IN THE HIGH COURT OF JUDICATURE AT MADRAS

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.1259 of 2009

M/s.M.M.Forgings Limited,
Guindy House,
95, Anna Salai,
Chennai-600 032. .. Appellant

Vs.

The Assistant Commissioner of Income Tax,
Company Circle – IV(3),
Chennai-600 034. .. Respondent

Tax Case Appeal filed under Section 260-A of the Income Tax Act, 1961, against I.T.A.No.2385/Mds/2005 for the assessment year 2002-2003 in the common order of the Income Tax Appellate Tribunal, "B" Bench, Chennai, dated 22.06.2007 in I.T.A.No.2385/Mds/05 for the assessment year 2002-2003.

For appellant : Mr.G.Baskar for Mr.Philip George

For respondent: M/s.V.Pushpa, Senior Standing Counsel

JUDGMENT

Dr.G.Jayachandran, J

The appellant herein is engaged in manufacture and export of steel forgings. The appellant filed its Return of income for the assessment year 2002-2003, declaring the total income of Rs.2,78,68,369/- after claiming deduction under Sections 80-HHC and 80-IA of the Income Tax Act. The Return was taken up for scrutiny and after hearing the assessee, the Assessing Officer disallowed the deduction sought for under Section 80-IA to the tune of Rs.65,14,570/- .

2. Aggrieved by the assessment order, the appellant filed appeal before the Commissioner of Income Tax (Appeal), Chennai. The appeal was allowed with direction to the Assessing Officer not to restrict the deduction under Section 80-HHC in terms of Section 80-IA(9) of the said Act.

3. The Revenue, aggrieved by the order of appellate authority, filed I.T.A.No.2385/Mds/2005 before the Income Tax Appellate Tribunal. The

Tribunal, following the judgment of the Special Bench rendered in M/s.Rogini Garments, allowed the appeal filed by the Revenue. Hence, the present appeal is filed under Section 260-A of the Act by the assessee.

4. The following substantial questions of law are raised in the grounds of appeal:

(i) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal, was right in law in holding that the deduction under Section 80-HHC has to be computed on the profits of the business after reducing the deduction allowed under Section 80-IA of the Income Tax Act ?

(ii) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in law in holding that the definition of business profits as contained in Explanation (baa) to Section 80-HHC, has to be construed in the light of the provisions of Section 80-IA(9) ?

(iii) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in law in holding that in view of the wordings “any other deduction under Chapter VI-A” used in Section 80-

IA(9), restriction under Section 80-IA(9) is to be read into every other provision providing for deduction under Chapter VI-A ?

(iv) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in law in holding that the provisions of Section 80-HHC is not a self-contained code vis-a-vis other Sections in Chapter VI-A providing for deductions from the total income ?

(v) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in law in holding that there is no ambiguity in interpreting the provisions of Section 80-HHC and 80-IA(9) of the Act :

If the answer is in negative by holding that there is ambiguity and two views are possible and in the eventuality of doubt, whether it should be resolved in favour of the assessee, as held by the Apex Court in the case of Vegetable Products Ltd. (88 ITR 192) ?

If the answer is in affirmative, whether the computation of deduction under the provisions of Section 80-HHC has to be done independently from that of Section 80-IA and both the deductions should be allowed to the extent not exceeding the total income of the assessee ?

(vi) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in not appreciating that the deduction under Section 80-HHC must be allowed first and then the deduction under Section 80-IA of the Income Tax Act, 1961 ?

5. When this appeal is taken up for final hearing, it is submitted by the learned counsel for the appellant that the Special Bench judgment in Rogini Garments case, later, was reversed by this Court. That apart, the issue as to whether the simultaneous deduction under Section 80-IA and deduction under Section 80-HHC, simultaneously, is upheld by the Honourable Supreme Court in M/s.Shital Fibres Limited Vs. Commissioner of Income Tax, reported in 2025 (174) Taxmann.com 807 (SC) with certain guidelines. Hence, the substantial questions of law couched differently have been answered conclusively by the Supreme Court in M/s.Shital Fibres cited above.

6. Therefore, it is appropriate to remand the matter back for fresh computation of tax following the guidelines laid down by the Honourable

Supreme Court in Shital Fibres Limited case. The Honourable Supreme Court, while considering the deduction permitted under Chapter VI-A of the Act, vis-a-vis, Section 80-HHC, in respect of the income from export, has held as below:

> "16. The relevant part of Section 80-HHC is reproduced below:
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> "80-HHC : Deduction in respect of profits retained for export business:--(1) Where an assessee being an Indian company or a person (other than a company) resident in India, is engaged in the business of export out of India of any goods or merchandise to which this section applies, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction to the extent of profits, referred to in sub-section (1-B) derived by the assessee from the export of such goods or merchandise:
>
> Provided that if the assessee, being a holder of an Export House Certificate or a Trading House Certificate (hereafter in this section referred to as an export house or a trading house, as the case may be), issues a certificate referred to in clause (b) of sub-section (4-A), that in respect of the amount of the export turnover specified therein, the deduction under this sub-section is to be allowed by a supporting manufacturer, then the amount of deduction in the case of assessee shall be reduced by such amount which bears the total profits derived by the assessee from the export of trading goods, the same proportion as the amount of export turnover specified in

the said certificate bears to the total export turnover of the assessee in respect of such trading goods.

(1-A) ... ...

(1-B) For the purposes of sub-section (1) and (1-A), the extent of deduction of the profits shall be an amount equal to--

(i) eighty per cent thereof for an assessment year beginning on the 1st day of April, 2001;

(ii) seventy per cent thereof for an assessment year beginning on the 1st day of April 2002;

(iii) fifty per cent thereof for an assessment year beginning on the 1st day of April 2003;

(iv) thirty per cent thereof for an assessment year beginning on the 1st day of April 2004;

and no deduction shall be allowed in respect of the assessment year beginning on the 1st day of April, 2005 and any subsequent assessment year.

… ….”

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 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 sub-section (1-B) 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 assesssee 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 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 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.”

7. In the light of the authoritative pronouncement of the Honourable Supreme Court in the said Shital Fibres case, this appeal filed by the assessee, is disposed of, with a direction to the Assessing Officer to re-compute the tax payable by the assessee, by following the dictum laid down by the Honourable Supreme Court in the said Shital Fibres case.

(G.J., J) (R.S.V., J)
02.06.2026

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To
The Assistant Commissioner of Income Tax,
Company Circle – IV(3),
Chennai-600 034.

Dr.G.Jayachandran, J

and

R.Sakthivel, J

cs

Pre-delivery Judgment in

T.C.A.No.1259 of 2009

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