



T.C.A.No.1517 of 2007

IN THE HIGH COURT OF JUDICATURE AT MADRAS

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Judgment Reserved on : 15.04.2026

Judgment Delivered on : 02.06.2026

Coram:

THE HONOURABLE Dr.JUSTICE G.JAYACHANDRAN
and
THE HONOURABLE MR.JUSTICE R.SAKTHIVEL

T.C.A.No.1517 of 2007

M/s.J.Creations,
60-A/5, 1st Floor,
Palladam Road,
Arulpuram Post,
Tirupur-641 605.

.. Appellant

Vs.

The Assistant Commissioner of Income Tax,
Tirupur Circle,
Tirupur

.. Respondent

Tax Case Appeal filed under Section 260-A of the Income Tax Act, 1961, against the order of the Income Tax Appellate Tribunal, Chennai Bench "D", dated 06.07.2007 in I.T.A.No.1544/Mds/2006.

For appellant : Mr.R.Sivaraman

For respondent: Mr.V.Mahalingam,
Senior Standing Counsel
and Per Mangala Suvigaram,
Junior Standing Counsel

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JUDGMENT

Dr.G.Jayachandran, J

The appellant herein, for the assessment year 2004-2005, has filed its Return, admitting the total income of Rs.59,96,390/-. The assessment was taken up for scrutiny and it was completed by treating the interest of Rs.1,23,569/- earned on Bank Deposit as taxable under the head “Income from other sources” and the deduction was denied under Section 80-HHC on such income. Aggrieved by the said order, the assessee had preferred appeal before the Commissioner of Income Tax (Appeals)-II, Coimbatore. The said appeal was allowed in favour of the assessee treating interest income on Fixed Deposit assessable under the head “business” and not under the head “other sources”.

2. Regarding the simultaneous deduction under Section 80-IB and Section 80-HHC, the appellate authority held that the provisions of Section 18-IB(9) are only to regulate the deduction eligible under Chapter VI-A and there is no restriction contained therein to regulate the other deductions.

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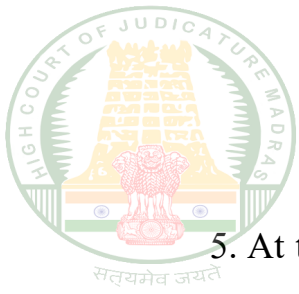


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3. Assailing the said finding, the Revenue preferred appeal before the Income Tax Appellate Tribunal in I.T.A.No.1544/Mds/06 (Assessment Year 2004-2005). The Tribunal partly allowed the appeal holding that the order of the appellate authority is not in consonance with the direction of this Court, and therefore, assessing interest income as business income was made, excluding 90% from the business profits for computing the deduction under Section 80-HHC, is correct.

4. Regarding the direction of the appellate authority to the Assessing Officer to allow the deduction under Section 80-HHC on the eligible profits without reducing the deduction given under Section 80-IB and held in favour of the Revenue, by following the order of the Special Bench of the Tribunal in the case of ACIT, Tirupur Vs. Rogini Garments, Tirupur. Being aggrieved, the assessee is before this Court by filing this appeal.



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5. At the time of admitting this appeal on 12.12.2007, along with connected

T.C.A.Nos.1518 and 1519 of 2007, the following substantial questions of law were framed:

(i) Whether the relief under Section 80-IB should be deducted from profits and gains of business before computing relief under Section 80-HHC ?

(ii) Whether the Tribunal erred in failing to deal with the appellant's alternative submission admittedly raised before it, to the effect that the appellant should first be granted a deduction under Section 80-HHC of the Act and thereafter, a deduction under Section 80-IB of the Act ?

6. In the course of hearing this appeal, learned counsel on either side placed before this Court, a judgment of the Honourable Supreme Court in the case of Shital Fibres Limited Vs. CIT, reported in (2025) 174 Taxmann.com. 807 (SC), which covers the substantial questions of law involved in this appeal.

The Honourable Supreme Court in the above said case, held as follows:

“16. ... Section 80-HHC provides for a deduction in respect of profits retained for export business. The provision is applicable to a company or a person engaged in business of export out of



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India of any goods or mercantile to which the Section applies. In computing the total income, the assessee is entitled to deduction to the extent of percentage of profits set out in Subsection (1B) of Section 80 HHC.

17. Section 80-IA deals with deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development etc. Sub-section (1) provides that when the gross total income of an assessee includes any profits and gains derived by an undertaking or an enterprise from any business referred to in Sub-section (4), in computing total income, the assessee will be entitled to deduction of an amount equal to hundred per cent of profits and gains derived from such business for ten consecutive years.

18. Section 80-IB deals with deductions in respect of profits and gains from certain industrial undertakings other than infrastructure development undertakings. The deduction under said provision is applicable when gross total income of an assessee includes any profit or gain derived from any business mentioned in various Sub-sections of



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Section 80-IB. An assessee is entitled to a deduction from such profits and gains of an amount equal to such percentage and for such number of assessment years as specified in the Section.

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 the case 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



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deduction is to the extent of percentage of profits and gains derived from certain category of business. 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 enterprise, 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



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deduction 'Y' under the said 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 restrictions 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."

7. In view of the above authoritative pronouncement of the Honourable Supreme Court in the said Shital Fibres Limited case, the matter has to be



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remanded back for re-computing the tax by following the dictum laid down by the Apex Court in the said Shital Fibres Limited case.

8. Hence, in respect of the first substantial question of law, the matter is remanded back to the Assessing Officer to re-compute the tax payable by following the dictum of the Honourable Supreme Court laid down in the above said Shital Fibres Limited case.

9. Insofar as the second substantial question of law, is concerned, it is only an alternative prayer. In view of the above findings and directions, there is no necessity to answer the second substantial question of law.

10. In the result, the impugned order of the Tribunal is set aside. The matter is remanded back to the Assessing Officer for re-computing all the taxes payable by the assessee, in the light of the above direction of the Honourable Supreme Court.



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11. With the above observations/direction, this appeal is disposed of. There shall be no order as to costs.

(G.J., J) (R.S.V., J)

02.06.2026

Index: Yes/no

Speaking Order: Yes/no

Neutral Case Citation: Yes/no

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To

The Assistant Commissioner of Income Tax,
Tirupur Circle,
Tirupur

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and

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Pre-delivery Judgment
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