$~3

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

% ***Date of Decision: 15.09.2023***

\+ **ITA 334/2023**

PR. COMMISSIONER OF INCOME TAX -CENTRAL-1
..... Appellant

Through: Mr Ruchir Bhatia, Sr. Standing Counsel with Mr Pratyaksh Gupta, Jr. Standing Counsel and Ms Deeksha Gupta, Adv.

versus

VE COMMERCIAL VEHICLES LTD ..... Respondent

Through: Ms Kavita Jha with Mr Himanshu Aggarwal, Advs.

CORAM:
HON'BLE MR. JUSTICE RAJIV SHAKDHER
HON'BLE MR. JUSTICE GIRISH KATHPALIA
[Physical Hearing/Hybrid Hearing (as per request)]

RAJIV SHAKDHER, J. (ORAL):

1. This appeal concerns Assessment Year (AY) 2011-12.

2. *Via* the instant appeal, the appellant/revenue seeks to assail the order dated 30.04.2020 passed by the Income Tax Appellate Tribunal [in short, "Tribunal"].

3. Mr Ruchir Bhatia, learned senior standing counsel, who appears on behalf of appellant/revenue, says that two issues arise for the consideration of this Court.

3.1 First, deduction claimed by the respondent/assessee *vis-à-vis* bad debts.

3.2 Second, deduction claimed by the respondent/assessee towards training expenses.

4. Insofar as the first issue is concerned, Mr Bhatia points out that the only reason that the bad debts were disallowed by the Assessing Officer (AO) was on account of the fact that although the debts were bad, they had been acquired by the respondent/assessee from its predecessor-in-interest i.e., Eicher Motor Limited (EML) which was not permissible as per the provisions of Section 36(1) (vii) read with Section 36(2) of the Income Tax Act, 1961 [in short, "Act"].

4.1 This very issue has been decided by us today in an appeal concerning the respondent/assessee in ITA No. 329/2023. The relevant observations made therein read as follows:

> *"...3. The sole ground on which the impugned order is sought to be assailed before us is that the deduction qua bad debts acquired by the respondent/assessee from its predecessor-in-interest, i.e., Eicher Motors Ltd. [EML], on acquisition of its commercial vehicle division in a scheme of demerger, was not permissible as per the provisions of Sections 36(1)(vii) read with Section 36(2) of the Income Tax Act, 1961 [in short, "Act"].*
> *4. Mr Ruchir Bhatia, learned senior standing counsel, who appears on behalf of the appellant/revenue, does not dispute the fact that the subject debts have become bad.*
> *4.1 It is also not disputed that the predecessor-in-interest i.e., EML had offered for imposition of tax the subject debts at a relevant point in time.*
> *5. Therefore, the only issue which arose for consideration before the statutory authorities was as to whether the successor-in-interest i.e., the respondent/assessee, could have written off the debts which were already turned bad.*
> *6. The Commissioner of Income Tax [in short, "CIT(A)"] via his order dated 20.11.2015 has ruled in favour of the respondent/assessee.*
> *6.1 This view has been sustained by the Tribunal.*
> *7. According to us, this issue is no longer res integra, given the factual matrix arising in the instant matter and in view of the judgment rendered by the Supreme Court in Commissioner of*

Income Tax v. T. Veerabhadra Rao, (1985) 155 ITR 152 (SC).
7.1 This view has also found resonance with a judgment rendered by the coordinate bench of this court in CIT v. Times Business Solution Ltd., 2013:DHC:1783-DB.
8. Having regard to the factual position and the legal principles enunciated in the judgments referred to hereinabove, we are of the opinion that no interference is called for with the impugned order.
8.1 The disallowance concerning bad debts amounting to Rs.5,96,20,438/- was correctly deleted.
9 In sum, no substantial question of law arises for our consideration.
10. The appeal is, accordingly, closed…"

4.2 Thus, according to us, no substantial question of law arises, insofar as the first issue is concerned.

5. As regards the second issue, the record shows that the AO had treated the training expenses as a third kind of expense, i.e., deferred revenue expenditure.

5.1 This view was taken based on the conclusion that the training expenses incurred by the respondent/assessee were expenses which resulted in skill development of the technicians.

5.2 Consequently, the AO allowed as deduction only a part of the expense amounting to Rs. 1,15,22,490/- in the AY in issue, i.e., 2011-12. The remaining amount, i.e., Rs. 2,30,44,980/- was disallowed in the said AY.

5.3 However, with regard to the remaining amount, a further direction was issued, which was, that deduction qua the same would be allowed in the subsequent AYs.

6. The Commissioner of Income Tax (Appeals) [in short, "CIT(A)"], in an appeal preferred by the respondent/assessee, reversed this view, broadly on the ground that the Act did not recognize the concept of deferred revenue expenditure.

6.1 This view was sustained by the Tribunal.

7. The Tribunal holds that under Section 37 of the Act, the entire expenditure would have to be allowed.

7.1 According to us, the view taken by the Tribunal is correct.

8. We may point out that a coordinate bench of this Court in ***CIT(A) vs. Samsung India Electronic Limited*** (2013) 38 taxmann.com 151 (Delhi) has taken the same view.

9. Therefore, even as regards the second issue, no substantial question of law arises for our consideration.

10. Thus, for the foregoing reasons, the impugned order requires no interference.

11. Accordingly, the appeal is closed.

12. Parties will act based on the digitally signed copy of the order.

RAJIV SHAKDHER, J.

GIRISH KATHPALIA, J.

SEPTEMBER 15, 2023/RY

Click here to check corrigendum, if any