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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\+ ITA 1427/2006

C.I.T .....Appellant

Through: Mr. Sunil Agrawal, Sr SC with Ms Priya Sarkar, Mr Viplav Acharya, Jr SCs, Mr. Utkarsh Tiwari and Anugrah Dwivedi, Advs.

versus

M/S ESCORTS LTD .....Respondent

Through: Mr. Simran Mehta and Mr. ARchit Vashistha, Advs.

CORAM:
HON'BLE MR. JUSTICE DINESH MEHTA
HON'BLE MR. JUSTICE VINOD KUMAR

<u>O R D E R</u>

% **27.04.2026**

1. The appeal was admitted on the following substantial questions of law:-

> *"(i) Whether the Income Tax Appellate Tribunal was correct in law in holding and confirming the deletion of addition of Rs.1,71,30,343/- made by the Commissioner of Income Tax (Appeals) under Section 2(24)(iv) of the Income Tax Act, 1961?*
>
> *(ii) Whether the Income Tax Appellate Tribunal was correct in law in holding and confirming the deletion of addition of Rs.10,37,275/- made by the Commissioner of Income Tax (Appeals) on account of disallowance of expenditure for*

expansion and diversification of the business of the Assessee by treating the expenses as capital expenses and reversing the view of the Assessing Officer?

(iii) Whether the Income Tax Appellate Tribunal was correct in law in holding and confirming the deletion of Rs4.56 crores made by the Commissioner of Income Tax (Appeals) on account of interest free loan advanced to M/s Escotrac & Investment Ltd. by the Assessee?

(iv) Whether the Income Tax Appellate Tribunal was correct in law in holding and confirming the deletion of addition of Rs.2,01,88,412/- by the Commissioner of Income Tax (Appeals), which was disallowed by the Assessing Officer under Section 14A of the Income Tax Act, 1961?

(v) Whether the Income Tax Appellate Tribunal was correct in law in holding and confirming the deletion of addition of Rs41,48,896/- by the Commissioner of Income Tax (Appeals) on account of disallowance of expenditure for development of existing products by treating the expenditure as capital expenditure?"

2. So far as question no.(i) in relation to deletion of addition of Rs.l,71,30,343/- made under Section 2(24)(iv) of the Income Tax Act, 1961 (*hereinafter referred to as 'the Act of 1961'*) is concerned, learned counsel for the appellant informs that this particular amount has been taxed in subsequent year 2006-07 and the assesse has paid requisite tax.

3. In view of the subsequent development, the appeal *qua* this question no.(i) is rejected.

4. Advancing arguments *qua* question no. (ii) to (v), Mr. Sunil Agrawal, learned Senior Standing Counsel for the appellant relied upon the Tribunal's order dated 27.11.2018 and findings recorded therein to argue that the Tribunal has not properly appreciated the facts.

5. Learned counsel for the respondent, on the other hand, argued that question no. (ii) to (v) essentially emanate out of evidence and is based upon pure findings of facts which have been concurrently recorded by two Appellate Authorities (i.e. CIT and the Tribunal) and no question of law arises.

6. Having heard learned counsel for the parties and considering that the Tribunal has confirmed the deletion of the addition of Rs.10,37,275/- in relation to disallowance of expenditure for expansion and diversification; Rs. 4.56 being interest fee/loan advanced to Escorts Ltd. and Investment Ltd. and disallowance made by the AO under Section 14A of the Act of 1961.

7. We do not find any perversity in the findings recorded by the Commissioner of Income Tax (Appeals) and which have been affirmed by the Tribunal. According to us, no substantial question of law arises for our consideration. The appeal qua question no. (ii) to (v) is also therefore rejected.

8. The appeal is therefore rejected.

DINESH MEHTA, J

VINOD KUMAR, J

APRIL 27, 2026/*dd*