

The Commissioner of Income-Tax & Anr. v. M/s. Cisco Systems (India) Pvt. Ltd.

Income Tax Appeal No. 140 of 2014

2026:KHC:48628-DB | 2026-09-08

Transfer pricing most appropriate method under section 92C & Rule 10B (AY 2008-09): Rs. 128.79 crore RPM adjustment on warranty/AMC spare replacement services set aside; custodian delivering spares at NIL price for 1% markup is a service provider benchmarkable under TNMM.

Income-tax Act, 1961: sections 10A, 92C, 92C(2), 92CA, 143(3), 144C and 260A | Income-tax Rules, 1962: Rules 10A to 10E

High Court of Karnataka | 2-judge bench (Division Bench) | Vibhu Bakhru, CJ. | K. S. Hemalekha, J.

Assessment years: 2008-09

Post-Supreme-Court remand adjudication confined to ALP methodology; Questions 4 and 5 not considered; minor date typo in paragraph 5

As recorded in paragraphs 22-23 (PDF p. 11), Revenue counsel fairly stated that Questions 4 (head-count allocation of common expenses) and 5 (section 10A leased-line/internet exclusion from total turnover) did not require consideration within the scope of the Supreme Court's TP remand in Sap Labs, (2024) 17 SCC 344. Also note that while paragraph 1 states the final assessment order date as 12.10.2012 (after DRP directions dated 16.08.2012), paragraph 5 inadvertently repeats the TPO order date '28.10.2011' as the assessment order date.

01 FACTS OF THE CASE

For AY 2008-09, the Transfer Pricing Officer passed an order dated 28.10.2011 under section 92CA making a transfer pricing adjustment of Rs. 128,79,01,373 in respect of spare replacement services rendered by M/s. Cisco Systems (India) Pvt. Ltd., rejecting the assessee's TNMM study and applying the Resale Price Method (RPM) by treating the assessee as a trader. Following DRP directions dated 16.08.2012 and the final assessment order dated 12.10.2012, the ITAT Bangalore (by order dated 31.10.2013 in IT(TP)A No. 1510/Bang/2012) held that the assessee acted only as a custodian delivering warranty/AMC replacement parts to its AE's customers at NIL sales price for a 1% markup without price-fixing or customer-selection rights, rejected RPM, and remanded the matter to the TPO/AO to recompute ALP under TNMM. After the High Court's initial dismissal dated 12.07.2018 (based on Softbrands) was remitted by the Supreme Court in Sap Labs, (2024) 17 SCC 344, the appeal was heard afresh.

Source: [Paragraphs 1-21; PDF pp. 2-11](#)

02 DISCUSSION BY THE HON'BLE COURT

In line with its companion decisions in ITA No. 23/2005 and ITA No. 379/2013 decided on the same day (08.09.2026), the Division Bench held that the Tribunal had examined the functional profile and risks of the assessee in accordance with Rule 10B and rightly concluded that an entity which imports replacement parts under its parent's warranty/AMC obligations, delivers them at NIL price to customers designated by the parent, bears no inventory or customs risk, and earns a 1% markup on import cost performs functions akin to a service provider rather than a trader. Even Revenue counsel did not contend that the Tribunal's factual finding on the assessee's functional profile was perverse.

Source: [Paragraphs 22-27; PDF pp. 11-12](#)

03 JUDICIAL DECISION

Holding that no substantial question of law arose in the appeal, the High Court dismissed Income Tax Appeal No. 140 of 2014.

Source: [Paragraph 27; PDF p. 12](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (M/s. Cisco Systems (India) Pvt. Ltd.). The Revenue's appeal for AY 2008-09 was dismissed, leaving the ITAT's rejection of the Rs. 128,79,01,373 RPM adjustment undisturbed.

Source: [Paragraphs 26-27; PDF p. 12](#)

05 AKHB REVIEW POINT

AKHB analysis: read ITA No. 140 of 2014 (AY 2008-09, Rs. 128.79 cr adjustment) together with ITA No. 379 of 2013 (AY 2007-08, Rs. 80.52 cr adjustment) as establishing multi-year finality post-Sap Labs remand that captive warranty/AMC spare-part custodianship cannot be benchmarked under the Resale Price Method (RPM).

Source: [AKHB analysis based on paragraphs 7-16, 24-27 / PDF pp. 4-8, 11-12](#)

SOURCE & VERIFICATION

[High Court of Karnataka official digital judgment PDF - AKHB Cloud Repository](#)

Twelve-page official High Court of Karnataka judgment PDF (2026:KHC:48628-DB); paragraphs 1-27 span PDF pages 1-12.

Supplied source-reviewed note retained; original bytes and identity validation checked in this release. Substantive re-review is not claimed for this record.

Open cited source rendition

Full 12-page official High Court of Karnataka PDF read and verified. Original bytes match SHA-256 68428e7bb77ecf9d0092245e0a1918fdf170foeed3712c4ff2fba910bac7631c.

STATUTORY SCOPE

Applies sections 92C and 92CA of the Income-tax Act, 1961 read with Rules 10A to 10E of the Income-tax Rules, 1962 for AY 2008-09. Income-tax Act, 2025 equivalence is not verified.

LATER TREATMENT

Source checked 2026-10-17. Full judgment checked. Decided on remand from Sap Labs India Pvt. Ltd. v. ITO, (2024) 17 SCC 344, alongside ITA No. 23/2005 and ITA No. 379/2013 (2026:KHC:48625-DB). Comprehensive subsequent judicial treatment has not been 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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