

## Corporate guarantee given to foreign AE couldn't be held as international transaction under transfer pricing

**Summary –** The Chennai ITAT in a recent case of Redington (India) Ltd., (the Assessee) held that Corporate guarantee given by an assessee to its AEs does not involve any cost to assessee and, therefore, it has no bearing on profits, income, loss or assets of assessee and is outside ambit of international transaction

Where assessee claimed that tax was deducted on payment made to AE as royalty but details with regard to said payment by assessee were not available, matter be considered afresh

### Facts

- The assessee provided corporate guarantee to its overseas subsidiaries.
- The TPO computed ALP of the corporate guarantee at 1.5 per cent by relying on the materials available on record.
- The DRP confirmed the view taken by the TPO.
- On appeal:

### Held

- The Tribunal in *Bharti Airtel Ltd. v. Addl CIT* [\[2014\] 43 taxmann.com 150 \(Delhi\)](#), held that the corporate guarantee issued for the benefit of Associated Enterprise does not involve any cost to the assessee and does not have any bearing on profit, income or loss of assets of the assessee and, therefore, it is outside the ambit of international transaction to which Arm's Length Price adjustment can be made. Said decision was followed by Tribunal in the assessee's own case for assessment year 2009-10.
- Accordingly, the orders of the lower authorities are set aside and the Assessing Officer is directed to delete the addition