Principal Commissioner of Income Tax-VI & Anr. v. Stanley Black and Decker India Ltd.

I.T.A. No. 526/2016

2024:KHC:32693-DB | 2024-08-12

Section 154: overlooked expense details justified DRP rectification of the AMP transfer-pricing directions.

154 | 116 | 144C | 260A

Karnataka High Court | Division Bench at Bengaluru | S.G. Pandit | C.M. Poonacha

Assessment years: 2010-11

01 FACTS OF THE CASE

For AY 2010-11, the power-tool trader incurred Rs.8,47,34,153 in advertising and sales-promotion expenditure; the TPO proposed an adjustment of Rs.6,36,08,748. A draft order followed on 15 April 2014. The DRP rejected objections on 31 December 2014 for want of details. The assessee applied on 12 January 2015 under section 154 and DRP Rule 13, asserting that expense details already on record were overlooked. The DRP rectified on 27 March 2015; the Tribunal upheld it on 7 March 2016.

Source: PDF p.2

02 DISCUSSION BY THE HON'BLE COURT

Revenue characterized rectification as an impermissible change of opinion. The Court found it undisputed that specific expense details had been placed before the DRP. Failure to consider material already on record could be a mistake apparent from the record; considering it on rectification permitted a just conclusion. The Tribunal had correctly upheld the DRP's section 154 jurisdiction.

Source: PDF p.5

03 JUDICIAL DECISION

Revenue's appeal failed and both substantial questions were answered for the assessee. The rectification excluding trade/sales discounts, warranty and packing expenses from AMP for transfer-pricing comparison and adjustment, if any, remained intact.

Source: PDF p.4

04 OUTCOME / IN WHOSE FAVOUR

The DRP's correction of overlooked material was sustained. The judgment does not provide a revised ALP or say that the entire Rs.6,36,08,748 proposed adjustment necessarily disappeared.

Source: PDF p.8

05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

The false premise of missing material explains the section 154 result — The original DRP rejection proceeded on absence of specific information, whereas paragraph 8 treats its prior presence before the DRP as undisputed. Rectification addressed that mismatch. For practical use, identify the earlier submission and the precise omitted material; disagreement with an authority's considered view is not the factual situation on which this judgment upheld relief.

A changed conclusion did not by itself make this an impermissible review — Revenue argued that the DRP had revisited its decision. The Court instead focused on why the conclusion changed: relevant existing material had not been considered. Its reasoning allows a just conclusion after addressing that omission, but does not authorize a new evidentiary case to be presented as rectification or reopen every disputed transfer-pricing judgment.

The relief narrows the AMP base rather than supplies a final tax computation — The exclusion concerns identified sales-related categories for comparison and any resulting adjustment. That is narrower than a ruling that AMP can never support transfer pricing, or that the proposed adjustment is wholly nil. The source's inconsistent account of submissions before the TPO does not alter the decisive finding that the material was already before the DRP.

Source: PDF p.3

SOURCE & VERIFICATION

Karnataka High Court original judgment - verified repository copy

Complete 11-page supplied source; all pages read.

All 11 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All 11 PDF pages reviewed; actual SHA-256: 5eb9921995793b4884bfac056cc61ab8470051199164e44769d4e4b42522fc60. Original record ID retained; no merger inferred from shared source or connected appeals.

STATUTORY SCOPE

The source's draft-order reference printed as 144(c) is indexed as section 144C. Earlier factual narration says material was before both TPO and DRP; paragraph 8 says no objection/explanation before TPO but confirms specific material before DRP. The holding rests on the latter undisputed DRP record.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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