Commissioner of Income Tax v. M/s Escorts Ltd.

ITA 1427/2006

ITA 1427/2006 (Delhi High Court, 2026-04-27) | 2026-04-27

Revenue appeal rejected: one question ended after reported taxation in 2006-07; four others disclosed no perversity or substantial question.

Income-tax Act,1961: sections 2(24)(iv), 14A

High Court of Delhi | 2-judge bench (Division Bench) | Dinesh Mehta, J. | Vinod Kumar, J.

Assessment years: 2006-07 (subsequent year referenced; year under appeal not stated)

01 FACTS OF THE CASE

ITA 1427/2006 had been admitted on five questions involving Rs.1,71,30,343 under section 2(24)(iv); Rs.10,37,275 expansion/diversification expenditure; Rs.4.56 crore relating to an interest-free loan to Escotrac & Investment Ltd.; Rs.2,01,88,412 under section 14A; and Rs.41,48,896 expenditure on development of existing products.

Source: PDF pp.1–2, para 1

02 DISCUSSION BY THE HON'BLE COURT

Revenue's counsel informed the Court that the amount in question(i) had been taxed in subsequent year 2006-07 and the assessee had paid the tax. The Court rejected that question in view of this development. On questions(ii)–(v), Revenue challenged the appreciation of facts; the assessee relied on concurrent factual findings. The Court found no perversity in the CIT(A) findings affirmed by the Tribunal.

Source: PDF pp.2–3, paras 2–7

03 JUDICIAL DECISION

Question(i) was rejected because of the recorded subsequent taxation; questions(ii)–(v) were rejected because no substantial question of law arose. The appeal was rejected.

Source: PDF pp.2–3, paras 3,7–8

04 OUTCOME / IN WHOSE FAVOUR

Revenue's appeal rejected in favour of Escorts Ltd.; the Court gave separate reasons for question(i) and questions(ii)–(v).

Source: PDF p.3, paras 7–8

05 EXPERT COMMENTS

AKHB Expert Comments — editorial analysis, distinct from the Court's findings.

The two routes to rejection should remain separate: For question(i), the operative development was Revenue counsel's statement that the same amount had been taxed in 2006-07 and paid. For the remaining questions, the Court examined the challenge to concurrent factual findings and found no perversity. Treating the whole appeal as a fresh deduction ruling would miss that distinction. (PDF pp.2–3, paras 2–7)

The subsequent-year statement has a limited reach: The result on Rs.1,71,30,343 depends on the recorded taxation and payment. The order does not formulate a general estoppel rule against Revenue or set out the original assessment year and Tribunal directions said to explain the later taxation. For use in another dispute, the identity of the amount and actual subsequent assessment and payment would need to be established. (PDF p.2, paras 2–3)

A factual appellate boundary is not a universal allowance: The four remaining issues concern different expenditures and additions. Their survival follows the absence of perversity or a substantial question in this appeal, not a universal rule allowing every expansion cost, interest-free advance or product-development expense. The order supplies no detailed business evidence or section 14A computation; the concurrent findings and actual challenge must be examined before extending its result. (PDF p.3, paras 4–7)

Source: PDF pp.2–3, paras2–7

SOURCE & VERIFICATION

Original judgment PDF (DLHC010612092006_1_2026-04-27.pdf)

Complete 3-page original read and every page visually reviewed; source bytes verified. Commentary is editorial analysis of this order, not current-law clearance.

Full original and all five note panels re-reviewed on 21 October 2026; unsupported supplied assertions removed.

Open cited source rendition

Complete original source and all five note panels checked; original docket identities preserved.

STATUTORY SCOPE

Only provisions expressly stated in this order are indexed. Subsequent treatment and current law have not been independently verified.

LATER TREATMENT

Source checked 2026-10-21. Subsequent proceedings and current judicial treatment have not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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