INTRODUCTION TO TRANSFER PRICE, TRANSFER PRICING AND TP LEGISLATION

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Comparables having high ratio of RPTs cannot be taken as comparable under TNMM

TPO cannot compare profit rate on total costs of assessee with profit rate on operating costs alone of comparable

Margin of divisions not having international transactions with AEs should not be considered

Impermissible to make TP adjustment by applying average OP margin on assessee's transactions with AEs & non-AEs

Before making comparison of margins of assessee and comparables, net margin realised to be adjusted for differences such as depreciation rate

If assessee's PLT within range of comparables, any benefit to AEs is irrelevant

'Projected operating margin' not to be considered for applying TNMM

"Net Profit Margin" is "Net Operating Profit Margin from international transactions/SDTs"

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