

# TransPrice Times

Edition: 16<sup>th</sup> to 28<sup>th</sup> February 2019

## CEC International Corporation (India) P. Ltd – Delhi ITAT

**Outcome:** **Against** Taxpayer  
**Category:** Basis of Transfer Pricing ('TP')  
Documentation

The Delhi tax court rejects admission of additional documents, consisting of basic documents like Form 16 and Form 12BA which were relevant to transfer pricing proceeding; in absence of satisfactory explanation from the taxpayer for non-filing of such documents during the proceedings with the lower authorities.

### TransPrice Comments:

Considering that the onus to prove the appropriateness of transfer prices is on the taxpayer, it is important to give utmost importance to the documentation. Presenting the documentation at the right authority level in timely manner is as much important as having the document itself.

## Fujitsu India P. Ltd – Delhi ITAT

**Outcome:** **Partially** in favour of Taxpayer  
**Category:** Aggregation of Transactions

The Tax Court held that for a transfer pricing analysis to be undertaken the segments needs to be identified and bifurcated. The aspect of segmentation was not taken in consideration by the TPO, as the TPO had aggregated the transactions. The case was remanded back to the files of TPO in entirety.

### TransPrice Comments:

Segmentation is the basis on which the structure of transfer pricing is founded. Transfer pricing looks beyond entity level and in the finer points displayed by the FAR analysis. It is therefore advised that an appropriate segmental is

maintained with acceptable allocation ratios which are preferably certified.

## Firmenich Aromatics Production (India) P. Ltd – Mumbai ITAT

**Outcome:** **In favour** of Taxpayer  
**Category:** Most Appropriate Method ('MAM')

The Tax Court accepts Transactional Net Margin Method as the MAM over CUP as the taxpayer was able to justify the price differences on the grounds of difference in geographical locations, level of markets, risk differences, functional difference, differences in volumes etc.

The taxpayer exported certain goods to its AE. It is engaged in the business of manufacturing various types of chemicals and compounds. Considering the availability of prices in public domain and with the taxpayer, the tax authorities applied CUP over TNMM as MAM and imputed a transfer pricing adjustment, which was then overruled by the Tax Court in this case.

## RECENT NEWS

**Saudi Arabia exhibits Transfer Pricing regime propelling CbC Reporting:** The persons subject to Saudi Arabian TP Regulations are required to maintain documentation consisting of Master File & Local File (if they carry out controlled transactions, the arm's length value of which exceeds Saudi Arabian Riyal ('SAR') 6 million in a 12 month period) and Country-by-Country i.e. CbC Report (where consolidated group revenue of the MNE Group exceeds SAR 3.2 billion) w.e.f. reporting year ending on December 31, 2018.

**Suggested Read:** <https://transprice.blog/>  
(Featuring blog on Global transfer pricing; India's Interim Budget 2019 and Indian Angel Tax)