

## Royal Canin India Pvt, Ltd– ITAT – Mumbai

**Outcome:** In favour of taxpayer  
**Category:** Associated Enterprise

Tax Court upholds that reimbursement of salary and travelling expenses of an employee seconded by the associated enterprise (AE) to the taxpayer does not warrant transfer pricing adjustment.

## A W Faber Castell (I) Pvt. Ltd – ITAT – Mumbai

**Outcome:** In favour of taxpayer  
**Category:** Royalty

Tax court accepts 3% royalty payment made by assessee to its AE on grant of license and right to use trademarks, considering Govt. approval for royalty rate up to 8% on export and 5% on domestic sales

## 3i India Pvt. Ltd- ITAT- Mumbai

**Outcome:** In favour of taxpayer  
**Category:** Segment vs. aggregation and APA

Tax court uphold that portfolio management services are a part and parcel of investment advisory services and hence no separate benchmarking is required. Further, considers subsequent Advance Pricing Agreement (APA) for AY 2015-16 till 2019-20 where cost plus 21% mark-up has been concluded and states that cost plus 20% model followed by the taxpayer is around the similar range as agreed in the APA.

## Tega Industries Ltd – ITAT – Kolkata

**Outcome:** In favour of taxpayer  
**Category:** Corporate Guarantee

The Tax Court holds that corporate guarantee furnished by the taxpayer (an Indian company) to ICICI bank for extending loan to subsidiary company in the Bahamas (SPV) is a shareholder function not warranting any TP addition for AY 2008-09.

## Principles from various case laws during this period

1. Dis- allowance of the same expenditure once in transfer pricing and other as per excess payment under Section 40A(2) is not permitted. As the expenditure was in the nature of international transaction, the same would be governed by the transfer pricing provisions and general provisions would not be applicable
2. Tax Court uphold use of internal CUP as most appropriate method for benchmarking 'designing and engineering' service where such service is also provided to independent parties
3. Tax Court deletes the adjustment of notional interest considering the receivable as capital financing transaction. Also holds that TP officer should allow a reasonable period of time against outstanding receivables.

## Revised Income Computation and Disclosure Standards (ICDs)

### Released- 29 September 2016

Important changes in the revised text of ICDS, applicable from AY 2017-18 include:

- introduction of Standard costing in ICDS 2 relating to inventory valuation;
- pre-April 1, 2016 construction contracts contract accounting now permissible as per earlier method of accounting;
- concept of integral and non-integral foreign operations removed from ICDS 6 - effects of changes in foreign exchange rates;
- A new sub-chapter introduced for valuation of securities held by banks or public financial institutions;

No changes in ICDS 1 (Accounting Policies), ICDS 7 (Government grants) and ICDS 10 (Provisions, contingent liabilities and contingent assets)