The Pr. Commissioner of Income-Tax-1 & Anr. v. AMD India Private Limited

Income Tax Appeal No. 97 of 2026 c/w Income Tax Appeal No. 96 of 2026

2026:KHC:52885-DB | 2026-09-24

AY 2013–14: turnover filter, cash PLI, bad-debt operating cost and AE testing-equipment relief sustained.

Income-tax Act, 1961: sections 28(iv), 92B, 92CA, 127, 143, 144C, 250 and 260A | Income-tax Rules, 1962: Rule 10B(1)(e)

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

Assessment years: 2013-14

Two distinct appeals; common judgment

ITA 97/2026 arose from Revenue's Tribunal appeal; ITA 96/2026 arose from the assessee's Tribunal appeal. Questions 1–7 did not arise in ITA 96/2026. All source-index IDs are retained; the displayed lead CNR does not independently map every source filename to a separate docket.

01 FACTS OF THE CASE

AMD returned income of Rs.21,34,01,430 for AY 2013–14. The TPO's 31 October 2016 order made adjustments totalling Rs.19,63,80,045 for software services and receivables. The AO's 8 February 2017 assessment also added Rs.7,73,50,917 under section 28(iv) for AE equipment received free of charge. The CIT(A), on 31 July 2024, restricted that addition to 12% of asset value, accepted cash PLI and gave other transfer-pricing relief. The ITAT's common order dated 17 October 2025 dismissed Revenue's appeal and partly allowed the assessee's appeal, including deletion of the remaining equipment addition. Revenue brought both present appeals.

Source: Own paras.1–9,20; PDF pp.3–7,14

02 DISCUSSION BY THE HON'BLE COURT

The Court sustained the Rs.200-crore upper turnover filter following Sap Labs and cash PLI following Novell, noting depreciation of 5.72% against the comparables' 4.05% and differences in assets, technology and investment. It sustained operating-cost treatment of bad-debt provisions because no extraordinary item was established, following Business Process Outsourcing India. On equipment, it recorded AMD's explanation of AE ownership, use for testing AE software, no capitalisation or depreciation, and eventual return or scrapping; Sony India Software Centre covered the issue. These were distinct grounds, not a single general exemption for captive enterprises.

Source: Own paras.12–19; PDF pp.9–14

03 JUDICIAL DECISION

No substantial question of law arose on the specific issues. Question 1 was general and subsumed in later questions; question 3 required no specific answer. Questions 1–7 did not arise in ITA 96/2026, which concerned the remaining 12% equipment addition. Both Revenue appeals were dismissed.

Source: Own paras.11,14,16,18–22; PDF pp.9–15

04 OUTCOME / IN WHOSE FAVOUR

The challenged transfer-pricing relief and deletion of the section 28(iv) equipment addition remained intact for AY 2013–14. The outcome preserves each appeal's distinct procedural origin and does not establish that the assessee succeeded on every ground originally raised before the Tribunal.

Source: Own paras.9,20–22; PDF pp.7,14–15

05 EXPERT COMMENTS

Explain size within the comparability analysis — The Court expressly notes that the Act and Rules prescribe no turnover filter, yet accepts Rs.200 crores on this record and the cited Sap Labs decision. Document why scale matters to functions, assets and risks. Do not convert that accepted threshold into a universal statutory ceiling, or assume it substitutes for examining the remaining comparable characteristics.

Support the depreciation adjustment with causes — The reported percentages were accompanied by differences in asset types, technology and investment. A request for cash PLI should therefore explain the economic comparability problem, not merely show a higher depreciation figure. Reconcile the tested party and comparable computations so that excluding depreciation addresses the identified distortion rather than selectively improving the margin.

Distinguish an ordinary provision from an extraordinary item — The Court found no material showing that the bad-debt provision was extraordinary and accepted its operating character. Assemble the provision's business connection and reasons for any unusual movement. The ruling concerns PLI classification; it is not an independent determination of deductibility under every provision governing bad debts or accounting reserves.

Establish ownership, use and disposal of equipment — The equipment analysis depends on AE ownership, testing purpose, absence of depreciation and return or scrap arrangements. Preserve evidence of those facts and any residual benefit or disposal proceeds. They support the recorded section 28(iv) conclusion but do not mechanically preclude every benefit allegation. Keep the deleted 12% balance and the two appellate routes distinct.

Source: Editorial analysis; own paras.7,12–21; PDF pp.6,9–14

SOURCE & VERIFICATION

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

Fifteen-page common judgment; own paragraphs 1–22 on PDF pages 3–15.

All 15 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

AY 2013–14 transfer-pricing and section 28(iv) issues. Later statutory changes and judicial treatment are not independently cleared.

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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