

**IN THE INCOME TAX APPELLATE TRIBUNAL
DELHI BENCH 'C': NEW DELHI**

**BEFORE SHRIS.RIFAUR RAHMAN, ACCOUNTANT MEMBER
and
SHRI VIMAL KUMAR, JUDICIAL MEMBER**

**ITA No.2216/DEL/2018
(Assessment Year: 2014-15)**

T & T Motors Limited,
GA – 2, B – 1 Extension,
Mohan Cooperative Industrial Estate,
Mathura Road,
New Delhi – 110 044.

vs.

Pr. CIT – 09,
New Delhi.

(PAN : AA ACT5980F)

**ITA No.2049/DEL/2021
(Assessment Year: 2014-15)**

ACIT, Circle 25 (1),
New Delhi.

vs.

T & T Motors Limited,
GA – 2, B – 1 Extension,
Mohan Cooperative Industrial Estate,
Mathura Road,
New Delhi – 110 044.

(PAN : AA ACT5980F)

**CO No.26/Del/2022
(in ITA No.2049/DEL/2021)
(Assessment Year: 2014-15)**

T & T Motors Limited,
GA – 2, B – 1 Extension,
Mohan Cooperative Industrial Estate,
Mathura Road,
New Delhi – 110 044.

vs.

ACIT, Circle 25 (1),
New Delhi.

(PAN : AA ACT5980F)

(APPELLANT)

(RESPONDENT)

ASSESSEE BY : Shri Sanjiv Kumar Chaudhary, FCA
Shri Anil Kumar Chopra, FCA
Shri Vinod Garg, Advocate
Shri Parveen Kumar, FCA
REVENUE BY : Shri Amit Kumar Jain, CIT DR

Date of Hearing : 29.05.2025
Date of Order : 20.08.2025

ORDER

PER S.RIFAUR RAHMAN, ACCOUNTANT MEMBER :

1. The Revenue has filed appeal against the order of Id. Commissioner of Income Tax (Appeals), Delhi – 36 [“ld. CIT(A)”, for short] dated 22.09.2020 for AY 2014-15 and the assessee has filed cross objections against the impugned order dated 22.09.2020 for AY 2014-14. The assessee has also filed appeal against the order of Pr. CIT, Delhi-9 dated 05.02.2018 for AY 2014-15 passed u/s 263 of the Income-tax Act, 1961 (for short ‘the Act’).
2. Since the issues are common and the appeals are connected, therefore, the same are heard together and being disposed off by this common order.
3. Brief facts relating to the appeals preferred by the Revenue and assessee and cross objections filed by the assessee are, Ld. PCIT had initiated the proceedings u/s 263 of the Act after verification of assessment records and found that the AO has failed to verify the following issues :-

- (i) The sale/revenue has increased from Rs.587 crores to Rs.778 crores but the net profit has decreased from 0.44% to 0.22%. The decline in net profit has not been enquired properly.
 - (ii) A share premium of Rs.3.45 crores from various concerns has been received, but the AO has not called for any details regarding Return of income, Bank account, share application forms, details of directors etc. so as to enquire about the identity, creditworthiness and genuineness of such concerns.
 - (iii) The addition to the fixed assets to the tune of Rs.32.94 crores has been made whereas the profit for the year is around 1.5 crores which appears anomalous. Also out of this addition, Rs.30.27 crores addition has been made in the first half. Moreover approximately Rs. 19 crores has been spent on building for Gurgaon workshop in the first four months which seem highly unlikely. However the A.O. has not made due verification about the area constructed, transportation details of the material used for construction etc.
 - (iv) The labor charges (for service) of Rs.13.94 crores have been received during the year which is less than the last year. No enquiries have been made by the A.O. on this issue.
 - (v) Rs.1.35 crores each have been paid as professional fees to the two associate concerns for the first time. No justification has been called by the AO considering the huge salary being paid to directors and other senior employees.
4. Further he observed that the AO has not verified the above aspects in his order, however, he further observed at para 6 of the impugned order that it is apparent, the reasons for decrease in profits were asked by the AO and assessee vide its reply dated 25.04.2016 submitted the relevant information like Balance Sheet and details of related party transactions. The assessee also explained the reasons for drop in the profit margin. The main reasons

for drop of the profit margin observed by the PCIT was on two issues, first time payment of professional fees to its related parties and depreciation claimed on the construction of workshop in Gurgaon. After analysing the above aspect in detail, he came to the conclusion that there is no professional charges incurred by the respective group companies and what was provided was the same personnel who are connected with the operations of the assessee company, therefore there was no need of any professional services to be extended to the assessee by these two associated concerns and no such services were extended to the assessee, accordingly, he proposed to disallow the expenses claimed u/s 37 of the Act. About the other issue of capitalisation of construction of workshop, he observed that the construction cost are way too high and he directed the AO to examine cost of construction and allow to the extent it is reasonable, accordingly with his above findings directed the AO to redo the verification as per law after obtaining the valuation report. He held the assessment order is erroneous and prejudicial to the interest of Revenue.

5. Aggrieved, the assessee is in appeal before us. Meantime, the AO passed the consequential order u/s 143(3)/263 of the Act. Against the above order, the assessee preferred an appeal before Ld CIT(A)-36, Delhi. After considering the detailed submissions filed by the assessee, Ld CIT(A) deleted the

additions, against which the Revenue is in appeal before us and the assessee filed the Cross objection against the Revenue appeal.

6. After deliberating the submissions of both the parties, we observe that the Ld PCIT has raised two issues in proceedings initiated u/s 263 of the Act, we prefer to deal with the issues under consideration as under :-
7. Professional fees paid to the Associated Enterprises, we observe that with regard to the issue under consideration, the relevant information was already collected and verified by the Assessing Officer and the same was already confirmed by Ld PCIT at para 6 of the impugned order. The assessee also submitted the relevant information as called for by the AO. The AO chose not to discuss the above issues in his order, however he has collected the information and after verification, he was convinced with the submissions and allowed the same in favour of the assessee, in our view, may be AO has taken a possible view. In revision proceedings, Ld PCIT was not satisfied with the findings and conclusions drawn by the AO, he has taken another possible view, accordingly, he directed the AO to redo the verification and assessment. In similar facts on record, the various Courts have held that this is not acceptable and desirable directions as in the several judicial precedents like Malabar Industrial Co Ltd (243 ITR 83) (SC), Max India Ltd (295 ITR 282) (SC) and DLF Ltd (250 ITR 555) (Delhi HC). Therefore, we are inclined to dismiss the views taken by the Ld. PCIT on this aspect in the

impugned order, therefore, the revision order passed u/s 263 is accordingly quashed.

8. The issue of depreciation claim on construction of workshop at Gurgaon, we observe that Ld PCIT remitted the issue to the file of AO to verify the reasonableness of the construction cost after due verification and with the direction to obtain the valuation report from the DVO, we observe that the AO completed the assessment u/s 143(3) r.w.s 263 of the Act due to non-availability of the DVO report on time. However, the DVO report was available during the first appellate proceedings and relevant valuation was found to be proper and matching to the expenses incurred by the assessee. Accordingly, the Ld CIT(A) has allowed the claim of the assessee. Therefore, the second issue raised by the Ld. PCIT also properly addressed.
9. After due consideration of the issues raised by the Ld. PCIT in the revision proceedings u/s 263, both the issues are deserved to be deleted as per our above observations and discussions. Accordingly, the appeal filed by the assessee u/s 263 is partly allowed, the appeal filed by the Revenue is dismissed and the CO filed by the assessee is also dismissed.

Order pronounced in the open court on this 20th day of August, 2025.

**Sd/-
(VIMAL KUMAR)
JUDICIAL MEMBER**

**sd/-
(S. RIFAUR RAHMAN)
ACCOUNTANT MEMBER**

**Dated: 20.08.2025
TS**

Copy forwarded to:

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

ASSISTANT REGISTRAR
ITAT, NEW DELHI