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.836 of 2008

M/s.Poshak Industries,
15, Race Course Road,
Guindy,
Chennai-600 032. .. Appellant

Vs.

The Assistant Commissioner of Income Tax,
Business Circle-IV,
Chennai. .. Respondent

Tax Case Appeal filed under Section 260-A of the Income Tax Act,1961, against I.T.A.No.172 (Mds) of 2006 (assessment year 1999-2000), dated 10.08.2007 on the file of the Income Tax Appellate Tribunal, "B" Bench, Chennai.

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

For respondent: Dr.S.Sathiya Narayanan,
Senior Standing Counsel

JUDGMENT

Dr.G.Jayachandran, J

The appellant is engaged in the business of manufacture and export of ready-made garments and fabrics. For the assessment year 1999-2000, the appellant filed its Return of income, declaring a total income of Rs.nil. However, on scrutiny, after following the process, the Assessing Officer completed the assessment, vide order dated 28.02.2005. He computed the deduction under Section 80-HHC of the Income Tax Act, by dis-allowing a sum of Rs.47,14,986/- claimed under Section 80-IA of the said Act. Aggrieved by the assessment order, the appellant went on appeal before the Commissioner of Income Tax (Appeals), Chennai in I.T.A.No.143/2004-2005 and the appeal was allowed and the matter was remanded back to the Assessing Officer to re-assess by not restricting the deduction under Section 80-HHC of the Act in terms of Section 80-IA(9) of the Act.

2. The said order of the appellate authority was assailed by the Revenue before the Tribunal in I.T.A.No.172/Mds/2006. The appeal by the Revenue was allowed, following its own decision in M/s,.Rogini Garments. The

present appeal is filed by the assessee on several grounds. At the time of admission of this appeal, this Court framed the following substantial question of law on 08.07.2008:

(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 of the Income Tax Act, has to be computed on the profits of the business after reducing the deduction allowed under Section 80-IA of the Act ? And

(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 of the Act must be allowed first and then the deduction under Section 80-IA of the Act ?

3. In the course of arguments, it was submitted by the learned counsel appearing on either side that the judgment relied on by the Tribunal rendered in Rogini Garments case, was later reversed.

4. Furthermore, the questions of law involved have been answered authoritatively by the Honourable Supreme Court in Shital Fibres Limiated Vs. CIT in 2025 (174) Taxmann.com 807 (SC), in which, the Honourable Supreme Court held as under:

> "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 subsection (4-A), that in respect of the amount of the export turnover specified therein, the deduction under this sub-section is to be allowed to a supporting manufacturer, then the amount of deduction in the case of the

assesssee shall be reduced by such amount which bears to 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-sections (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 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 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."

5. In view of the authoritative pronouncement of the Honourable Supreme Court in the case of Shital Fibres Limitaed Vs. Commissioner of Income Tax (2025 (174) Taxmann.com 807 SC), the matter is to be remanded back for re-computing the tax following the dictum laid down in the above said

judgment to the effect that deduction under Section 80-HHC of the Income Tax Act, had to be given without reducing the deduction under Section 80-IB of the said Act.

6. Accordingly, the question of law is answered.

7. In the result, the order of the Tribunal impugned in this appeal is set aside. The matter is remanded back to the Assessing Officer to follow the dictum of the Honourable Supreme Court in the said case of M/s.Shital Fibres Lted., and re-compute the tax payable.

8. This Tax Case Appeal is accordingly disposed of. 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,
Business Circle-IV,
Chennai.

Dr.G.Jayachandran,J

and

R.Sakthivel, J

cs

Pre-delivery Judgment in

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