

# THE WORLD ECONOMICS TIMES



---

**BUILDING A BRIGHTER  
FUTURE TOGETHER**

*"Join hands with us as  
we catalyze positive  
change for individuals,  
businesses, and  
communities."*

---

**LEADING THE WAY**

From Workshops to Societal  
Initiatives, Witness Real  
Change in Action.

**Shri Jay Prakash Gupta**

**Founder- Dhan**

**Co - Founder Raise Fintech Ventures**

**POLITICAL AND ECONOMIC STABILITY  
MARKET AND ECONOMY**

# DECODING THE LABYRINTH: WORLDONOMICS TIMES JULY EDITION UNVEILS THE NUANCES OF A SHIFTING GLOBAL LANDSCAPE

The global economy, a complex and ever-evolving labyrinth, presents both challenges and opportunities for nations and individuals alike. In this dynamic landscape, Worldonomics Times serves as your trusted guide, offering insightful analysis and expert perspectives through its July publication.

## **A Multifaceted Approach to Economic Understanding:**

Worldonomics Times distinguishes itself by providing a holistic view of the economic sphere. From the sweeping trends of macroeconomics to the intricacies of specific sectors, readers gain valuable knowledge from articles penned by renowned economists and industry leaders. Whether you seek to understand how geopolitical tensions impact financial markets or explore the potential disruptions of Web3 technologies, Worldonomics Times equips you with the information you need to navigate this intricate system.

## **Spotlight on the Latest: Central Banks and Cryptocurrencies:**

The July edition places a particular focus on the evolving relationship between central banks and cryptocurrencies. As digital assets continue to gain traction, central banks around the world are grappling with how to regulate and integrate them into the existing financial ecosystem. Worldonomics Times delves into this critical discussion, exploring potential policy approaches, the risks and opportunities associated with cryptocurrencies, and their impact on monetary policy.

## **Beyond the Headlines: A Spectrum of Economic Issues:**

Of course, Worldonomics Times goes beyond this single topic. The publication continues to shed light on technological advancements and their profound impact on society. Articles explore the transformative potential of artificial intelligence, blockchain, and the metaverse, while also considering the ethical considerations surrounding these developments.

## **Championing Social Justice and Equality:**

Worldonomics Times remains a platform for fostering meaningful dialogue on social issues. Articles delve into critical topics like gender equality, racial justice, LGBTQ+ rights, and the ongoing struggle to address socio-economic disparities. These pieces not only highlight the challenges faced by marginalized communities but also propose solutions for building a more just and inclusive world.

## **Sustainability: Charting a Course for a Greener Future:**

The fight against climate change and the pursuit of sustainable development remain at the forefront of Worldonomics Times' focus. Articles showcase advancements in renewable energy technologies, innovative green practices, and the global push towards a low-carbon economy. The publication continues to explore the synergy between technology and sustainability, analyzing the rise of green hydrogen, sustainable infrastructure projects, and the role of circular economy principles.

## **Education: The Cornerstone of Progress:**

Recognizing the critical role of education in a knowledge-based economy, Worldonomics Times continues to advocate for lifelong learning. Articles explore innovative pedagogical approaches, the effective integration of technology in education, the growing importance of vocational training, and the democratizing power of online learning platforms. The publication emphasizes the importance of empowering individuals through continuous skill development and knowledge acquisition.



*Sandeep Kumar*

EDITOR-IN-CHIEF

**Worldonomics Times**

# ITAT

## Upholds proportionate adjustment for auto component manufacturer, but rejects custom duty and depreciation adjustment

### Background:

The Appellant, a wholly owned subsidiary of Daeseung Korea incorporated in 2007, was engaged in manufacturing of auto components. During the relevant year, the Appellant had benchmarked the primary transaction of import of materials by applying entity level Transactional Net Margin Method and using cash profit/operating revenue as the profit level indicator ('PLI'). Using this approach, the Appellant had demonstrated the arm's length nature of its international transactions.

### Proceedings before the AO/TPO

The Transfer Pricing Officer ('TPO') during the TP assessment proceedings, adopted operating profit/operating revenue as the appropriate PLI and proposed an adjustment to the total income of the Appellant. The Appellant filed a rectification application u/s 154 of the Income-tax Act, 1961 ('the Act') contending that the adjustments should be limited to the international transactions only and the TPO revised his order accordingly.



Further, during the course of corporate tax assessment proceedings, the Assessing Officer ('AO') rejected the deduction claimed by the Appellant on account of loss on foreign exchange fluctuations. Claiming the expense to be capital in nature, the AO alleged that provisions of Section 43A of the Act would be applicable and rejected the claims of the Appellant.

Basis an unfavorable draft order from the AO, the Appellant preferred to file an appeal before the Dispute Resolution Panel ('DRP').

### Proceedings before the DRP

The DRP upheld the approach followed by the AO/TPO of application of operating profit/operating revenue as the PLI. The DRP also rejected the Appellant's request for depreciation adjustment, custom duty adjustment and working capital adjustment citing insufficient information and documentation from the Appellant. The DRP further, directed the TPO to include one comparable as sought by the Appellant and also rejected the Appellant's request of a proportionate adjustment. The DRP affirmed the action of the AO to disallow the foreign exchange loss.

Aggrieved with the DRP's directions, the Appellant filed an appeal before the Tribunal.

### Proceedings before the Tribunal

The Tribunal placed reliance on the judgement in the case of **Doosan Power Systems India Private Limited** [IT(TP)No.83/Chny/2018] and directed the TPO to compute the adjustment only with regard to the international transactions.

The Tribunal also allowed the request for the Appellant for a working capital adjustment on the grounds that sufficient data was available for carrying out such an adjustment. The Tribunal however, sided with the lower authorities for allowance of a depreciation and custom duty adjustment on account of initial years of operations and the Appellant's inability to demonstrate the need for higher imports on account of extraordinary circumstances respectively.

The Tribunal also rejected the Appellant's request for inclusion of a comparable company on the grounds that the company had highly volatile margins and had been incurring losses and the Appellant had not contested on application of persistent losses filter before the lower authorities.

Lastly, the Tribunal concluded by allowing the deduction on loss on foreign exchange fluctuations on the ECB loan availed by the Appellant. The Tribunal noted that the provisions of Section 43A of the Act would not apply since the Appellant had not purchased any machinery from the amount of loan and gains on such loans in the previous assessment years had been duly offered to tax by the Appellant. Accordingly, the Tribunal following the principle of consistency, directed the AO to allow such expenses in the return of income.

**Conclusion:**

The case underscores the intricate and often contentious nature of transfer pricing adjustments, emphasizing the critical need for thorough documentation and substantiation in tax assessments. The judgment sheds light on litigative issues including depreciation adjustments, customs duty adjustments, and working capital adjustments, highlighting the necessity of maintaining adequate documentation to support these adjustments.



**CMA DHIRAJ GUPTA**

Senior Manager  
Transfer Pricing



**MS. NANDINI BHATIA**

Manager  
Transfer Pricing