

(2012) 01 DEL CK 0251
In the Delhi High Court
Case No : ITA 1873 of 2010

Commissioner of Income Tax-VI

APPELLANT

Vs

Visual Technologies India Pvt Ltd

RESPONDENT

Date of Decision : 03-01-2012

Acts Referred:

Citation : (2012) 252 CTR 63 : (2012) 340 ITR 565 : (2012) 20 TAXMAN 8

Hon'ble Judges : Sanjiv Khanna, J;R.V. Easwar, J

Bench : Division Bench

Advocate : Sanjeev Rajpal, for the Appellant; Salil Kapoor, Sanat Kapoor, Ankit Gupta and Mr. Vikas Jain, for the Respondent

Judgement

Sanjiv Khanna, J.—The present appeal is filed by the Revenue u/s 260A of the Income Tax Act, 1961 (the Act) impugns the order dated 17th March, 2010 passed by the Income Tax Appellate Tribunal, Delhi (the Tribunal) in the ITA No.3214(Del)2009 for the assessment year 2006-2007. The question relates to deduction of Rs.83,60,017/- claimed by the assessee u/s 80IC of the Act.

2. The Tribunal in the impugned order dated 17th March, 2010 has upheld the findings of CIT(A) that the new industrial undertaking set up by the assessee in the assessment year 2005-06 at Dehradun qualifies for deduction u/s 80IC of the Act and the said undertaking was not established by re-constructing the business/ manufacturing activities of M/s Broadcasting Equipment (India) Pvt. Limited.

3. The Assessing Officer had held that the industrial undertaking set up by the assessee at Dehradun did not qualify for deduction u/s 80IC as the said premises was taken on rent at Dehradun; the rent agreement, in writing, was for a short period which had lapsed; the date of installation of electricity connection was 26th October, 2004, whereas, as per the audit report under Rule 18BBB in form No. 10CCV, the date of commencement of operation was mentioned as 01.09.2004. Certain other aspects with regard to minimal expenses incurred by

the unit at Dehradun were noticed.

4. The CIT(A), however, deleted the said disallowance after referring to the documents filed before the Assessing Officer by the respondent/assessee to prove the existence of Dehradun unit/undertaking. The said documents are mentioned in paragraph 6.4 of the order of the CIT(A) dated 1st May, 2009, and the same is reproduced below:-

TDS Certificate on rent.

Details of rent

Confirmation of factory/ rent agreement directly sought by the AO from landlord and site plan.

Photograph of the factory premises furnished to AO.

Direct enquiry by the AO from DDI (Iniv.) Dehradun and reply of the assessee.

Sales registration certificate dtd. 31.08.2004 w.e.f. 19.08.2004, issues after physical inspection of the factory.

Registration certificate with Director of Industries dtd. 26.08.2004.

Pollution clearance certificate dtd. 27.08.2004.

Electricity connection evidence issued after physical inspection.

Registration Certificate from excise Deptt.

Mentioning the commodity being manufactured issued after physical inspector.

Machinery A/c and Machinery purchase bills.

Sales Tax Asstt. Orders

Documents showing purchase of raw material of Dehradun.

5. With regard to the issue of reconstruction and purchase from M/s Broadcasting Equipment (India) Pvt. Limited, the CIT(A) has held that M/s Broadcasting Equipment (India) Pvt. Limited was never engaged in any manufacturing activity thus, no unit/undertaking was sold. The CIT(A) has recorded that M/s Broadcasting Equipment (India) Pvt. Limited were in the business of trading in audio and video equipments and other electronic goods etc. Accordingly, plant and machinery was sold by M/s Broadcasting Equipment (India) Pvt. Limited to the respondent-assessee and were installed at the Dehradun unit/undertaking. M/s Broadcasting Equipment (India) Pvt. Limited was never engaged in the manufacturing activity and therefore as a trader had only sold the plant and machinery to the assessee company. The respondent-assessee had claimed benefit u/s 80-IC in the assessment year 2005-2006, which was the first year after the unit/undertaking situated at Dehradun was set up and had started operations. The Assessing Officer in the assessment year 2005-06 had accepted

the submission of assessee that it was eligible for deduction u/s 80IC. The CIT, however, had issued a notice u/s 263 of the Act. The assessee submitted/furnished its reply vide letter dated 16th March, 2009. Once the documents were produced before the CIT, the revisionary proceedings were dropped.

6. In view of the factual findings recorded by the CIT (A), which have affirmed by the Tribunal, we do not find any infirmity or reason to interfere with the same. The appellant has not placed any material or documents on record to show that the factual findings recorded by the CIT (A) and the Tribunal are incorrect and which are required to be interfered with.

7. The next question pertains to quantum of deduction u/s 80IC. Learned counsel for the respondent-assessee has submitted that no such question has been raised by the Revenue in their appeal. u/s 260A, the said aspect can be raised and answered as a substantial question of law, if the same arises from the order passed by the Tribunal. (see Section 260A(6) of the Act). The said question/aspect does arise for consideration, in view of the findings recorded by the Assessing Officer and the question/issue examined by the Tribunal as is reflected from paragraph 1 of the order of the Tribunal. Accordingly, we are inclined to frame the following substantial question of law:-

Whether the Income Tax Appellate Tribunal is right in allowing the deduction of Rs.80,63,017 u/s 80-IC of the Income Tax Act,1961?.

8. We have heard counsel for the parties on the said question and proceed to answer the same.

9. The Assessing Officer while examining deduction u/s 80-IC in paragraph 3 of the assessment order has recorded that against an overall turnover of Rs.25.14 crores, the turnover of the Dehradun undertaking as declared was Rs.1.45 crores and as against this, the corresponding profits, before various provisions, were shown as Rs.2.36 crores and Rs.83 lakhs, respectively. After reducing the miscellaneous income, the actual profit from the entire business operations was Rs.1.48 crores, out of which Rs. 83 lakhs were shown as earned by the Dehradun undertaking eligible u/s 80IC on a turnover of Rs.1.45 crores. The Assessing Officer doubted the turnover of Rs.1.45 crores and the profits of Rs. 83 lakhs as declared. He made reference to the additional information pursuant to the provisions of paras 3, 4C & 4D to Part-II of Schedule 6 and observed that no manufacturing activity was undertaken at the Dehradun undertaking. The Assessing Officer noticed and has recorded that as per profit and loss account of the Dehradun undertaking, nominal amounts were shown as power and fuel expenses (Rs.29,986/-), freight inward (Rs.30,273/-), freight outward (Rs.18,389/-) etc. He further observed that it was not clear how expenses of Rs.12,34,999/- had been allocated/appropriated to the Dehradun undertaking.

10. The CIT(A) in its order dated 1st May, 2009 did not examine the question of quantum of deduction u/s 80IC. This aspect has also not been examined and dealt with by the Tribunal.

11. The assessee may be eligible u/s 80 IC but the quantum of deduction is an incidental but an important aspect which must be considered and examined. The Tribunal did not examine the said aspect inspite of the factual matrix referred to and stated in the assessment order. The data and details in the assessment order remain uncontroverted and not adversely commented upon. The Tribunal without examination has upheld the order of the CIT(A), which entitles the assessee to claim deduction of Rs.83,60,017/- u/s 80-IC for the assessment year 2006-07. The question of quantum of deduction was not examined by the Tribunal.

12. Accordingly, the aforesaid question of law is answered in favour of the Revenue and against the assessee.

13. The matter is remitted to the Tribunal to decide afresh the quantum of deduction u/s 80IC of the Act. The appeal is disposed of. No costs.

14. Parties will appear before the Assistant Registrar of the Tribunal on 27th February, 2012, when a date of hearing will be fixed.