IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 28.08.2025

CORAM

THE HON'BLE MR.MANINDRA MOHAN SHRIVASTAVA,
CHIEF JUSTICE
AND
THE HON'BLE MR.JUSTICE SUNDER MOHAN

TCA No.685 of 2016

M/s.Wheels India Limited,
Padi, Chennai 600 050 : Appellant

versus

The Deputy Commissioner of Income Tax (LTU)
1775, Jawaharlal Nehru Inner Ring Road,
Anna Nagar Western Extension,
Chennai 600101 : Respondent

Prayer: Appeal filed against the order of the Income Tax Appellate Tribunal, Madras "A" Bench, Chennai, dated 08.03.2013 in ITA No.1430/Mds/2010.

For Appellant : Mr.R.Venkata Narayanan
For M/s.Subbaraya Aiyar

For Respondent : Ms.V.Pushpa,
Senior Standing Counsel

JUDGMENT

(Delivered by the Hon'ble Chief Justice)

Heard both sides.

2. At the time of admitting this appeal, the following substantial questions of law were framed:

"(i)Whether on facts and in the circumstances of the case the Tribunal was right in holding that 90% of duty drawback, labour charges, weightment charges, dividend income, interest income and profit on sale of assets should be excluded from the book profits under Section 115JA while computing deduction under Section 80HHC.

(ii)Whether in the facts of an assessment order under Section 115JA, deduction claimed by the assessee under Section 80HHC has to be worked out on the basis of adjusted book profit under Section 115JA and not on the basis of the profits computed under regular provisions of law applicable to computation of profits and gains of business."

3. At the outset, learned counsel for the Revenue would fairly submit that as far as the second question of law is concerned, the issue has already been decided by a Division Bench of this Court in the case of ***Commissioner of Income Tax vs. Ashok Leyland Ltd. [2019] 110 taxmann.com 3 (Madras)***; wherein it has been held that in the case of an assessment under Section 115JA, deduction claimed by the assessee under Section 80HHC has to be worked out on the basis of adjusted book profit under Section 115JA and not on the basis of the profits computed under regular provisions of law applicable to computation of profits and gains of business.

4. Having considered the submissions and going through the judgment of this Court in ***Ashok Leyland (supra)***, we are inclined to answer the second question of law in favour of the assessee and against the Revenue in the manner that deduction claimed by the assessee under Section 80HHC was liable to be worked out on the

basis of adjusted book profit under Section 115JA and not on the basis of the profits computed under regular provisions of law applicable to computation of profits and gains of business.

5. As a consequence of the aforesaid decision and answer to the second question of law, the first question of law has to be answered necessarily in favour of the assessee that the Tribunal was not justified in holding that 90% of duty drawback, labour charges, weighment charges, dividend income, interest income and profit on sale of assets should be excluded from the book profits under Section 115JA while computing deduction under Section 80HHC. Accordingly, the first question of law is also answered in favour of the assessee and against the Revenue.

6. The appeal is accordingly allowed. There will be no order as to costs.

(MANINDRA MOHAN SHRIVASTAVA, CJ.) (SUNDER MOHAN, J.)
28.08.2025

Index : Yes/No

Neutral Citation : Yes/No
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To

1.The Deputy Commissioner of Income Tax (LTU)
1775, Jawaharlal Nehru Inner Ring Road,
Anna Nagar Western Extension,
Chennai 600101

2.The Income Tax Appellate Tribunal,
Madras "A" Bench, Chennai

THE HON'BLE CHIEF JUSTICE
AND
SUNDER MOHAN, J.

(tar)

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