IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 20-04-2026

CORAM

THE HON'BLE Dr.JUSTICE G. JAYACHANDRAN

AND

THE HON'BLE MR.JUSTICE SHAMIM AHMED

TCA No. 1260 of 2009
and
M.P.No.1 of 2009

M/s M.M.Forgings Ltd
Guindy House,
No 95 Anna Salai,
Chennai-600 0 32. .. 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, against the common order of the Income Tax Appellate Tribunal, B-Bench, dated 22.06.2007 in I.T.A.Nos.2385 and 2373/Mds/2005 for the Assessment Year 2002-2003.

For Appellant : Mr.G.Baskar for M/s.Philip George

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

JUDGMENT

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

This appeal is filed by the assessee being aggrieved by the order passed by the Tribunal, confirming the order passed by the appellate authority. At the time of admission of this appeal, this Court has framed the following substantial questions of law:

(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, 1961 ?

(ii)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 ?

2.Learned counsel for the appellant/assessee specifically stated that the appellate authority as well as the Tribunal had given a specific finding that the assessing officer had failed to address the issue as to whether the total turnover in the job receipts, when the assesse had made a specific claim in respect of the job receipts, cannot be treated as a part of the turnover, relying upon certain judicial pronouncements. After having held so, the Tribunal ought to have remanded the matter back to the assessing officer to determine as to whether the job receipts be considered as profit of the business for being included in the total turnover.

3.The Tribunal, while considering the issue, also had overlooked the fact as to whether the assessee has made any profit for the job work and whether it should be included in the turnover. However, bye-passing the said issue, just relying upon the judgment rendered by the Chennai Bench of the Tribunal in the case of JCIT Vs. Virudhunagar Textiles Mills Ltd., (97 ITD 306), whereby, it was held that whenever any item of turnover including scrap sales or job work which has element of profit and such profit is included in the business profits under Clause (baa) to Explanation to Section 80-HHC(4C), such receipt has to be included in the total turnover for the purpose of computing deduction under Section 80-HHC.

4.Learned counsel for the assessee has brought to our notice the judgment of the Honourable Supreme Court in the case of Shital Fibres Limiated Vs. Commissioner of Income Tax (Civil Appeal No.14318 of 2015, dated 20.05.2025), wherein similar case has been remitted back to the assessing authority to re-compute the tax liability, after affording an opportunity of hearing to the parties to place on record regarding the profit or loss occurred during any job work and the materials to consider as to whether the deduction claimed covers the loss under Section 80-HHC of the Income Tax Act, as explained by the Honourable Supreme Court in the said case.

5.Since we find that the appellate authority as well as the Tribunal without framing the issue to the said effect, had found that no material has been discussed by the assessing authority in this connection and hence, necessarily, the matter has to be remanded back to the assessing authority for recomputing the claim.

6.Accordingly, this appeal stands allowed and the matter is remanded back to the assessing authority for re-computing the claim of the assessee, after following the dictum laid by the Honourable Supreme Court in the said Shital Fibres Limited case. Consequently, the miscellaneous petition is closed.

(G.J.,J.) (S.S.A.,J.)
20-04-2026

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

Dr.G.JAYACHANDRAN, J

and

SHAMIM AHMED, J

cs

TCA No. 1260 of 2009

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