

Honda Trading Corpn. India P. Ltd: ITAT- Delhi

Decision Outcome: In favour of the Taxpayer

Category: Aggregation of Transactions

- The Taxpayer is a subsidiary of Honda Trading Corporation, Japan which, in turn, is a subsidiary of Honda Motor Co. Ltd., Japan
- The Taxpayer is engaged in the business of trading of a variety of products such as steel products, dies, components of automobiles, motorcycles, scooters and other automotive components, and equipment etc.
- Export and import of parts and steel and resins to/ from Associated Enterprise (AE) were treated as one segment for TNMM analysis with PLI margin of 5% which was compared with 2 comparable companies with PLI margin of 0.21% and the international transactions were considered and concluded at Arm's length
- The Transfer Pricing Officer (TPO) combined international transactions and domestic transactions to arrive at a PLI margin of 0.0987%
- Further, a fresh search was conducted by TPO and a new comparable 'Bharat Power Corporation P. Ltd was included in the final set with rejection of earlier comparables to arrive at PLI margin of 8.82% and proposed an adjustment of Rs. 77,835,451
- The taxpayer submitted a segmental analysis which was later on audited and certified by Chartered Accountants. The TPO rejected such audited segmental
- Further, the taxpayer also gave detailed reasons why Bharat Power Corporation P. Ltd cannot be considered as comparable
- The tax Court held that the TPO is not justified in rejecting audited segmental profitability and it is the right of the tax payer to file a certified report of profitability before the Transfer Pricing Proceedings
- Resorts selection and rejection of companies namely Bharat Power Corporation P. Ltd and Spectra Industries Ltd respectively to Tax Officer for fresh consideration