Pr. Commissioner of Income Tax-1, Bangalore & Anr. v. Robert Bosch Engineering and Business Solutions Pvt. Ltd.

ITA No. 145 of 2025

2025:KHC:32339-DB | ITA No. 145 of 2025 (Karnataka High Court, decided 20 August 2025) | 2025-08-20

Reliable segment data cannot bypass the adopted entity-level 75% service-revenue filter.

Income-tax Act,1961: sections 92CA, 260A

High Court of Karnataka | 2-judge bench (Division Bench) | Chief Justice Vibhu Bakhru | Justice C.M. Joshi

Assessment years: 2012-13

01 FACTS OF THE CASE

After condoning a 55-day delay, the Court heard Revenue's challenge to the ITAT common order of 9 December 2024. This appeal concerned only Revenue's IT(TP)A 446/Bang/2020, not the assessee's companion appeal 593/Bang/2020. The dispute was exclusion of Universal Print Systems and BNR Udhyog as comparables.

Source: PDF pp.2–4, paras 1–5

02 DISCUSSION BY THE HON'BLE COURT

The TPO's order of 27 January 2016 adopted a 75% software-development/IT-enabled-service revenue filter. The CIT(A) applied it at entity level: the relevant proportions were 21.63% for Universal and 42.92% for BNR. The ITAT recorded that Revenue had not disputed the finding that the filter was unmet.

Source: PDF pp.4–7, paras 6–9

03 JUDICIAL DECISION

The Court accepted that available, authenticated segment financials can support ALP determination. However, segment data could not be used to overcome the entity-level filter actually selected. It found no infirmity or substantial question of law.

Source: PDF pp.7–8, para 10

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal dismissed; exclusion of the two comparables sustained on the adopted filter.

Source: PDF p.8, paras 10–11

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

Separate screening from measuring profitability: The Court distinguished selecting a comparable under an entity-level revenue filter from using reliable segment accounts to calculate its margin. Segment information may be useful for the latter without satisfying the former. A transfer-pricing analysis should state which stage each dataset serves; treating the two inquiries as interchangeable was the flaw rejected here. (PDF pp.7–8, para 10)

Apply the chosen filter consistently: Universal's 21.63% and BNR's 42.92% service-revenue proportions fell below the TPO's 75% threshold. The decision enforces that selected criterion; it does not prescribe 75% as a universal filter for every business or year. The supporting working should reconcile segment service revenue with total entity revenue before claiming that a candidate passes. (PDF pp.4–7, paras 6–9)

Do not enlarge the functional-comparability finding: Other objections became academic once the companies failed the filter, and the Tribunal recorded that the decisive finding was undisputed. The High Court did not independently settle every FAR objection or prohibit authenticated segment comparisons generally. Its appeal also covered only Revenue's Tribunal docket, preserving the separate identity of the assessee's companion proceeding. (PDF pp.3, 6–8, paras 3, 8–10)

Source: PDF pp.7–8, para10

SOURCE & VERIFICATION

Original High Court judgment PDF — AKHB source repository

Complete 8-page original reviewed; source bytes verified.

Full original and all five panels re-reviewed on 21 October 2026.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Current law and subsequent treatment not independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have not been independently verified.

AI DISCLOSURE

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