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.386 of 2011

Commissioner of Income Tax - LTU,
Chennai. .. Appellant

Vs.

M/s.Tamil Nadu Petroproducts Ltd.,
9, Manali Express Road,
Manali, Chennai-600 068. .. Respondent

Tax Case Appeal filed under Section 260-A of the Income Tax Act, 1961, against the order dated 27.05.2011 passed in ITA.No.985/Mds/2009, on the file of the Income Tax Appellate Tribunal, Chennai "A" Bench.

For appellant : Mrs.V.Pushpa Seniot Standing Counsel
and M/s.J.Harshini

For respondent: Mr.R.Venkatanarayanan
for M/s.Subbaraya Aiyar

JUDGMENT

Dr.G.Jayachandran, J

The Revenue being aggrieved by the dismissal of its appeal by the Income Tax Appellate Tribunal, has preferred the present appeal under Section 260-A of the Income Tax Act, 1961.

2. The Assessee Company is in the business of manufacturing Linear Alkyl Benzene (LAB) and Epichloropydrin, besides generating power for own consumption and also for sale to Tamil Nadu Electricity Board through four DG sets and one set at SPIC Heavy Chemical Division (HCD).

3. Aggrieved by the assessment order, the assessee filed appeal before the Commissioner of Income Tax - LTU (A) challenging:

(i) Re-working of the deduction under Section 80-HHC of the Income Tax Act, by including excise duty and sales tax in the total turnover.

(ii) Excluding 90% of interest income from the profits of the business for the purpose of Section 80-HHC..

(iii) Excluding the deduction allowed under Section 80-IA in respect of power generation units by relying on Section 80-IA(9).

(iv) Re-working the deduction under Section 80-IA of the Act, in respect of power generation units by excluding value attributable to own consumption.

4. The Appellate authority held in favour of the assessee in respect of ground (i) and remanded the matter back to the Assessing Officer for re-computing the deduction under Section 80-HHC, by following the dictum laid down by the Honourable Supreme Court in the case of M/s.Lakshmi Machine Works –vs- CIT (290 ITR 667).

5. In respect of the simultaneous deductions under Section 80-IA and Section 80-HHC from the gross total income, relying on the judgment of the jurisdictional High Court i.e., Madras High Court in SCM Creations –vs- Assistant Commissioner of Income Tax (304 ITR 319), the Tribunal held in favour of the assessee.

6. In respect of ground (iv) regarding the use of power for own consumption which was sought to be excluded under Section 80-IA by the assessee, the Appellate Authority held that the asssesee is entitled for deduction under Section 80-IA, both in the case of self-consumption as well as in the case of transfer through TNED.

7. The assessment order regarding exclusion of 90% interest which is ground (ii), it was upheld in favour of the Revenue.

8. The Revenue being aggrieved by the order of the Appellate Authority, filed appeal before Income Tax Appellate Tribunal, Chennai in ITA No.985/Mds/2009. The Tribunal, following the judgment of this Court, dismissed the appeal filed by the Revenue. Hence the present appeal under Section 260 A of the Income Tax Act, is filed by the Revenue.

9. This court has framed the following the following Substantial Questions of Law on 21.09.2011 :

(i) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in holding that the deduction allowed under Section 80-IA should not be reduced from the profits of business for computation of deduction under Section 80 HHC which is contrary to the provisions of Section 80-IA(9) ?

ii) Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in holding that the assessee was entitled to deduction under Section 80-IA in respect of profits relating to captive

generation of power which could not be considered as profits 'derived from' an identifiable industrial undertaking ?

10. The first question of law has been answered by the Supreme Court in the case of ***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 allowed 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 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".

11. In view of the above authoritative pronouncement by the Honourable Apex Court, the finding of the appellate authority and the Tribunal, are upheld. This question of law is held against the Revenue.

12. Insofar as the second substantial question of law, the Tribunal held in favour of the assessee by following the judgment of this Court rendered in the assessee's own case in TCA.896 to 902/2009, dated 02/11/2010. Though it is pleaded in the grounds of appeal that the Revenue has filed SLP before the Supreme Court and the same is pending, no contra judgment by the Apex Court is produced before us to interfere with the order of the Tribunal.

13. As a result, the questions of law are held against the Revenue/appellant. In fine, this appeal dismissed. There shall be no order as to costs.

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

02.06.2026

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To

Commissioner of Income Tax - LTU,

Chennai.

Dr.G.Jayachandran, J

and

R.Sakthivel, J

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Pre-delivery Judgment in
T.C.A.No.386 of 2011

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