

Saven Technologies Ltd – ITAT- Hyderabad

Decision Outcome: Against the taxpayer

Category: Selection of Most Appropriate Method (MAM)

Summary of decision:

- Taxpayer is in the business of provision of ‘Body Shopping’ services. **Body Shopping** is a practice of consultancy firms recruiting information technology workers in order to contract their services out on a short term basis
- The taxpayer recruits consultants from India and sends to its subsidiary in USA which in turn deputs these consultants to the clients (vendor) in USA
- Taxpayer bills the AE in USA, who in turn bills the vendor
- Taxpayer in India earned INR 6.35 crore of revenue and benchmarked the same using Cost Plus Method (CPM)
- Taxpayer selected ITES sector comparable and also offered TNMM as alternate appropriate method
- TPO rejected CPM and adopted TNMM as MAM
- ITAT upheld use of TNMM to benchmark Body Shopping services as taxpayer itself had offered TNMM as alternate appropriate method
- Excludes comparable companies selected by the TPO without financial information, differential financial year
- Directs TPO to consider only the AE transaction turnover to make adjustments
- Remits back the case to the TPO to re-compute ALP following the directions

Govt View Point on certain Int. tax Issues

Category: News

In discussion with Mr. Akhilesh Ranjan- Joint Secretary (FT & TR- 1)- Department of Revenue , Ministry of Finance, Govt of India

- Mr. Akhilesh Ranjan says that the Advance Pricing Agreements (APAs) might reach the finality stage by February 2014 itself and may start rolling out in March 2014
- Further, he mentioned that the Government is also examining the possibility of Bilateral APAs even where the relevant DTAA does not contain Article 9(2)
- The response to the safe harbour rules has been satisfactory and Government may clarify on few definitional issues