

**IN THE INCOME TAX APPELLATE TRIBUNAL  
DELHI BENCH 'I': NEW DELHI**

**BEFORE SHRI S.RIFAUR RAHMAN, ACCOUNTANT MEMBER  
and  
SHRI SUDHIR PAREEK, JUDICIAL MEMBER**

**ITA No.4930/DEL/2024  
(Assessment Year: 2021-22)**

Honda R&D (India) Private Limited,  
Technical Centre Plot No.2,  
Sector 3, IMT Manesar,  
Gurugram – 122 052 (Haryana).

vs.

DCIT, Circle 10(1),  
Delhi.

**(PAN : AABCH3071N)**

**(APPELLANT)**

**(RESPONDENT)**

ASSESSEE BY : Shri Nageshwar Rao, Advocate  
REVENUE BY : Shri Dharm Veer Singh, CIT DR

Date of Hearing : 01.10.2025  
Date of Order : 08.10.2025

**ORDER**

**PER S. RIFAUR RAHMAN, ACCOUNTANT MEMBER :**

1. This appeal preferred by the assesseees is directed against the final assessment order dated 24.09.2024 passed by the DC/ACIT, TP 2(1)(1), Delhi u/s 143(3) read with section 143(3) r.w.s. 144C(13)/144B of the Income-tax Act, 1961 (for short "the Act") for Assessment Year 2021-22 pursuant to the directions of the Dispute Resolution Panel u/s 144C(5) of the Act raising following grounds of appeal :-

“General grounds

1. Impugned order appears to be time barred and bad in law as reference made to Ld. TPO under section 92CA does not appear to be in accordance with law.

Grounds specific to Transfer Pricing Adjustments

2. Impugned Order erred in making transfer pricing adjustment of Rs.18,84,96,879/- to total income declared by Appellant.

3 Impugned Order erred in rejecting the scientific analysis carried out by the Appellant in its Transfer Pricing Documentation and accordingly re-determining the arm's length price of the impugned international transaction involving 'payment of infrastructure fee' and 'reimbursement of expenses paid' following a segregating benchmarking approach.

4. Impugned Order erred in re-determining the price of the impugned international transaction involving 'payment of infrastructure service fees' and 'reimbursement of expenses paid', as the circumstances necessitating the determination of price by the Ld. TPO as mentioned in sub-section (3) of section 92C did not exist in case of the Appellant.

5. The impugned order is erroneous as it leads to double adjustment and is not in accordance with the arm's length principle as per the applicable transfer pricing regulations and guidelines.

5.1 The impugned Order is incorrect in its approach by segregating the transactions related to the “payment of infrastructure fee” and the “reimbursement of expenses paid to Associated Enterprises (AEs) for employee salary costs” and subjecting them to separate adjustments, while such transactions are already factored in the cost base used for charging the AE for the international transaction involving "provision of basic market research & testing services" which has been determined to be at arm's length, by the Ld. AO / TPO himself in the impugned order itself.

6. Impugned Order erred in re-determining the arm's length price of the impugned international transaction involving 'payment of infrastructure service fee' to AEs as 'Nil'.

5.1 Impugned Order erred in questioning the need and benefit arrived by the Appellant from payment in respect of availing of services from its AE.

5.2 Impugned Order erred in making the impugned adjustment without appreciating that such services were indeed availed by Appellant for smooth and efficient functioning of its operations and are not duplicative.

5.3 Impugned Order erred in arbitrary selection of Other method as a Most appropriate method in the present case. NIL as ALP was mere Ipse dixit of TPO.

5.4 Impugned Order erred in assuming the ALP for the impugned transactions to be 'NIL', ignoring the intent of transfer pricing legislation, whereby profit margin charged by the associated enterprise may only be challenged, rather than the entire cost involved.

5.5 Impugned Order erred in making the impugned adjustment without presenting any analysis and by simplistically and callously mentioning the arm's length price as 'Nil' claiming application of Other Method.

5.6 Erroneous directions issued by the Hon'ble DRP pertaining to application of CUP method by the Ld. TPO, wherein the Ld. TPO has in fact applied Other method to benchmark the impugned international transaction. The directions appear to be a verbatim reproduction of directions in Assessee case for AY 2020-21, without due consideration of the factual matrix.

7. Impugned Order erred in re-determining the arm's length price of the impugned transaction involving 'reimbursement of expenses paid to AEs' as 'Nil'.

6.1 The Impugned Order erroneously disputes the rationale behind the AE's initial payment and subsequent reimbursement by the Appellant for employee salary costs, disregarding the Appellant's substantiating evidence and the fact that these transactions were conducted for the Appellant's administrative ease.

6.2 The Impugned Order erred in assuming the ALP at 'NIL' for the impugned transactions involving reimbursement of employee salary cost, ignoring the intent of transfer pricing legislation which only allows challenges to the AE's profit margin, not the full reimbursed amount.

6.3 The Impugned Order erred in arbitrary selection of Other method as a Most appropriate method in the present case. NIL as ALP was mere Ipse dixit of TPO.

6.4 The Impugned Order erred in making the impugned adjustment without presenting any analysis and by simplistically and callously mentioning the arm's length price as 'Nil' claiming application of Other method.

Other grounds

8. Impugned Order erred in levying interest amounting to ~ 19,70,9601- under section 234A of the Act

9. Impugned Order has erred in levying consequential interest amounting to Rs.2,06,95,0801- under section 234B of the Act

10. That the Ld. AO has erred in initiating penalty proceedings under section 270A of the Act.”

2. At the time of hearing, ld. AR of the assessee submitted that the main grievance of the assessee is mentioned in Ground No.3 and all other grounds are in supportive of the abovesaid ground. Accordingly, we proceeded to adjudicate the abovesaid ground of appeal and also assessee has submitted additional evidences which were not submitted before the lower authorities and the abovesaid additional evidences were accepted and proceeded to adjudicate the same in the following paragraphs.
3. Ld. AR of the assessee brought to our notice order giving effect order to the direction of ld. DRP by the TPO dated 23.09.2024 and he brought to our notice final adjustment proposed by the TPO, submitted that as far as issue of benchmarking provisions of basic market research and testing services, the TPO has accepted the same within the range of 35<sup>th</sup> percentile and 65<sup>th</sup> percentile of the comparables, accordingly he has not proposed any adjustment. However, he submitted that as far as infrastructure service fees and reimbursement made to the AE, the TPO has proposed the same as TP adjustment even though TPO has accepted the provisions of basic market and testing services considering the same financial statement based on which the benchmarking was carried out and he brought to our notice various expenditures debited to the Profit & Loss account which includes infrastructure services fees and reimbursement

made to the AE, he prayed that the whole receipts and expenditures were considered to benchmark the same and the abovesaid expenditures are part and parcel of the same expenditure. He submitted that the TPO cannot proceed to make fresh benchmarking on infrastructure services fees and reimbursement made to the AE. He prayed that this may be deleted.

4. Without prejudice to the above, ld. AR submitted that the assessee has compiled and now submits the additional evidences of those materials which were not submitted before the lower authorities and these additional evidences were compiled by obtaining certificate from auditors. The same may be considered if the Bench is not in agreement with the submissions made before in the earlier submissions, for not to do separate benchmarking for the infrastructure services fees and reimbursement made to the AE.
5. On the other hand, ld. DR of the Revenue objected to the above submissions and prayed that the infrastructure services fees and reimbursement made to the AE are separate international transactions cannot be part and parcel of the benchmarking carried on by the TPO for provision of basic market research and testing services.

6. Considered the rival submissions and material placed on record. We observe that the assessee has declared international transactions in Form 3CEB and TP documentations as under :-

S.No.	International transactions	Amount
1.	Provision of basic market research and testing services	1,39,84,62,214
2.	Sale of parts	2,19,80,864
3.	Purchase of capital goods	5,34,826
4.	Purchase of parts and other consumable items	11,29,146
5.	Reimbursement of travelling & conveyance expenses	18,27,795
6.	Reimbursement of personnel costs (Salary etc.)	18,14,62,234
7.	Availing of technical services	3,78,430
8.	Infrastructure service fees	52,06,850

7. We observe that the provisions of basic market research and testing services are separate international transactions for which TPO has benchmarked the same after studying the TP documentations and not proposed any TP adjustments. However, the other international transactions infrastructure services fees and reimbursement made to the AE are also a separate international transactions. Since the TP adjustments relating to basic market research and testing services are accepted by the TPO based on the financial statement for which the expenditures of infrastructure services fees and reimbursement made to the AE are also included, it does not mean that separate benchmarking and verification of the impact of TP adjustment need not be carried out by the TPO. This proposition of the ld. AR is hereby rejected and all the international transactions have to be evaluated based on the TP provisions. It is a fact on record that assessee has also carried out two

international transactions i.e. infrastructure services fees and reimbursement made to the AE has to be benchmarked by verification of various documents whether the allocation of expenditures by the AE are as per the norms and reasonableness whether the third party documents are submitted and on what basis these are allocated to the assessee. With regard to infrastructure services fees, the TPO has to benchmark on the basis of relevant information available on record as well as TP documentation submitted by the assessee. Before us, assessee has submitted additional evidences which are not submitted before the lower authorities, we have accepted the same. We are inclined to remit the abovesaid additional evidences to the file of AO/TPO with a direction to verify the same and redo the TP study based on the material available on record as per law. It is needless to say that the assessee may be given a proper opportunity of being heard. Accordingly, Ground No.3 is allowed for statistical purposes.

8. In the result, the appeal of the assessee is allowed for statistical purposes.

**Order pronounced in the open court on this 8<sup>TH</sup> day of October, 2025.**

SD/-  
(SUDHIR PAREEK)  
JUDICIAL MEMBER

SD/-  
(S. RIFAUR RAHMAN)  
ACCOUNTANT MEMBER

**Dated: 08.10.2025**  
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Copy forwarded to:

1. Appellant
2. Respondent
3. CIT
4. CIT(Appeals).
5. DR: ITAT

ASSISTANT REGISTRAR  
ITAT, NEW DELHI