

**IN THE INCOME TAX APPELLATE TRIBUNAL  
[ DELHI BENCH "A" : NEW DELHI ]  
(THROUGH VIDEO CONFERENCING)**

**BEFORE SHRI G.S. PANNU, VICE PRESIDENT  
A N D  
MS. SUCHITRA KAMBLE, JUDICIAL MEMBER**

ITA. No. 4026/Del/2016

**A N D**

ITA. No. 4691/Del/2017

Assessment Years : 2013-14 & 2014-15.

Asstt. Commissioner of Income Tax, M/s. Atlas Cycles Haryana Ltd.,  
Circle, Vs. Atlas Road,  
Sonapat. Sonapat.

**PAN : AABCA8412C**

(Appellant)

(Respondent)

Department by : Shri R. K. Gupta, Sr. D. R.;

Assessee by : Shri Salil Agarwal, Adv.; &  
Shri Shailesh Gupta, Adv.;

Date of hearing : 07/10/2020.

Date of order : 04/11/2020.

**ORDER**

**PER SUCHITRA KAMBLE, JM :**

These two appeals are filed by the Revenue against the order dated 11.05.2016 and 09.05.2017 passed by the Commissioner of Income Tax (Appeals), Rohtak for assessment years 2013-14 and 2014-15 respectively.

2. The Revenue has raised the following grounds of appeal for assessment year 2013-14 :-

1. CIT(A) has erred in deleting the addition of Rs. 1,60,88,065/- made on the ground of interest attributable to advance made to Sh. Arun Kapoor. The AO has disallowed the interest of Rs. 1,60,88,065/- as interest attributable at 12% on Rs. 13,40,67,214/- which was advanced to Sh. Arun Kumar out of interest bearing funds, of the company.

2. CIT(A) has erred in deleting the addition of Rs. 54,000/- under the sub-head marriage gift, addition of Rs. 4,99,837/- under the head subscription expenses for various clubs, addition of Rs. 2,00,000/- under the consultancy expenses and addition of Rs. 2,97,597/- being expenses incurred in advertisement in Hindustan times on the anniversary of Late. Sh. Jai Dev Kapoor as these expenses are personal in nature.

3. CIT(A) has erred in deleting addition of Rs. 2,19,537/- under the head glow shine board expenses. Since the normal life of 3 years and expenses incurred are debited during the year under consideration is not allowable.

4. CIT(A) has erred in deleting addition of Rs. 83,060/- under the head entertainment wine & Beer expenses, addition of Rs. 2,34,605/- under the head prize and rewards, Rs. 2,50,000/- under the head sale promotion and Rs. 2,50,000/- under head staff welfare as all these expenses are un-vouched and for which no bills was furnished.

5. CIT(A) has erred in deleting addition of Rs. 3,00,000/- out of foreign travel expenses as the most of the foreign travels expenses are in connection of Kapoor family who are the top management and not related with the company. The CIT(A) did not establish that these expenses were for business purposes. “

3. The Revenue has raised the following grounds of appeal for assessment year 2014-15 :-

“ 1. On the facts and in the circumstances of the case the Ld. CIT (A) has erred in law and facts in deleting the addition of Rs. 1,60,88,065/- which was made by the A.O on account of interest attributable to advance made to Sh. Arun Kumar .The A.O had disallowed interest of Rs 1,60,88,065/- as interest attributable @

12% on Rs. 13,40,67,214/- which has been advance to Sh Arun Kumar out of interest bearing funds of the company.

2. On the facts and in the circumstances of the case the Ld. CIT (A) has erred in law and facts in deleting the addition of Rs. 4,00,000/- which was made by the A.O on account of consultancy expenses as the assessee was failed to establish the details of services obtained from the ex-employees and the rate of payments.

3. On the facts and in the circumstances of the case the Ld. CIT (A) has erred in law and facts in deleting the addition of Rs. 2,97,597/- which was made by the A.O on account of publishing photo in the newspaper of Sh. Jaidev Kapur on his death anniversary as this expense was purely personal/social expenses of Kapur Family.

4. On the facts and in the circumstances of the case the Ld. CIT (A) has erred in law and facts in deleting the addition of Rs. 3,00,000/- which was made by the A.O on account of sale promotion/ business promotion expenses as these expenses are either unvouched and inadmissible in nature for which no justification was submitted by assessee. “

4. The assessee company is a manufacturer of bicycles and bicycle parts including steel tubes. The return of income declaring total income at Rs.2,19,28,583/- was filed on 30.09.2013 for assessment year 2013-14 and Rs.(-)15,57,35,832/- was filed on 28.11.2014 for assessment year 2014-15.

5. Firstly, we are taking the facts for assessment year 2013-14. The total turnover as per its audited accounts was declared at Rs.67,831.90 lakhs and gross profit of Rs.779.97 lakhs yielding GP rate of 11.44. In the preceding year i.e. assessment year 2012-13 the assessee company declared turnover of Rs.87,532.07 lakhs and gross profit of Rs.10009.29 lakhs yielding GP rate of 11.43%. In the financial year 2010-11 the assessee company declared turnover at Rs.76518.94 lakhs and gross profit of Rs.876.11 lakhs yielding GP rate

of 11.43%. On comparison of gross profit results the Assessing Officer observed that GP declared by the assessee during the year is better as compared to the preceding two years and the relevant trading and manufacturing accounts figures i.e. purchases, sales, consumptions, wages, fuel expense<sup>4</sup>s etc. were found vouched. Hence, the GP declared by the assessee was accepted by the Assessing Officer. The AO completed the assessment under Section 143(3) and made total income of Rs.4,04,05,284/- as against the returned income of Rs.2,19,28,583/- by disallowing expenses of Rs.1,84,76,701/- under various heads.

6. Being aggrieved by the assessment order the assessee filed appeal before the CIT (Appeals). The CIT (Appeals) allowed the appeal of the assessee.

7. The learned Departmental Representative submitted that as regards ground No. 1 relating to deletion of addition of Rs.1,60,88,065/- made on the ground of interest attributable to advance made to Shri Arun Kapur, the CIT (Appeals) has not taken into cognizance of the assessment order wherein the Assessing Officer has rightly disallowed the interest of Rs.1,60,88,065/- as interest attributable at 12% of Rs.13,40,67,214/- which was advanced to Shri Arun Kapur out of interest-bearing funds.

8. The learned Authorized Representative submitted that the CIT (Appeals) has rightly observed and deleted the addition.

9. We have heard both the parties and perused all the relevant material available on record. The CIT (Appeals) has given a clear

finding that this sum was advanced interest-free as Mr. Arun Kapur is the son of founder of the company and besides that in the past assessment years also the same has been allowed by the Revenue. Therefore, ground No. 1 of the Revenue's appeal is dismissed.

10. As regards ground No. 2 the learned Departmental Representative submitted that the CIT (Appeals) erred in deleting the addition of Rs.54,000/- under the sub-head marriage gift, addition of Rs.4,99,837/- under the head subscription expenses for various clubs, addition of Rs.2,00,000/- under the head consultancy expenses and addition of Rs.2,97,597/- being expenses incurred in advertisement in Hindustan Times on the anniversary of Late Shri Jai Dev Kapur as these expenses are personal in nature.

11. The learned Authorized Representative relied upon the order of the CIT (Appeals).

12. We have heard both the parties and perused all the relevant material available on record. These expenses have been claimed in the past and there is no fresh finding given by the Revenue during the assessment proceedings as well as the appellate proceedings as to why these expenses should not be allowed. The assessee has produced the evidences before the Revenue authorities and established the claim for these expenses. Hence, ground No. 2 of Revenue's appeal is dismissed.

13. As regards ground No. 3, the learned Departmental Representative submitted that the CIT (Appeals) erred in deleting the addition of Rs.2,19,537/- under the head glow shine board expenses.

Since the normal life of three years and expenses incurred are debited during the year under consideration are not allowable.

14. The learned Authorized Representative relied upon the order of the CIT (Appeals).

15. We have heard both the parties and perused all the relevant material available on record. Regarding capitalization of glow shine boards expenses, the assessee has given all the details before the Assessing Officer. There was a clear finding by the CIT (Appeals) that the glow shine boards were not owned by the assessee as the company had charged some amount from dealers against supply of these glow shine boards. Besides this, in the earlier assessments also these expenses were allowed by the Revenue. Hence ground No. 3 of the Revenue's appeal is dismissed.

16. As regards ground No. 4 relating to deletion of addition of Rs.83,060/- under the head entertainment & Beer expenses, addition of Rs.2,34,605/- under the head prize and rewards, Rs.2,50,000/- under the head sale promotion and Rs.2,50,000/- under the head staff welfare. All these expenses are un-vouched and for which no bills were furnished.

17. The learned Authorized Representative relied upon the order of the CIT (Appeals).

18. We have heard both the parties and perused all the relevant material available on record. The assessee company has given the details of these business expediency related to these expenses and demonstrated before the Assessing Officer as well as CIT (Appeals)

about the genuinity of these expenses. In the past also these expenses were allowed by the Revenue. Hence, ground No. 4 of the Revenue's appeal is dismissed.

19. As regards ground No. 5, the CIT (Appeals) deleted the addition of Rs.3,00,000/- out of foreign travel expenses, the learned Departmental Representative submitted that as most of the foreign expenses are in connection of Kapur family, who are the top management and not related to the company, therefore, the CIT (Appeals) did not establish that these expenses were for business purposes.

20. The learned Authorized Representative relied upon the order of the CIT (Appeals).

21. We have heard both the parties and perused all the relevant material available on record. These expenses were demonstrated before the Assessing Officer as well as CIT (Appeals) by the assessee in detail by submitting supporting evidences. And after going through the said evidences, the CIT (Appeals) has given a categorical finding that these foreign trips were for the business purpose only. Hence ground No. 5 of the Revenue's appeal is dismissed.

22. Now we will take up the Assessment Year 2014-15 wherein ground No. 1 is identical to that of ground No. 1 of the assessment year 2013-14, hence the same is dismissed.

23. As regards ground No. 2 the same was also identical to ground No. 2 of the assessment year 2013-14 and hence dismissed.

24. As regards ground No. 3 the same is also identical to ground No. 2 of the assessment year 2013-14 and hence dismissed.

25. As regards ground No. 4 the same is identical to the assessment year 2013-14 of which ground No. 4 is already dismissed, hence ground No. 4 is dismissed in this year as well.

26. In the result, both the appeals are dismissed.

Order pronounced in the open court on : **04/11/2020**

**Sd/-**  
**( G. S. PANNU )**  
**VICE – PRESIDENT**

**Sd/-**  
**( SUCHITRA KAMBLE )**  
**JUDICIAL MEMBER**

DATED : 04/11/2020.

\*MEHTA\*

Copy forwarded to:-

1. Appellant
2. Respondent
3. CIT
4. CIT (Appeals)
5. DR: ITAT

ASSISTANT REGISTRAR  
ITAT NEW DELHI

Date of dictation	19/10/2020
Date on which the typed draft is placed before the dictating Member	19/10/2020
Date on which the typed draft is placed before the Other Member	04.11.2020.
Date on which the approved draft comes to the C. DC/DC	04.11.2020.
Date on which the fair order is placed before the Dictating Member for pronouncement	04.11.2020.
Date on which the fair order comes back to the C. DC/DC	04.11.2020.
Date on which the final order is uploaded on the website of ITAT	04.11.2020.
Date on which the file goes to the Bench Clerk	04.11.2020.
Date on which the file goes to the Head Clerk	
The date on which the file goes to the Assistant Registrar for signature on the order	
Date of dispatch of the Order	