

KPO or design service providers are not comparable to software consultancy service providers

Summary – The Pune ITAT in a recent case of Systime Global Solutions Ltd., (the Assessee) held that where a company was engaged in KPO segment and further, extraordinary events took place in said concern during year under consideration, it was incomparable with assessee providing software consultancy services

Facts

- The assessee was engaged in the business of providing software consultancy services. The assessee selected certain concerns and claimed that the transaction undertaken by it was at arm's length.
- During the course of TP proceedings, the TPO proposed certain other companies to be included in the final list of comparables.
- The Assessing Officer thereafter, drew final list of companies including the said concerns and made certain adjustment in the hands of the assessee.
- The DRP directed exclusion of all the five concerns being not comparable.
- On appeal:

Held

Infosys Technologies Ltd. and Presistent Systems Ltd.

- While benchmarking the international transactions, turnover filter is important criteria in choosing comparables. Thus, where the turnover of assessee in the software segment was only Rs. 81 crores, then the concern like Infosys Technologies Ltd. having turnover of more than Rs. 20,000 crores and Presistent Systems Ltd. also having similar high turnover are to be excluded from the final set of comparables.
- Once the margins of said concerns are excluded from the final list of comparables, then the margins shown by the assessee and the arithmetic mean of margins of comparables are within range of +/- 5 per cent and there is no need to adjudicate any other issue.

Accentia Technologies Ltd.

- Since the concern Accentia Technologies Ltd. was engaged in KPO segment and also because of occurrence extraordinary event during the year, it was to be excluded from the final list of comparables.

Acropetal Technologies Ltd.

- The said concern was engaged in providing design engineering activities as against the assessee's activities of providing BPO services and thus, it was incomparable to assessee.