

The Pr. Commissioner of Income Tax, Central & Anr. v. M/s. Sami Sabinsa Group Ltd.

Income Tax Appeal No. 148 of 2026

2026:KHC:49962-DB | 2026-09-15

Transfer pricing under section 92C & Rule 10B: Internal TNMM must be preferred over external comparables where AE and non-AE segmental financials are derived from audited books using actual invoice-level sales and certified by a Chartered Accountant (11.32% AE margin vs. 2.42% non-AE margin).

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

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

Assessment years: 2014-15

Second-round appellate finality: Revenue had not appealed the first-round ITAT remand order dated 18.02.2022 accepting Internal TNMM in principle

The Division Bench noted (paragraphs 9-10, PDF pp. 5-6) that in the first round (order dated 18.02.2022), the ITAT had already accepted in principle that internal comparables (non-AE transactions) should be used over external comparables and the Revenue did not appeal that order; in the second round, the dispute was confined to the TPO's hyper-technical rejection of the Chartered Accountant's segmental certificate.

01 FACTS OF THE CASE

The assessee, M/s. Sami Sabinsa Group Ltd. (formerly Sami Labs Limited), manufactured and exported herbal extracts, fine/speciality chemicals, cosmeceuticals, phytonutrients and probiotics from facilities around Bengaluru, reporting international transactions of Rs. 35,35,31,620 in the manufacturing segment (and Rs. 16,43,916 guarantee commission) for AY 2014-15. In the first round (order dated 18.02.2022), the ITAT accepted the assessee's contention that since it had similar transactions with non-AEs, internal TNMM should be used instead of external comparables, and remanded the matter to the TPO. Pursuant to the remand, the assessee submitted AE and non-AE segmental financials extracted from its audited books together with a certificate from M/s. V.R. Sabnis & Associates, Chartered Accountants, certifying the correctness of figures and that the allocation keys followed generally accepted rational industry bases (showing an AE margin of 11.32% vs. a non-AE margin of 2.42%). By order dated 29.01.2024, the TPO rejected the CA certificate on the ground that it verified only 'arithmetical accuracy' rather than an independent segmental audit. On appeal, the ITAT Bengaluru (order dated 31.12.2025) deleted the transfer pricing adjustment.

Source: [Paragraphs 1-15; PDF pp. 2-8](#)

02 DISCUSSION BY THE HON'BLE COURT

Affirming the ITAT's order, the Division Bench held that where internal comparables (similar transactions with non-AE entities) are available, they must be preferred over external comparables under Rule 10B. A plain reading of the Chartered Accountant's certificate showed that it certified not only mathematical accuracy but also that the allocation of income and expenditure followed a 'generally accepted rational basis of allocation used in the industry'. Furthermore, the ITAT had verified from page 68 of the paperbook that sales revenue was allocated between AE and non-AE segments on an actual basis using invoice-level data (leaving no scope for arbitrariness) and common expenses were allocated on a net-income basis from statutory-audited books of account. Since the AE operating margin (11.32%) was substantially higher than the non-AE margin (2.42%), there was no scope for an upward transfer pricing adjustment.

Source: [Paragraphs 14-19; PDF pp. 7-10](#)

03 JUDICIAL DECISION

Holding that the Tribunal's factual findings were founded on material on record and raised no substantial question of law, the High Court dismissed Income Tax Appeal No. 148 of 2026.

Source: [Paragraphs 18-19; PDF pp. 9-10](#)

04 OUTCOME / IN WHOSE FAVOUR

In favour of the assessee (M/s. Sami Sabinsa Group Ltd.). The Revenue's appeal was dismissed and the deletion of the transfer pricing adjustment for AY 2014-15 under Internal TNMM stood affirmed.

Source: [Paragraphs 17-19; PDF pp. 9-10](#)

05 AKHB REVIEW POINT

AKHB analysis: when relying on Internal TNMM using non-AS-17 management segments, ensure the Chartered Accountant's certificate and accompanying schedule explicitly state: (1) direct reconciliation of total AE + non-AE revenues and costs with the statutory audited P&L account, (2) actual invoice-level capture of AE vs. non-AE revenue and direct material cost, and (3) the exact rational allocation key (such as net sales/income or head-count) applied to common overheads.

Source: [AKHB analysis based on paragraphs 10-18 / PDF pp. 6-10](#)

SOURCE & VERIFICATION

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

Ten-page official High Court of Karnataka judgment PDF (2026:KHC:49962-DB); paragraphs 1-19 span PDF pages 1-10.

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 10-page official High Court of Karnataka PDF read and verified. Original bytes match SHA-256 1b1e3af798999e26d1cb4560f12foe2c6aeb2cf462bocf43876a30574ef72a00.

STATUTORY SCOPE

Applies sections 92 to 92CA of the Income-tax Act, 1961 read with Rule 10B of the Income-tax Rules, 1962 for AY 2014-15. Income-tax Act, 2025 equivalence is not verified.

LATER TREATMENT

Source checked 2026-10-17. Full judgment checked. 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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