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T.C.A.No.161 of 2009



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.161 of 2009

M/s Vishay Sanmar Limited
(Formerly known as Sensortronics Sanmar Limited)
36 & 38/2A, Old Mahabalipuram Road,
Perungudi, Chennai 600 096.
Now at:9, Cathedral Road,
Chennai 600 086.

..Appellant/Respondent

/versus/

The Income-Tax Officer(OSD),
Company Circle-VI(2),
Chennai-34.

..Respondent/Appellant

Tax Case Appeal has been filed under Section 260A of Income Tax Act, 1961, against the common order of the Income Tax Appellate Tribunal, "C" Bench, Chennai dated 3rd August 2007, in ITA No.2927/Mds/2005.

For Appellant :Mr.R.Venkatanarayanan
M/s Subbaraya Aiyar

For Respondent :Dr.S.Sathiyanarayan,
Sr.Standing Counsel



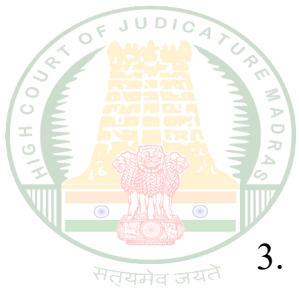
JUDGMENT

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

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The appellant is engaged in the manufacture and sale of electronic load cells. The assessee filed its return of income for the assessment year 2001-2002 admitting a total income of Rs.66,13,720/- after claiming simultaneous deduction under Section 80HHC and Section 80 IA to the tune of Rs.1,09,98,421/- and Rs.1,90,49,263/- respectively. The return of income was processed and thereafter, notice under Section 143(2) of the Income Tax Act, 1961 was issued. The case was taken up for scrutiny and the Assessing Officer demanded the assessee to pay tax Rs.38,88,744/-. Being aggrieved the Assessment Order, the Assessee has filed appeals in ITA No.472/2003-2004 and 137/2005-06. The appellate Authority has partly allowed the appeals for both the AYs 2001-02 and 2002-03. Against which, the Revenue preferred appeals in ITA Nos.2927 and 2928/MDS/2005 for the assessment years 2001-02 and 2002-03 before the ITAT and the Tribunal partly allowed both the appeals.

2. Being unsatisfied with the order of the ITAT, the assessee has preferred the present appeal against the common order in ITA No.2927 of 2005 passed by the Income Tax Appellate Tribunal, C Bench, Chennai dated 03.08.2007.



3. At the time of admission, this Court has framed the following Substantial Question of Law for consideration:-

Whether on the facts and in the circumstances of the case, the Tribunal was right in law in holding that the relief under Section 80IA should be deducted from Profits and Gains of business before computing relief under Section 80HHC?

4. In the course of argument, the learned counsel appearing for the appellant and the learned Senior Standing Counsel appearing for the respondent submitted that the substantial questions of law involved in this case is 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 the 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 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



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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



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‘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](#).”

5. In view of 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, by following the dictum laid down in the above judgment to the effect that the deduction under Section 80 HHC of the IT Act has to be given simultaneously without reducing the deduction under Section 80 IB of the Act. Accordingly, the substantial questions of law is answered.



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6. In the result, **the 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 to follow the dictum laid down by the judgment of the Hon'ble Supreme Court laid in *Shital Fibers Ltd., case (cited supra) and recompute the tax payable.* No costs.

(G.JAYACHANDRAN, J.)

(R.SAKTHIVEL, J.)

02.06.2026

Neutral Citation:yes/no

Index:yes/no

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To

The Income Tax-Officer (OSD),
Company Circle VI(2),
Chennai-34.



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

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