

## **LIBOR to be adopted while computing ALP**

**Summary – The Mumbai ITAT in a recent case of Indian Hotels Company Ltd., (the Assessee) held that LIBOR rate should be adopted while computing ALP**

### **Facts**

- The assessee gave a loan to its Associated Enterprise (AE) and applied LIBOR rate while applying CUP to benchmark said transaction.
- However, the TPO made an addition by using controlled transactions to determine Arm's Length Price (ALP) rate.
- The DRP upheld the action of the TPO.
- On the assessee's appeal before the Tribunal:

### **Held**

- The ITAT noted that in assessee's own case for earlier assessment year the issue relating to arm's length rate of interest charged by the assessee company to its AE the CUP method was held as the most appropriate method to determine the arm's length rate of interest of the international transaction involving lending of money by the assessee company in foreign currency to its AE and LIBOR being inter-bank rate fixed for the international transaction has to be adopted as arm's length rate.
- Accordingly, since the facts are similar, the grounds of appeal are allowed in favour of the assessee.