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.1195 of 2009

Commissioner of Income Tax,
Chennai. ..Appellant/Respondent

/versus/

M.M.Forgings Ltd.,
Guindy House,
95, Anna Salai,
Chennai 32. ..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 Madras 'B' Bench, Dated 05.12.2008 in ITA No.243/Mds/2008 for Assessment Year 2004-2005.

For Appellant :Mrs.V.Pushpa
Senior Standing Counsel

For Respondent :Mr.G.Baskar

JUDGMENT

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

The Appellant company involved in the business of manufacturing the steel forgings at various places has filed its return of income for the assessment year 2004-2005 admitting income of Rs.5,27,57,444/-. The return was selected and scrutinised. After issuing questionary, the tax was assessed disallowing the deduction under Section 80 IA of the Income Tax Act, 1961, while arriving adjusting net profit and deducting under Section 80HHC. The Assessment Order excluding the claim of deduction under Section 80IA from the eligible business profits of the appellant was questioned before the Commissioner of Income Tax Appeals by the Assessee. The appellate Authority by following its earlier order in the case of *M/s Rogini Garments v. ITO case* dismissed the appeal against the appellant.

2. The appeal filed by the Assessee in this regard before the Tribunal in I.T.A.No.243/Mds/2008 was taken up along with the appeal filed by the Revenue in I.T.A.No.230/Mds/2008. The Tribunal allowed the appeal by the assessee. Against which, the Department has filed the present appeal arising the following the Substantial Questions of Law:-

Whether on the facts and in the circumstances of the case, the Tribunal was right in holding that the assessee was entitled for deduction on same amount/figure of profit under both the Sections 80HHC and 80IA by ignoring the provisions of Section 80IA(9)?

3. In the course of argument, the learned counsels appearing for the appellant and the respondent submitted that the substantial questions of law involved in this case are 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 *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."

4. In view of the facts and circumstances of the case and 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 following the dictum laid down in the above judgment to the effect that deduction under Section 80 HHC of the IT Act had to be given without reducing the deduction under Section 80 IB of the Act. Accordingly, the substantial question of law is answered.

5. In the result, ***this Tax Case Appeal is disposed of.*** The order of the ITAT impugned in the appeal is set aside. The matter is remanded back to the Assessing Officer for fresh computation, in the light of the above direction. No costs.

(G.JAYACHANDRAN, J.) **(R.SAKTHIVEL, J.)**
02.06.2026

Neutral Citation:yes/no
Index:yes/no

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

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delivery Judgment made in
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