IN THE INCOME TAX APPELLATE TRIBUNAL
AHMEDABAD "D" BENCH

Before: DR. BRR Kumar, Vice President
And Shri T. R. Senthil Kumar, Judicial Member

ITA Nos: 2005 & 2006/Ahd/2025
Assessment Years: 2012-13 & 2013-14

The DCIT Circle-2(1)(1), Vadodara **(Appellant)**	Vs	Netafim Irrigation India Pvt. Ltd. Plot No. 268, 270, 271 B, GIDC, Manjusar, Savli, Vadodara, Gujarat 391775. **PAN: AAACE4738J**

Revenue Represented: Shri Kamlesh Makwana, CIT-DR
Assessee Represented: Shri Dhinal Shah, A.R.

Date of hearing : 09-02-2026
Date of pronouncement : 24-02-2026

आदेश/ORDER

PER: T.R. SENTHIL KUMAR, JUDICIAL MEMBER

These two appeals are filed by the Revenue as against two separate appellate orders both dated 11-08-2025 passed by the Commissioner of Income Tax (Appeals)-13, Ahmedabad arising out of the assessment orders passed under section 143(3) r.w.s. 92CA of the Income Tax Act, 1961 (hereinafter referred to as 'the Act') relating to the Assessment Years 2012-13 and 2013-14 respectively. Since common issues are involved in both the appeals, for the sake of convenience, the same are disposed of by this common order.

2. Brief facts of the case is the assessee is a company engaged in the business of manufacturing and trading drip irrigation systems across various states in India. For the assessment year 2012-13, the assessee company paid Rs.11,00,82,626/- to M/s. Netafim Ltd., Israel towards Royalty under a Technical Collaboration Agreement for obtaining technical know-how, training and skills relating to extrusion, assembly and marketing of drip irrigation systems. The said transaction was reported as an international transaction under section 92B of the Act and the assessee conducted a transfer pricing study under section 92C of the Act using the Comparable Uncontrolled Price (CUP) method. As per the benchmarking analysis carried out by an independent Chartered Accountant firm, the royalty rate of 4% of adjusted sales paid by the assessee company was found to be within the arm's length range, with the mean rate of comparable agreements being 4.30%. Upon reference from the Assessing Officer (AO), Transfer Pricing Officer (TPO) examined the said transaction and issued a show cause notice proposing to determine the arm's length price (ALP) of the royalty payment at NIL. Assessee submitted a detailed reply in support of the transaction, however, Ld. TPO proceeded to determine the ALP at NIL and proposed an upward adjustment of Rs.11,00,82,626/. Ld. AO made a corresponding addition in the final assessment order.

2.1. The Assessee company also claimed deduction under section 80IA(4) of the Act in respect of its participation in the Andhra Pradesh Micro Irrigation Project (APMIP). The same was denied by the AO on the basis the reference to "Netafim ACS & India Ltd." on the first page of the agreement. The appellant submitted that the said reference was a typographical error instead of "Netafim Irrigation India Pvt. Ltd." and

placed on record various documentary evidences to substantiate that it was in fact the executing party. However the AO denied the claim of deduction under section 80IA(4) of the Act of Rs.28,35,347/= to the assessee and demanded tax thereon.

3. Aggrieved against the Final assessment order, assessee filed an appeal before CIT[A], who considered the submissions of the assessee on the issue of Royalty payment and also earlier orders passed by the ITAT in assessee's own case and deleted the additions made by the AO on Royalty payment by observing as follows:

> "… … 4.6. I have carefully examined the facts of the case, the submissions made by the appellant, the assessment order, and the transfer pricing order passed under section 92CA(3) of the Act. The primary issue under consideration pertains to the determination of the ALP of the royalty payment of Rs.11,00,82,626/- made by the appellant to its associated enterprise, Netafim IS, under a Technical Collaboration Agreement. It is the appellant's contention that the royalty paid at 4% of adjusted sales was in fact within the arm's length range, as substantiated by an independent benchmarking analysis wherein comparable transactions reflected a mean royalty rate of 4.30%. TPO, however, has rejected the royalty payment on the grounds that the appellant failed to demonstrate commercial benefit and accordingly determined the ALP of the royalty at NIL, without applying any method as prescribed under section 92C read with Rule 10B of the Income-tax Rules. On perusal of the TPO's Order, I find that the TPO has not carried out any benchmarking analysis using prescribed methods, nor has he rejected the CUP analysis presented by the appellant. Furthermore, I note that the TPO has relied on a prior CIT(A) order for AY 2006-07, which has since been overruled by the Hon'ble ITAT.
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> 4.7. TPO concluded that no tangible or real commercial benefit had accrued to the Appellant from the payment of royalty, and accordingly determined the ALP of such payment at NIL. TPO was of the view that the appellant failed to substantiate how the services under the royalty agreement translated into direct economic benefits. Further, TPO without prejudice to his contention that the

royalty agreement is non-genuine which does not pass the commercial benefit test and thus the ALP of such royalty is NIL, contended that the benchmarking exercise carried out by the appellant is faulty and defective and accordingly rejected the same. As an alternative proposition, the ALP of the royalty rate was thus determined at 1.75% of Net sales

4.8. Specifically, the appellant has drawn attention to orders passed by the Hon'ble ITAT for AYs 2003-04 to 2007-08, wherein the Hon'ble Tribunal has upheld the royalty payments at the rate of 4% as being at arm's length. The Hon'ble ITAT, in those years, not only accepted the royalty transactions as legitimate business expenditures but also deleted the transfer pricing adjustments made by the TPO. These decisions have not been reversed as of the date of this order.

4.9. Further, commercial expediency of the royalty transaction entered in to by the Appellant cannot be questioned. This position is supported by the judgment of the Hon'ble Delhi High Court in the case of **EKL Appliances Ltd.**

4.10. Further support is drawn from the decision of the Hon'ble Delhi High Court in **Cushman & Wakefield India Pvt. Ltd.**, where the Court emphasized the importance of evaluating actual comparables and not disregarding genuine transactions without methodical analysis.

4.11. Additionally, in the case of **SI Group India Ltd.** decided by the Hon'ble Bombay High Court, the Court reiterated that a royalty payment cannot be disregarded or treated at NIL merely on the ground of absence of perceived benefit, especially where the taxpayer has demonstrated commercial rationale.

… … … … … … …

4.15. In view of the above and guided by the ratio laid down in binding and persuasive judicial precedents, I find merit in the appellant's contention that the royalty payment was made in the ordinary course of business and that the TPO's determination of ALP at NIL, without following the prescribed methodology or rejecting the appellant's transfer pricing documentation, is not sustainable in law. Alternatively, I also take note of the appellant's alternative submission that the royalty payment forms part of the overall

manufacturing operations and was accordingly aggregated with other international transactions for the purpose of benchmarking under the TNMM. The aggregation approach adopted by the appellant has not only been consistently followed in earlier years but has also been accepted in multiple assessment cycles. In support of this proposition, reliance is placed on the decision of the Hon'ble Bombay High Court in the case of Cummins India Ltd. v. ACIT (Income Tax Appeal No. 126 of 2023, dated 28 July 2023), where the Court held that once the TPO accepts TNMM as the most appropriate method for benchmarking a set of international transactions, it is not open to segregate and benchmark an individual element such as royalty, under a different method like CUP. The Court observed that each method under transfer pricing is a self-contained package and permitting hybrid application of multiple methods within the same set of transactions would lead to distorted results. Relevant extract of the judgment is as follows:

> "13. Once the Tribunal in its earlier orders has held that the transaction of payment of royalty for use of technology is inextricably linked with manufacturing activity and should be aggregated with other international transactions in the manufacturing segment for the purposes of benchmarking the same, and the TPO having accepted the aggregating of international transaction of payment of royalty with other international transactions in the manufacturing segment and not drawn any adverse inferences in respect of such aggregation of royalty payment under identical agreement, the Tribunal should have followed the order of the co-ordinate bench rendered under identical facts. More so, when in a majority of the years from the Assessment Year 2006-07 up to the Assessment Year 2014-15 it was under the very same agreement and the orders were passed after thoroughly scrutinising the international transactions entered into by assessee, the transfer pricing report obtained and the transfer pricing documentation maintained.
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> 14 Therefore, we answer all the three questions in favour of assessee.
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> 15 Appeals accordingly allowed, No order as to costs. "

4.16. The Hon'ble Supreme Court has dismissed the Revenue's SPECIAL LEAVE PETITION (CIVIL) Diary No. 8225/2025 against the decision of Hon'be High Court, thereby allowing the Bombay High Court judgment to attain finality.

4.17. In view of the above settled legal position, I find that even if the transaction is to be benchmarked, the approach adopted by the TPO to carve out the royalty payment and assign it an ALP of NIL is not permissible in law and liable to be disregarded. It is observed that Appellant has earned operating margins of 7.48% on operating revenue (after aggregating royalty payment) as against margin of comparable companies of 7.66% and hence, even based on aggregation approach, the margins of the Appellant and Royalty payment is at arm's length (after considering the proviso to section 92C(2) of the Act which allows for variation of 5%.

4.18. In view of the above and guided by the ratio laid down in binding and persuasive judicial precedents, find merit in the appellant's contention and accordingly, the adjustment of Rs. 11,00,82,626/- made to the appellant's income on account of royalty payment is directed to be deleted. Hence, Ground No.1 raised by the appellant is allowed."

3.1. Ld CIT[A] also considered the submissions of the assessee on the issue of deduction u/s.80IA[4] of the Act and deleted the disallowance made by the AO by observing as follows:

"… … 5.3. I have carefully examined the facts of the case, the submissions uploaded by the appellant, the assessment order passed by the Assessing Officer, and the documentary evidence placed on record. Appellant has claimed deduction under section 80IA(4) of the Act in respect of its participation in the Andhra Pradesh Micro Irrigation Project (APMIP), and the only basis for disallowance by the Assessing Officer is the reference to "Netafim ACS and India Ltd." on the first page of the agreement. The appellant submitted that the said reference was a typographical error and placed on record various documentary evidences to substantiate that it was in fact the executing party. These included a copy of the agreement signed by the appellant's Managing Director, work orders, invoices, payment advices, performance certificates, TDS certificates. Relevant extracts of the various documentary evidence are given below.

5.7. Additionally, I have verified that the all the income and expenditure incurred in relation to the said project and under the said agreement were also accounted in the books of the Appellant

which is also substantiated and confirmed by the Form 10CCB issued by the Chartered Accountant as per the provisions of section 80IA of the Act. Further, the learned AO has concluded that the appellant was engaged in the business of works contract by alleging that the appellant was executing contractual functions on behalf of its holding company for the Andhra Pradesh Government, which itself treated the payments as contractual in nature by deducting tax under section 194C of the Act. However, from the facts of the case. I find that the appellant was independently executing its obligations under a contract directly entered into with the Andhra Pradesh Government, and there is no material on record to suggest that the appellant was acting on behalf of its foreign parent company. The mere fact that tax was deducted under section 194C does not conclusively establish that the arrangement was a works contract, as section 194C covers all categories of contracts and not exclusively works contracts. The true nature of the arrangement must be determined from the terms of the agreement and the intention of the parties.

5.8. In this regard. I place reliance on the judgment of the Hon'ble Supreme Court in the case of Hindustan Shipyard Ltd. v. State of Andhra Pradesh [AIR 2000 SC 2411], which lays down the principle that the classification of a contract depends on whether the dominant intention is the transfer of property in goods (sale) or the availing of work and labour (works contract) The relevant extract is reproduced below:

> "… It is all a question of determining the intention of the parties by pulling out the same on an overall reading of the several terms and conditions of a contract …
>
> .....If the major component of the end product is the material consumed in producing the chattel to be delivered and the skill and labour are employed for converting the main components into the end products, the skill and labour are only incidentally used and hence the delivery of the end product by the seller to the buyer would constitute a sale. On the other hand if the main object of the contract is to avail the skill and labour of the seller though some material or components may be incidentally used during the process of the end product being brought into existence by the investment of skill and labour of the supplier, the transaction would be a contract for work and labour".....

> 5.9. Assessing Officer has not disputed the fulfillment of any of the conditions laid down in section 80IA of the Act, other than the name discrepancy and the observation that the contract was of a "works contract" nature. From the documents on record, it appears that the appellant assumed full contractual responsibility and carried out the supply, installation, and commissioning of drip irrigation systems on its own account. Accordingly. I am of the view that the appellant is eligible to claim deduction under section 80IA of the Act, and therefore, AO is directed to allow the deduction u/s 80IA of the Act claimed by the appellant. Hence, Ground No. 2 raised by the appellant is allowed."

4. Aggrieved against the appellate order, the Revenue is in appeal before us in ITA No.2005/Ahd/2025 for A.Y. 2012-13 raising the following Grounds of Appeal:

> (i) On the facts and circumstances of the case and in law, the Ld.CIT (A) erred in deleting of Rs.11,00,82,626/- adjustment made on account of Royalty payment to Associated Enterprise (AE) without appreciating that there was no justification by assessee for payment of royalty to AE?
>
> (ii) On the facts and circumstances of the case and in law, the Ld. CIT(A) erred in holding that Royalty payment to Associated Enterprise (AE) to be aggregated under TNMM without appreciating that only intrinsically linked transaction can be aggregated and payment of royalty is a separate class of transaction is not intrinsically lucked transaction and has to be benchmarked separately?
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> (iii) On the facts and circumstances of the case and in law, the Ld. CIT(A) erred in allowing the deduction u/s 801A of the Act amounting to Rs.28,35,347/ ignoring the fact that assessee was executing contractual functions on behalf of its holding company for the Andhra Pradesh Government, which itself treated the payments as contractual in nature.
>
> (iv) The appellant craves leaves to add, modify, amend or alter any grounds of appeal at the time of, or before, the hearing of appeal.

5. Heard rival submissions and perused the materials available on record including the Paper Books and case laws compilation filed by

the assessee. Ld Counsel Shri Dhinal Shah appearing for the assessee submitted that the adjustment on account of Royalty payment was covered in favour of the assessee in its own case for the earlier Asst. years 2003-04 and 2005-06 vide order dated 25-04-2019 in ITA Nos.3668/Mum/ 2008 & others and subsequent Asst. years 2006-07 and 2007-08 vide order dated 11-05-2021 in ITA No.7228/Mum/2011 & others.

5.1. For ready reference decision of the Co-ordinate Bench of this Tribunal in assessee's own case for the Asst. Year 2006-07 & 2007-08 in ITA No.7228/MUM/2019 and Others vide order dated 11-05-2021 held as follows:

> "6. We have considered rival submissions and perused materials on record, Undisputedly, the assessing officer has determined the ALP of the transaction relating to the payment of royalty to the AE by simply following the order passed by the TPO in assessee's own case for assessment year 2005-06. While doing so, he has observed that in respect of similar transaction between the AE and subsidiaries in China and USA, no royalty has been charged. Apparently, learned Commissioner of Income Tax (Appeals) has also accepted the aforesaid reasoning of the assessing officer. However, on perusal of materials on record and submission made before learned Commissioner of Income Tax (Appeals), it is observed, the assessee had clearly and categorically rebutted the allegation of the assessing officer regarding non charging of royalty by the AE to the subsidiaries in USA and China. It is noticed, assessee has furnished relevant information/data indicating that the price charged by the AE to the subsidiaries in USA, China and Australia include the royalty component. Further, the assessee had demonstrated that the price charged to the assessee in India for technical knowhow and other things is lesser than the price charged to the subsidiaries in USA, China & Australia.
>
> In any case of the matter, material on record clearly indicate that the assessee had benchmarked all its international transactions under Transactional Net Margin Method (TNMM), one of the methods

prescribed under the statute. Whereas, the assessing officer while determining the ALP of the royalty payment at nil has not followed any specific method. Further, the assessee has independently benchmarked the royalty paid to the AE by relying upon RBI/SIA approval as comparable uncontrolled price (CUP). Though, learned Commissioner of Income Tax (Appeals) has observed that the assessing officer has rightly determined the ALP of royalty payment at nil by following CUP, however, nowhere in the assessment order the assessing officer has mentioned the method adopted by him to determine the ALP. Be that as it may, it has been brought to our notice that while deciding identical issue relating to payment of royalty to AE, the Tribunal has decided the issue in favour of the assessee. On perusal of the order passed by the Tribunal in preceding assessment year, as referred to above, we find that while deciding identical issue under similar facts and circumstances, the Tribunal has held as under:-

> "13. We have considered rival submissions and perused material on record. We have also applied our mind to the decisions relied upon. The factual matrix relating to the disputed issue reveals that the assessee has entered into various international transactions with its AE Netafim, Israel, including payment of royalty. It is also a fact that in the transfer pricing study report, the assessee has aggregated all international transactions including payment of royalty and benchmarked them applying CPM as the most appropriate method. It is evident, the Transfer Pricing Officer has accepted the benchmarking of all international transactions under CMP except the payment of royalty. It further transpires from the material on record, to alternatively support its claim that the payment of royalty is at arm's length, the assessee has relied upon RBI / SIA approvals for payment of royalty. It is evident, the Transfer Pricing Officer rejected the benchmarking of royalty paid to Netafim, Israel done by the assessee in the transfer pricing study report basically for the reason that the assessee failed to provide the details of cost incurred by the AE for development of technology and further, it failed to furnish the rates of royalty paid by the other group concerns. Of course, the Transfer Pricing Officer has also observed that RBI/SIA approvals cannot be considered for benchmarking the payment of royalty. Having done so, it is apparent, the Transfer Pricing Officer has not proceeded to benchmark the payment of royalty by applying any of the prescribed methods provided under the statute. Without assigning any reason, the Transfer Pricing Officer has determined the arm's length price of the royalty payment at nil. Prima-facie, it appears, the determination of arm's length price of royalty payment at nil by the Transfer Pricing Officer is completely on ad-hoc basis without following the due process of law as provided under the statute. Law is fairly well

settled by the Hon'ble Jurisdictional High Court as well as different Benches of the Tribunal that the Transfer Pricing Officer is duty bound to determine the arm's length price of international transaction by applying any one of the prescribed methods. This principle has been propounded by the Hon'ble Jurisdictional High Court time and again which can be seen from the following decisions:-

i) CIT v/s Kodak India Pvt. Ltd., ITA no. 15/2014, dated 11.07.2016;

ii) CIT v/s Johnson & Johnson Ltd., ITA no. 1291/2014, dated 03.04.2017;

iii) CIT v/s Merck Ltd., ITA no. 272/2014, dated 08.08.2016; and

iv) CIT v/s Lever India Exports Ltd., [2017] 78 taxmann.com 88.

14. Undisputedly, the assessee has benchmarked the payment of royalty by applying CPM. If the Transfer Pricing Officer was not convinced with the benchmarking of the assessee, he should have independently benchmarked the arm's length price of royalty payment by adopting any one of the prescribed methods which he has failed to do. That being the case, **the determination of arm's length price at nil on purely ad-hoc basis without assigning any valid and acceptable reason is legally unsustainable. Therefore, the addition made on account of adjustment made to the arm's length price of royalty payment deserves to be deleted.**

15. Having held so, it is now necessary to deal with some of the submissions made by the learned Departmental Representative. The learned Departmental Representative has submitted that the Transfer Pricing Officer determined the arm's length price of the royalty payment by applying CUP method. Firstly, neither the order passed under section 92CA(3) of the Act by the Transfer Pricing Officer nor any other material even remotely demonstrate that the Transfer Pricing Officer has applied method while determining the arm's length price of royalty payment at nil. Therefore, the learned Departmental Representative while arguing the issue before us has given a completely new dimension to the order of the Transfer Pricing Officer, which is otherwise not forthcoming from the said order. The issue is whether the learned Departmental Representative can introduce such fresh and completely new argument at this stage. On going through the provisions of the Act, it is evident that the Transfer Pricing Officer has to determine the arm's length price of an international transaction by applying a prescribed method. Section 92C of the Act prescribes the methods under which arm's length price can be computed. Rule 10B of the Rules lays down the mechanism for computation of arm's length price under

different methods. As per rule 10B(i)(a), for determination of arm's length price of international transaction under CUP, the price charged or paid for property transferred or service provided in a comparable uncontrolled transaction or a number of such transactions have to be identified and making adjustment to such price, as may be required, it has to be taken as an arm's length price of the international transaction between the AEs. A perusal of the order passed by the Transfer Pricing Officer does not reveal any such exercise being undertaken by the Transfer Pricing Officer. The learned Departmental Representative has also not brought to our notice any material to demonstrate that the mechanism prescribed under rule 10B(i)(a) was followed by the Transfer Pricing Officer for determining the arm's length price at nil. Therefore, even assuming that CUP method has been applied by the Transfer Pricing Officer, it is apparent that he has not undertaken the exercise provided under rule 10B(i)(a) for determining the arm's length price. Therefore, **the contention of the learned Departmental Representative that the arm's length price of royalty has been determined at nil by applying CUP method is totally unacceptable. Further, in case of Dense India Ltd. (supra), cited by the learned Departmental Representative, the Hon'ble Jurisdictional High Court has approved the decision of the Transfer Pricing Officer in applying TNMM for benchmarking the arm's length price of royalty paid.** In case of CLSA India Ltd. (supra) and Frigo Glass India Pvt. Ltd. (supra) cited by the learned Authorised Representative, **the Tribunal has rejected applicability of CUP method for determining the arm's length price of royalty payment and has held that TNMM is the most appropriate method to determine the arm's length price of royalty payment.** In the facts of the present appeal, while arguing in favour of applicability of CUP, the learned Departmental Representative has submitted that since the assessee failed to furnish rates at which royalty was paid by other group entities, the Transfer Pricing Officer determined the arm's length price at nil. The aforesaid argument of the learned Departmental Representative is unacceptable simply for the reason that the Transfer Pricing Officer could not have determined the arms length price under CUP by applying the rate of royalty paid by other & JU Group entities since they are controlled transactions. Whereas, rule 10B (4) (a) mandate mandates that the price charged for an uncontrolled transaction /transaction should be considered as a CUP, As regards the justifiability of payment of royalty qua RBI/SIA approvals, we must observe that in the decisions cited by the learned Authorised Representative, the Tribunal has held that the rate at which payment of royalty was approved by the RBI/SIA though, the Tribunal has observed that arm's length price of royalty needs to be determined in accordance with the Transfer Pricing regulations, however, the bench also observed that if an authority by way of specific approval has allowed a particular rate of payment, it does carry persuasive value and

> can act as one of the supportive tools for carrying out benchmarking of transaction relating to payment of royalty. Insofar as the decision of the Tribunal in Skol Breweries (supra) cited by the learned Departmental Representative, we must observe that the Tribunal has observed that press note of Ministry of Commerce fixing rate of royalty under FDI policy cannot be considered to be relevant for determination of arm's length price under the Act. However, following the well settled proposition of law that the view favourable to the assessee has to be taken, we are inclined to follow the decisions cited by the learned Authorised Representative holding that the determination of arm's length price as approved by the RBI/SIA is valid. On the basis of the aforesaid reasoning, we uphold the decision of the learned Commissioner (Appeals) in deleting the addition made on account of transfer pricing adjustment."
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> 8. On a careful reading of the aforesaid order of the Tribunal, it becomes very much clear that there are no material difference in facts between the impugned assessment years and the assessment years for which appeals came up for consideration before the Tribunal earlier. Pertinently, the assessing officer has determined the ALP of the royalty payment at nil by simply relying upon the decision of the TPO in assessment year 2005-06. As noted earlier, while deciding the appeal of the revenue for assessment year 2005-06, the Tribunal has upheld the decision of learned Commissioner of Income Tax (Appeals) in deleting the adjustment proposed by the TPO. Thus, in our view, the issue is squarely covered decision of the Tribunal in assessee's own case for preceding assessment decision of the Tribunal, we delete the addition of Rs.21,04,54,347/-.

5.2. Ld CIT DR could not dispute the above facts and could not place on record any Higher Forum order/judgement reversing the Co-ordinate Bench decisions passed by this Tribunal. Further there is no difference in the facts of the case as far the payment of royalty to AE, which were decided in favour of the assessee. Therefore, respectfully following the Co-ordinate Bench decisions, we do not find any infirmity in the order passed by Ld CIT [A]. Thus, the Ground nos.1 and 2 raised by the Revenue are devoid of merits and liable to be dismissed.

6. The Assessee claimed deduction u/s. 80IA(4) of the Act in respect of its participation in the Andhra Pradesh Micro Irrigation Project (APMIP). Whereas the only basis for disallowance made by the Ld. AO was with reference to the name "Netafim ACS and India Ltd." on the first page of the Agreement which was a typographical error. During the appellate proceeding the assessee placed on record various documentary evidences to substantiate that it was in fact the executing party, copy of the agreement signed by the assessee's Managing Director, work orders, invoices, payment advices, performance certificates, TDS certificates. After considering the same Ld. CIT[A] granted the relief to the assessee of deduction u/s. 80IA(4) of the Act of Rs.28,35,347/=. The Revenue could not place on record any contrary material to deny the claim of deduction u/s. 80IA(4) of the Act. Therefore, the factual findings arrived by the Ld CIT[A] with documentary evidences does not require any interference and the Ground no. 3 raised by the Revenue is devoid of merits and liable to be dismissed.

7. In the result **appeal filed by the Revenue in ITA No. 2005/ Ahd/2025 is hereby dismissed.**

ITA No. 2006/Ahd/2025 relating to A.Y. 2013-14

8. Grounds of Appeal raised by the Revenue are as follows:

> *(i) On the facts and circumstances of the case and in law, the Ld.CIT(A) erred in deleting of Rs. 13,09,51,047/-adjustment made on account of Royalty payment to Associated Enterprise (AE) without appreciating that there was no justification by assessee for payment of royalty to AE?*
> *(ii) On the facts and circumstances of the case and in law, the Ld.CITIA) erred in holding that Royalty payment to Associated Enterprise (AE) to be aggregated under TNMM without appreciating that only intrinsically linked transaction can be aggregated and payment of royalty is a separate class of transaction is not intrinsically lucked transaction and has to be benchmarked separately?*

(iii) The appellant craves leaves to add, modify, amend or alter any grounds of appeal at the time of, or before, the hearing of appeal.

9. During the assessment year 2013-14, assessee made a payment of Rs.13,09,51,047/- to Netafim Ltd, Israel towards royalty under a Technical Collaboration Agreement for obtaining technical know-how, training, and skills relating to extrusion, assembly, and marketing of drip Irrigation systems. The TPO proceeded to determine the ALP at NIL and proposed an upward adjustment of Rs.13,09,51,047/-. AO made a corresponding addition in the final assessment order. On appeal Ld. CIT[A] deleted the addition.

9.1. There is no change in facts of the case with that of earlier assessment years. For the detailed reasons discussed in paragraph 5 and 5.1. of this common order in ITA No. 2005/Ahd/2025 is squarely applicable to the facts of the present case by mutatis mutandi. Respectfully following the same, the Ground Nos.1 & 2 raised by the Revenue are devoid of merits and liable to be dismissed,

10. In the result **appeal filed by the Revenue in ITA No. 2006/Ahd/2025 is hereby dismissed.**

Order pronounced in the open court on 24-02-2026

Sd/- **Sd/-**
(DR. BRR KUMAR) **(T.R. SENTHIL KUMAR)**
VICE PRESIDENT ***True Copy*** **JUDICIAL MEMBER**
Ahmedabad :
Dated 24/02/2026

आदेश की प्रतिलिपि अग्रेषित / Copy of Order Forwarded to:-

1. Assessee
2. Revenue

3. Concerned CIT
4. CIT (A)
5. DR, ITAT, Ahmedabad
6. Guard file.

By order/आदेश से,

उप/सहायक पंजीकार
आयकर अपीलीय अधिकरण,
अहमदाबाद