



WEB COPY

IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 10-12-2025

CORAM

THE HON'BLE DR.JUSTICE ANITA SUMANTH

AND

THE HON'BLE MR.JUSTICE MUMMINENI SUDHEER KUMAR

TCA No. 201 of 2014

The Commissioner Of Income Tax
Chennai.

..Appellant(s)

Vs

M/s Mohan Breweries And
Distilleries Ltd
Rayala Towers, 2nd Floor,
158, Anna Salai,
Chennai -600 002.

..Respondent(s)

Prayer: Appeal filed under Section 260A of the Income Tax Act, 1961 against order of the Income Tax Appellate Tribunal, 'B' Bench, Chennai dated 17.09.2010 in ITA.No.636/Mds/2010 for the assessment year 2004-2005.

For Appellant(s): Mr.Karthik Ranganathan
Senior Standing Counsel

For Respondent(s): Mr.R.Vijayaraghavan
for M/s.Subbarayan Aiyar Padmanabhan



JUDGMENT

(Judgment of the Court was delivered by Dr.Anita Sumanth J.)

Heard Mr.Karthik Ranganathan, learned Senior Standing Counsel appearing for the appellant/Department and Mr.R.Vijayaraghavan, learned counsel appearing for the respondent/assessee.

2. This Tax Case (Appeal) relates to assessment year 2004-05. The substantial questions of law admitted on 15.07.2014 are as follows:

"1. Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in not considering the provisions of sub-section 9 of Section 80IA when deduction was allowed under Section 80HHC without reducing deduction already given to the assessee under Section 80IA of the Act?"

2. Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in not following the judgment of the Madras High Court in the case of General Optics (Asia) Ltd. Vs. DCIT reported in 315 ITR 400, where it was specifically held that sub-section 9A was inserted with effect from 01.04.1999 in Section 80IA of the Act had the effect of reducing such relief under Section 80IA prior to grant of deduction under Section 80HHC of the Act?

3. Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in quashing the order passed by the CIT under Section 263 of the Income Tax Act?"

3. Both learned counsel concur on the position that the issue stands covered by a judgment of the Supreme Court in *Shital Fibres Ltd. V. CIT*¹, where the identical issue as arising in this matter, relating to concurrent grant of benefit under Sections 80 IA and 80 HHC of the Income Tax Act, 1961 was decided.

¹ 174 Taxmann.com 807 (SC) : 476 ITR 309



4. The issue had been referred to three Hon'ble Judges of the Supreme Court in *Assistant Commissioner of Income Tax, Bangalore V. Micro Labs Limited*². The Bench ultimately holds that both reliefs may be simultaneously granted, subject to the sum total of the relief not exceeding 100% of the profits and business of the assessee. The decision of the Bombay High Court in *Associated Capsules (P) Ltd. V. Deputy Commissioner of Income Tax*³ to the following effect was affirmed. We extract below paragraph 39 of the decision of the Bombay High Court below:

39. In the result, we hold that section 80-IA(9) does not affect the computability of deduction under various provisions under heading C of Chapter VI-A, but it affects the allowability of deductions computed under various provisions under heading C of Chapter VI-A, so that the aggregate deduction under section 80-IA and other provisions under heading C of Chapter VI-A do not exceed 100 per cent. of the profits of the business of the assessee. Our above view is also supported by the Central Board of Direct Taxes Circular No. 772 dated December 23, 1998 ((1999) 235 TR (St.) 35), wherein it is stated that section 80-IA(9) has been introduced with a view to prevent the taxpayers from claiming repeated deductions in respect of the same amount of eligible income and that too in excess of the eligible profits. Thus, the object of section 80-IA(9) being not to curtail the deductions computable under various provisions under heading C of Chapter VI-A, it is reasonable to hold that section 80-IA(9) affects allowability of deduction and not computation of deduction. To illustrate, if Rs. 100 is the profits of the business of the

DR.ANITA SUMANTH J.

AND

MUMMINENI SUDHEER KUMAR J.

² 380 ITR 1

³ 332 ITR 42



WEB COPY

undertaking, Rs. 30 is the profits allowed as deduction under section 80-IA(1) and the deduction computed as per section 80HHC is Rs. 80, then, in view of section 80-IA(9), the deduction under section 80HHC would be restricted to Rs. 70, so that the aggregate deduction does not exceed the profits of the business.”

5. In light of the aforesaid, the substantial questions of law are answered in favour of the assessee and adverse to the revenue. This Tax Case (Appeal) is dismissed. No costs.

(A.S.M.,J.) (M.S.K.,J.)

10-12-2025

Index: Yes/No

Speaking order

Neutral Citation: Yes

SL

To

The Income Tax Appellate Tribunal, 'B' Bench, Chennai.

TCA No. 201 of 2014