

**Professional and consultancy charges incurred during acquisition of companies cannot be treated as revenue expenses**

In *M/s. Steer Engineering Pvt. Ltd. v. The Addl. Commissioner of Income Tax [ITA No. 2070/Bang/2018 decided on July 22, 2021]*, M/s. Steer Engineering Pvt. Ltd. (“the Appellant”) acquired the business of two companies namely Concord United Products Pvt. Ltd., and M/s. Aditya Precision Deposition Moulding Pvt. Ltd. and incurred Rs.1,20,820/- as professional fees for drafting business transfer agreements and legal opinions. The Appellant claimed it as revenue expenditure.

**Assessing Officer (“AO”)** - Disallowed by holding it to be capital in nature.

**Commissioner (Appeals) (“the Respondent”)** - Upheld the order of the AO. Being aggrieved the Appellant approached the ITAT for relief.

**The ITAT, Bengaluru** - Upheld the ruling of the Respondent and AO, observed that the nature of expenditure incurred in the acquisition of two companies by the Appellant is of capital expenditure.

Further, relied on the Hon’ble Supreme Court case of *Alembic Chemical Works Co. Ltd., Vs. CIT [(1989) 177 ITR 377]* and opined that professional and consultancy charges incurred by the Appellant for acquisition of the two companies can’t be treated as revenue in nature.

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