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.Nos.1363, 1365 and 1366 of 2009
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M/s.Sundaram Brake Linnings Ltd.,
Padi,
Chennai. .. Appellant in all the appeals

Vs.

The Assistant Commissioner of Income Tax,
Chennai (Co.Circle VI(4)) .. Respondent in all the appeals

Tax Case Appeal No.1363 of 2009 filed under Section 260-A of the Income Tax Act, 1961, against the order dated 12.10.2007 in I.T.A.No.41/Mds/2006 on the file of the Income Tax Appellate Tribunal, "C" Bench, Chennai.

Tax Case Appeal No.1365 of 2009 filed under Section 260-A of the Income Tax Act, 1961, against the order dated 12.10.2007 in I.T.A.No.42/Mds/2006 on the file of the Income Tax Appellate Tribunal, "C" Bench, Chennai.

Tax case Appeal No.1366 of 2009 filed under Section 260-A of the Income Tax Act, 1961, against the order dated 12.10.2007 in

I.T.A.No.43/Mds/2006 on the file of the Income Tax Appellate Tribunal, "C" Bench, Chennai.

For appellant in all the appeals : Mr.R.Venkatnarayanan and
M/s.Subbaraya Aiyar

For respondent in all the appeals: Dr.S.Sathiyanarayan,
Senior Standing Counsel

COMMON JUDGMENT

Dr.G.Jayachandran, J

In the matter of assessments of the respondent-Company (M/s.Sundaram Brake Linnings Limited) in respect of the Assessment years from 1998-99 to 2002-2003, the Income Tax Appellate Tribunal, on 12.10.2007 passed a common order in I.T.A.Nos.41,42,43/Mds/2006 (Appeal by the Revenue (Assessment Years 1998-99, 2000-01, 2001-02 & 2002 -03). Being aggrieved by the said order, the assessee is before us in these three Tax Case Appeals.

2. The appeals were admitted on 22/12/2009 for answering the following substantial question of law:-

***Whether, on the facts and in the circumstances of the case, the Tribunal is right in law in holding that the assessee is entitled to relief under Section 80-HHC of the Act only on the balance profits available after working out the relief under Section 80-IB of the Act ?***

3. By efflux of time, the question left to us for consideration is no more res-integra, in view of the pronouncement by the Hon'ble Supreme Court in ***Shital Fibers Limited Vs. Commissioner of Income Tax (2025 (174) Taxmann.com 807 (SC) )*** wherein, the Hon'ble Supreme Court has held as below:-

> "..............
>
> 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.
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> 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 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 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 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 above facts and circumstances, the order of the Tribunal is hereby set aside. The matter is remanded back to the Asssessing officer to re-compute the tax payable, by following the dictum laid down in the Shital Fibres Case (supra) and pass appropriate assessment order.

5. In the result, the Tax Case Appeals filed by the assessee, are disposed of, with direction to the Assessing Officer to re-assess the Returns as per the Supreme Court guidelines in the case cited supra. 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,
Chennai (Co.Circle VI(4))

Dr.G.Jayachandran, J

and

R.Sakthivel, J

cs

Pre-delivery Judgment in
T.C.A.Nos.1363, 1365 and
1366 of 2009

Judgment delivered
on 02.06.2026