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

**श्री रविश सूद, न्यायिक सदस्य एवं श्री मधुसूदन सावड़िया लेखा सदस्य समक्ष|**
**Before Shri Ravish Sood, Judicial Member**
**A N D**
**Shri Madhusudan Sawdia, Accountant Member**

आ.अपी.सं /**ITA Nos.2071 to 2073 /Hyd/2025**
(निर्धारण वर्ष/Assessment Years: 2016-17 to 2018-19)

| Synchrony International Services Private Limited Hyderabad PAN: AADCR9682D | Vs. | Assistant Commissioner of Income Tax Circle 3 (2) Hyderabad |
|---|---|---|
| (Appellant) | | (Respondent) |

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| निर्धारिती द्वारा/Assessee by: | Shri Aliasgar Rampurwala, CA |
| राजस्व द्वारा/Revenue by:: | Shri AVES Madhukar, Sr. AR |
| सुनवाई की तारीख/Date of hearing: | 16/03/2026 |
| घोषणा की तारीख/Pronouncement: | 30/03/2026 |

## आदेश/ORDER

**Per Madhusudan Sawdia, A.M.:**

These 3 appeals are filed by Synchrony International Services Private Limited (“assessee”) feeling aggrieved by the separate orders of the Learned Commissioner of Income Tax (Appeals)-10, Hyderabad (“Ld. CIT (A)”), all dated 20.09.2025 and 18.09.2025. Since identical issues are raised by the assessee in all these three appeals, for the sake of convenience, these were heard together and are being disposed of by this common consolidated order.

**ITA No. 2071/Hyd/2025 For A.Y. 2016-17**

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

1. **General Ground**

1.1. On the facts and in the circumstances of the case and in law, the orders passed by the Hon'ble CIT(A), the Ld. AO, and the Ld. TPO, to the extent they are prejudicial to the Appellant for AY 2016-17, are arbitrary, contrary to the facts on record, and violative of the provisions of the Act. The said orders are, therefore, liable to be quashed.

2. **Legal Grounds**

2.1. On the facts and in the circumstances of the case and in law, the Hon'ble CIT(A) has grossly erred, both in law and on facts, in failing to adjudicate all the grounds of appeal raised by the Appellant and in not passing a reasoned and speaking order as mandated by law. The impugned order is, therefore, vitiated and liable to be quashed.

2.2. On the facts and in the circumstances of the case and in law, the Hon'ble CIT(A) has erred in misinterpreting the Appellant's letter dated 27 June 2023 regarding the withdrawal of grounds of appeal to the extent of transactions covered under the Bilateral Advance Pricing Agreement ('BAPA') dated 24 March 2023, entered into with the Central Board of Direct Taxes ('CBDT'). Consequently, the Hon'ble CIT(A) has failed to adjudicate the grounds of appeal pertaining to international transactions not covered under the BAPA, i.e., transactions with Associated Enterprises ('AEs') not based in the United States of America.

3. **Factual Grounds (Tax effect : INR 38,59,575)**

3.1. On the facts and in the circumstances of the case and in law, consequent to the execution of the BAPA, the Hon'ble CIT(A) has erred in not directing that the arm's length price in respect of international transactions for provision of Information Technology enabled Services ('ITeS') to AEs based outside the United States of America (constituting less than 5% of the total revenue) be made on the same terms as agreed in the BAPA for AEs based in the United States.

3.2. On the facts and in the circumstances of the case and in law, the Hon'ble CIT(A) has erred in not adjudicating the following specific grounds of appeal relating to international transactions not covered under the BAPA, wherein the Ld. AO / Ld. TPO have:

3.2.1. Erred in invoking the provisions of section 92C(3) of the Act and in rejecting the transfer pricing documentation maintained by the Appellant on the alleged ground that the information or data used in the computation of the arm's length price is not reliable or correct, and consequently in determining a different arm's length price.

3.2.2. Erred in disregarding the economic analysis undertaken by the Appellant in accordance with the Act and the Income-tax Rules, 1962 ('the Rules'), and in conducting a fresh economic analysis for determining the arm's length price in respect of the international transaction of provision of ITeS.

3.2.3. Erred in the comparability analysis for the international transactions relating to provision of ITeS by rejecting companies as comparables solely on the ground that current year financial data was not available, without evaluating their comparability based on the immediately preceding year's data as per Rule 10B(5) of the Rules. In so doing, the Ld. AO / Ld. TPO have failed to undertake the comparability analysis in accordance with law, thereby rendering the order unsustainable.

3.2.4. Erred in conducting a fresh comparability analysis by arbitrarily applying certain filters in the transfer pricing order and disregarding the filters applied by the Appellant in its documentation, for the purpose of determining the arm's length price of the Appellant's international transactions, and consequently holding that the Appellant's international transactions are not at arm's length.

3.2.5. Erred in including the following companies as comparables, which do not satisfy the test of comparability for the ITeS provided by the Appellant:

a. eClerx Services Limited

b. Infosys B P M Limited (Infosys BPO Limited)

c. MPS Limited

d. S P I Technologies India Private Limited

3.2.6. Erred in excluding the following companies from the final set of comparables, despite their functional similarity to the ITeS provided by the Appellant:

a. Ace BPO Services Private Limited

b. Suprawin Technologies Limited

c. Microgenetic Systems Limited

d. R Systems International Limited (Segment - BPO services)

3.2.7. Erred in the computation of operating mark-up on cost of the comparable companies by considering provision for bad and doubtful debts as operating in nature only where such expenses were incurred consistently for the last three years by the comparable companies.

3.2.8. Erred in not allowing working capital adjustments while determining the mark-up of comparable companies identified by the Ld. TPO in respect of ITeS provided by the Appellant.

3.2.9. Erred in disregarding the limited risk nature of the contractual services provided by the Appellant and in not providing an appropriate adjustment towards risk differential, even when full-fledged entrepreneurial companies are selected as comparables.

**4. Levy of interest under section 234B of the Act (Tax Effect: INR 3,79,05,840)**

4.1. On the facts and in the circumstances of the case and in law, the Ld. AO has erred in levying consequential interest under section 234B of the Act.

**5. Penalty Proceedings**

5.1. On the facts and in the circumstances of the case and in law, the Ld. AO has erred in initiating penalty proceedings under section 271(1)(c) and 271G of the Act.

**The Appellant respectfully craves leave to add, alter, amend, rescind, or modify any of the above grounds of appeal, and/or to submit such further documents or evidence as may be necessary, at or before the time of hearing of this appeal.**

***for* Synchrony International Services Private Limited**

3. The brief facts of the case are that the assessee is a company engaged in providing Information Technology Enabled Services ("ITES") to its foreign Associated Enterprises ("AEs"). The assessee filed its return of income for the Assessment Year 2016–17 on 25.11.2016, admitting a total income of Rs.47,38,55,891/-.

The case of the assessee was selected for scrutiny through CASS and accordingly notice under section 143(2) of the Income Tax Act, 1961 ("the Act") was issued by the Learned Assessing Officer ("Ld. AO") to the assessee. Since the assessee had entered into international transactions with AEs during the year under consideration, a reference was made by the Ld. AO to the Learned Transfer Pricing Officer ("Ld. TPO") for determination of the arm's length price of such transactions. The Ld. TPO, vide order passed under section 92CA(3) of the Act dated 30.10.2019, proposed a transfer pricing adjustment of Rs.26,24,06,156/-. Accordingly, the Ld. AO passed a draft assessment order under section 144C of the Act on 10.12.2019 proposing the transfer pricing adjustment of Rs.26,24,06,156/- and also disallowance of Rs.4,46,617/- under section 43B of the Act on account of delayed payment of provident fund. The assessee, vide letter dated 06.01.2020, submitted a no objection letter and requested for passing of the final assessment order. Accordingly, the Ld. AO passed the final assessment order under section 143(3) of the Act on 09.01.2020, determining the total income of the assessee at Rs.73,63,08,663/-.

4. Aggrieved by the order of the Ld. AO, the assessee filed an appeal before the Ld. CIT(A). During the appellate proceedings, the assessee submitted that it had entered into a Bilateral Advance Pricing Agreement ("BAPA") with the Central Board of Direct Taxes and that the Assessment Year 2016–17 was also covered under the said BAPA. It was submitted that approximately 95.75% of the revenue of the assessee was from US-based AEs which were covered under the BAPA, and only about 4.25% of the revenue was from non-US based AEs which were not covered under the BAPA. The assessee further submitted that the transactions with non-US based AEs constituted a very small portion of the total turnover and that the Ld. TPO had also not applied separate benchmarking for

such transactions. Accordingly, the assessee relied upon the decisions of the coordinate benches of the Tribunal and requested that the margin agreed under the BAPA be applied to the transactions with non-US based AEs as well. However, the Ld. CIT(A) did not accept the contention of the assessee on the ground that the decisions relied upon by the assessee were rendered in the context of MAP resolutions and not in the context of BAPA. Accordingly, the claim of the assessee was rejected.

5. Aggrieved by the order of the Ld. CIT(A), the assessee is in appeal before this Tribunal. At the outset, the Learned Authorized Representative ("Ld. AR") submitted that the solitary issue involved in the present appeal is the rejection by the Ld. CIT(A) of the assessee's request for application of BAPA margin to the transactions with non-US based AEs. The Ld. AR submitted that the Ld. CIT(A) rejected the claim only on the ground that the case laws relied upon by the assessee were in the context of MAP resolutions, which is not correct. The Ld. AR invited our attention to para nos. 26 to 30 of the decision of the coordinate bench of the Tribunal in the case of Texas Instruments (India) Pvt. Ltd. v. ACIT (2022) 141 Taxmann.com 159 (Bangalore – Trib.) and para nos. 25 and 26 of the decision of Delhi Benches of the Tribunal in the case of JCB India Ltd. v. ACIT (2025) 172 Taxmann.com 196 (Delhi-Trib.) and submitted that in both the cases, under identical facts, the Tribunal has allowed application of BAPA margin to transactions not covered under the agreement. Accordingly, the Ld. AR requested that necessary directions be issued to the Ld. AO to apply the BAPA margin to the transactions with non-US based AEs as well.

6. Per contra, the Learned Departmental Representative ("Ld. DR") submitted that as per the statutory mandate, BAPA is applicable only to the transactions with AEs specifically covered in the agreement. Therefore, the margin agreed under BAPA cannot be

extended to transactions with other AEs not covered under the agreement. Accordingly, the Ld. DR strongly objected to the contention of the assessee.

7. We have considered the rival submissions and perused the material available on record. There is no dispute about the fact that the assessee has entered into a BAPA with the Central Board of Direct Taxes and that the Assessment Year under consideration is covered under the said BAPA. There is also no dispute about the fact that the transactions not covered under the BAPA constitute only about 4.25% of the total revenue of the assessee. In this regard, we have also gone through the para nos. 26 to 30 of the order of the coordinate bench of the Tribunal in the case of Texas Instruments (India) Pvt. Ltd. v. ACIT (Supra), which is to the following effect:

**26.** In so far as ground (*a*) & (*b*) with regard to Transfer Pricing Adjustment in the Software Development Services segment (SWD Segment) is concerned, the facts are that the assessee rendered SWD services to its AE Texas Instrument Inc. (TI US) and Natsem Malaysia. The volume of international transaction with the aforesaid two AE was as follows:

| *Sl. No.* | *Name of the AE* | *Value of the transaction in INR* | *Value of the transaction in % terms* | *Remarks* |
|---|---|---|---|---|
| 1 | TI US | 10,23,83,42,951 | 98.43% | Covered by BAPA, wherein the ALP has been determined at 17.50% |
| 2 | Natsem Malaysia | 16,37,75,973 | 1.57% | |
| | Total | 10,40,21,18,924 | 100.00% | |

**27.** With regard to the international transaction with TI US, the assessee entered into a Bilateral Advance Price Agreement (BAPA) accepting profit margin of 17.50%. The assessee made a prayer before CIT(A) that the same percentage of profit margin as agreed in the BAPA should be applied to transaction with Natsem Malaysia also. In this regard the assessee highlighted before the CIT(A) the nature of services rendered by the assessee to both TI US and Natsem Malaysia was one and the same. The arguments in this regard are set out in the order of the CIT(A) at pages-36 to 43 of his order. The CIT(A) agreed with the submissions and held that the rate agreed under BAPA in respect of international transaction with TI US should also be applied to the transaction with Natsem Malaysia for the following reasons:

> "The submissions made by the Appellant have been carefully considered and it is noted that the TPO after re-characterizing certain portion of the software development activities as engineering design services, has determined the ALP for EDS and SWD at 25.58% and 19.71% [including the transactions with TI Inc, US]. It is also noted that the Appellant has got Bilateral APA concluded in respect of transaction.; with TI Inc, US, wherein the ALP has been determined at 17.50%. The transactions with Natsem Malaysia are not covered by the Bilateral APA and the Appellant's contention is that the transactions with Natsem Malaysia are to be treated at par with transactions of TI Inc, US. To this effect, the Appellant has furnished the submissions on 15 March 2019. The Appellant also highlighted that the transactions with TI Inc, US are 98.43% of the contract SWD/ EDS contract services transaction, whereas the transactions with Natsem Malaysia is only 1.57% of the contract services transaction which is very meager in comparison with the transactions of TI Inc US, the ALP of which has been determined in the APA. The Appellant further submitted that there is no distinction in the nature of services provided by TI India to Natsem Malaysia and the services provided to TI Inc, US. Accordingly, the Appellant requests that the ALP for transactions with Natsem Malaysia should be considered at par with the transactions with TI Inc, US. I have considered the following decisions as relied upon by the Appellant in support of its contention that as the transactions with Natsem Malaysia are similar to the transactions with TI Inc, US, the margin determined by the APA is to be applied to the similar transactions with Natsem Malaysia."

**28.** The CIT(A) also excluded 4 comparable companies chosen by the TPO from the list of comparable companies *viz.*, Infosys Ltd., Persistent Systems Ltd., Larsen & Toubro Infotech Ltd. And Genesys International Corporation Ltd. The revenue has not challenged the action of the CIT(A) in this regard and if such exclusion is accepted the price charged by the assessee in the SWD segment would be at Arm's length. Be that as it may. As far as the grounds raised by the Revenue before the Tribunal is concerned, the grievance of the revenue as projected in the grounds of appeal before the Tribunal and the argument of the learned DR was that the Functions performed, Assets employed and risks assumed in the transactions between the assessee and TI Us and that with Natsem Malaysia were different. The other submission was that the BAPA is binding only on the parties to the agreement but on Natsem Malaysia which is not a party to the BAPA. The

learned counsel for the assessee reiterated submissions made before CIT(A) and highlighted as to how the TPO did not distinguish the services rendered by TI US and Natsem Malaysia as different and adopted results of both the companies for the purpose of comparison.

**29.** We have carefully considered the rival submissions. Identical submissions on identical facts was considered by this Tribunal in the case of *Dell International Services India (P.) Ltd.* v. *Jt. CIT* [2022] 138 taxmann.com 554 and the Tribunal in its order dated 3-8-2021 held as follows:

> "40. As far as the additional ground is concerned, it is seen that subsequent to filing of the present appeal, the Assessee's AE located in the United States of America ("US") opted for the Mutual Agreement Procedure ("MAP") proceedings pursuant to article 25 of the India-US Double Taxation Avoidance Agreement ("DTAA") with respect to the transfer pricing adjustment made to the ITES revenue earned by the Assessee from its AE located in the US. Thereafter, the Assessee has accepted the terms of the MAP resolution under Article 27 of the India-US DTAA on 13-7-2020 with respect to its ITES rendered to the AEs based in the US at a margin of 15.69%. Accordingly, the Assessee has withdrawn the grounds in the appeal insofar as it related to the ITES provided by the Assessee to its AE based in the US.
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> 41. It is the plea of the assessee in the additional ground of appeal filed along with application dated 24-2-2021 for admitting additional ground that the profit margin of the assessee adopted in MAP ought to be adopted as ALP mark-up for non-US based AE transactions also. It is submitted that the transactions entered by the Assessee with its US based AE is similar to the transactions entered into with the non-US based AEs and that no distinction has been made by the Assessee between the two in its TP study and while preparing its audited financial statements. It has further been submitted that no distinction has been made by the TPO also in the comparability analysis carried out by him. Therefore, the assessee prays that the Tribunal may adopt the same arm's length mark-up cost for the international transactions entered into with the Non-US AEs as well and, accordingly, dispose of the TP grounds with respect to the ITES revenue earned by the Assessee from its Non-US based AE transactions.
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> 42. The learned Counsel for the assessee in this regard placed reliance on the decisions of this Tribunal in the case of *CGI Information System & Management Consultants (P.) Ltd* v. *DCIT* ([2017] 81 taxmann.com 169 (Bangalore - Trib.)) and the Hon'ble Tribunal - Mumbai Bench in *J.P Morgan Services (P.) Ltd.* v. *DCIT* ([2016] 70 taxmann.com 228 (Mumbai - Trib.)) wherein, the same margin as the US transactions was directed to be applied for the Non-US transactions. The learned Counsel for the assessee also pointed out that the Commissioner of Income-tax (Appeals) in its own case for the AYs 2005-06, 2007-08 and 2008-09, adopted the arm's length price determined in the MAP resolution for the international transactions entered into with the Non-US AEs. The learned DR could not point out any infirmity in the submissions on the additional ground of appeal made by the learned Counsel for assessee.
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> 43. We have considered the rival submissions and find merit in the same. As pointed out by the learned Counsel for assessee, the assessee or TPO have not made any distinction between US and Non-US AE transactions. In such circumstances, the margin accepted in MAP in respect of US AE transaction has to be regarded as Arm's Length mark-up cost for the Non-US AE transaction in the ITES segment. We hold and direct accordingly. In view of the above conclusion, the other grounds raised by the Revenue and assessee in their appeals on determination of ALP in the ITES segment become infructuous and calls for no adjudication and are dismissed."

**30.** We find that in the present case also neither the assessee or TPO have not made any distinction between US and Non-US AE transactions. In such circumstances, the margin accepted in MAP in respect of US AE transaction has to be regarded as Arm's Length mark-up cost for the Non-US AE transaction also. Respectfully following the aforesaid decision, we uphold the order of CIT(A) and find no merits in the grounds raised by the revenue in its appeal.

8. We have also gone through para nos. 25 and 26 of the decision of the Coordinate Bench of the Tribunal in the case of JCB India Ltd. v. ACIT (Supra), which is to the following effect:

> *"25. On the basis of aforesaid, we are of the considered view, that facts and circumstances of the case required the learned TPO to be more objective in his approach to counter the compensation of 4 to 5% accepted in the case of assessee in the MAP proceedings for A.Y. 2013-14 or APA for A.Y. 2018-19 to 2022-23 and the treatment in A.Y. 201-11, 2011-12 and 2012-13 when no addition was made in respect of Germany entities for royalty payment of 4-5%. The MAP proceedings or APA may not have a precedent effect on different assessees but in case of same assessee they at least have far reaching persuasive value and without countering anything on the basis of facts coupled with evidence, the ends of justice require giving assessee benefit of principles of consistency, which are recognized principles for determination of income and adjudication in tax*

*matters. Reliance in this regard can be placed on the judgment of Hon'ble Supreme Court in Radhasoami Satsang (supra). However, the ld. Tax authorities seems to have artificially distinguished the transaction of assessee with Non-UK and UK AEs, to apply a different rate in case of non-UK AE.*

*26. As a consequence of aforesaid discussion, we are inclined to allow ground nos. 4 to 6 and the additional ground, as raised. The learned TPO is directed to accept the parameters of determination of compensation as accepted in APA and accordingly benefit the assessee in determination of ALP of disputed transaction with non-UK AE, too. Consequently, the appeal is allowed with consequences to follow the directions above."*

9. On going through the above 2 decisions of the Coordinate Bench of the Tribunal, we find that under similar facts, the Benches of the Tribunal have allowed application of BAPA margin to transactions with AEs not covered under the agreement, where the FAR profile was found to be identical and no separate benchmarking was carried out. In the present case also, it is an undisputed fact that the Ld. TPO has not carried out any separate benchmarking for the transactions with non-US based AEs and has applied a uniform approach for all the international transactions. Further, no material has been brought on record by the Revenue to demonstrate that the FAR profile of the transactions with non-US-based AEs is different from that of the transactions covered under the BAPA. In such circumstances, though the BAPA is not strictly binding in respect of transactions with AEs not covered under the agreement, the margin agreed under the BAPA, being the outcome of a detailed and accepted transfer pricing analysis between the assessee and the tax authorities, constitutes a reliable and persuasive benchmark for determination of arm's length price. Accordingly, considering the principle of consistency and in the absence of any distinguishing feature, we find merit in the contention of the assessee. We, therefore, direct the Ld. AO / Ld. TPO to adopt the margin as agreed under the BAPA for the purpose of determining the arm's length price of the transactions of the assessee with non-US based AEs as well.

10. In the result, the appeal of the assessee is allowed.

**ITA Nos. 2072 & 2073/Hyde/2025 For A.Ys 2017-18 & 2018-19**

11. We observe that the facts and issues involved in these appeals are identical to the facts and issues involved in ITA No.2071/Hyd/2025 for the Assessment Year 2016-17 in the assessee's own case. Therefore, our observations and findings in ITA No.2071/Hyd/2025 shall mutatis mutandis apply to these two appeals for the A.Ys 2017-18 & 2018-19 also. Accordingly, these two appeals of the assessee are also allowed.

12. In the result, these two appeals filed by the assessees are allowed.

13. To sum up, all the three appeals of the assessees are allowed.

Order pronounced in the Open Court on 30th March, 2026.

| Sd/- | Sd/- |
|---|---|
| **(RAVISH SOOD)**<br>**JUDICIAL MEMBER** | **(MADHUSUDAN SAWDIA)**<br>**ACCOUNTANT MEMBER** |

Hyderabad, dated 30th March, 2026.

***Vinodan/sps***

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| 4 | DR, ITAT Hyderabad Benches |
| 5 | Guard File |

*By Order*