

## **Mylan Laboratories Ltd – ITAT - Hyderabad.**

**Outcome:** In **favour** of taxpayer  
**Category:** Intercompany loans

The tax court upheld taxpayer's contentions for adoption of EURIBOR plus 75 basis points which worked out to 3.3 per cent pa, for loan advanced in foreign currency.

Further, rejected TPO's view to benchmark the said transaction at 14 per cent pa making an adjustment of Rs.2.9 crore.

Tax court encapsulated that since borrower is situated at Belgium, EUBIBOR rates would be more appropriate.

**Comments:** With reference to interest rate parity theory, use of borrower's country interest rates is more appropriate when loan is advanced in foreign currency.

## **Goldstar Jewellery Limited – ITAT - Mumbai.**

**Outcome:** In **favour** of taxpayer  
**Category:** International transaction

The tax court held that as per sec 92B, extension of credit period to AE falls within ambit of International Transaction.

The tax court observed that credit period is direct result of sale and sale price which is closely linked together. Further, reference was made to rule 10A(d) and OECD TP guidelines that particularly in determining price and profit when transactions are influenced by each other, then its referred as closely linked transaction.

**Comments:** Based on facts, credit period extended to AE cannot be examined independently but has to be benchmarked along with sale transactions.

## **Approva Systems Pvt Ltd – ITAT - Pune.**

**Outcome:** In **favour** of Department  
**Category:** Quantitative analysis

Due to lack of availability of comparables, tax court and TPO relaxed the export turnover filter from 75% to 50% and finally selected 4 comparables.

Taxpayer's contention that no opportunity for verification of data was provided by TPO, was rejected. **Tax Court further opined that if sufficient number of uncontrolled comparables could not be found, then the comparables having similar transactions should be considered.**

## **Recent News:**

### **BEPS Action Plan 10 - Proposed Modifications to Chapter VII.**

OECD releases stakeholder's comments on BEPS Action Plan 10-Proposed Modifications to Chapter VII of TP guidelines to low value adding Intra group services. Stakeholders express that proposals are well drafted and will be helpful for both businesses and tax authorities if implemented successfully.

### **Union Cabinet Acceptance on HC views for Vodafone Share Valuation Case.**

Union Cabinet Meeting, chaired by PM Narendra Modi, has accepted Bombay HC view on Vodafone Share Valuation case where major tax matter correction has to be held and share issue transaction being on capital account, hence no income chargeable to tax as application of any transfer pricing formula is irrelevant.