



**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

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**ITA-271-2009 (O&M)
Date of Decision: 05.02.2026**

COMMISSIONER OF INCOME TAX

...Appellant

Vs.

M/S GLAXO SMITHKLINE CONSUMER HELATHCARE LTD.

...Respondent

**CORAM:- HON'BLE MR. JUSTICE JAGMOHAN BANSAL
HON'BLE MR. JUSTICE AMARINDER SINGH GREWAL**

Present:- Ms. Urvashi Dhugga, Sr. Standing Counsel with
Mr. Vaibhav Gupta, Jr. Standing Counsel and
Ms. Kavita, Advocate
for Income Tax

Mr. Rohit Jain, Advocate (*through V.C.*) and
Mr. Abhishek Sharma, Advocate
for the assessee

JAGMOHAN BANSAL, J. (ORAL)

1. The appellant through instant appeal under Section 260A of the Income Tax Act, 1961 (for short '1961 Act') is seeking setting aside of order dated 21.03.2007 passed by Income Tax Appellate Tribunal, Chandigarh (for short 'ITAT').

2. The appellant has raised following questions for adjudication by this Court:-

i. Whether on facts and in the circumstances of the case, the ITAT is right in law in treating the expenditure incurred on product development as revenue expenditure, when the purpose of the expenditure & its intended reality is to obtain benefit of enduring nature?

ii. Whether on the facts and in the circumstances of the case, the

ITAT was right in holding that Excise Duty will not form part of "total turnover" while computing deduction u/s 80HHC?

- iii. Whether on the facts and in the circumstances of the case the ITAT was right in law in allowing the deduction u/s 80-I of the 1961 Act, in as much as the machinery had been installed in the same existing factory premises, which is an expansion of the existing factory?
- iv. Whether on the facts and in the circumstances of the case, the ITAT is correct in law in holding that interest on capital borrowed for acquisition of new machinery and overhead expenses incurred during trial run period in expansion of its existing business are expenses of revenue nature?
- v. Whether on the facts and in the circumstances of the case, the ITAT is correct in law in holding that expenditure incurred on implementation of the new ERP package, an input to take business decisions and which results into carrying on business more efficiently and smoothly, cannot be said to be an advantage accruing in the capital field?
- vi. Whether on the facts and in the circumstances of the case, the ITAT was right in law in upholding the order of the CIT (A) in deleting the addition made on account of change in the method of valuation of closing stock in respect of excise duty?

3. Learned counsel for the parties are *ad idem* that questions No.1, 2, 4 and 6 stand answered by this Court vide order dated 04.02.2026 passed in *ITA-267-2009*, order dated 27.01.2026 passed in *ITA-645-2008*, order dated 19.01.2026 passed in *ITA-269-2009* and order dated 27.11.2025 passed

in ITR No.62 to 65 of 1995, respectively. Ordered accordingly.

4. **Question No.3:-** Whether on the facts and in the circumstances of the case the ITAT was right in law in allowing the deduction u/s 80-I of the 1961 Act, in as much as the machinery had been installed in the same existing factory premises, which is an expansion of the existing factory?

4.1 Learned counsel for appellant submits that respondent-assessee did not carry out expansion during Assessment Year 2000-01, thus, it was not entitled to deduction from profit as provided under Section 80-I of 1961 Act. From the perusal of impugned orders, it is evident that the respondent had not carried out expansion during aforesaid Assessment Year, thus, was not entitled to deduction.

4.2 From the perusal of order of Assessing Officer, it is evident that deduction under Section 80-I was denied on the ground that it was denied in previous years and matter was pending before ITAT. Deduction under Section 80-I is not granted on the basis of expansion carried out in each year. Deduction is granted for 10 years. It was irrelevant whether assessee carried out expansion during Assessment Year in question or not. The Assessing Officer has denied deduction on the sole ground that it was denied in previous years and the matter is pending before ITAT. The matter was settled in favour of assessee. Learned counsel for the appellant is trying to make out a new case before us. The sole ground to deny deduction was pendency of matter before ITAT. There is no dispute with respect to grant of deduction in the previous years on the basis of expansion carried out by assessee as per Section 80-I. ITAT has rightly granted benefit of deduction under Section 80-I. Contention of appellant is not sustainable. Accordingly, aforesaid question is answered in favour of assessee.

5. **Question No.5:-** Whether on the facts and in the circumstances of the case, the ITAT is correct in law in holding that expenditure incurred on implementation of the new ERP package, an input to take business decisions

and which results into carrying on business more efficiently and smoothly, cannot be said to be an advantage accruing in the capital field?

5.1 Learned counsel for the appellant submits that assessee purchased a customized ERP software which was utilized in all the stores of the assessee. The assessee with the help of software was able to ascertain position of stock and its movement. As per Revenue it was one time expenditure, thus, should be treated as capital expense.

5.2 On being asked, learned counsel for the appellant submits that assessee was entitled to depreciation @60% had aforesaid expenditure been treated as capital.

5.3 Learned counsel for the respondent submits that issue involved is no more *res integra*. It stands answered by this Court in ***CIT Vs. Varinder Agro Chemicals Ltd., 2009 (309) ITR 272 (P&H)*** and ***CIT Vs. O.K. Play India Ltd., 2012 (346) ITR 57 (P&H)***, and by Bombay High Court in ***CIT Vs. Raychem RPG Ltd., [2012] 346 ITR 138 (Bom)*** and ***Monitron Security (P.) Ltd., Vs. CIT [2018] 257 Taxman 351 (Bom)***.

5.4 In the wake of afore-cited judgments of this Court as well as Bombay High Court, which are directly applicable to issue involved, the question raised by Revenue is answered in favour of the assessee.

6. Pending application(s), if any, stands disposed of.

(JAGMOHAN BANSAL)
JUDGE

(AMARINDER SINGH GREWAL)
JUDGE

February 05, 2026
Deepak DPA

Whether Speaking/reasoned	Yes/No
Whether Reportable	Yes/No