Commissioner of Income-tax (Central), Ludhiana v. Avery Cycle Industries Ltd.

ITA 74/2005

ITA 74/2005 | 2006-09-12

Mixed outcome on dealer gifts and interest-free advances

High Court of Punjab and Haryana | Division Bench | Adarsh Kumar Goel | Rajesh Bindal

Assessment years: 1994-95

01 FACTS OF THE CASE

Revenue's ITA74/2005 challenged the Tribunal's 21 September 2004 order for AY1994–95. The two questions concerned Rs.2,69,795 spent on silver articles distributed to domestic and foreign dealers and deletion of Rs.2,43,000 interest disallowance relating to interest-free advances.

Source: Opening and questions, PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

Following the related ITA73/2005 decision, the Court held that the silver-article expenditure could not be treated as non-business, considering the nature of the business, turnover and profits. On the interest question it followed the reasons in that companion case, which are not reproduced here.

Source: Reasons, PDF pp.1–2

03 JUDICIAL DECISION

Question(i) was answered against Revenue and for the assessee. Question(ii) was answered against the assessee and for Revenue. The appeal was disposed of in those terms.

Source: Operative conclusions, PDF p.2

04 OUTCOME / IN WHOSE FAVOUR

Mixed final result: the assessee succeeded on dealer gifts, while Revenue succeeded on the interest-disallowance issue. The judgment did not allow or dismiss the whole appeal for one party.

Source: PDF p.2

05 EXPERT COMMENTS

Dealer gifts were assessed in their business setting — The Court relied on the business's nature, turnover and profits in accepting the silver articles distributed to domestic and foreign dealers. The result supports a fact-linked business-purpose analysis; it does not establish that every gift or every level of promotional spending is deductible. The stated amount belongs to AY1994–95.

The interest issue has the opposite result — The Tribunal's no-direct-nexus premise appears in the question, but the Court answered that question for Revenue by incorporating ITA73/2005. A note must not repeat that premise as the High Court's rule or invent the companion reasoning. Obtain that decision before describing the governing borrowing/advance test.

Source: Editorial analysis; source references in the structured comments

SOURCE & VERIFICATION

20060912_PHHC010720362005.pdf

Complete source PDF reviewed: 2 physical pages.

All 2 original pages read and visually inspected; source hash verified. AI-assisted substantive correction.

Open cited source rendition

Source bytes and identity checked; see panel-specific references and disclosed source anomalies.

STATUTORY SCOPE

Sections and disposition are recorded only to the extent stated in this source order.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment not 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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