2015; HC ITA No.379/Del/2016] (AY 2010-11) relied upon]***

2. **Tractors and Farm Equipment Ltd. vs. DCIT [TS-522-ITAT-2026(CHNY)-TP] [02-07-2026] – ITA No. 2589/Chny/2025 – [AY 2021-22] - [2026] 188 taxmann.com 398 (Chennai - Trib.)**

   ITAT: Deletes TP-adjustment qua notional interest on outstanding receivables, considers assessee's debt-free status

   The assessee, engaged in the manufacture of tractors, entered into international transactions with its Associated Enterprises, including sale of goods, which resulted in outstanding trade receivables. The TPO treated the delay in realization of receivables as a separate international transaction and made an adjustment by imputing notional interest, which was upheld by the CIT(A). The Tribunal held that although outstanding receivables constitute a separate international transaction capable of benchmarking, the arm's length price must be determined on the facts of each case. It observed that the assessee was a debt-free company with sufficient own funds and no interest-bearing borrowings, and the Revenue had failed to demonstrate that the delay in realization of receivables resulted in any financing cost or economic prejudice to the assessee. The Tribunal further noted that no comparable uncontrolled transaction had been brought on record to establish that an independent enterprise, in similar circumstances, would have charged interest on delayed receivables. In the absence of any evidence of economic loss or comparable market practice, the Tribunal held that the adjustment towards notional interest was unsustainable and directed deletion of the transfer pricing adjustment.

iii. Where working capital adjustment is granted

1. **ICL Management and Trading India Pvt. Ltd. vs. DCIT, Circle-10(1) [TS-577-ITAT-2026(DEL)-TP] [24-07-2026] – IT(TP)A No.22/Del/2025 – [AY 2022-23] - [2026] 188 taxmann.com 981 (Delhi - Trib.)**

   ITAT: A continuing debit balance in an AE's account does not warrant separate benchmarking of notional interest where the impact of outstanding receivables has already been factored into pricing through a working capital adjustment in the benchmarking analysis.

   The TPO treated the assessee's delayed realisation of AE trade debts as a separate international transaction and imputed notional interest, which the DRP upheld relying on ***McKinsey Knowledge Centre***, rejecting the assessee's contention that its working capital adjustment already subsumed the receivables impact. Before the Tribunal, the assessee relied on ***Kusum Health Care***, which held that a continuing AE debit balance does not by itself constitute a separate transaction where differential working capital impact is already factored into pricing. The Tribunal distinguished *McKinsey Knowledge Centre* as concerning a case with no such working capital adjustment, and applied *Kusum Health Care* to direct deletion of the addition. ***[Pr. CIT vs. Kusum Health Care Pvt. Ltd. 398 ITR 66 (Delhi) followed, Pr. CIT vs. McKinsey Knowledge Centre India Private Limited (2022) 284 Taxman 484 (Delhi) distinguished]***

2. **West Pharmaceutical Packaging India Private Limited vs. DCIT, Circle-8(1) [TS-581-ITAT-2026(HYD)-TP] [17-07-2026] – ITA No.458/Hyd/2026 – [AY 2022-23] - [2026] 188 taxmann.com 778 (Hyderabad - Trib.)**

   ITAT: Where an assessee's margin, even after working capital adjustment, exceeds the comparables' margin, no separate adjustment towards interest on

trade receivables from AEs is required, subject to verification of the margins so computed.

The assessee was engaged in manufacturing flip off seals for the pharmaceutical industry and rendering support services to its AEs, The TPO made an adjustment towards interest on trade receivables from AEs by applying the SBI short-term deposit rate with a 30-day credit period; the DRP directed the TPO to instead apply LIBOR plus 450 basis points given that payments were in foreign currency, resulting in a final addition on this count. Before the Tribunal, the assessee contended that no separate adjustment was warranted once its transactions were accepted at arm's length under TNMM, and alternatively that since its margin remained higher than the comparables' margin even after working capital adjustment, no separate benchmarking of receivables was required. The Tribunal rejected the first contention but accepted the alternative in principle, noting that the assessee's margin of 15% exceeded the working-capital-adjusted comparables' margin of 14%. It held that once the assessee's margin exceeds the comparables' margin post such adjustment, a separate interest adjustment does not arise. However, since the underlying working capital computation required verification, the issue was remitted to the TPO to verify the assessee's workings and delete the adjustment if the comparables' margin was found lower than the assessee's. The appeal was allowed for statistical purposes.

iv. Uniform policy for AE and non-AE

1. **Magick Woods Exports Pvt. Ltd. vs. ACIT [TS-578-ITAT-2026(CHNY)-TP] [22-07-2026] – IT(TP)A No. 31/Chny/2026 – [AY 2022-23]**

   ITAT: Where an assessee follows a consistent commercial policy of not charging interest on delayed realization of receivables from both AEs and unrelated parties, such conduct constitutes an internal CUP, and no notional-interest adjustment can be made merely because certain receivables pertain to AEs.

   The assessee, engaged in manufacture and export of kitchen and bath vanity products to the US market. On the issue of notional interest on delayed realization of AE receivables, the assessee submitted that it followed a uniform policy of not charging interest on delayed receivables from AEs as well as non-AE customers, and had furnished ageing analysis, sample invoices and bank statements evidencing this before the TPO. The TPO computed notional interest solely on AE receivables without examining the treatment of non-AE debtors, while the DRP incorrectly held that no non-AE receivable details were on record. The Tribunal found that the Revenue had brought no material showing differential treatment between AE and Non-AE receivables, and that the DRP's finding of non-furnishing of details was factually incorrect. Following the settled position that such uniform non-charging of interest constitutes an internal CUP, the Tribunal held the adjustment unsustainable and directed its deletion. ***[Indo American Jewellery Ltd. [2014] 44 taxmann.com 310 (Bombay) followed]***

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2. **IVY Mobility Solutions Pvt. Ltd. vs. DCIT [TS-539-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.34/Chny/2026 – [AY 2022-23] - [2026] 188 taxmann.com 425 (Chennai - Trib.)**

   ITAT: No transfer pricing adjustment towards outstanding receivables is warranted where the average realization period is within the credit period adopted by the TPO and the assessee follows a uniform policy of not charging interest from either AEs or non-AEs.

   The assessee did not charge interest on delayed realization of receivables from either its AEs or non-AEs. The TPO treated the outstanding receivables as a separate international transaction, allowed a credit period of 30 days and computed a notional interest adjustment at LIBOR plus 350 basis points, which was enhanced by the DRP by directing application of LIBOR plus 450 basis points. The Tribunal observed that the average realization period of receivables from the AEs during the relevant year was only 26 days, which was within the 30-day credit period accepted by the TPO himself. It further noted that the assessee had consistently not charged interest on delayed receivables from both AEs and non-AEs and, therefore, there was no basis for selectively imputing notional interest only on AE receivables. Accordingly, the Tribunal deleted the transfer pricing adjustment towards outstanding receivables

v. Where outstanding receivables realised within normal credit period

1. **Technvision Ventures Limited vs. ITO [TS-563-ITAT-2026(HYD)-TP] [17-07-2026] – ITA No.1091/Hyd/2024 – [AY 2021-22] - [2026] 188 taxmann.com 774 (Hyderabad - Trib.)**

   ITAT: Where outstanding trade receivables from an associated enterprise are realised within the normal credit period, no separate adjustment for imputed interest on such receivables arises, and computing such interest on average (opening plus closing) receivables by applying the SBI short-term deposit rate is unsustainable.

   The assessee, engaged in providing software development services to its US-based AE. The TPO imputed interest on the assessee's outstanding trade receivables from its AE by taking average receivables and applying the SBI short-term deposit rate after allowing a credit period, resulting in a TP adjustment; the DRP upheld this on the ground that a separate receivables adjustment survives independently of TNMM being adopted as the most appropriate method. The Tribunal found that the actual receivables outstanding at year-end were realised within thirty days of the invoice date, so that no question of imputing interest arose, and that the TPO's approach of applying average receivables together with the SBI short-term deposit rate could not be sustained. It accordingly directed deletion of the TP adjustment on outstanding trade receivables.

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vi. LIBOR

1. **Emids Technologies Pvt. Ltd. vs. DCIT [TS-515-ITAT-2026(Bang)-TP] [02-07-2026] – IT(TP)A No. 2475/Bang/2024 – [AY 2021-22] - [2026] 188 taxmann.com 151 (Bangalore - Trib.)**

   ITAT: The benchmark interest rate on delayed receivables depends upon the currency of the underlying transaction—LIBOR + 2% for foreign currency transactions and SBI PLR for domestic currency transactions.

   The assessee, a captive provider of IT/software development services to its AE, challenged the transfer pricing adjustment on account of notional interest on delayed receivables. The Tribunal observed that while delayed receivables arising from international transactions constitute a separate international transaction, the applicable benchmark interest rate depends upon whether the underlying invoices are denominated in foreign currency or domestic currency. Since the record did not establish the currency in which the transactions with the AE were undertaken, the Tribunal remitted the issue to the AO for verification. It directed that LIBOR + 2% should be applied where the receivables arose from foreign currency transactions and SBI PLR should be applied where the transactions were denominated in Indian currency. ***[Concur Technologies (India) (P.) Ltd. v. Asstt. CIT [2025] 180 taxmann.com 447 (Bangalore - Trib.), Hydro BS India (P.) Ltd. v. Dy. CIT [2025] 178 taxmann.com 229 (Bangalore - Trib.), SAP India (P.) Ltd. v. Dy. CIT [2025] 180 taxmann.com 631 (Bangalore - Trib.), Tamasek Holdings Advisors India (P.) Ltd. v. Dy. CIT [2016] 67 taxmann.com 221 (Mumbai) distinguished, Dotgo (P.) Ltd. v. Dy. CIT [2025] 177 taxmann.com 450 (Bangalore - Trib.) followed]***

2. **NTT DATA FA Insurance Systems (India) Pvt. Ltd. vs. DCIT [TS-505-ITAT-2026(Bang)-TP] [29-06-2026] - IT(TP)A No. 1557/Bang/2024 – [AY 2020-21] - [2026] 188 taxmann.com 139 (Bangalore - Trib.)**

   ITAT: held that outstanding receivables from an AE constitute an international transaction; however, the arm's length interest is to be computed at LIBOR + 2%.

   The assessee did not treat outstanding receivables from its AE as a separate international transaction, contending that they were intrinsically linked to the primary software development services and stood subsumed within the benchmarking of such services under TNMM. The assessee further submitted that it was a debt-free company, had incurred no borrowing costs, did not charge interest from its AE and had contractually agreed to a credit period of 90 days, whereas the TPO arbitrarily adopted a 30-day credit period and computed notional interest at 13.62%. The TPO treated the receivables as a separate international transaction and made an adjustment, which was sustained by the DRP. The Tribunal observed that, in the assessee's own case for AY 2016-17, it had already held, following the Karnataka High Court in *PCIT v. AMD India Pvt. Ltd.*, that outstanding receivables constitute an international transaction under section 92B. However, it had also held that the appropriate benchmark for such receivables is LIBOR + 2%. Following the principle of consistency, the Tribunal set

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aside the interest rate adopted by the AO/TPO and directed recomputation of the adjustment by applying LIBOR + 2% in accordance with its earlier order. ***[NTT DATA FA Insurance Systems (India) Pvt. Ltd. v. DCIT [TS-742-ITAT-2022(Bang)-TP] followed]***

3. **Plintron Mobility Solutions Pvt. Ltd. vs. DCIT [TS-512-ITAT-2026(CHNY)-TP] [29-06-2026] – IT(TP)A No. 32/CHNY/2026 – [AY 2022-23]**

   ITAT: Interest on outstanding receivables from AEs is to be recomputed by adopting the average LIBOR as the arm's length rate.

   The assessee, engaged in providing telecom software development and maintenance services to its AEs, did not benchmark outstanding receivables as a separate international transaction. The TPO treated the delayed realization of receivables as an independent international transaction and computed notional interest by applying LIBOR plus 350 basis points, which was enhanced by the DRP to LIBOR plus 450 basis points. The Tribunal noted that the issue had already been decided in the assessee's own case for AY 2021-22, wherein it was held that while outstanding receivables constitute an international transaction, the arm's length interest should be determined by applying the average LIBOR rather than an arbitrary spread over LIBOR. As the Revenue failed to demonstrate any distinguishing facts, the Tribunal, following the earlier order, directed the AO/TPO to recompute the adjustment, if any, by adopting the average LIBOR as the benchmark rate. In reaching this conclusion, it relied upon **Plintron Mobility Solutions Pvt. Ltd. v. DCIT [TS-814-ITAT-2025(CHNY)-TP]** and **Acqueon Technologies Pvt. Ltd. v. DCIT [IT(TP)A Nos. 34 & 115/CHNY/2024]**, which held that average LIBOR is the appropriate benchmark for imputing interest on delayed receivables from AEs.

4. **Excelra Knowledge Solutions Private Limited vs. ACIT [TS-566-ITAT-2026(HYD)-TP] [22-07-2026] – ITA No.510/Hyd/2026 – [AY 2022-23]**

   ITAT: For cross-border receivables outstanding in foreign currency, LIBOR plus an appropriate spread, not PLR or any domestic deposit-based rate, is the appropriate benchmark; following the Tribunal's consistent view and a jurisdictional High Court ruling upholding LIBOR-based benchmarking over repayment-linked rates, LIBOR plus 200 basis points is adopted as the ALP, with the credit period fixed per the actual outstanding period.

   The DRP had directed benchmarking of interest on the assessee's outstanding receivables from its AE at LIBOR plus 450 basis points, after allowing a 30-day credit period, resulting in a TP adjustment. The assessee's limited grievance before the Tribunal was that the normal credit period should be 60 days and the arm's length rate should be LIBOR plus 200 basis points, relying on several coordinate decisions; the Revenue supported the DRP's directions as having duly considered the relevant facts and precedents. The Tribunal held that it had consistently taken the view that PLR, being a domestic benchmark, has no applicability to receivables denominated in foreign currency arising from cross-border transactions, for which LIBOR is the appropriate reference rate, and found that the 450 basis-point spread applied by the DRP was itself inconsistent with the Tribunal's settled position; following its own

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coordinate ruling, which in turn traced the principle through a Special Bench decision and a jurisdictional High Court ruling upholding LIBOR-based benchmarking over domestic loan repayment rates, the Tribunal held that LIBOR plus 200 basis points constitutes the arm's length rate for benchmarking interest on outstanding AE receivables. It further directed that, since the normal outstanding period was found to be 60 days, the credit period allowed without interest be increased from 30 days to 60 days and allowed the assessee's grounds on this issue. ***[HARSCO India (P.) Ltd. vs. DCIT [TS-77-ITAT-2025(HYD)-TP]; Tata Autocomp Systems Ltd. v. Asstt. CIT [2012] 21 taxmann.com 6 (Mum.) relied upon]***

5. **Hammond Power Solutions Private Limited vs. DCIT [TS-557-ITAT-2026(HYD)-TP] [17-07-2026] – I.T.A.No.1089/Hyd/2024 – [AY 2021-22]**

   ITAT: Interest on outstanding trade receivables from an AE is to be benchmarked by adopting LIBOR plus 200 basis points with a credit period of 60 days, following consistent coordinate bench precedent, rather than the domestic short-term deposit rate applied by the TPO

   The assessee, a subsidiary of a Canadian company engaged in manufacturing electrical distribution and power transformers and providing installation, commissioning and maintenance services, paid management fee and technical fee to its AE for stewardship and technical services. The TPO computed interest on delayed trade receivables from the AE by applying the SBI short-term deposit rate with a 60-day credit period, reasoning that the opportunity cost of allowing extended credit should be measured by reference to Indian rates of return; the DRP upheld this approach. Before the Tribunal, the assessee confined its challenge to the rate of interest and credit period, relying on consistent coordinate bench precedent adopting LIBOR plus 200 basis points for benchmarking such interest. The Tribunal, following its own coordinate bench ruling in Kantar GDC India Pvt. Ltd. on an identical issue, held that LIBOR plus 200 basis points was the appropriate rate and directed the AO/TPO to recompute the interest on outstanding trade receivables accordingly while allowing a 60-day credit period; the appeal was partly allowed. ***[M/s. Kantar GDC India Private Limited v. DCIT, ITA No.2261/Hyd/2017 followed]***

d. Loans

1. **Yizumi Advanced Processing Technology Private Limited vs. ITO [TS-510-ITAT-2026(Ahd)-TP] [29-06-2026] – ITA No. 2036/Ahd/2024 – [AY 2021-22]**

   ITAT: For benchmarking interest on foreign currency ECBs, CUP is the most appropriate method and the ALP should ordinarily be determined using the LIBOR-plus approach with appropriate credit spread adjustments.

   The assessee, engaged in the business of manufacturing and trading machinery for the plastic industry, obtained an ECB from its AE and benchmarked the interest payment by adopting the Other Method as the MAM using RBI data. The TPO rejected the benchmarking, adopted the CUP Method based on Bloomberg database comparables and determined a downward TP adjustment. Alternatively, the assessee requested the TPO to benchmark the transaction under the CUP Method itself by applying the internationally accepted LIBOR plus approach, which was rejected as an afterthought. The Tribunal held that, under settled Indian transfer pricing jurisprudence, CUP is the MAM for benchmarking interest on foreign currency loans, since interest is directly measurable. It further held that the arm's length rate should ordinarily be determined by applying LIBOR plus an appropriate credit spread, after considering factors such as the borrower's credit rating, tenure, security, subordination and prevailing market conditions. The Tribunal observed that the DRP itself had held the TPO's rejection of the assessee's alternate benchmarking to be erroneous and reiterated that an assessee is legally entitled to resile from the MAM adopted in its transfer pricing study. Accordingly, it restored the matter to the TPO with a direction to re-determine the ALP by applying the CUP Method based on the LIBOR-plus approach.

2. **DCM Shriram Ltd. vs. DCIT [TS-516-ITAT-2026(DEL)-TP] [03-07-2026] – IT(TP)A No. 35/Del/2025 – [AY 2022-23] - [2026] 188 taxmann.com 98 (Delhi - Trib.)**

   ITAT: LIBOR is the appropriate benchmark for interest on foreign currency loans, and no adjustment is warranted where the charged rate falls within the statutory tolerance range.

   Assessee , a public limited company was engaged in the business of manufacturing and trading of chemical, PVC Resins, PVC compounds, UPVC Windows & Door Systems, Cement, Sugar, Fertilizers, seeds, textile yarn, power generation etc. The TPO enhanced the benchmark rate for a foreign currency loan advanced to the AE from LIBOR plus 200 basis points to LIBOR plus 400 basis points. The Tribunal held that the issue was fully covered by its earlier decisions in the assessee's own case and reaffirmed that LIBOR is the appropriate benchmark for foreign currency loans. It further observed that, independently, the adjustment was unsustainable since the variation fell within the tolerance range prescribed under the second proviso to section 92C(2). Accordingly, the adjustment was deleted. The Tribunal followed its decisions in the assessee's own case for AYs 2020-21 and 2021-22 in DCM shriram Ltd. **[2025] 176 taxmann.com 51 (Delhi - Trib.)**, recognising LIBOR as the proper benchmark for foreign currency loans.

3. **Luminous Power Technologies Pvt. Ltd. vs. Addl. CIT [TS-569-ITAT-2026(DEL)-TP] [22-07-2026] – ITA Nos. 6996/Del/2017, 6084/Del/2018, 8768/Del/2019 & 608/Del/2021 – [AYs 2013-14 to 2016-17] - [2026] 188 taxmann.com 875 (Delhi - Trib.)**

   ITAT: An interest-free advance to an AE constitutes an independent international transaction warranting benchmarking under Chapter X irrespective of whether the advance is from t assessee's own funds or on account of commercial expediency- since such domestic-lending principles do not extend to cross-border lending causing base erosion; adding basis points to LIBOR while imputing interest is not precluded merely because a cited precedent is silent on the point, where lending rates are properly tied to the borrower's credit rating.

The assessee advanced an interest-free sum to its subsidiary to bail out a step-down Chinese subsidiary from default on a bank loan for which it had furnished a corporate guarantee, contending this was a shareholder activity funded from its own substantial interest-free funds, without security. The TPO rejected this and benchmarked the advance under CUP, adopting six-month LIBOR plus 400 basis points; the DRP upheld this in principle but restricted the adjustment to the period from the actual date of lending. Before the Tribunal, the assessee argued, without prejudice, that notional interest should be restricted to LIBOR alone, relying on Cotton Naturals; the Revenue argued that "own funds" and commercial-expediency principles were inapplicable to cross-border lending, which directly erodes the Indian tax base. The Tribunal agreed with the Revenue, and, finding Cotton Naturals silent on exclusion of basis points and lending rates properly tied to the borrower's credit rating, upheld the 400-basis-point loading and the resultant rate of 4.331%, holding that an interest-free advance to an AE required independent benchmarking regardless of own funds. ***[Cotton Naturals (India) Pvt. Ltd. vs. ITO [231 Taxman 401 (Delhi HC)] distinguished]***

4. **Clean Wind Power (Bableshwar) Private Limited vs. DCIT [TS-582-ITAT-2026(DEL)-TP] [29-07-2026] – IT(TP)A No.15/Del/2025 – [AY 2022-23] - [2026] 188 taxmann.com 1084 (Delhi - Trib.)**

ITAT: Recharacterization of an ECB as equity is unsustainable where it rests on a flawed reading of facts; hypothecation/mortgage of movable and immovable property, and pledge of shares as security for the loan, merely assure the lender of safe recovery of funds and do not, by themselves, convert a debt instrument into an equity investment.

The assessee, engaged in generation of renewable (wind/solar) power, had raised External Commercial Borrowings ("ECBs") from its Mauritius-based AE and paid interest thereon as an international transaction. The TPO recharacterized the ECBs as an equity investment, relying inter alia on the AE's 51% equity holding, collateral security by way of immovable property, hypothecation of assets and pledge of shares, and determined the arm's length interest at NIL on a substantive basis; the DRP confirmed this characterization on FAR analysis, holding the ECBs to be quasi-equity. The Tribunal held that this conclusion rested on a flawed and incomplete understanding of the facts, since the hypothecation of movable and immovable properties and current assets merely assured the lender of safe recovery of funds and did not evidence an equity relationship, and that the DRP's findings were similarly based on incorrect facts and were sketchy and cryptic. It accordingly set aside the DRP's order and directed the AO to delete the impugned addition, allowing the appeal, with the decision applied mutatis mutandis to the six connected group appeals.

5. **HCL Technologies Ltd vs. DCIT, Central Circle-2, New Delhi [TS-585-ITAT-2026(DEL)-TP] [30-07-2026] – ITA No.1842/Del/2014, ITA No.2327/Del/2015 & ITA No.1645/Del/2016 (with SA Nos.197 & 198/Del/2026) – [AY 2009-10, 2010-11 & 2011-12] - [2026] 189 taxmann.com 11 (Delhi - Trib.)**

ITAT: A foreign-currency loan to an AE must be benchmarked on the LIBOR applicable to that currency, not the domestic PLR or fixed-deposit rate; where

the contracted rate exceeds the LIBOR-based rate so computed, the transaction is at arm's length.

The assessee extended a GBP-denominated loan to its AE, HCL Bermuda Limited, and benchmarked the interest charged against interest earned on Indian fixed deposits. The TPO rejected this and computed the arm's length rate by applying the SBI prime lending rate with a mark-up for security and single-customer risk, resulting in a TP adjustment; the DRP summarily upheld it. The assessee contended that a GBP-denominated loan must be benchmarked on LIBOR, not domestic rates. The Tribunal agreed, adopting for consistency the LIBOR-plus-mark-up formulation applied by the DRP in the assessee's own case for another year, and found the rate actually charged by the assessee to exceed the arm's length rate so computed. It accordingly held the interest charged to be at arm's length and deleted the adjustment.

6. **MSN Laboratories Private Limited vs. ACIT [TS-564-ITAT-2026(HYD)-TP] [17-07-2026] – I.T.A. Nos.319, 320 & 1066/Hyd/2026 – [AY 2020-21 & 2021-22] - [2026] 188 taxmann.com 783 (Hyderabad - Trib.)**

ITAT: Where the borrowing AE is a wholly owned, low-risk subsidiary whose credit rating is entirely dependent on that of the lending parent, no further risk exists to justify an ad hoc mark-up over LIBOR for benchmarking interest on foreign currency loans, and the rate actually contracted between the parties LIBOR plus a spread varying with the terms of each loan should be accepted as the arm's length rate.

The assessee advanced foreign currency loans to its wholly owned subsidiaries in the USA and UK and charged interest at LIBOR plus 100 or 200 basis points depending on the terms of the individual loan agreements. It benchmarked the transaction under CUP by reference to prime lending rates and RBI circulars. The TPO rejected this benchmarking and applied a uniform six months' average LIBOR plus 200 basis points. TPO relied on the Coordinate Bench decision in Dr. Reddy's Laboratories Limited vs. ACIT ITA Nos. 2229/Hyd/2011 and 85/Hyd/2013, resulting in a TP adjustment; the CIT(A) sustained the adjustment without independent reasoning, directing only that it be recomputed on a loan-wise and period-wise basis. The assessee contended that, since both AEs were wholly owned subsidiaries carrying no independent risk, their credit rating was co-extensive with the assessee's own, so that no ad hoc spread was warranted, and that reliance on the precedent applied by the TPO was misplaced given subsequent developments in respect of foreign currency loans, as TPO and CIT(A) have relied on the judgement from 2017, whereas transactions of the assessee are of FY 2019-20 and 2020-21. The Tribunal agreed that LIBOR is the appropriate benchmark for foreign currency loans but held that an additional mark-up is warranted only where the borrower carries differential risk from the lender; since the AEs were low-risk wholly-owned subsidiaries whose credit rating derived entirely from the assessee's own, no further risk existed to justify an ad hoc addition, and the rate actually charged, varying with the terms of each loan, ought to be accepted as arm's length. It accordingly set aside the CIT(A)'s order and directed deletion of the TP adjustment for both assessment years. ***[CIT vs. Vaibhav Gems***

Limited [(2017) 88 taxmann.com 12 (Rajasthan)]; CIT vs. Cotton Naturals India Private Limited [(2015) 55 taxmann.com 523 (Delhi)] followed]

7. **Technvision Ventures Limited vs. ITO [TS-563-ITAT-2026(HYD)-TP] [17-07-2026] – ITA No.1091/Hyd/2024 – [AY 2021-22] - [2026] 188 taxmann.com 774 (Hyderabad - Trib.)**

   ITAT: Notional interest cannot be imputed on an interest-free loan advanced to a group concern out of the assessee's own funds where the advance is out of commercial expediency and revenue-neutral, both entities being taxed in India, since the revenue cannot step into the assessee's shoes to decide what interest would have been reasonable.

   The assessee, engaged in providing software development services to its US-based AE. The AO computed notional interest on an interest-free loan advanced by the assessee to a group concern namely Tiebeam Technologies Pvt. Ltd. by applying the rate prescribed under section 186(7) of the Companies Act, 2013, and made a disallowance. (Section 186(7) provides that no loan shall be given under this section at a rate of interest lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan.) The DRP upheld the addition, holding that loans could not be advanced to group concerns without charging interest having regard to that provision. The Tribunal found that the loan was advanced out of the assessee's own interest-free funds, out of commercial expediency, to a group concern engaged in similar activities, and that non-charging of interest caused no loss to the revenue since both entities were taxed in India, making the exercise revenue-neutral irrespective of whether interest was charged. It held that, having made out such a case, the revenue could not assume the role of the assessee's board of directors to decide a reasonable rate of interest, and directed deletion of the addition made towards notional interest.

8. **Vodafone Idea Ltd. vs. DCIT [TS-509-ITAT-2026(Mum)-TP] [30-06-2026] – ITA No. 8971/Del/2019 – [AY 2015-16] - [2026] 188 taxmann.com 32 (Mumbai - Trib.)**

   ITAT: RBI-approved borrowing cost is a relevant benchmark for ECBs, and TP analysis must incorporate appropriate comparability adjustments.

   The assessee, engaged in the telecom business, obtained ECBs from its Associated Enterprises and benchmarked the interest and upfront fee under the CUP Method by relying upon RBI-approved all-in-cost ceilings and external market borrowings. The TPO rejected the benchmarking and determined higher arm's length interest by selecting his own set of comparables and proposed an adjustment in respect of both the ECB facilities. The Tribunal held that although RBI approval is not conclusive for determining ALP, it constitutes a highly relevant contemporaneous benchmark. It further found that the TPO's benchmarking was unreliable as it ignored adjustments for country risk, currency risk, borrower profile, tenure, nature and subordination of the borrowings, besides failing to consider the upfront fee as an integral component of the borrowing cost. Since the ECB terms remained unchanged from earlier years and the Revenue failed to establish any distinguishing feature, the Tribunal deleted the adjustment by following *DCIT v. Vodafone West Ltd.*, wherein identical ECB arrangements were accepted after holding that RBI-approved effective borrowing cost constituted the more reliable benchmark. ***[DCIT v. Vodafone West Ltd. (ITA No.571/Ahd/2016, AY 2011-12, order dated 02.04.2026) relied upon]***

e. Convertible Debentures

1. Afton Chemical India Pvt. Ltd. vs. ACIT [TS-518-ITAT-2026(Mum)-TP] [07-07-2026] – ITA No. 6642/Mum/2024 – [AY 2021-22] - [2026] 188 taxmann.com 415 (Mumbai - Trib.)

ITAT: Interest on INR-denominated CCDs must be benchmarked with reference to domestic lending rates (PLR) and not LIBOR, as the currency of denomination governs the arm's length interest rate.

The assessee, engaged in the manufacture and sale of chemical additives, paid interest at 9% on INR-denominated Compulsorily Convertible Debentures (CCDs) issued to its Associated Enterprise and benchmarked the international transaction under the CUP method by reference to domestic lending rates. The TPO re-characterised the CCDs as external commercial borrowings and benchmarked the interest by applying 12-month LIBOR plus 200 basis points, treating the instruments as equivalent to foreign currency borrowings, which was upheld by the DRP. The Tribunal held that the TPO's approach was contrary to the settled principle that the arm's length rate of interest is determined by the currency in which the borrowing is denominated and repayable, and not by the residence of the lender or borrower. It observed that merely because the CCDs were issued to a foreign AE, they could not be equated with foreign currency loans where the borrowing was denominated in Indian Rupees. Consequently, LIBOR, being a benchmark for foreign currency borrowings, was inapplicable, and the benchmarking had to be undertaken with reference to the domestic Prime Lending Rate (PLR) applicable to comparable INR-denominated debt instruments. Following the binding decisions of the Delhi High Court and the Hyderabad Special Bench, the Tribunal held that the transfer pricing adjustment made by applying LIBOR plus 200 basis points was unsustainable in law and directed deletion of the adjustment. ***[CIT v. Cotton Naturals (I) Pvt. Ltd. [(2015) 55 taxmann.com 523 (Delhi)], Hyderabad Infra Tech Pvt. Ltd. v. DCIT [ITA-TP No. 1856/Hyd/2019 (SB), order dated 29.01.2025], followed]***

2. Andromeda Sales and Distribution Private Limited vs. ACIT [TS-551-ITAT-2026(Mum)-TP] [08-07-2026] – ITA No. 2822/Mum/2026 – [AY 2022-23] - [2026] 188 taxmann.com 681 (Mumbai - Trib.)

ITAT: A TPO cannot re-characterise Compulsorily Convertible Debentures as equity and determine ALP of interest at NIL merely because they are compulsorily convertible at a future date- Matter restored

The assessee, engaged in retail loan distribution as a Direct Selling Agent for banks and NBFCs, had issued CCDs to its AE, compulsorily convertible into equity after ten years, and benchmarked the interest paid under CUP using external NSDL comparables. The TPO re-characterised the CCDs as equity citing their compulsory

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conversion, absence of repayment obligation, the AE's controlling shareholding, FEMA (Non-Debt Instruments) Rules, Ind AS-32 and "substance over form" and, applying the Other Method, determined the arm's length interest at Nil. The DRP affirmed this and additionally relying on Supreme Court rulings on CCDs under other statutes and on ***CIT v. EKL Appliances Ltd. (2012) 345 ITR 241 (Delhi)***), separatelyheld that the interest was inadmissible under section 36(1)(iii). The Tribunal in coordinate Benches had specifically considered and rejected the said basis of the Revenue. holding that CCDs remain debt till conversion and that regulatory provisions enacted for non-tax purposes cannot be imported to re-characterise a valid borrowing for transfer pricing. It held the Supreme Court decisions relied upon by the DRP were inapplicable, as none concerned ALP determination under Chapter X. and reaffirmed, following EKL Appliances, the tax administration ordinarily has to respect the transaction actually undertaken by the parties and cannot substitute or re-characterise it merely because another commercial structure appears more appropriate. The recognised exceptions permitting re-characterisation are narrow and must be applied with circumspection. Tribunal followed the coordinate Benches and held the TPO unjustified in treating the CCDs as equity, so the Nil ALP determination could not survive. Since the TPO had rejected the assessee's CUP benchmarking solely on this erroneous premise without examining its comparability analysis on merits, the Tribunal restored the issue to the TPO to determine the ALP treating the CCDs as debt and to examine the CUP (or other permissible) benchmarking under section 92C read with Rule 10B, after affording adequate hearing. ***[EBIXCASH World Money Ltd. v. DCIT [(2025) 187 taxmann.com 346 (Mum. -Trib.)], Indorama Ventures Oxides Ankleshwar Pvt. Ltd. [ITA Nos. 4023 & 4024/Mum/2024] followed, Narendra Kumar Maheshwari v. Union of India (1990) Supp SCC 440: AIR 1990 SC 1480, Sahara India Real Estate Corpn. Ltd. v. SEBI [2012] 25 taxmann.com 18/115 SCL 478 (SC), IFCI Ltd. v. Sutanu Sinha [2023] 156 taxmann.com 681/ [2024] 182 SCL 27 (SC) and Ferro Alloys Corporation Ltd. v. A.P. State Electricity Board [(1993) 4 SCC 136: AIR 1993 SC 2005] distinguished]***

3. **Goldman Sachs (India) Finance Pvt. Ltd. vs. ACIT [TS-568-ITAT-2026(Mum)-TP] [22-07-2026] – MA No. 93/Mum/2026 (arising out of ITA No. 6766/Mum/2024) – [AY 2021-22]**

ITAT: Where a Coordinate Bench, having held CCDs to be entirely in the nature of debt and having recorded the TPO's undisputed finding that the interest rate on the debt component was at ALP, nonetheless directs de novo benchmarking of the interest paid on the CCDs in their entirety, such direction is a mistake apparent from the record rectifiable under section 254(2), since it contradicts the Bench's own findings of fact and no dispute survived regarding the ALP of interest on the debt component.

The assessee, an NBFC, had benchmarked interest paid on CCDs issued to its AEs using CUP; the TPO accepted the ALP of interest on the debt component but treated interest attributable to an equity component as NIL at ALP, making a downward adjustment, which the DRP upheld. On appeal, the Coordinate Bench (order dated 22.08.2025) held that reliance on the Ind AS-32 presentation to treat the CCDs as part-equity was incorrect, since a debenture remains debt in its entirety until conversion

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into shares; yet it nonetheless restored the entire benchmarking of interest on the CCDs to the TPO/AO for de novo determination. In this Miscellaneous Application, the assessee contended that since the CCDs were held wholly debt, and the TPO's finding that interest on the debt component was at ALP had remained undisturbed through the DRP proceedings, the remand of the entire transaction was inconsistent with the Bench's own findings and amounted to a mistake apparent from the record; the Revenue opposed, citing infirmities found by the TPO in the assessee's CUP analysis. The Tribunal agreed with the assessee, holding that the direction for de novo benchmarking contradicted the Coordinate Bench's own undisputed findings on the TPO's acceptance of ALP on the debt component. It rectified the order, accordingly, deleting the observations directing remand and holding instead that, since the CCDs were wholly debt and ALP of interest on the debt component stood accepted by the Revenue, the downward adjustment and the consequent addition under section 36/37 were unsustainable and stood deleted. The Miscellaneous Application was allowed.

f. *Corporate Guarantee*

1. **Elgi Rubber Co. Limited vs. DCIT [TS-530-ITAT-2026(CHNY)-TP] [07-07-2026] – IT(TP)A No.07/Chny/2026 – [AY 2022-23] - [2026] 188 taxmann.com 420 (Chennai - Trib.)**

   ITAT: Where assessee facilitated borrowings of its overseas AEs by arranging SBLCs through Indian banks and claimed to have fully cross-charged bank/SBLC issuance charges to respective AEs, issue of guarantee commission required verification and, if full recovery was established, amount recovered would constitute arm's length compensation for guarantee transaction

   Assessee-company had facilitated borrowings availed by its overseas AEs by arranging Standby Letters of Credit (SBLCs) through Indian banks. No default occurred and no liability devolved upon assessee. Assessee claimed that bank charges for issuance of SBLCs had been fully cross charged to respective AEs. TPO adopted mean guarantee commission rate of 1.98 per cent and made an adjustment. Tribunal ruled that where assessee claimed to have fully recovered bank/SBLC issuance charges from respective AEs, such claim required verification with reference to documentary evidence and supporting accounting records and, if found correct, amount so recovered would constitute arm's length compensation in respect of guarantee transaction. Matter was, therefore, restored to AO/TPO for verification and recomputation.

2. **Luminous Power Technologies Pvt. Ltd. vs. Addl. CIT [TS-569-ITAT-2026(DEL)-TP] [22-07-2026] – ITA Nos. 6996/Del/2017, 6084/Del/2018, 8768/Del/2019 & 608/Del/2021 – [AYs 2013-14 to 2016-17] - [2026] 188 taxmann.com 875 (Delhi - Trib.)**

   ITAT: Issuance of a corporate guarantee to a bank enabling a subsidiary to avail credit facilities constitutes an international transaction under the amended

Explanation to section 92B, notwithstanding its shareholder character, since it amounts to indirect capital financing conferring a leveraging benefit on the AE's borrowing rate; guarantee commission at 0.5% of its value represents ALP.

The assessee, engaged in manufacturing inverters, batteries and UPS equipment, had issued a corporate guarantee to HSBC Bank in FY 2008-09 to facilitate credit/overdraft facilities to its wholly owned step-down subsidiary in China, without charging any guarantee fee, contending this was a shareholder activity outside the scope of "international transaction" absent any bearing on its profit or loss. The TPO, invoking the retrospective amendment to section 92B via the Finance Act 2012, held that corporate guarantees fall within the definition of international transaction and benchmarked the guarantee by applying a commission rate of 1.3% based on SBI's inland bank guarantee charges, making an adjustment which the DRP upheld. Before the Tribunal, the assessee argued that absence of any guarantee fee expense took the transaction outside section 92B. The Tribunal held that issuance of the corporate guarantee, being predominantly a shareholder activity carried out to protect the assessee's investment interest in its step-down subsidiary, nonetheless amounted to indirect long-term capital financing falling within the amended definition of international transaction, since the guarantee enabled the AE to access credit and secured a leveraging effect on its interest rate; it accordingly rejected the assessee's contention that the transaction fell outside section 92B. On benchmarking, however, the Tribunal accepted the assessee's alternative submission and held that the TPO's rate of 1.3% was excessive, and that guarantee commission at 0.5% of the value of the corporate guarantee would represent ALP. This ground was accordingly partly allowed. ***[CIT vs. Everest Kento Cylinders Ltd. [58 taxmann.com 54 (Bom HC)] followed]***

3. **HCL Technologies Ltd vs. DCIT, Central Circle-2, New Delhi [TS-585-ITAT-2026(DEL)-TP] [30-07-2026] – ITA No.1842/Del/2014, ITA No.2327/Del/2015 & ITA No.1645/Del/2016 (with SA Nos.197 & 198/Del/2026) – [AY 2009-10, 2010-11 & 2011-12] - [2026] 189 taxmann.com 11 (Delhi - Trib.)**

ITAT: Extending corporate guarantees for step-down subsidiaries is an international transaction under section 92B, being indirect long-term financing, notwithstanding its shareholder-activity character- the arm's length commission is a flat 0.50% per annum on the outstanding guarantee, and not TPO's bank guarantee rate plus markup

The assessee extended several corporate guarantees for its step-down subsidiaries covering financial support, performance obligations, lease commitments and acquisitions. The TPO computed notional commission by applying bank guarantee rates with a further mark-up, resulting in an adjustment; the DRP upheld it. The assessee argued the guarantees were a cost-free shareholder activity outside the TP net, or alternatively that commission could not exceed judicially-approved rates. The Tribunal held that extending a corporate guarantee is an international transaction under section 92B, being indirect financing, regardless of its shareholder-protection rationale; it nonetheless rejected the TPO's mark-up-over-bank-rate approach, since a corporate guarantee, unlike a bank guarantee, involves no third-party risk participation. Following the consistent judicial position pegging guarantee commission at 0.50% per annum on the outstanding guarantee, it directed the AO to sustain the addition only to that extent. ***[Everest Kanto Cylinder Ltd. vs. ACIT [ITA No.7073/Mum/2012; AY 2008-09] (Mumbai ITAT), affirmed by the Bombay High Court [ITA No.435/2015] relied upon]***

4. **Excelra Knowledge Solutions Private Limited vs. ACIT [TS-566-ITAT-2026(HYD)-TP] [22-07-2026] – ITA No.510/Hyd/2026 – [AY 2022-23]**

ITAT: Following the consistent view taken by the Tribunal in a series of decisions that the arm's length fee for a corporate guarantee provided to a wholly-owned AE for availing a bank loan is 0.5% to 0.6% since such charges cannot be equated with bank guarantee rates or ECB interest rates, no third party bearing comparable risk being available for comparison the corporate guarantee commission is restricted to 0.5%, in the interest of consistency, instead of the rate benchmarked against average bank guarantee charges.

The assessee provided a corporate guarantee to its wholly owned AE in the USA for availing a bank loan, without reporting the transaction as an international transaction on the footing that a corporate guarantee does not constitute an intra-group service under the OECD framework; however, the assessee did not press this characterization issue before the Tribunal, confining its grievance to the rate applied. The TPO benchmarked the guarantee commission at 1.90%, being the median of bank guarantee rates, and made a corresponding TP adjustment; the DRP's directions did not disturb this rate. The assessee contended that the arm's length commission should be 0.5%, relying on a series of Coordinate Bench decisions, while the Revenue argued that the rate depends on the risk profile of the specific transaction and cannot be standardised. The Tribunal held that the guarantee was extended to a wholly-owned AE to enable it to avail a bank loan, and was not an unforeseeable risk given the assessee's business relationship with the AE; following its own coordinate decisions holding that corporate guarantee charges cannot be equated with bank guarantee rates or ECB interest rates, since no independent third party would undertake a comparable guarantee obligation on behalf of an AE, the Tribunal noted a consistent line of authority fixing the arm's length commission at 0.5% to 0.6%. Without multiplying precedents further and to maintain consistency, it restricted the TPO's addition on account of corporate guarantee commission to 0.5% instead of 1.90%, partly allowing the assessee's grounds. ***[Cyient Ltd. vs. DCIT [(2025) 172 taxmann.com 45]; Aurobindo Pharma Ltd. vs. ACIT [(2023) 152 taxmann.com 469] relied upon]***

g. Royalty / Trademark

1. **Kloeckner Desma Machinery Private Ltd vs. DCIT/ACIT [TS-548-ITAT-2026(Ahd)-TP] [17-07-2026] – I.T.A(TP) No. 555/Ahd/2017; ITA No. 2579/Ahd/2017; ITA No. 2322/Ahd/2017 – [AY 2012-13 & 2013-14] - [2026] 188 taxmann.com 689 (Ahmedabad - Trib.)**

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ITAT: Domestic royalty rate cannot mechanically be adopted as CUP for royalty on export sales; royalty intrinsically linked to manufacturing cannot be carved out of aggregated TNMM benchmarking absent a reliable comparable

The assessee, engaged in manufacturing vertical injection moulding machines and turnkey projects, paid royalty to its AE, Kloeckner Desma Elastomertechnik GmbH, Germany, for technical know-how and IP used in its manufacturing activity royalty payment formed an integral part of its manufacturing operations and therefore the same was aggregated with other international transactions, It benchmarked the payment under TNMM, demonstrating arm's length overall margins. For AY 2012-13, the TPO rejected this aggregation, treating royalty as a separate transaction, and applied CUP by adopting the 5% rate paid on domestic sales as benchmark against the 8% paid on export sales, proposing an adjustment of Rs. 19,18,458. The DRP upheld this. The Tribunal held that royalty payment was intrinsically connected with the assessee's manufacturing activity, that the TPO had rejected aggregation merely on the ground that royalty was a separate transaction without establishing availability of a reliable internal or external CUP, and that domestic royalty of 5% could not automatically be treated as an appropriate CUP for export transactions since commercial terms, geographical markets, volume of sales and business conditions may differ significantly. It accordingly deleted the adjustment.

2. **3M Electro & Communications India Pvt. Ltd. vs. DCIT [TS-513-ITAT-2026(CHNY)-TP] [29-06-2026] – ITA Nos. 1690/CHNY/2016 & 746/CHNY/2017 – [AYs 2011-12 & 2012-13]**

ITAT: Royalty intrinsically linked to manufacturing operations cannot be segregated from the manufacturing segment and benchmarked independently where the entity-level TNMM has been accepted.

The assessee, engaged in the manufacture of telecommunication, electrical and electronic products and trading of filtration and EET products, paid royalty to its AE for use of technology, technical know-how, trademarks and other intellectual property under a licensing agreement and benchmarked the transaction by aggregating it with the manufacturing segment under TNMM. The TPO accepted the manufacturing segment under TNMM but segregated the royalty payment and determined its ALP at Nil on the ground that the assessee had failed to establish receipt of technology and intellectual property. The Tribunal held that the royalty payment was inextricably connected with the assessee's manufacturing activities since the assessee did not own any proprietary technology or valuable intangibles and carried on its business by using the intellectual property licensed by its AE. Having accepted the manufacturing segment at arm's length under TNMM, the TPO could not isolate a single expenditure and benchmark it separately without demonstrating that it was not closely linked to the manufacturing operations. The Tribunal further held that once the assessee established the existence of the intellectual property agreement, use of the licensed technology and the nexus between the royalty payment and its business, the ALP could not be determined at Nil without applying any prescribed transfer pricing method. It also observed that the royalty rates were in line with RBI Press Note No. 9 (2000 Series), which reinforced their arm's length nature. Accordingly, the Tribunal upheld the DRP's direction deleting the adjustment. ***[Doowon Automotive Systems India Ltd. v. DCIT – IT(TP)A No. 88/CHNY/2024, Aban Offshore Ltd. v. DCIT – [2016] 76 taxmann.com 147 (Chennai-Trib.), Abhishek Auto Industries Ltd. v. DCIT – [2011] 9 taxmann.com 27 (Delhi-Trib.), Shakti Hormann (P.) Ltd. v. ACIT – [2025] 174 taxmann.com 427 (Hyderabad-Trib.), Walvoil Fluid Power India (P.) Ltd. v. DCIT – [2022] 142 taxmann.com 324 (Bangalore-Trib.), DCIT v. Invida India (P.) Ltd. – 163 taxmann.com 510 (Ahmedabad-Trib.), ACIT v. Netafim Irrigation India (P.) Ltd. – [2019] 106 taxmann.com 61 (Mumbai-Trib.) relied upon]***

h. Management Fees / Intra Group Services

1. Bostik India Private Limited vs. ACIT [TS-576-ITAT-2026(Bang)-TP] [23-07-2026] – IT(TP)A No.1765/Bang/2024 – [AY 2020-21]

ITAT: Where management fee, technology license/trademark fee and allied intra-group service payments are incurred with respect to the assessee's manufacturing business and are interlinked with that business, TNMM - and not CUP, is the most appropriate method for benchmarking such payments.

The assessee, engaged in manufacture of industrial adhesives, made payments to its AEs towards management fees, SAP implementation cost, and Technology License and Trademark fees, benchmarked under TNMM. The TPO determined the ALP of all three payments as Nil, holding that no services were shown to have been rendered by the AEs and that the payments were towards shareholder activities, and adopted a hypothetical CUP in rejecting TNMM; the DRP upheld this, resulting in a TP adjustment of Rs.32,52,70,282/-. Before the Tribunal, the assessee relied on coordinate bench rulings in its own case for AY 2021-22 and earlier years deciding an identical dispute in its favour. Following those orders, the Tribunal held that the payments, being interlinked with the assessee's manufacturing business and duly supported by agreements evidencing services rendered and benefits derived, were correctly benchmarked under TNMM, and that a hypothetical CUP constructed merely for want of public-domain data was not a valid method under Rule 10B. Further, the benefit test could not be invoked to disregard expenditure once its business purpose was shown. Noting that the TPO had himself allowed similar intra-group service expenses while giving appeal effect in the assessee's own case, the Tribunal rejected the Nil ALP determination and directed deletion of the entire adjustment. ***[*****Bostik India Private Limited** – ***IT(TP)A No.2472/Bang/2024 (AY 2021-22); IT(TP)A No.837/Bang/2016, IT(TP)A No.626/Bang/2017 and IT(TP)A No.2031/Bang/2017 (AYs 2011-12 to 2013-14) [TS-344-ITAT-2025(Bang)-TP] followed]***

2. 3M Electro & Communications India Pvt. Ltd. vs. DCIT [TS-513-ITAT-2026(CHNY)-TP] [29-06-2026] – ITA Nos. 1690/CHNY/2016 & 746/CHNY/2017 – [AYs 2011-12 & 2012-13]

ITAT: Business support services forming an integral part of manufacturing operations cannot be assigned a Nil ALP where the transactions have been validly aggregated under TNMM and receipt of services is established.

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The assessee, engaged in the manufacture of telecommunication, electrical and electronic products and trading of filtration and EET products, availed laboratory, technical assistance, manufacturing support, selling and marketing support, IT and administrative services from its AE under an inter-company service agreement and benchmarked these transactions on an aggregated basis under TNMM. Although the TPO accepted the manufacturing segment as being at arm's length, he determined the ALP of the business support service charges at Nil, alleging inadequate evidence regarding services received and cost allocation. The Tribunal held that the assessee had furnished the inter-company agreement, debit notes, details of services received, cost allocation workings and allocation methodology, while the TPO had neither disputed the existence of the agreement nor produced any evidence to show that the services had not been rendered. It observed that once the assessee established receipt of services and the allocation mechanism, the ALP could not be determined at Nil merely because the TPO considered the evidence insufficient. The Tribunal further held that the support services were intrinsically linked to the assessee's manufacturing operations and, after accepting the entity-level benchmarking under TNMM, the TPO could not isolate a single class of transactions without demonstrating that aggregation was inappropriate. It also held that the Revenue could not accept the income arising under the same agreement while disregarding the corresponding expenditure in the absence of evidence showing that the expenditure was not genuine. Accordingly, the Tribunal upheld the DRP's deletion of the adjustment. ***[Haworth India Pvt. Ltd. v. DCIT – IT(TP)A No. 23/CHNY/2024, Siemens Gamesa Renewable Power (P.) Ltd. v. DCIT – 155 taxmann.com 406 relied upon]***

3. **Plintron Mobility Solutions Pvt. Ltd. vs. DCIT [TS-512-ITAT-2026(CHNY)-TP] [29-06-2026] – IT(TP)A No. 32/CHNY/2026 – [AY 2022-23]**

ITAT: Management consultancy fees closely linked to business operations should be aggregated with other international transactions and benchmarked under TNMM; separate benchmarking is unwarranted if the entity-level margin is at arm's length.

The assessee, engaged in providing telecom software development and maintenance services and availing business and management consultancy services from its AE, aggregated the consultancy fee with other international transactions and benchmarked them under the TNMM. The TPO disregarded the aggregation approach, treated the services as stewardship activities, adopted the Other Method, determined the ALP of the consultancy fee at nil and made a separate TP adjustment. The Tribunal noted that an identical issue had been decided in the assessee's own case for AY 2021-22, wherein it was held that the consultancy services were intrinsically connected with the assessee's business operations and therefore required to be aggregated with other international transactions under TNMM. Following the principle of consistency, the Tribunal held that where the assessee's operating margin is found to be at arm's length under TNMM, no separate adjustment towards management consultancy fee is warranted. Accordingly, it restored the issue to the AO/TPO to examine the transaction in accordance with the directions issued in the assessee's own case for AY 2021-22 and recompute the ALP. While doing so, it followed **Plintron Mobility Solutions Pvt. Ltd. v. DCIT [TS-814-ITAT-2025(CHNY)-**

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TP], **Doowon Automotive Systems India Pvt. Ltd. v. DCIT [IT(TP)A No. 88/CHNY/2024]**, which held that closely linked service payments should be aggregated and benchmarked under TNMM, and **Siemens Gamesa Renewable Power Pvt. Ltd. v. DCIT [ITA Nos. 1420 & 376/Mds/2017]**, which held that once the entity-level margin under TNMM is at arm's length, the TPO cannot separately benchmark individual service transactions or question their commercial expediency.

4. **Randstad India Private Limited vs. ACIT [TS-552-ITAT-2026(CHNY)-TP] [05-06-2026] – IT(TP)A No.135/CHNY/2024 – [AY 2021-22] - [2026] 187 taxmann.com 856 (Chennai - Trib.)**

   ITAT: Where a downward adjustment on payments for group IT services was made on the ground that the assessee failed to substantiate rendering of, and need for, the services, and the assessee subsequently produced third-party vendor invoices evidencing the underlying costs, such additional evidence going to the root of the adjustment was admitted and the issue remitted to the TPO for fresh consideration.

   The assessee, engaged in providing HR solutions including staffing, recruitment, outsourcing and consulting services to its group entities, benchmarked its international transactions and separately claimed payments toward global IT services availed from its AE's technology platform division. The TPO, noting that the assessee had made these payments in addition to IT charges already forming part of management fees, held that the assessee had neither furnished a need-benefit analysis nor documentary evidence establishing that the payments resulted in tangible benefit, and accordingly computed the ALP of the global IT services at nil; the DRP upheld this adjustment on similar grounds. Before the Tribunal, the assessee placed on record, as additional evidence, third-party vendor invoices and cost breakdowns substantiating that the underlying costs were genuinely incurred and allocated to the assessee. The Tribunal found that this additional evidence went to the root of the issue and to the very reason the lower authorities had made the adjustment, and since it had not been available before them, held that the matter required fresh examination. It accordingly admitted the additional evidence and remitted the issue to the AO/TPO, directing that the evidence be examined having regard to the nature of the third-party services rendered and the assessee's claim allowed in accordance with law, while permitting the AO/TPO to call for further details and directing the assessee to cooperate.

5. **McCain Foods India Pvt. Ltd. vs. DCIT [TS-545-ITAT-2026(DEL)-TP] [17-07-2026] – ITA Nos. 7310/Del/2026 & 7567/Del/2026 – [AY 2014-15].**

   ITAT: Management fee cannot be determined at NIL or allowed on an ad hoc basis merely because the allocation mechanism is inadequately documented; where receipt of services is established, the issue requires verification of debit notes and cost allocation keys.

   The assessee was engaged in the business of manufacturing and trading frozen French fries and other potato specialities and had availed management and IT support services from its associated enterprise. The assessee benchmarked the payment under the CUP/Other Method on the ground that the AE merely recovered costs without any markup and, alternatively, aggregated the transaction with the manufacturing segment under TNMM. The TPO rejected the benchmarking, held that the services were not tangible and lacked economic substance, determined the arm's length price of the services at NIL under the CUP method and made the transfer pricing adjustment. The CIT(A) accepted that services had in fact been rendered but, observing that the assessee had not established the basis of cost allocation or demonstrated exclusion of shareholder/stewardship activities, restricted the allowance to 30% of the management fee on an ad hoc basis. The Tribunal noted that the AE had rendered various management, technical and support services and that the assessee had produced evidence of receipt of such services. It held that the TPO was not justified in determining the ALP at NIL by treating the services as non-existent. However, since the assessee failed to furnish debit notes, cost allocation workings and allocation keys explaining apportionment of common costs, the documentation was found to be inadequate. The Tribunal held that this deficiency could justify neither an ALP of NIL nor the CIT(A)'s ad hoc allowance of only 30% of the expenditure. Accordingly, the matter was remanded to the AO/TPO to examine the debit notes, cost allocation workings and allocation keys and determine the ALP in accordance with law.

6. **Veolia Water Technologies and Solutions (India) Pvt. Ltd. vs. DCIT [TS-541-ITAT-2026(DEL)-TP] [15-07-2026] – ITA Nos. 3780/Del/2024 & 5843/Del/2024 – [AYs 2020-21 & 2021-22] - [2026] 188 taxmann.com 547 (Delhi - Trib.)**

   ITAT: Adjustment determining the arm's length price of intra-group services at NIL was remanded where the TPO had subsequently accepted the arm's length nature of similar transactions in the assessee's own case.

   The assessee availed intra-group services from its associated enterprises in connection with its business operations and benchmarked the transactions, whereas the TPO determined the arm's length price of such services at NIL by applying the CUP method on the ground that the assessee had failed to establish receipt of services and the benefits derived therefrom. . Before the Tribunal, the assessee pointed out that the TPO had accepted the arm's length price of the intra-group services in the subequent year. Taking note of the subsequent order passed by the TPO in the assessee's own case, the Tribunal restored the issue relating to the transfer pricing adjustment on intra-group services to the file of the TPO for fresh adjudication in accordance with law after providing the assessee a reasonable opportunity of being heard.

7. **Denso Haryana Private Limited vs. Joint/Additional CIT, Special Range-3, New Delhi [TS-587-ITAT-2026(DEL)-TP] [28-07-2026] – ITA Nos.1250/Del/2023, 5389/Del/2019 & 6690/Del/2019 – [AY 2013-14, 2014-15 & 2015-16] - [2026] 188 taxmann.com 988 (Delhi - Trib.)**

   ITAT: Where a coordinate bench, in the assessee's own case for an earlier assessment year, had held on identical facts that segregating a closely linked intra-group-services transaction from the assessee's aggregated TNMM benchmarking was unsustainable, and a CUP-based Nil valuation could not be applied.

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The assessee, a Denso group company, entered into several international transactions with its AEs, including receipt of intra-group services, and benchmarked them on an aggregated basis under TNMM. The TPO segregated the intra-group-services transaction from this aggregated benchmarking, determined its arm's length price at Nil by applying CUP on the ground that no independent party would pay for such services absent a demonstrated need and benefit, and made a corresponding adjustment; the CIT(A), for each year under appeal, upheld this following the principle of consistency with its own orders for the assessee's preceding years. The assessee contended that the issue was identical to an earlier year already decided in its favour. The Tribunal noted that a coordinate bench, in the assessee's own case for AY 2010-11, had held that the TPO could not selectively segregate a closely-linked transaction from the assessee's aggregated TNMM benchmarking, that the assessee had furnished cogent evidence of actual services received and tangible benefit derived, and that the TPO could not determine the arm's length price at Nil under CUP without bringing any comparable uncontrolled transaction on record. Finding the facts identical and this position unrebutted by the Revenue, the Tribunal adopted judicial consistency and deleted the adjustment for all years under appeal. ***[Denso Haryana Private Limited, ITA No.3811/Del/2017 relied upon]***

8. **Hammond Power Solutions Private Limited vs. DCIT [TS-557-ITAT-2026(HYD)-TP] [17-07-2026] – I.T.A.No.1089/Hyd/2024 – [AY 2021-22]**

   ITAT: Where the assessee proved availment of stewardship and technical services from its AE through the inter-company agreement, back-to-back invoices with cost allocation basis, and corroborating email and video-conferencing evidence, and the cost incurred is minimal relative to revenue, the TPO couldnot determine the ALP of such services at nil by questioning their commercial expediency or benefit - addition deleted.

   The assessee, a subsidiary of a Canadian company engaged in manufacturing electrical distribution and power transformers and providing installation, commissioning and maintenance services, paid management fee and technical fee to its AE for stewardship and technical services, benchmarked under the other method on a cost-to-cost basis without mark-up. The TPO held that the assessee had merely narrated the services without demonstrating date-wise benefit or corresponding cost, and that the email/video-conferencing evidence did not establish the nature of services or benefit derived; the DRP upheld this, and the AO determined the ALP of both fees at nil, disallowing them in full. The Tribunal found that the assessee had no strategic managerial personnel of its own in marketing, IT or business development, that these functions were performed by AE personnel whose salary cost was allocated on a cost-to-cost basis by time spent on Indian operations, and that this was substantiated by the inter-company agreement, back-to-back invoices, and documented email/video-conferencing deliberations between the two entities, with the aggregate cost under 2% of revenue — rendering the explanation bona fide and evidence-backed. It held that the TPO erred in requiring proof that each service yielded results, since the necessity of a service lies within the businessman's own knowledge and cannot be assessed by the tax authority. Following the Delhi High Court's ruling that Rule 10B(1)(a) does not permit disallowance merely because expenditure was not considered necessary or

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prudent, and consistent with OECD guidance permitting intra-group procurement of services provided payment is commensurate with services rendered. The Tribunal declined to follow an adverse ruling in the assessee's own case for AY 2017-18, holding that whether services were availed and payment was commensurate is a question of fact turning on each year's evidence, and directed deletion of the entire adjustment on both fees. ***[CIT v. EKL Appliances Ltd. [(2012) 24 taxmann.com 199 (Delhi HC) relied upon]***

9. **TDK India Pvt Ltd vs. DCIT [TS-556-ITAT-2026(Kol)-TP] [22-07-2026] – I.T.A. No.1998/KOL/2024 – [AY 2020-21] - [2026] 188 taxmann.com 752 (Kolkata - Trib.)**

   ITAT: Where assessee made payment for intra-group services, including mark-up on third-party cost of IT support services, to its associated enterprise and TPO made adjustment by treating such charges as not at arm's length, charges were accepted at arm's length and transfer pricing adjustment was deleted

   The assessee, part of the TDK group, paid its AE mark-up on third-party cost of intra-group IT support services (ITSS), and the TPO/DRP made a transfer pricing adjustment disallowing the same. The Tribunal followed the Co-ordinate Bench ruling in assessee's own case in TDK India (P.) Ltd. v. Dy. CIT [2025] 181 taxmann.com 409 (Kolkata - Trib.), wherein the issue was decided in favour of the assessee by following the decision in A.Ys. 2016-17 and 2017-18 in assessee's own case. Accordingly, AO/TPO was directed to delete the addition and accept that the charges paid by the assessee to AE for IGS were at arm's length. This direction accorded with Radhasoami Satsang v. CIT [1992] 193 ITR 321 (SC) on the rule of consistency and with CIT vs. Britannia Industries Ltd. [2003] 257 ITR 225 (Cal). For AYs 2014-15 and 2015-16 it was held that treating the services as stewardship or shareholder activity was erroneous, that the charges paid to AE were at arm’s length, and accordingly the additions were deleted. On the rule of consistency, since the Department accepted the position and did not prefer any appeal in earlier years, the addition was deleted in the instant year as well.

10. **Rehau Polymers Pvt. Ltd. vs. ITO [TS-570-ITAT-2026(PUN)-TP] [23-07-2026] – ITA No. 1854/PUN/2024 – [AY 2020-21]**

    ITAT: Where the TPO, having accepted receipt of invoices and emails evidencing intra-group services, nonetheless determines their ALP at Nil under the other method for want of cogent evidence of receipt, and expressly acknowledges that the Tribunal has, on identical facts in the assessee's own case for earlier years, found the services rendered and the assessee's benchmarking most appropriate, the adjustment is liable to be deleted absent distinguishing facts, notwithstanding a pending Revenue appeal before the jurisdictional High Court.

    The assessee had paid its AEs for intra-group Product, Marketing and Corporate Support Services, benchmarked under TNMM. The TPO accepted that invoices and emails had been furnished but held that no cogent evidence of actual receipt of services existed and determined the ALP at Nil under the other method, expressly noting that the Tribunal had deleted identical adjustments in the assessee's own case for AYs 2009-10 to 2013-14 but making the adjustment regardless since the Revenue's

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appeal against those orders was pending before the Bombay High Court. The assessee relied on inter-company agreements, an independent chartered accountant's cost-allocation certificate, and emails and invoices to demonstrate that services were rendered, and on the Tribunal's consistent findings in its own case for earlier years; the Revenue relied on the AO/DRP's orders, contending the benefit had not been proved. The Tribunal found that the TPO had himself admitted the identity of facts with earlier years without bringing any distinguishing facts on record, and that its own earlier orders had found the services rendered and the assessee's ALP determination most appropriate. Following this consistent view, it directed deletion of the entire adjustment rendering the assessee's alternative plea of double-counting academic. The appeal was allowed. ***[Rehau Polymers Pvt Ltd TS-604-ITAT-2019(PUN)-TP & TS-565-ITAT-2019(PUN)-TP relied upon]***

11. **Standard Chartered Bank Ltd. [TS-549-ITAT-2026(Mum)-TP] [16-07-2026] - ITA Nos. 4247, 4275, 4264 & 4265/Mum/2025 - [AYs 2004-05 & 2005-06] - [2026] 188 taxmann.com 675 (Mumbai - Trib.)**

    ITAT: Issue of applicability of TP provisions to transactions between an enterprise and its own PE in India stands covered against the assessee by binding Special Bench precedent.

    Assessee, a UK-based bank operating in India through its branch. Assessee contended that TP provisions were inapplicable since the India Branch and Head Office/overseas branches, being the same legal entity, could not constitute "associated enterprises" under Article 10/Section 92 read with the definitions under the Act. Both parties agreed the issue is concluded against the assessee by the Special Bench (Ahmedabad) decision in ***TBEA Shenyang Transformed Group Company Ltd. v. DCIT, 169 taxmann.com 145***. Ground dismissed, following binding Special Bench precedent.

i. Reimbursements

1. **SunTec Business Solutions Pvt. Ltd. vs. DCIT [TS-525-ITAT-2026(CHNY)-TP] [03-07-2026] – ITA No. 2510/Chny/2024 – [AY 2020-21] - [2026] 188 taxmann.com 244 (Chennai - Trib.)**

    ITAT: Salary cost cross-charged without mark-up, forming part of the operating cost of a TNMM-benchmarked segment, cannot be assigned a Nil ALP merely by applying the benefit test.

    The assessee engaged in providing software development services to its AE incurred salary costs relating to global sales personnel, which were cross charged by the group without any mark-up and allocated amongst group entities based on revenue. The TPO determined the ALP of the transaction at Nil by applying the benefit test. The Tribunal noted that the assessee had furnished debit notes, employee pay slips, allocation workings and details demonstrating the strategic business benefits derived from the services. It held that these documents sufficiently established the nature of the expenditure, the basis of allocation and its commercial nexus with the assessee's business. The Tribunal observed that the impugned salary cost formed part of the operating cost of the software development segment, which had already been benchmarked under TNMM and accepted by the TPO as being at arm's length. Once TNMM had been accepted for the segment, the TPO could not isolate one component of operating cost and determine its ALP independently at Nil without bringing on record any comparable uncontrolled transaction or evidence showing that an independent enterprise would not have incurred such expenditure. Accordingly, the Tribunal deleted the transfer pricing adjustment.

2. **Standard Chartered Bank Ltd. [TS-549-ITAT-2026(Mum)-TP] [16-07-2026]** - **ITA Nos. 4247, 4275, 4264 & 4265/Mum/2025 - [AYs 2004-05 & 2005-06] - [2026] 188 taxmann.com 675 (Mumbai - Trib.)**

   ITAT: Where TPO has accepted ALP of cost allocation to the extent supported by documentary evidence and certified allocation keys, ALP of the balance unverified portion cannot be determined at Nil merely for want of similar documentation; allocation certified by statutory auditors on a scientific and consistently applied key, coupled with demonstrated business benefit, satisfies the arm's length test in entirety.

   The assessee, a UK-based bank operating in India through its branch, claimed deduction of direct costs allocated by its Head Office and overseas branches. The TPO accepted the ALP of costs supported by evidence but determined the ALP of the balance amount at Nil for want of complete documentation, which was upheld by the CIT(A), though the deduction under section 37(1) was allowed following the Tribunal's orders in the assessee's own case. The Tribunal held that the costs were allocated to the Indian operations on a consistent and scientific basis, supported by an independent auditor's certificate, and that the assessee had derived tangible business benefits. It further held that the payments neither constituted royalty nor FTS under Article 13 of the India–UK DTAA as no technical knowledge was "made available", and therefore no disallowance under section 40(a)(i) was warranted. Accordingly, it held that the TPO's determination of the ALP at Nil merely for alleged insufficiency of supporting documents, despite accepting the nature and business purpose of the expenditure, was unsustainable, since ALP cannot be determined solely based on the extent of documentation furnished. TP adjustment of Rs. 33.24 crore and connected additions/disallowances under domestic and TP provisions directed to be deleted in entirety.

3. **Standard Chartered Bank Ltd. [TS-549-ITAT-2026(Mum)-TP] [16-07-2026]** - **ITA Nos. 4247, 4275, 4264 & 4265/Mum/2025 - [AYs 2004-05 & 2005-06] - [2026] 188 taxmann.com 675 (Mumbai - Trib.)**

   ITAT: Where direct costs allocated by Head Office towards technology, global account management, group taxation and support services were incurred wholly and exclusively for business purposes, determination of arm's length price at nil was unsustainable.

   Assessee, a foreign bank, claimed deduction of direct costs allocated to its Indian branch towards technology, global account management, group taxation and support services. TPO determined arm's length price at nil in respect of part of such expenditure. AO also disallowed expenditure under section 37(1) and section 40(a)(i) treating payments as royalty/fees for technical services and for non-deduction of tax under section 195. Tribunal ruled that since expenditure was incurred wholly and exclusively for business purposes and payments were neither in nature of royalty nor fees for technical services under Act or Article 13 of India–UK DTAA, no disallowance under section 40(a)(i) was warranted. Therefore, determination of arm's length price at nil and disallowances made under sections 37(1) and 40(a)(i) were deleted.

j. Purchase / Sale of Asset

1. **Denso Haryana Private Limited vs. Joint/Additional CIT, Special Range-3, New Delhi [TS-587-ITAT-2026(DEL)-TP] [28-07-2026] – ITA Nos.1250/Del/2023, 5389/Del/2019 & 6690/Del/2019 – [AY 2013-14, 2014-15 & 2015-16] - [2026] 188 taxmann.com 988 (Delhi - Trib.)**

   ITAT: Where assessee purchased fixed assets from its AEs at a mark-up, TP adjustment by disallowing such mark-up was held to be unsustainable

   Assessee-company purchased fixed assets from its AEs with a mark-up. TPO disallowed mark-up and made TP adjustment. CIT(A) restricted adjustment to mark-up amount. It was noted that Tribunal had consistently held in assessee's own case for earlier years that TP adjustment by disallowing mark-up on purchase/import of fixed assets was unwarranted. [Since in the earlier years, TNMM which included depreciation on the mark-up was accepted] ***[Denso Haryana (P.) Ltd. vs. Deputy Commissioner of Income-tax [2023] 156 taxmann.com 573 (Delhi - Trib.) followed]***

VII. Miscellaneous

a. Appeal

1. **Moog Controls (India) Pvt. Ltd. vs. DCIT [TS-529-ITAT-2026(Bang)-TP] [07-07-2026] – IT(TP)A No.1611/Bang/2024 – [AY 2011-12]**

   ITAT: Failure of the CIT(A) to adjudicate the ground relating to working capital adjustment warrants remand for fresh adjudication.

2. **Bain Capability Centre India Pvt. Ltd. vs. ACIT [TS-504-ITAT-2026(Del)-TP] [30-06-2026] - IT(TP)A No. 170/Del/2026 – [AY 2022-23]**

   ITAT: Dismisses assessee's appeal as withdrawn, given TP adjustment deleted vide rectification order

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b. APA / MAP

1. **LG Electronics India Pvt. Ltd. vs. ACIT/DCIT [TS-574-ITAT-2026(DEL)-TP] [21-07-2026] – ITA Nos. 490/Del/2021, 2493/Del/2022, 1036/Del/2023, 4397/Del/2024 & 187/Del/2026 – [AYs 2015-16, 2017-18, 2018-19, 2020-21 & 2022-23**]

   ITAT: Where the taxpayer and the CBDT have subsequently entered into an Advance Pricing Agreement under section 92CC covering the very international transactions in dispute and prescribing "Other Method" of computing adjustments for the Rollback years, the pending transfer pricing additions on those transactions cease to be res integra, and the Tribunal need only direct the TPO/AO to finalize the consequential computation in terms of the APA.

2. **Watson Pharma Pvt. Ltd. vs. DCIT [TS-523-ITAT-2026(Mum)-TP] [10-07-2026] – ITA No. 565/MUM/2026 – [AY 2022-23] - [2026] 188 taxmann.com 310 (Mumbai - Trib.)**

   ITAT: Where the FAR profile remains unchanged, APA margins constitute a reliable guiding factor for determining the arm's length nature of similar transactions in subsequent years, however transfer pricing adjustment cannot be made merely by relying on APA margins without demonstrating any defect in the assessee's contemporaneous benchmarking.

   The Tribunal further observed that the margins earned by the assessee during the year were broadly aligned with the APA margins and, in any event, the variation fell within the permissible tolerance band. Accordingly, it held that the international transactions were at arm's length

3. **Tetra Pak India Private Limited vs. DCIT [TS-553-ITAT-2026(PUN)-TP] [17-07-2026] – ITA No.1906/PUN/2024 – [AY 2020-21] - [2026] 188 taxmann.com 584 (Pune - Trib.)**

   ITAT: A BAPA's agreed margin cannot be applied to determine the arm's length price of a year falling outside the APA's specified period, since an APA is statutorily confined to its covered years and a consensual, negotiated framework whether an APA or a Mutual Agreement Procedure settlement cannot be extrapolated to transactions or years not subject to it.

c. Assessment / Reassessment / Revision / Rectification

i. Time barred

1. **Triumph International (India) Pvt. Ltd. vs. DCIT [TS-533-ITAT-2026(CHNY)-TP] [14-07-2026] – IT(TP)A No.33/Chny/2025 – [AY 2020-21]**

   ITAT: Final assessment order passed beyond the limitation prescribed under section 144C(13), reckoned from the date DRP directions were uploaded on the ITBA portal, was quashed as time barred.

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The assessee, engaged in the business of manufacturing ladies' apparel, challenged the validity of the final assessment order passed under section 143(3) read with section 144C(13), contending that it was barred by limitation. The assessee submitted that although the DRP directions were uploaded on the ITBA portal on 31.07.2025, the AO passed the final assessment order only on 23.09.2025, beyond the statutory period of one month from the end of the month in which the DRP directions were received. The Revenue contended that the DRP directions were received by the AO only on 04.08.2025 and, therefore, the assessment was within time. The Tribunal held that the relevant date for computing limitation under section 144C(13) is the date on which the signed DRP directions become available on the ITBA portal, as they are immediately accessible to the jurisdictional/faceless AO through the ITBA "360 Degree" functionality, and the commencement of limitation cannot depend upon the Department's internal processes or user actions. Following the jurisdictional Madras High Court decision in Ramco Cements Ltd., the Tribunal held that the AO was deemed to have received the DRP directions on 31.07.2025 itself and, therefore, the final assessment order dated 23.09.2025 was barred by limitation. Accordingly, the Tribunal quashed the final assessment order and held that the consequential TP adjustment could not survive. ***[Ramco Cements Ltd. [TS-579-HC-2024(MAD)-TP]; Vodafone Idea Ltd. v. Central Processing Centre [2023] 156 taxmann.com 258 (Bom.); Louis Dreyfus Company India (P.) Ltd. v. DCIT [2024] 159 taxmann.com 244 (Delhi) relied upon]***

2. **Henkel Anand India Pvt. Ltd. vs. DCIT [TS-503-ITAT-2026(Del)-TP] [30-06-2026] - IT(TP)A No. 108/Del/2026 – [AY 2022-23]**

   ITAT: quashed the final assessment order holding that an assessment passed beyond the period prescribed under section 144C (13) is void in law.

   The assessee, engaged in the manufacture and sale of adhesives, sealants and allied chemical products, entered into international transactions relating to the purchase of raw materials/intermediate chemicals and sale of finished goods with its AEs, which it benchmarked under TNMM. The TPO rejected the assessee's transfer pricing analysis, recomputed the arm's length price and proposed adjustments in respect of the purchase of raw materials and sale of finished goods. Pursuant to the DRP's directions dated 28.10.2025, the AO passed the final assessment order under sections 143(3) read with 144C (13) and 144B on 19.12.2025. Assessee challenged the validity of the assessment in front of the tribunal on the legal ground that, in terms of section 144C (13), the final assessment order ought to have been passed on or before 30.11.2025, being one month from the end of the month in which the DRP issued its directions. The Tribunal observed that the DRP's directions were admittedly issued on 28.10.2025, whereas the final assessment order was passed only on 19.12.2025, well beyond the statutory period prescribed under section 144C (13). Holding that compliance with the statutory limitation under section 144C (13) is mandatory, the Tribunal concluded that the assessment order was barred by limitation and therefore invalid in law. Accordingly, it quashed the final assessment order without examining the transfer pricing issues on merits, rendering all other grounds infructuous.

3. **Jones Lang LaSalle Property Consultants (India) Pvt. Ltd. vs. DCIT [TS-546-ITAT-2026(DEL)-TP] [17-07-2026] – IT(TP)A No. 218/Del/2026 – [AY 2022-23].**

   ITAT: Final assessment order passed beyond the limitation prescribed under section 144C(13), reckoned from the date of uploading of the DRP directions on the ITBA portal, is liable to be quashed.

   The assessee is engaged in providing property management, advisory and brokerage services and had entered into international transactions with its associated enterprises. Pursuant to the draft assessment order, the DRP issued directions on 27.12.2025 granting partial relief in respect of the transfer pricing adjustments. The TPO passed an order giving effect to the DRP directions; however, the AO passed the final assessment order only on 25.02.2026. The assessee challenged the assessment on the preliminary ground that it was barred by limitation under section 144C(13), contending that the statutory period expired on 31.01.2026. The Tribunal observed that the DRP directions were uploaded on the ITBA portal on 27.12.2025 and, in terms of section 144C(13), the AO was required to pass the final assessment order within one month from the end of that month. Following the decisions of the Delhi High Court, it held that the date of uploading of the DRP directions on the ITBA portal constitutes the date of receipt by the AO for computing limitation. Since the final assessment order was passed beyond the prescribed period, it was barred by limitation and liable to be quashed. In view of the assessment being quashed, the Tribunal did not adjudicate the transfer pricing and other grounds raised on merits. ***[Hyundai Rotem Company [2025] 180 taxmann.com 18 (Delhi), PCIT v. Microsoft Corporation Pvt. Ltd. (ITA No. 70/2026, Delhi High Court), BirdEye Software India (P.) Ltd. v. Assessment Unit (WP(C) No. 16467/2024, Delhi High Court) relied upon]***

4. **Mitsui Prime Advanced Composites India Pvt. Ltd. vs. ITO [TS-502-ITAT-2026(Del)-TP] [30-06-2026] -ITA No. 3056/Del/2024 – [AY 2020-21]**

   ITAT: quashed the final assessment order as time-barred, holding that an assessment order is complete only upon affixation of digital signature. Since the order, though dated within limitation, was digitally signed beyond the statutory period prescribed under section 144C (13), it was barred by limitation.

   The assessee, engaged in manufacturing advanced composite materials, entered into international transactions with its AEs and benchmarked the same under the TNMM. The TPO proposed a transfer pricing adjustment on account of denial of capacity utilisation adjustment, inclusion/exclusion of comparables and treatment of bank charges as non-operating expenses, which culminated in a draft assessment order. Pursuant to the DRP's directions, the AO passed the final assessment order dated 30.04.2024. Before the Tribunal, the assessee raised an additional legal ground contending that although the assessment order bore the date 30.04.2024, it was digitally signed only on 01.05.2024, beyond the period prescribed under section 144C (13), rendering the order barred by limitation. The Revenue argued that the assessment stood completed on 30.04.2024 itself and that the subsequent digital signature was merely a procedural act generated by the system. The Tribunal admitted the additional ground as it involved a pure question of law and, after examining the ITBA records, found that the assessment order attained legal existence only upon its digital signature on 01.05.2024. Following the jurisdictional High Court and coordinate bench decisions, it held that the order was completed only on the date of digital signing and, consequently, was passed beyond the limitation prescribed under section 144C (13). The Tribunal accordingly quashed the assessment order, rendering all transfer pricing grounds, including those relating to capacity utilisation adjustment, comparables and operating margin computation, infructuous. ***[SumanJeet Agarwal v. ITO [2022] 143 taxmann.com 11 (Delhi HC); CIT v. Hyundai Rotem Company [2025] 180 taxmann.com 18 (Delhi HC); Bennett Coleman & Co. Ltd. v. National Faceless Assessment Centre (ITA No. 1387/Mum/2023) followed]***

5. **Syniverse Technologies Services (India) Pvt. Ltd. vs. ACIT [TS-527-ITAT-2026(DEL)-TP] [10-07-2026] – ITA No.2056/DEL/2022 – [AY 2018-19].**

   ITAT: Final assessment order passed without giving effect to the DRP's binding directions is invalid, and a corrigendum issued after expiry of the limitation period cannot cure the jurisdictional defect.

   The AO passed the draft assessment order, pursuant to which the DRP issued directions requiring the AO/TPO to suitably incorporate its findings in the final assessment order. The TPO thereafter passed an order giving effect to the DRP's directions. However, while passing the final assessment order within the limitation period under section 144C (13), the AO merely reproduced the draft assessment order without incorporating the TPO's order giving effect to the DRP's directions. Subsequently, after expiry of the limitation period, the AO issued a corrigendum seeking to rectify the omission. The Tribunal held that the AO was statutorily bound to pass the final assessment order in conformity with the DRP's directions. Since the TPO had already passed the order giving effect before the limitation expired, the AO ought to have incorporated those directions in the final assessment order itself. Failure to do so rendered the final assessment order invalid, and the subsequent corrigendum could not cure the jurisdictional defect or extend the statutory limitation. The Tribunal quashed the final assessment order and left the remaining grounds open. ***[Pr. CIT v. Lionbridge Technologies Pvt. Ltd. [TS-1267-HC-2018(BOM)-TP], I.A.R. System Aktiebolag Deloitte v. DCIT (ITA Nos.598 & 1850/Mum/2022) followed]***

6. **Corteva Agriscience Services India Pvt Ltd vs. DCIT [TS-561-ITAT-2026(HYD)-TP] [22-07-2026] – ITA 339/HYD/2025 – [AY 2017-18]**

   ITAT: Where a TPO's order gives effect to a section 263 revision, the limitation for the AO to pass the draft assessment order runs under section 153(5A) two months from the end of the month the TPO's order is received not section 153(3); a draft order passed beyond this period, reckoned from digital receipt of the TPO's order, is time-barred and liable to be quashed, vitiating all subsequent proceedings including the giving-effect order.

   The assessee's original TP order dated 31.01.2021 was revised by the CIT under section 263 on 27.03.2023, pursuant to which the TPO passed a fresh order under section 92CA (3) on 31.05.2023 uploaded on the ITBA portal the same day and emailed to the AO on 01.06.2023. The AO, however, passed the draft assessment order only on 14.02.2024. The DRP rejected the assessee's limitation objection by wrongly applying section 153(3) instead of section 153(5A), reasoning that the draft order was still timely if the limitation ran from the date the section 263 order was passed. The Tribunal held that section 153(5A) not section 153(3) governed, since the draft order was passed pursuant to a section 263 revision, and that even taking the latest possible date of receipt by the AO (13.06.2023), the two-month limitation expired on 31.08.2023, making the draft order dated 14.02.2024 clearly time-barred. Relying on a coordinate bench ruling on the parallel limitation under section 144C (13) which held that electronic receipt, whether by portal upload or email, is sufficient to trigger limitation, and that limitation need not await receipt of a physical copy the Tribunal quashed the draft assessment order as barred by limitation. Since this invalidated all subsequent proceedings, including the giving-effect order dated 24.12.2024, the assessee's remaining grounds became infructuous, and the appeal was allowed. ***[Dr. Reddy's Laboratories Ltd. v. ACIT [2026] 186 taxmann.com 414 (Hyderabad-Trib.) relied upon]***

7. **Vivimed Labs Limited vs. ACIT, Central Circle-3(4) [TS-571-ITAT-2026(HYD)-TP] [22-07-2026] – ITA No.303/Hyd/2026 – [AY 2011-12**]

ITAT: A remand confined to verification of evidence is a "fresh assessment" governed by the twelve-month limitation under section 153(3) read with its proviso, not by section 153(4) or section 144C; an order passed beyond this period is time-barred and liable to be set aside.

The assessee's transfer pricing dispute concerned advances to its associated enterprises, treated by the TPO as interest-bearing working capital loans, which this Tribunal's order dated 17.12.2020 had remanded to the AO/TPO to verify whether the amount was a working capital advance or an equity investment, directing no adjustment if the latter were true. Pursuant to this remand, the AO passed a draft order on 14.03.2023 and a final order on 13.12.2023, which the assessee contended were time-barred under section 153, since limitation reckoned from the 2020 remand had long expired; the Revenue contended that Finance Act 2026 amendments made sections 153 and 144C mutually exclusive, that each stage was completed within its own prescribed time, and that the extended period under section 153(4) applied. The Tribunal held that its earlier remand required only verification and was not a de novo assessment, so the giving-effect order fell within the twelve-month period under section 153(3) read with its proviso, rejecting the Revenue's reliance on section 144C and section 153(4). Limitation reckoned from 01.01.2021 and expired on 31.12.2021, whereas both the draft and final orders were passed well beyond that date and were accordingly time-barred. Following its coordinate decision in the assessee's own case for AYs 2014-15, 2015-16 and 2018-19 which distinguished verification-remands (section 153(3)) from remands merely giving effect to conclusive findings (section 153(5)), the Tribunal set aside both orders as barred by limitation and allowed the appeal, rendering the remaining grounds infructuous. ***[Vivimed Labs Limited ITA Nos.181 to 183/Hyd./2025 relied upon]*** *ii. Order not in conformity with DRP directions*

1. **Mfiflex Technologies Private Limited vs. DCIT [TS-540-ITAT-2026(Bang)-TP] [10-07-2026] – IT(TP)A No. 322/Bang/2026 – [AY 2022-23].**

   ITAT: Final assessment order passed contrary to the Order Giving Effect issued by the TPO pursuant to the binding directions of the DRP is void ab initio and quashed.

iii. Order in the name of non-existent amalgamating company

1. **Akzo Nobel India Ltd. vs. DCIT [TS-558-ITAT-2026(Kol)-TP] [22-07-2026] – ITA Nos. 3048 & 3049/KOL/2025 – [AY 2008-09 & 2009-10]**

   ITAT: Notice under section 148 issued in the name of an entity that has ceased to exist upon amalgamation, where the fact of amalgamation was communicated to the Assessing Officer before the notice was issued, is void ab initio and cannot be cured as a procedural irregularity under section 292B; the assessment framed in consequence is equally invalid, since assessment under section 170(2) must be made on the successor, not the amalgamating predecessor.

   The assessee's erstwhile entity, engaged in car refinishing, amalgamated with Akzo Nobel India Ltd. with effect from 01.04.2011, and this fact was communicated to the AO by letter received before the impugned notice under section 148 was issued in the name of the non-existent amalgamating entity for AY 2008-09; a parallel additional ground was raised for AY 2009-10. The assessee contended that the notice and consequent assessment, being founded on a non-existent entity despite the AO's prior knowledge of the amalgamation, were void ab initio, relying on its own case for an earlier AY where an identical assessment was quashed following Supreme Court and Delhi High Court authority. The Tribunal first admitted the additional ground, holding that a purely legal issue requiring no further factual verification may be raised for the first time in appeal. On merits, it held that since the amalgamation had been brought to the AO's notice well before the section 148 notice was issued, framing that notice against the non-existent amalgamating entity was not a procedural defect curable under section 292B but a jurisdictional defect going to the root of the matter, following its own coordinate bench decision on identical facts. It accordingly quashed both the notice and the consequent assessment for AY 2008-09 and applied the same reasoning mutatis mutandis to AY 2009-10. Both appeals were allowed. ***[Jute Corporation of India Ltd. v. CIT [187 ITR 688 (SC)], National Thermal Power Co. Ltd. v. CIT [1998] 229 ITR 383 (SC), PCIT vs. Britannia Industries Ltd. [2017] 396 ITR 677 (Cal.), Akzo Novel India Ltd. vs. DCIT, ITA No. 2073/Del/2014, PCIT vs. Maruti Suzuki (P) Ltd. [2017] 85 taxmann.com 330 (Del.), Spice Entertainment Ltd. vs. CIT [ITA 475, 476 of 2011 (Del.)], CIT vs. Dimension Apparels (P.) Ltd. [2015] 370 ITR 288 (Del.) followed]***

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iv. Reassessment

1. **Chanel (India) Private Limited vs. DCIT [TS-583-ITAT-2026(DEL)-TP] [27-07-2026] – ITA No.2341/Del/2022 – [AY 2012-13]**

   ITAT: Where the original assessment completed under section 143(3) is reopened after expiry of four years and the AO's reasons neither establish failure to disclose material facts nor bring any fresh tangible material on record, reassessment is without jurisdiction and amounts to a mere change of opinion.

   The assessee, engaged in distribution of high-end fashion and beauty products, had disclosed its receipt of subsidy income from its AE as an international transaction during the original assessment proceedings under section 143(3), including through its return of income, TP study report, Form 3CEB and submissions before the TPO, who accepted the arm's length nature of the transaction on an aggregated basis without adjustment. The AO subsequently issued notice under section 148 after expiry of four years, reopening the assessment on the ground that the subsidy ought to be excluded as non-operating income for benchmarking purposes; the assessee contended that the reasons recorded neither alleged nor established any failure to disclose material facts, nor cited any fresh tangible material, making the reopening a mere change of opinion beyond jurisdiction. The Tribunal agreed, finding that the subsidy had already been disclosed in the financial statements and considered in the original assessment, and that the same subsidy had also been disclosed and accepted by the Revenue in the preceding assessment year; following the settled principle that a wrong understanding of law or failure to draw proper inferences from material already on record cannot be corrected through reassessment, it held that the reopening was without jurisdiction and quashed it accordingly. ***[CIT v. Usha International Ltd. [(2012) 348 ITR 485 (Delhi)], CIT v. Eicher Ltd. [(2007) 294 ITR 310 (Delhi)], Godrej Projects Development (P.) Ltd. v. ITO [[2024] 159 taxmann.com 32 (Bombay)] relied upon]***

v. Rectification of apparent mistake

1. **Goldman Sachs (India) Finance Pvt. Ltd. vs. ACIT [TS-568-ITAT-2026(Mum)-TP] [22-07-2026] – MA No. 93/Mum/2026 (arising out of ITA No. 6766/Mum/2024) – [AY 2021-22]**

   ITAT: Where a Coordinate Bench, having held CCDs to be entirely in the nature of debt and having recorded the TPO's undisputed finding that the interest rate on the debt component was at ALP, nonetheless directs de novo benchmarking of the interest paid on the CCDs in their entirety, such direction is a mistake apparent from the record rectifiable under section 254(2), since it contradicts

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the Bench's own findings of fact and no dispute survived regarding the ALP of interest on the debt component.

The assessee, an NBFC, had benchmarked interest paid on CCDs issued to its AEs using CUP; the TPO accepted the ALP of interest on the debt component but treated interest attributable to an equity component as NIL at ALP, making a downward adjustment, which the DRP upheld. On appeal, the Coordinate Bench (order dated 22.08.2025) held that reliance on the Ind AS-32 presentation to treat the CCDs as part-equity was incorrect, since a debenture remains debt in its entirety until conversion into shares; yet it nonetheless restored the entire benchmarking of interest on the CCDs to the TPO/AO for de novo determination. In this Miscellaneous Application, the assessee contended that since the CCDs were held wholly debt, and the TPO's finding that interest on the debt component was at ALP had remained undisturbed through the DRP proceedings, the remand of the entire transaction was inconsistent with the Bench's own findings and amounted to a mistake apparent from the record; the Revenue opposed, citing infirmities found by the TPO in the assessee's CUP analysis. The Tribunal agreed with the assessee, holding that the direction for de novo benchmarking contradicted the Coordinate Bench's own undisputed findings on the TPO's acceptance of ALP on the debt component. It rectified the order, accordingly, deleting the observations directing remand and holding instead that, since the CCDs were wholly debt and ALP of interest on the debt component stood accepted by the Revenue, the downward adjustment and the consequent addition under section 36/37 were unsustainable and stood deleted. The Miscellaneous Application was allowed.

vi. *Natural Justice*

1. **Bostik India Private Limited vs. ACIT [TS-576-ITAT-2026(Bang)-TP] [23-07-2026] – IT(TP)A No.1765/Bang/2024 – [AY 2020-21**]

   ITAT: Additions confirmed pursuant to an intimation under section 143(1) without affording the assessee an opportunity of being heard violate the principle of audi alteram partem and warrant remand for fresh adjudication after granting such opportunity.

2. **Sangsin Brake India Pvt. Ltd. vs. ITO [TS-543-ITAT-2026(CHNY)-TP] [10-07-2026] – IT(TP)A No. 28/Chny/2026 – [AY 2022-23].**

   ITAT: Failure to examine contemporaneous transfer pricing documents filed before foreign tax authorities, having a direct bearing on determination of the arm's length price, warrants de novo adjudication of the entire transfer pricing adjustment.

   The assessee is engaged in the manufacture of brake pads, brake linings, brake shoe assemblies and air hydro brake systems and had entered into international transactions with its associated enterprises. The TPO proposed a transfer pricing adjustment, which was partly reduced by the DRP after granting relief on certain

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comparables. The assessee contended that the TPO and the DRP failed to consider the transfer pricing documentation and documents filed by its AEs before the respective foreign tax authorities evidencing that the AEs earned only a 2.9% mark-up on supplies made to the Indian entity. The Tribunal observed that although the lower authorities had dealt with certain aspects of comparability, they had neither examined nor recorded any finding on the evidentiary value of the contemporaneous documents relied upon by the assessee. It held that such documents, having a direct bearing on the determination of the arm's length price, could not be disregarded without assigning cogent reasons. Since the issues relating to comparables, computation of the PLI, foreign exchange fluctuation, adjustments relating to loans and capital expenditure, managerial remuneration and the foreign transfer pricing documents were interlinked, the Tribunal restored the entire transfer pricing issue to the AO/TPO for de novo adjudication with a direction to examine all the documentary evidence and each of the assessee's objections by passing a reasoned order after providing adequate opportunity of hearing.

d. *Penalty*

i. *271AA*

1. **TPV Technology India Pvt. Ltd. vs. ACIT [TS-555-ITAT-2026(DEL)-TP] [22-07-2026] – ITA No. 1947/Del/2023 – [AY 2015-16] - [2026] 188 taxmann.com 846 (Delhi - Trib.)**

   ITAT: Where goodwill recognized in an assessee's books upon demerger of its AE's branch undertaking represents merely an accounting entry recognizing the excess of liabilities over assets, without any purchase, sale, transfer, lease or use of an intangible asset, it does not constitute an "international transaction" under section 92B,-and no penalty under section 271AA can be levied for its non-disclosure in Form 3CEB; where, further, the accounting treatment is revenue neutral and the assessee has made complete disclosure to its accountant for preparation of Form 3CEB, reasonable cause under section 273B exists for such non-disclosure, warranting deletion of penalty.

   The assessee, a wholly owned Indian subsidiary of its Hong Kong AE engaged in selling products manufactured by the AE group in India, recognized goodwill in its books pursuant to a court-approved demerger of the Indian branch office of its AE It was subjected to penalty under section 271AA for not disclosing this as an international transaction in Form 3CEB. The AO held that the demerger constituted a business re-organization falling within the international-transaction definition under section 92B and levied penalty for non-disclosure. The CIT(A) held that the goodwill entry merely denoted the excess of liabilities over assets of the demerged undertaking without any acquisition, transfer, or use of an intangible asset, that the accounting was revenue neutral since the amortized goodwill charged to profit and loss was added back in computing income, and that the assessee had made complete disclosure to

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its accountant, and accordingly deleted the penalty as also based on a vague, mechanical notice. The Tribunal rejected the Revenue's contention that the demerger amounted to a business re-organization covered by section 92B, holding that since no goodwill existed in the demerged undertaking's own books, its recording in the assessee’s books was merely an accounting entry and not the acquisition or transfer of any asset, so no international transaction arose It further held that the revenue-neutral treatment of the amortized amount having been added back while computing taxable income constituted reasonable cause under section 273B for non-disclosure, and accordingly upheld the CIT(A)'s deletion of penalty.

ii. 271G

1. **DCIT vs. Carbon Creation Exports Pvt. Ltd. [TS-535-ITAT-2026(Mum)-TP] [30-06-2026] – ITA No. 7818/Mum/2025 – [AY 2014-15] - [2026] 188 taxmann.com 458 (Mumbai - Trib.)**

   ITAT: Penalty under section 271G cannot be levied where a diamond trader establishes reasonable cause for inability to maintain separate AE and non-AE segmental profitability and has substantially complied with transfer pricing documentation requirements.

   The Tribunal upheld the deletion of penalty by CIT(A), observing that maintenance of separate AE and non-AE segmental profitability was practically impossible in the diamond industry due to the inability to correlate individual rough diamonds with polished diamonds. It further noted that no transfer pricing adjustment had been made by the TPO, the assessee had furnished all information that was practically maintainable, and the issue stood covered by binding judicial precedents holding that substantial compliance coupled with reasonable cause precludes levy of penalty under section 271G. Accordingly, the Revenue's appeal was dismissed. ***[ACIT v. Kapu Gems – ITA No. 6713/Mum/2019 (Mumbai ITAT) followed]***

e. Stay

1. **Quess Corp Ltd. vs. DCIT [TS-528-ITAT-2026(Bang)-TP] [06-07-2026] – SA No. 87/Bang/2026 (in IT(TP)A No. 942/Bang/2023) – [AY 2019-20]**

   ITAT: grants fourth extension of stay for 180 days or till disposal of appeal, where delay in hearing was attributable to repeated adjournments sought by the Revenue.

2. **Freyr Software Services Private Limited vs. DCIT [TS-538-ITAT-2026(HYD)-TP] [19-06-2026] – SA No.113/Hyd/2026 (in IT(TP)A No.345/Hyd/2026) – [AY 2022-23].**

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ITAT: Stay of outstanding demand declined where the appeal was fixed for hearing on the immediately succeeding working day; however, the Department was restrained from adopting coercive recovery measures till disposal of the appeal, subject to the assessee not seeking adjournment.

3. **Danfoss Systems Limited vs. DCIT [TS-511-ITAT-2026(PUN)-TP] [01-07-2026] – S.A. Nos. 23 & 24/PUN/2025 (Arising out of ITA Nos. 2664 & 1849/PUN/2024) – [AYs 2020-21 & 2021-22]**

   ITAT: grants stay of outstanding demand after finding that the TP issues are covered in favour of the assessee in earlier assessment years and directs the Department to recover only 20% of the demand from pending refunds.

f. *Section 10A/10B / 80-IA*

1. **Pr. CIT vs. Persistent Systems Pvt Ltd. [TS-565-HC-2026(BOM)-TP] [09-07-2026] – Income Tax Appeal No. 2924 of 2018 – [AY 2010-11] - [2026] 188 taxmann.com 859 (Bombay)**

   HC: Dismisses Revenue's appeal challenging deletion of addition u/s. 10A (7) r,w.s 80 IA (10) made on the basis of assessee's alleged excess profits (i.e. more than ordinary profits) based on (compared to) the profits of comparables disclosed in the TP study report.

   Assessee, a 100 % EOU was engaged in the development and export of computer software and registered under the STP scheme. and exporting It claimed deduction u/s 10 A (in respect of pune unit-I and nagpur unit). Separately, the assessee had filed the TP study report to support that its international transactions were at ALP. The said transactions were accepted by the TPO to be at ALP since the assesse's margins were higher than those of its comparables. However, on the very same basis the AO made a disallowance by invoking the provisions of section 10A(7) read with section 80IA (10) on the alleged ground that the assesse had earned more than ordinary profits [since its profits one were more than those of the comparables disclosed in the TP study report. The Tribunal deleted the said disallowance by holding that the AO failed to prove that any arrangement had been arrived between the parties which resulted in higher profits and mere existence of a higher margin than comparables, by itself, is not sufficient to draw such an inference, there must be cogent material to show the arrangement. The Revenue's appeal challenged the ITAT's deletion of the addition made under Section 10A (7) r.w.s 80IA (10). The High Court dismissed the revenue's appeal holding that no substantial question of law arose as the issue was covered by the judgements of jurisdictional high court in Schmetz India Pvt. Ltd and Pragati Aroma Oil Distillers (P.) Ltd. The Bombay HC in Schmetz India (P) ltd. held that extraordinary profits alone cannot lead to the conclusion that there is an arrangement between the parties, as this would penalize efficient functioning .The HC in Pragati held that Tribunal was not justified in comparing and adopting net profit margin of sister concern, in the absence of any arrangement as contemplated in Section 10B (7) read with section 80IA (10) and the substantial question of law was decided in favour of the assessee. . ***[CIT vs. Schmetz India (P) Ltd. [(2012) 26 taxmann.com 336 (Bom.)]; Pragati Aroma Oil Distillers Private Ltd. vs. Dy. CIT [(2026) 187 taxmann.com 31 (Bombay) followed, Dy. CIT v. Persistent System (P.) Ltd. IT Appeal No. 1295(PUN) of 2015 affirmed]***

g. *Others*

i. *No further attribution when international transaction is at arm's length*

1. **QlikTech International AB v. DCIT [TS-542-ITAT-2026(Bang)-TP] [16-07-2026] – ITA No. 720/Bang/2026 – [AY 2023-24].**

   ITAT: Where the Indian associated enterprise of a Swedish company has been remunerated at arm's length and no transfer pricing adjustment is made, no further profits can be attributed to the foreign enterprise by treating the Indian entity as its Dependent Agent Permanent Establishment. *[QlikTech International AB v. DCIT [TS-539-ITAT-2024(Bang)-TP] relied upon]*

2. **Adobe Systems Software Ireland Ltd. vs. DCIT [TS-506-ITAT-2026(Del)-TP] [29-06-2026] – IT(IT)A No. 1748/Del/2025 – [AY 2022-23]**

   ITAT: Delhi ITAT held that where the Indian AE has been remunerated at arm's length, no further profits can be attributed to the alleged PE of the foreign enterprise. Following its own orders in the assessee's earlier years and the Delhi High Court, the Tribunal deleted the addition made by attributing 35% of business profits to the alleged PE.

   The assessee, an Irish tax resident engaged in licensing software and providing automated services to Indian customers through independent distributors, compensated its Indian AE, Adobe Systems India Pvt. Ltd., on a cost-plus basis for marketing support services. The AO held that Adobe India constituted both a dependent agent PE and a fixed place PE of the assessee and, relying on the findings for AY 2021-22 and the provisions of the MLI, attributed 35% of the residual business profits to the alleged PE after reducing the remuneration paid to the Indian AE. The assessee contended that Adobe India had already been remunerated at arm's length for the functions performed, assets employed and risks assumed, and therefore no further profits could be attributed to the alleged PE. The Tribunal noted that the DRP had deleted the substantive TP adjustments relating to software development services, IT-enabled services and marketing support services, thereby accepting the arm's length nature of the international transactions between the assessee and its Indian AE. Following ***Morgan Stanley & Co. Inc***., which held that no further profits can ordinarily be attributed where the Indian AE has been remunerated at arm's length after a proper FAR analysis, ***E-Funds IT Solution Inc***., which reiterated that arm's length compensation to the Indian AE extinguishes the need for further attribution of profits to the alleged PE, the Tribunal held that once Adobe India had been adequately compensated at arm's length, no further profits could be attributed to the alleged PE.

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The Tribunal also rejected the Revenue's reliance on the MLI, holding that in the absence of a notification under section 90(1), the MLI could not modify the India-Ireland DTAA. Accordingly, the addition towards profits attributable to the alleged PE was deleted. ***[DIT v. Morgan Stanley & Co. Inc. [(2007) 292 ITR 416 (SC)]; ADIT v. E-Funds IT Solution Inc. [(2017) 399 ITR 34 (SC)]; Adobe Systems Software Ireland Ltd. v. DCIT (ITA No. 3672/Del/2023, AY 2021-22); Commissioner of Income Tax (International Taxation)-1 v. Adobe Systems Software Ireland Ltd. [2025 SCC OnLine Del 411]; Kosi Aviation Leasing Ltd. v. ACIT [(2025) 173 taxmann.com 166 (Delhi Trib.) relied upon].***

ii. DIN

1. Pr. CIT & Anr. vs. Unisys India Pvt. Ltd. [TS-536-HC-2026(KAR)-TP] [07-07-2026] – Income Tax Appeal No.55 of 2024 (c/w ITA No.216 of 2023) – [AY 2017-18] - 2026] 188 taxmann.com 635 (Karnataka)

HC: Subsequent communication of DIN through an intimation letter constitutes substantial compliance with CBDT Circular No.19/2019; an order is not invalid merely because the DIN was not reflected in the original communication.

The Tribunal accepted the assessee's contention and quashed the DRP directions and consequential assessment order for non-compliance with the mandatory requirement of quoting the DIN. The Court held that the object of Circular No.19/2019 is to maintain the authenticity and audit trail of departmental communications and that the Circular must be read together with Instruction No.5 dated 25.10.2019, which prescribes the procedure for generation and communication of DINs for documents prepared outside the ITBA system. Since the DIN was generated and communicated electronically on the same day or the immediately succeeding day, there was substantial compliance with the Circular and the requirement of obtaining prior approval for manual communications was inapplicable. The Court further held that an incorrect manual mention of the DIN in the order is merely a typographical error and does not invalidate the order where the accompanying intimation correctly identifies the order and mentions the correct DIN. Accordingly, the High Court set aside the Tribunal's order, answered the substantial questions of law in favour of the Revenue and remitted the appeal to the Tribunal for adjudication on the remaining issues on merits.