

आयकर अपीलीय अधिकरण, हैदराबाद पीठ
IN THE INCOME TAX APPELLATE TRIBUNAL
Hyderabad 'DB-A' Bench, Hyderabad

Before Shri Vijay Pal Rao, Vice-President
A N D
Shri Manjunatha, G. Accountant Member

आ.अपी.सं / **ITA No.1185/Hyd/2024**
(निर्धारण वर्ष / Assessment Year: 2021-22)

M/s. Virinchi Ltd Hyderabad PAN:AAACV6672N (Appellant)	Vs.	Dy.CIT Circle 8(1) Hyderabad (Respondent)
निर्धारिती द्वारा / Assessee by: Shri P Murali Mohan Rao, CA		
राजस्व द्वारा / Revenue by: Mrs. U Mini Chandran, CIT(DR)		
सुनवाई की तारीख / Date of hearing: 25/08/2025		
घोषणा की तारीख / Pronouncement: 24/09/2025		

आदेश/ORDER

Per Vijay Pal Rao, Vice President

This appeal by the assessee is directed against the assessment order dated 09/10/2024 passed u/s 143(3) r.w.s. 144C(3) of the Act, in pursuant to the directions of the DRP dated 19/09/2024 passed u/s 144C(5) of the Act for the A.Y 2021-22.

2. The assessee has raised the following grounds of appeal:

S No	Grounds of Appeal	Tax effect
1.	The Final assessment order passed u/s 143(3) r.w.s 144C(13) r.w.s 144C of the Act by the Assessing Officer is erroneous both on facts and in law to the extent the order is prejudicial to the interests of the appellant.	General ground
2.	The Ld. AO erred in not passing final assessment order as per the time limits prescribed in the Act.	Technical ground
2.1	The Ld. AO erred in passing the assessment order without considering the fact that time limit for completion of the assessment u/s 153 has been lapsed and therefore that the order passed is erroneous and bad-in-law.	
2.2	The Ld. AO ought to have appreciated that the order dated 09.10.2024 passed under section 143(3) r.w.s. 144C(13) r.w.s. 144B of the Act is beyond the time limit prescribed under section 153 of the Act and therefore that the assessment order is invalid ab initio.	
2.3	The Ld. AO ought to have appreciated the fact that the time limit for the completion of assessment u/s 153 has lapsed on 31.12.2023 and that the order passed u/s 143(3) r.w.s 144C(13) is invalid and bad in law.	
3.	The Ld. DRP ought to have appreciated that the TPO erred in making upward adjustment of Arm's Length Price for Rs. 10,10,03,573/- towards receipt of consultancy services from AE.	Technical ground
3.1	The Ld. DRP ought to have appreciated that the TPO had erred in not following the procedure laid down under the provisions of Section 92C of the Act relating to the Computation of Arm's Length Price.	

	3.2	The Ld. DRP ought to have appreciated that the TPO had erred in rejecting the TNMM method for the transactions and in applying Other method as most appropriate method.	
	3.3	The Ld. DRP ought to have appreciated the fact that the operating margin of the assessee is much higher than its comparables.	
	3.4	The Ld. DRP ought to have appreciated the fact that no adjustment has been made in the previous years relating to similar transactions entered into by the assessee and that there are no significant changes in nature/terms of international transactions in subsequent years, the same is followed consistently.	
	3.5	The Ld. DRP ought to have appreciated that the assessee has submitted all evidences during the TP Proceedings.	
	3.6	The Ld. DRP ought to have appreciated that the TPO had erred in selecting other method as most appropriate method and in treating consideration at Nil without having any strong objection and discrepancy on the transaction entered, which is against the principles of natural justice and bad in law.	
4.		The Ld. DRP ought to have appreciated that the AO has erred in making the disallowance of an amount of Rs. 25,82,191/- towards provident fund without appreciating the facts of the case.	Technical ground
	4.1	The Ld. DRP ought to have appreciated that contribution to provident fund for Rs. 16,91,009/- and the contribution to any other fund for Rs. 56,162/- which is included in the total of Rs. 25,82,191/- has already been disallowed separately under two different heads.	
	4.2	The Ld. DRP ought to have appreciated that the AO has erred in disallowing contribution made towards provident fund of Rs.8,35,020/- included in Rs. 25,82,191/-without considering	

	the fact that the same has been paid within the time limits prescribed in the Act.	
4.3	The Ld. DRP ought to have appreciated that the AO has erred in making the additions without appreciating the provisions of section 36(1)(va) r.w.s 43B of the Act, and that the expenditure is allowable if paid within due dates specified under PF and ESI Act.	
5.	The Ld. DRP ought to have appreciated that the AO has erred in not considering the eligible TDS credit of Rs.31,77,966/-.	Technical ground
5.1	The Ld. DRP ought to have appreciated that the AO has erred in allowing TDS Credit only to the extent of Rs.54,35,524/- instead of eligible TDS of Rs.86,13,491/- which is reflected in Form 26AS.	
6.	The appellant may add or alter or amend or modify or substitute or delete and / or rescind all or any of the grounds of appeal at any time before or at the time of hearing of the appeal.	General ground



[Handwritten Signature]
Appellant

3. Ground No.1 is general in nature and does not require any specific adjudication.

4. Ground No.2 is regarding the validity of the assessment order passed by the Assessing Officer being barred by limitation. The learned Counsel for the assessee has submitted that the Assessing Officer has passed the assessment order on

09/10/2024 which is beyond the time limit prescribed u/s 153 of the Act and therefore, the same is invalid and void ab initio.

5. On the other hand, the learned DR has submitted that the order is passed within the limitation as prescribed u/s 144C(3) of the I.T. Act. Both the learned Counsel for the assessee and the learned DR has fairly submitted that this issue is pending adjudication before the Hon'ble Supreme Court in case of CIT vs., Roca Bathroom Products (P) Ltd and therefore, this issue may be kept open with the directions to the Assessing Officer to give effect to the judgment of the Hon'ble Supreme Court on this issue.

6. It is a matter of fact that this issue is pending before the Hon'ble Supreme Court and recently the Division Bench of the Hon'ble Supreme Court has given a divergent finding and the matter is directed to be placed before the Hon'ble Chief Justice of India for constitution of a larger Bench to resolve this issue. Accordingly, this issue is kept open and the Assessing Officer is directed to give effect to the final outcome of the Special Writ Petition filed by the Revenue pending adjudication before the Hon'ble Supreme Court.

7. Ground No.3 is regarding the TP Adjustment proposed by the TPO and confirmed by the DRP in respect of the international transactions entered into by the assessee regarding the consultancy services provided by the AE to the assessee. The

assessee is a public limited company and engaged in providing I. T solutions and software development service to its clients in North America, Europe and Middle East. During the year under consideration, the assessee has reported international transaction of Rs.10,10,03,573/- on account of payment made to its AE M/s K Soft Systems Inc, a company incorporated in USA against consultancy and technology services provided by the AE to the assessee. The assessee benchmarked its international transaction by adopting the TNMM as the most appropriate method and selected 13 comparable companies with weighted average margin with a median of 6.32% in comparison to the assessee's operating margin at 12.83%. The TPO questioned the justification of the payment made by the assessee to the AE and determined the Arm's Length Price of consultancy service received by the assessee as 'Nil' and consequently, proposed the entire payment of Rs.10,10,03,573/- as T.P Adjustment. Thereafter, the Assessing Officer passed a draft assessment order dated 11/12/2023 against which the assessee filed its objections before the DRP but could not succeed as the DRP vide its direction dated 19/09/2024 upheld the TP adjustment proposed by the TPO/Assessing Officer and rejected the objections of the assessee. Consequently, the Assessing Officer passed the final assessment order dated 09/10/2024 which is challenged in the present appeal.

8. Before the Tribunal, the learned Counsel for the assessee has submitted that the assessee is serving its clients in

the USA and other regions partly through its AE which is 100% subsidiary of the assessee. These services of the AE are availed by the assessee under the terms of Master Service Agreement dated 02/01/2015. During the year under consideration, the assessee has generated revenue from operations of I.T. services to the tune of Rs.69,33,13,704/-. The payments were made against the invoices/bills raised by the AEs for the services rendered in respect of the services provided by the assessee to its clients in USA. The learned Counsel for the assessee has further submitted that in order to mitigate and reduce the cost of providing the services directly from India to its clients in USA by sending its employees to the USA, the assessee has taken a decision of utilizing the service of the AE for onsite service to the clients in USA. However, the assessee still provides back office support for offsite services. The AE is responsible for monitoring and managing the development of entire software product/solution to be provided to the customer while the assessee is responsible for monitoring the software development and services at the operational level. During the year, the assessee paid a sum of Rs.10,10,03,573/- towards the consultancy services received from the AE,. The services of the AE were availed as per the requirement of core business of the assessee to provide the services to its clients, which is also in accordance with the terms and conditions of the agreement between the assessee and the AE. Therefore, the payment was made strictly against the services rendered by the AE in the course of the business activity of the

assessee for providing the onsite services to the clients in USA for implementing the project and the AE is responsible for monitoring, managing and coordinating with the clients of the assessee for execution of the projects. He has further submitted that the software development process requires continuous updation and enhancement and to add new projects on the existing and new technologies as per the requirement of the clients. As per the agreement with the clients, the assessee has to provide 24/7 support services on real time and training to the users for more than 150 branches of clients in USA. It is impossible to provide the support services and training from off site or without physical presence in the USA and therefore to mitigate and reduce the cost of sending employees from India to USA, this arrangement with the AE was entered into for availing the services of AE in respect of providing 24/7 support service/onsite services in USA. Therefore, the payment was made against the services rendered by the AE. The learned Counsel for the assessee has referred to the invoices raised by the AE placed at page 687 to 698 in Paper Book-II and submitted that the bills were raised on the basis of man hours actually worked by the employees of the AE. The details of the actual number of hours worked are also placed at page No.699 to 819 of the Paper Book-II. He has also referred to the WT form of employees worked for the AE and attributed it to provide the service to the assessee in respect of onsite and 24/7 support service provided to its clients in USA. The learned Counsel for the assessee has submitted that

the assessee has provided the services to the clients and entered into an agreement with Advance America for providing the fund application, support and maintenance service on 24/7 basis monitoring and production support service. An agreement with the Advance America is placed at page Nos. 535 to 555 of the paper book and as per the said service agreement, the assessee was under obligation to provide real time support service on 24/7 basis along with the training and also maintaining the date end to end which requires the physical presence of the personnel at the site of the clients. Thus, he has pointed out that the services provided by the AE under the Masters Service Agreement/space agreement are necessary and inevitable. The AE has raised the invoices on the basis of the number of hours spent on the clients for rendering the services on behalf of the assessee. Further, the assessee charged the clients for the number of manhours both off and on site services. He has referred to the invoices raised by the assessee to its clients at page Nos. 687 to 698 of the paper book II and submitted that these invoices are raised based on the services rendered at onsite through its AE as well as off site by the assessee independently. The learned Counsel for the assessee has further contended that the assessee is providing these services for last more than 3 years i.e. 2017 to 2021 and earning the revenue from providing services to its clients in USA which is increasing year after year and for the year under consideration, the assessee has generated more than double revenue in comparison to the preceding year. He made reference to the details of the Revenue

generated from the I.T services and from the client “Advance America”. The learned Counsel for the assessee has further submitted that the assessee is availing the consultancy service of its AE as well as other unrelated parties and therefore, international transaction of the assessee is also at Arms’ Length Price if benchmarked by applying CUP being the payment made by the assessee for the services availed from 3rd parties. Thus, he has submitted that once the international transaction of the assessee regarding payment of consultancy fee to the AE is at Arms’ Length, then questioning the justification of payment is beyond the jurisdiction of the TPO u/s 92CA(3) of the I.T. Act. In support of his contention, he has relied upon the following decisions:

- 1) *Hon'ble Bombay High Court in the case of Principal CIT vs. Thyssen Krupp Electrical Steel India (P) Ltd (2023) 154 Taxmann.com 441*
- 2) *Hon'ble Supreme Court in the case of RadhaSoami Satsang vs. CIT (1992) 60 Taxmann 248 (S.C)*
- 3) *ITAT Ahmedabad in the case of Dishman Pharmaceuticals & Chemicals Ltd vs. DCIT (2019) 102 Taxmann.com 584*
- 4) *ITAT Mumbai in the case of Unilever India Exports Ltd vs ACIT (2023) 152 Taxmann.com 60*
- 5) *ITAT Kolkata in the case of Dy.CIT vs. Emami Ltd (2020) 115 Taxmann.com 458*
- 6) *ITAT Ahmedabad in the case of DCIT vs. Dishman Pharmaceuticals Chemicals Ltd (2019) 111 Taxmann.com 219*

- 7) *Hon'ble Delhi High Court in the case of Ray-Ban Sun Optics India Ltd v. CIT (2017) 84 taxmann.com 24 (Del.)*
- 8) *ITAT Pune in the case of Renishaw Metrology Systems Ltd vs. DCIT (2022) 139 Taxmann.com 287*
- 9) *Hon'ble Supreme Court in the case of SA Builders Ltd vs. CIT (2007) 158 Taxmann 74 (S.C)*

9. The learned Counsel for the assessee has submitted that the TPO has accepted an identical international transaction at ALP in the preceding year and even for the immediately preceding year i.e. 2020-21.

10. On the other hand, the learned DR has submitted that the TPO has issued a show cause notice to the assessee to submit the proof of services rendered by the AE to the assessee against which the assessee has made this payment of Rs.10,10,03,573/-. He has referred para 6.2 of the order of the TPO and submitted that the assessee has failed to produce any physical proof to show that the AE has rendered the service to the assessee. Further, this is a factual issue of rendering of the services by the AE and therefore, the principle of res judicata cannot be applied on this issue. The TPO has applied the test to determine if a charge for activity is justified and whether the activity is performed for which the payment is made. He has relied upon the orders of the authorities below and submitted that the TPO has specifically pointed out that the assessee has not produced the work order to

establish that the services were actually rendered by the AE. As per the Masters Space Agreement between the assessee and the AE, the assessee was required to issue work order for the services of the AE and on execution of the work only the AE would raise the invoice. Thus, the learned DR has submitted that the judgement of the Hon'ble Supreme Court in the case of RadhaSoami Satsang vs. CIT (Supra) as relied upon by the learned Counsel for the assessee is not applicable.

10. We have considered the rival contentions as well as the relevant material available on record. During the year under consideration, the assessee has reported the international transaction as given in para No.3 of the TPO as under:

“3. International Transactions entered by the Taxpayer

As per 3CEB report and the TP analysis document filed by the taxpayer, the international transactions with its Associated Enterprises (AE's) and the economic analysis are as under:

Nature of international transaction	Name of the associated enterprise	Book value of transaction (Amt in INR)
Receipt of consultancy services	K Soft Systems Inc	10,10,03,573
Trade Payables		11,40,31,598

11. The assessee has also given the details of operating profit margin which is also reproduced by the TPO in para 3.2 as under:

3.2 The taxpayer submitted the profitability level indicator (PLI) in its TPSR as under:

Particulars	IT products & Concentric services	IT enabled services	In Lacs Total
Segment Revenue	12,999.90	295.4	13,295.30
Forex Gain	31.96	0.73	32.69
Operating Revenue	13,031.86	296.13	13,327.99
Segmental Cost	11,349.75	268.08	11,617.83
Segment Result	1,682.11	27.32	1,709.43
OP/Sales	12.94%	9.25%	12.83%

Forex gain/loss has been treated as operating all provisions expensed or written back have been treated as non-operating.

12. The assessee benchmarked its international transactions by adopting the TNMM as the most appropriate method having 13 comparable with median margin of 6.32% and claimed the international transaction is at ALP. The TPO did not question all these details of the margin of the assessee and comparables but has rejected the TP analysis of the assessee on the ground that the assessee failed to produce the evidence of the services actually rendered by the AE. It is pertinent to note that the TPO has not denied the existence of Master Space Agreement between the assessee and the AE under which the AE was to provide the service to the clients of the assessee in USA comprising 24/7 support service and onsite services in implementation of the software development projects undertaken by the assessee. The major client of the assessee in US from whom the revenue is generated is M/s. Advance America, a NBFC. The assessee has also given the details of the revenue generated by it for the last 4 years including the revenue from the client "Advance America" as under:

Financial Year	Total Revenue from IT services	Revenue generated from the client - Advance America
2017-18	Rs. 1,37,28,26,154/-	Rs. 33,96,33,021/-
2018-19	Rs. 1,67,45,53,954/-	Rs. 34,21,73,364/-
2019-20	Rs. 1,34,81,91,482/-	Rs. 30,08,22,942/-
2020-21	Rs. 1,27,39,06,652/-	Rs. 70,24,92,867/-

13. Thus, the assessee has been consistently generating revenue from its USA client M/s Advance America and during the year under consideration, the revenue earned from the said client is more than doubled of the preceding year. Therefore, it is a matter of record that the assessee has provided the services to its clients "Advace America" during the year and generated a revenue of more than Rs.70 crores. The assessee has also given the details of the payment made to the AE for providing consultancy and support services as well as payment to the other consultancy services as under:

Services utilized from K soft systems Inc:

Year	Total Revenue	Virinchi Consultancy	Other Consultancy
2022	\$ 91,53,566	\$ 43,42,268	\$ 48,11,298
2021	\$ 97,21,658	\$ 23,97,281	\$ 73,24,377
2020	\$ 95,19,169	\$ 36,15,954	\$ 59,03,215

14. The above details clearly shows that the receiving of services from AE as well as other parties is a continuous process without any break. The assessee has also filed the bills/invoices raised by the AE to the assessee placed at page Nos.687 to 698 of the Paper Book-2. All these bills are raised by the AE on monthly basis along with monthly time sheet of the employees who were outsourced for providing the service on behalf of the assessee to the clients. Thus, it is clear that once it is a continuous process of providing service by the assessee to its clients and that too at onsite and 24/7 basis and the assessee is availing a continuous service of the AE as per the agreement, then the work order as pointed out by the TPO is not an essence of an ongoing project on continuous basis. Further, the assessee raised bills to the client for providing onsite services and off site services without sending its own employee to USA shows availing of service of AE for onsite service to clients. It is pertinent to note that for the immediate preceding year i.e. 2020-21, the TPO vide order dated 30/01/2023 has accepted the transaction of payment of consultancy fees to the AE to the tune of Rs.21,34,13,407/- at Arms' length in para 4 to 6 of the order as under:

KSOFT SYSTEMS INC
 340 RARITAN CENTER
 PARKWAY, EDISION,
 NJ - 08837

596
 693
Invoice

Date	Invoice #
10/31/2020	20200010

Bill To
Virinchi Technologies Ltd 266 Fernwood Avenue Business Parkway Edison, NJ 08837 US

P.O. No.	Terms	Project
	Net 30	

Description	Quantity	Rate	Amount
Outsourcing Charges for the month of October 2020	1	113,343.00	113,343.00

It's been a pleasure working with you!

Total USD 113,343.00

ACCOUNT TYPE	: CHECKING
BANK NAME	: JP MORGAN CHASE BANK
ACCOUNT NO	: 753592906
ROUTING NO	: 21202337

15. Thus, when there is no change in the facts and circumstances for the year under consideration, the TPO is not justified in denying the very claim of payment of consultancy services and rendering of services by the AE. The TPO accepted the TNNM as the most appropriate method for the A.Y 2020-21 and also found that the international transaction of the assessee is at Arms Length. It is pertinent to note that so far as operating profit for the year under consideration and comparables selected by the assessee are concerned, the TPO has not questioned the same but has proposed the TP adjustment only on the ground that the assessee failed to produce the evidence for the services provided by the AE. Thus, once the services provided to the clients is a continuous process from earlier year and not first time project undertaken by the assessee and the same project is continued for the year under consideration, then the providing of service by the AE in respect of the execution of the projects of software development services to the US client through its AE for the onsite service as well as 24/7 support service is part and parcel of the agreement between the assessee and its clients as well as the Master Agreement with its AEs. Therefore, the determination of ALP at Nil by the Assessing Officer is highly arbitrary and unjustified and beyond the jurisdiction of the TPO. The claim of deduction towards the payment to the AE if it is not against the actual rendering of services can be questioned only by the Assessing Officer. The Pune Bench of the Tribunal in the case

of Renishaw Metrology Systems Ltd vs. DCIT (Supra) has considered an identical issue in para 9 & 10 as under:

“9. We have heard the rival contentions and perused the record. In similar circumstances on identical facts, this Tribunal in assessee's own case for A.Y. 2009-10 reversed the order of DRP and directed the AO to accept the value of management services as claimed by the assessee. Similarly, this Tribunal in A.Y. 2010-11 also taking into consideration the findings of Tribunal in A.Y. 2009-10 allowed ground No 3 raised therein and directed the AO to accept the value of management services as claimed by the assessee by reversing the order of DRP vide order dated 29-01-2020. The relevant portion in Remishaw Metrology Systems Ltd. v. Dy. CIT [IT Appeal No. 623 (Pun.) of 2015 is reproduced here-in-below :

“12. Ground No. 3 raised by the assessee challenging the action of DRP in confirming the transfer pricing adjustment in respect of management services of Rs. 1,27,37,577/-.

"13. Heard both parties and perused the material available on record. We find the issue raised in ground No. 3 is similar to the issue raised by the assessee in ground No. 3 for A.Y. 2009-10 in assessee's own case. On perusal of the same we find the transfer pricing adjustment was made basing on same identical facts and said variance in amounts. The Tribunal vide its order dated 12-09-2019 discussed the facts, evidences, submissions of Id. AR and Id. DR observed that the assessee has filed documents justifying not only the need of services but also the availment of services. The TPO has failed to take into cognizance those documents/evidences and held the value in respect of managerial services availed by the assessee from its associated enterprise is Nil. The Tribunal in the above said order taking into consideration the facts and circumstances, held as under :

14. Now, coming to the next issue raised i.e. in respect of payment of managerial fees.

15. Brief facts relating to the issue are that the assessee had entered into Management Service Agreement with Renishaw Plc in 2006. Under the said agreement, the associated enterprise provided business support and management support services to the assessee, which the assessee claimed enhanced its operational efficiency and also standardized its internal processes. The assessee had furnished documentary evidence in this regard providing details of personnel rendering the services, number of manhours spent, total cost

incurred in rendering such services and also explanation was given vis-à-vis work done. The invoices received from associated enterprise were also furnished before the authorities below. However, the TPO held that in fact no services were received by assessee and also observed that services were routine in nature and were neither asked for nor given by associated enterprise and the TPO benchmarked the said transaction at Nil and made an upward adjustment of Rs. 2.18 crores.

16. The learned Authorized Representative for the assessee pointed out that last year the TPO had accepted the said transaction to be at arm's length price. The Assessing Officer had disallowed the said payment under section 37(1) of the Act. However, the DRP deleted the addition, against which no appeal has been filed by Revenue. Our attention was drawn to the order of Tribunal in this regard. He also pointed out that the assessee had filed detailed letter to the TPO explaining the need for availing management services dated 6-5-2011 along with several enclosures and also documents were filed evidencing the said provision of services. However, the TPO does not give any cogent reason in holding that no services were provided and in determining the arm's length price at Nil.

17. The learned Departmental Representative for the Revenue placed reliance on the orders of authorities below.

18. We have heard the rival contentions and perused the record. The issue which arises vide ground of appeal No. 3 is against arm's length price of transaction of payment for managerial services availed from associated enterprise. The agreement which has been entered into by assessee with its associated enterprise was w.e.f 1-4-2006. The assessee is availing managerial services under the same agreement from year-to-year. In assessment year 2007-08, no issue in this regard was raised; in assessment year 2008-09, the TPO accepted the arm's length price but the Assessing Officer held that the said payment was not to be allowed under section 37(1) of the Act. The DRP deleted the addition, against which no appeal has been filed by the Revenue. In assessment year 2009-10 i.e. instant assessment year, no disallowance has been made by Assessing Officer under section 37(1) of the Act, but the TPO had held the arm's length price at Nil. The TPO in final analysis holds the assessee not to have received any services and also holds that there was no need to avail any services.

19. We have in series of decisions already decided similar issue of payment on account of managerial services availed by assessee from its associated enterprises and have held that the TPO or the Assessing Officer cannot sit in judgment of the decision of businessman to avail services and to make payments for that.

Further, the assessee has filed documents justifying not only the need of the services but also the availment of services. The TPO has failed to take into cognizance those documents/evidences and we find no merit in the same. In any case, the said agreement between the parties is in force w.e.f. 1-4-2006 and in none of the earlier years any addition has been made by the TPO/Assessing Officer. In the absence of same and following the rule of consistency we find no merit in the orders of TPO/Assessing Officer and the same is reversed. The ground of appeal No. 3 raised by assessee is thus, allowed. The grounds of appeal raised by assessee are thus, allowed."

There was no order contrary to the findings of this Tribunal in assessee's own case was placed on record and in view of the same, we reverse the order of DRP and direct the AO to accept the value of managerial services as claimed by the assessee at Nil. Thus, ground No. 3 raised by the assessee is allowed.'

10. In the light of above findings rendered by this Tribunal in assessee's own case for A.Y. 2010-11 following the order in A.Y. 2009-10 in assessee's own case and also followed in the succeeding year i.e. A.Y. 2011-12, the order of CIT(A) is set aside and direct the AO to accept the management services fees as claimed by the assessee. Thus, ground No. 2 raised by the assessee is allowed."

16. Accordingly, in the facts and circumstances of the case, as well as in view of the material brought on record, we find that the payment made by the assessee to the AE against the invoices raised by the AE and under the agreement between the assessee and the AE for the services rendered by the AE in respect of the execution of assessee's projects of providing software development service, support service and onsite service to the client in the USA cannot be denied only on the ground that the assessee failed to produce the work order to the AE a 100% subsidiary of the assessee. Hence, the adjustment made by the Assessing Officer/TPO is not justified and the same is deleted.

17. Ground No.4 is regarding the disallowance made on account of delayed payment of employees contribution to PF & ESI. The learned Counsel for the assessee has submitted that the assessee itself has made a Suo motto disallowance on account of delayed payment of employees' contribution to PF & ESI, however, the Assessing Officer/CPC has made a double disallowance on this account. The learned DR has fairly submitted that this is a factual aspect which requires to be verified at the level of the Assessing Officer.

18. Having considered the rival submissions, we direct the Assessing Officer to verify the fact and this claim of the assessee of Suo motto disallowance of belated payment of employees contribution to PF & ESI and accordingly, delete the addition, if it is found to be double disallowance.

19. In the result, appeal filed by the assessee is partly allowed.

Order pronounced in the Open Court on 24th September, 2025.

Sd/-

Sd/-

(MANJUNATHA, G.) ACCOUNTANT MEMBER	(VIJAY PAL RAO) VICE-PRESIDENT
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Hyderabad, dated 24th September, 2025

Vinodan/sps

Copy to:

S.No	Addresses
1	M/s. Virinchi Ltd c/o P Murali & Co. Chartered Accountants, 6-3-655/2/3 Somajiguda, Hyderabad 500082
2	Dy. CIT, Circle 8(1) Hyderabad
3	Pr. CIT - Hyderabad
4	DR, ITAT Hyderabad Benches
5	Guard File

By Order