

## **If average collection period of outstanding trade receivable is less than industry's average TP additions are not warranted**

**Summary – The Hyderabad ITAT in a recent case of Value Labs Technologies., (the Assessee) held that If average collection period of outstanding trade receivable is less than industry's average TP additions are not warranted**

### **Facts**

- The assessee-firm was engaged in the business of software development services and entered into international transactions with its Associated Enterprises (AE).
- The Transfer Pricing Officer (TPO) observed that certain trade receivables were outstanding to the assessee from the related parties and considered the SBI term deposit rates as appropriate CUP to determine the Arm's Length Price (ALP) of the outstanding receivables. He thereafter made adjustment to the receivables.
- The Dispute Resolution Panel (DRP) upheld the adjustment proposed by the TPO.
- On the assessee's appeal before the Tribunal:

### **Held**

- The ITAT stated that since the assessee has submitted its industry average and average collection period, the Assessing Officer/TPO is directed to verify the same and if the average collection period is less than the industry average, there will be no requirement for TP adjustment.