IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 21-04-2026

CORAM

THE HON'BLE DR JUSTICE G. JAYACHANDRAN

AND

THE HON'BLE MR.JUSTICE SHAMIM AHMED

TC No. 1173 of 2008

M/s M.M.Forgings Ltd
Guindy House 95 Anna Salai Chennai 600 032

..Petitioner(s)

Vs

The Assistant Commissioner
Of Income Tax Company Circle-iv (3) Chennai
600 034

..Respondent(s)

For Petitioner(s): Mr.I.Dinesh for Mr.Philip George

For Respondent(s): Mrs.V.Pushpa, Sr.Standing Counsel

ORDER

(Order of the Court was made by Dr.G.Jayachandran J.)

1. This Tax Case is filed by the Assessee, being aggrieved by the order, dated 14.12.2007, passed in ITA.No.528/Mds/2007, by the Income Tax Appellate Tribunal, Madras, B-Bench.

2. The Appellant/Assessee, who is engaged in the business of manufacturing and exporting of steel forgings, had filed a return of income for the assessment year 2003-2004, declaring a total income of Rs.3,80,55,047/-, after claiming deduction under Sections 80HHC and 80IA of the Income Tax

Act, 1961 (herein after referred to as the Act). The return was originally processed under Section 143(1) of the Act and subsequently, it was taken up for regular scrutiny, by issuing a notice under Section 143(2) of the Act. On completion of the assessment, the Assistant Commissioner of Income Tax, while computing the deduction, claimed under Section 80HHC of the Act, set off the loss incurred in the wind will business, against the profits of other manufacturing units for determining the net business profit for the purpose of Section 80HHC of the Act and reduced the income, not charged to tax under Section 80IA of the Act to the tune of Rs.96,60,813/- from the income from the business, amongst other disallowances and additions. Aggrieved by the said assessment, the Assessee had filed an appeal before the Commissioner of Income Tax (Appeals) V, Chennai in ITA.No.78/2006-2007, which was allowed, by the order, dated 21.11.2006, holding as below:-

> “”*a. That the loss of wind mill business cannot be set off against the profits of manufacturing units I and II, for determining the net business profit for the purpose of Section 80HHC by placing reliance on the decision of the Jurisdictional High Court in the Assessee's own case reported in 257 Income Tax Return 60 and*
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> *b. That the income not charged to tax under Section 80IA to the tune of Rs.96,60,813/- should not be excluded from the business profits for the purpose of quantifying deduction under Section 80HHC.”*

3. *On* being aggrieved by the order of the Commissioner of Income Tax (Appeals), the Department had filed an appeal before the Income Tax Appellate Tribunal in ITA.No.528/Mds/2007. By the impugned order, the Tribunal had upheld the contention of the Department, regarding the issue of

setting off the loss of wind mill business, against the profits of manufacturing units I and II for determining the net business profit for the purpose of Section 80HHC, following the decision of the Honourable Supreme Court reported in **266** ITR **521 (IPCA Laboratory Limited Vs. DCIT).** In so far as the issue of exclusion of the income not charged to tax under Section 80IA from the business profits for the purpose of quantifying deduction under Section 80HHC is concerned, relying on the earlier judgement of the Income Tax Appellate Tribunal, in the case of **M/s.Rogini Garments in ITA.No.963/Mds/2005 and 1518/Mds/2006, dated 27.04.2007,** allowed the appeal filed by the Department. Thus, the Assessee is before us.

4. This Court, while admitting this Tax Case, had framed the following substantial questions of law:-

> *1. Whether on the facts and circumstances of the case, the Income Tax Appellate Tribunal was right in holding that the export profits of manufacturing units I and II, should be set off against the loss from wind mill business, which has nothing to do with export business, for determining the net business profit for the purpose of computation of deduction under Section 80HHC of the Income Tax Act, 1961?*
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> *2.Whether on the facts and circumstances of the case, the Income Tax Appellate Tribunal was right in law in holding that the deduction under Section 80HHC of the Income Tax Act, 1961, has to be computed on the profits of the business after reducing the deduction allowed under Section 80IA of the Income Tax Act, 1961?*
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> *3.Whether on the facts and circumstances of the case, the Income Tax Appellate Tribunal was right in not appreciating that the deduction under Section 80HHC of the Act must be allowed first and then the deduction under Section 80IA of the Act?*

5. In view of the authoritative pronouncement of the Honourable Supreme Court

in the case of **Shital Fibers Limited Vs. Commissioner of Income Tax (2025 (174) Taxmann.com 807 SC),** the matter is to be remanded back for assessment, following the dictum laid down in the above said judgement, for applying the deduction under Sections 80HHC and 80IA of the Act. In so far as the issue of setting off the loss incurred in the wind mill business vis-a-vis the forging business is concerned, the Assessing Authority shall revisit the issue in the light of the **Shital Fibers Limited's Case** and thereafter, the taxable income of the Assessee, taking into account the deduction permissible under Sections 80HHC and 80IA of the Act. Accordingly, the matter is remanded back to the Original Assessing Authority for complying with the above directions. The direction of this Court shall be complied with, as expeditiously as possible. While considering the assessment as per the above directions, it is open to the Assessing Authority to take note of the latest development in law and the law laid down by the Honourable Supreme Court.

6. With the above observations, this Tax Case is disposed of. There is no order as to costs.

(G.J.,J.) (S.S.A.,J.)
21-04-2026

Index: Yes/No
Speaking/Non-speaking order
Neutral Citation: Yes/No

SRCM

DR.G.JAYACHANDRAN, J.
AND
SHAMIM AHMED, J.

SRCM

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