The Pr. Commissioner of Income Tax & Anr. v. M/s. Applied Materials India Pvt. Ltd.

Income Tax Appeal No. 36 of 2021

2026:KHC:50875-DB | 2026-09-17

Transfer-pricing comparables: company-specific functional differences supported three exclusions for AY 2013–14.

Income-tax Act, 1961: sections 92 and 260A | Income-tax Rules, 1962: Rule 10B

High Court of Karnataka | 2-judge bench (Division Bench) | S. G. Pandit, J. | Dr. Chillakur Sumalatha, J.

Assessment years: 2013-14

Specific comparable findings

The source prints “capital services” in paragraph 5 and repeats company names in question 2. The summary follows the limited functions and three exclusions expressly examined in paragraphs 4–6, without inventing an engineering-services or segmental-data finding.

01 FACTS OF THE CASE

Revenue challenged ITAT Bengaluru’s order dated 13 May 2020 in IT(TP)A 2687/Bang/2017 for AY 2013–14. The dispute concerned exclusion of Mindtree, Persistent Systems and Larsen & Toubro Infotech from the comparables used for Applied Materials India. Three questions challenged the exclusions under section 92 and Rule 10B and alleged perversity. The High Court examined the material supporting each company’s functional differences.

Source: Own paras.2–4 and prayer; PDF pp.2–4

02 DISCUSSION BY THE HON'BLE COURT

Mindtree undertook research and development and had created substantial intangibles. Persistent Systems developed products and earned royalty income, unlike the assessee. L&T Infotech performed full-fledged software-development services, whereas the assessee's functions were limited and dissimilar on the material before the Court. The Court found the Tribunal's reasons proper and no additional facts or circumstances establishing perversity. It did not make a separate finding about missing audited segmental data or prescribe a turnover threshold.

Source: Own paras.5–6; PDF pp.4–6

03 JUDICIAL DECISION

The substantial questions were answered in favour of the assessee and against Revenue. Finding the Tribunal's order neither perverse nor contrary to the Act or Rules, the Court dismissed ITA 36 of 2021.

Source: Own paras.6–7; PDF pp.5–6

04 OUTCOME / IN WHOSE FAVOUR

The three comparable exclusions remained effective for the assessee's AY 2013–14 benchmarking. The judgment does not make those companies universally unsuitable comparables for every taxpayer, service profile or assessment year.

Source: Own paras.4–7; PDF pp.4–6

05 EXPERT COMMENTS

Present a reason for each exclusion — The Court accepted three distinct comparisons: Mindtree's R&D and intangibles, Persistent's products and royalties, and L&T Infotech's broader functions. Organise the objection around each company's actual features and the tested party's contrasting functions. A common list of large software companies is weaker than evidence explaining why each comparison is unreliable for the relevant year.

Substantiate the tested party as well — Persistent was excluded partly because the assessee did not develop products or earn royalties; L&T Infotech was contrasted with its limited functions. Evidence about the proposed comparable alone is therefore incomplete. The taxpayer's agreements, operations and income streams should support the claimed distinction rather than relying on the descriptive label "captive".

Keep additional analytical tests separate — Reviewing segmental information may be useful in another record, but this judgment does not find that audited segmental data was absent. Nor does it impose a numerical R&D, intangible or turnover threshold. Any such objection needs its own evidence and reasoning; it should not be presented as a holding of this six-page decision.

Identify an appellate error, not just disagreement — Revenue's questions invoked Rule 10B and perversity, yet the Court found the Tribunal's reasons supported by the material. An appellate challenge should identify the particular factual omission or legal defect in the comparison. The judgment itself undertakes that examination; it does not declare all comparability findings immune from appellate scrutiny.

Source: Editorial analysis; own paras.3–7; PDF pp.3–6

SOURCE & VERIFICATION

High Court of Karnataka official digital judgment PDF - AKHB Cloud Repository

Six-page judgment; own paragraphs 1–7 on PDF pages 2–6.

All 6 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

Section 92 and Rule 10B comparability reviewed in a section 260A appeal for AY 2013–14; no current-law or other-year clearance.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not 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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