IN THE HIGH COURT OF JUDICATURE AT MADRAS

Reserved on :15.04.2026

Pronounced on :02.06.2026

CORAM

THE HONOURABLE DR. JUSTICE G. JAYACHANDRAN
AND
THE HONOURABLE MR.JUSTICE R.SAKTHIVEL

Tax Case Appeal No.1002 of 2008

M/s Lucas TVS Limited,
11, Pattulos Road,
Chennai 600 002. ..Appellant/Respondent

/versus/

The Assistant Commissioner of Income Tax,
Company Circle-II(4),
Chennai 600 034. .. Respondent/Appellant

Tax Case Appeal has been filed under Section 260A of Income Tax Act, 1961, against the order of the Income Tax Appellate Tribunal, "B" Bench, Chennai dated 15.02.2008 in ITA No.119/Mds/2007.

For Appellant :Mr.R.Venkatanarayanan
M/s Subbaraya Aiyar

For Respondent :Mrs.V.Pushpa
Sr. Standing Counsel

JUDGMENT

(Judgment was delivered by Dr.G.JAYACHANDRAN,J.)

The appellant is engaged in the business of manufacture and export of auto electrical components. For the Assessment Year 2003-2004, the appellant filed its return of income admitting a total income of Rs.32,95,32,630/-. The return was processed under Section 143(1) of the Income Tax Act, 1961. Subsequently, notice under Section 143(2) was issued. After scrutiny, the Assessment order was passed against the assessee determining the total income at Rs.33,49,43,070/-. While completing the assessment,the Assessing Officer among others has restricted the claim of deduction under Section 80HHC.

2. Aggrieved by the same, the assessee has filed appeal before the Commissioner of Income Tax (Appeals)-XI in ITA No.69/2006-07/A-III and the same was partly allowed on 01.11.2006. Against which, the Revenue has preferred an appeal in ITA No.119/Mds/2007 before the Income Tax Appellate Tribunal, Bench "B", Chennai and the assessee has preferred an appeal in ITA No.30/Mds/2007.

3. The Tribunal on examining the grounds of appeal, following the Special Bench order passed by the Tribunal in ACIT v. Rogini Garments

reported in [(2007) 294 ITR 15 (AT)(SB)], upheld the assessment order confirming the computing the deduction in full under Section 80 IB and then, computing the deduction under Section 80HHC.

4. As against the order of the Tribunal, the Tax Case Appeal is filed by the assessee to address the following Substantial Question of Law:-

> ***Whether on the facts and in the circumstances of the case, the Tribunal was right in law in holding that the relief under Section 80IA should be deducted from profits and gains of business before computing relief under Section 80HHC?***

5 In the course of argument, the learned counsel appearing for the appellant and the learned Senior Standing Counsel appearing for the respondent submitted that the substantial questions of law involved in this case is covered by the judgment of the Hon'ble Supreme Court in ***Shital Fibres Limited v. CIT reported in [(2025) 174 TAXMANN.com 807 (SC)].*** The relevant portion of the judgment in the Shital Fibres Limited case (cited supra), is as below:-

> "19. In this context, now the provision of Sub-section (9) of Section 80-IA must be considered. Sub-section (9) of Section 80-IA reads thus:

"(9) Where any amount of profits and gains of an undertaking or of an enterprise in thecase of an assessee is claimed and allowed under this section for any assessment year, deduction to the extent of such profits and gains shall not be allowed under any other provisions of this Chapter under the heading 'C.—Deductions in respect of certain incomes,' and shall in no case exceed the profits and gains of such eligible business of undertaking or enterprise, as the case may be." Let us analyse Sub-section (9). It is applicable where any amount of profits and gains of an undertaking or enterprise is claimed and allowed under Section 80-IA. As stated earlier, the deduction is to the extent of percentage of profits and gains derived from certain category of businesses. Sub-section (9) of Section 80-IA provides that the deduction to the extent of profit or gain shall not be allowed under any other provisions under heading 'C' of Chapter VI-A. It is further provided in Sub-section (9) that in no case, the deduction allowed under any other provision of Chapter VI-A under the heading 'C' shall exceed profits and gains of such eligible business of undertakings or enterprises, as the case may be.

20. Therefore, on plain reading of Sub-section (9) of Section 80-IA, if a deduction of profits and gains under Section 80-IA is claimed and allowed, the deduction to the extent of such profits and gains in any other provision under the heading 'C' is not allowed. The deduction to the extent allowed under Section 80-IA cannot be allowed under any other

provision under heading 'C'. Therefore, if deduction to the extent of 'X' is claimed and allowed out of gross total income of 'Y' under Section 80-IA and the assessee wants to claim deduction under any other provision under the heading 'C', though he may be entitled to deduction 'Y' under the said provision, he will get deduction under the other provisions to the extent of (Y-X) and in no case total deductions under heading 'C' can exceed the profits and gains of such eligible business of undertaking or enterprise.

21. Sub-section (9) of Section 80-IA, on its plain reading, does not provide that when a deduction is allowed under Section 80-IA, while considering the claim for deduction under any of the provision under heading 'C', the deduction allowed under Section 80-IA should be deducted from the gross total income. The restriction under sub-section (9) of Section 80-IA is not on computing the total gross income. It restricts deduction under any other provision under heading 'C' to the extent of the deduction claimed under Section 80- IA."

6. In view of the authoritative pronouncement of the Hon'ble Supreme Court in case of *Shital Fibers Limited case (cited supra),* the matter is to be remanded back for recomputing the tax, by following the dictum laid down in the above judgment to the effect that the deduction under Section 80 HHC of the IT Act has to be given, without reducing the deduction under Section 80 IB of the Act. Accordingly, the substantial questions of law is answered in favour of the appellant/assessee.

7. In the result, **the Tax Case Appeal is disposed of.** The order of the ITAT impugned in this case is set aside. The matter is remanded back to the Assessing Officer to recompute the tax following the dictum of the Hon'ble Supreme Court laid in *Shital Fibers Ltd case* (cited supra), while considering the deduction claimed under Sections 80 IB and 80HHC. No order as to costs.

(G.JAYACHANDRAN, J.) **(R.SAKTHIVEL, J.)**

02.06.2026

Neutral Citation:yes/no
Index:yes/no
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To

The Assistant Commissioner of Income Tax,
Company Circle-II(4),
Chennai 600 034.

Dr.G.JAYACHANDRAN, J.
and
R.SAKTHIVEL,J.

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delivery Judgment made in
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