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 Nos.296 and 297 of 2012

T.C.A.No.296 of 2012

M/s Light Alloy Products Ltd.,
67, Chamiers Road,
Chennai 600 028. ..Appellant/Appellant

/versus/

The Assistant Commissioner of Income Tax,
Company Circle-II(4),
Chennai 600 034. ..Respondent/Respondent

Tax Case Appeal has been filed under Section 260A of Income Tax Act, 1961, against the order of the Income Tax Appellate Tribunal, "D" Bench, Chennai dated 11th October 2011, in ITA No.848/Mds/11.

For Appellant	:Mr.R.Venkatnarayanan M/s Subbaraya Aiyar
For Respondent	:Mr.T.Ravikumar, Senior Standing Counsel

T.C.A.No.297 of 2012

M/s Light Alloy Products Ltd.,
67, Chamiers Road,
Chennai 600 028. ..Appellant/Appellant

/versus/

The Assistant Commissioner of Income Tax,
Company Circle-II(4),
Chennai 600 034. ..Respondent/Respondent

Tax Case Appeal has been filed under Section 260A of Income Tax Act, 1961, against the order of the Income Tax Appellate Tribunal, "D" Bench, Chennai dated 11th October 2011, in ITA No.849/Mds/11.

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

For Respondent :Mr.T.Ravikumar,
Senior Standing Counsel

COMMON JUDGMENT

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

The appellant company was involved in the business of manufacturing automotive precision tools for manufacturing sector using aluminum ingots as the raw materials. The assessee company filed its return of income for the AY 2002-03 on 30.10.2002 admitting an income of Rs.28,82,740/- and admitting an income of Rs.1,89,53,133/- for the AY 2004-05 respectively. The returns were processed under Section 143(1) and notice under Section 143(2) was issued.

After discussion and verification of the materials filed by the assessee, the assessment was completed and the claim of the assessee regarding simultaneous deduction under Section 80HHC and Section 80IB was rejected.

2. Aggrieved by the same, the Assessee has filed appeals before the Commissioner of Income Tax (Appeals) III in ITA Nos.240/09-10/A-III and 241/09-10/A-III respectively. The Commissioner of Income Tax partly allowed the appeals holding that the deduction claimed under Section 80HHC should be reduced by the deduction eligible under Section 80IB.

3. Aggrieved by the same, the assessee have filed two appeals before the Income Tax Appellate Tribunal, "D" Bench, Chennai in ITA Nos.848/Mds/2011 and 849/Mds/2011. The Tribunal upheld the decision taken by the CIT(A) and dismissed the appeals filed by the assessee.

4.As against the order of the Tribunal, two Tax Case Appeals are filed by the assessee by raising the following Substantial Question of Law:-

> "***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?***"

5. 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 question 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 thecase 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 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 '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."

6. In view of the authoritative pronouncement of the Hon'ble Supreme Court in case of *Shital Fibers Limited case (cited supra),* the matters are to be remanded back for recomputing the tax, 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, without reducing the deduction under Section 80 IB of the Act.

7. Accordingly, the substantial question of law is answered. The Assessing Officer is directed to follow the dictum of the Hon'ble Supreme Court laid in *Shital Fibers Ltd., case (cited supra)*, while considering the deduction claimed under Section 80IB and 80HHC and recompute the tax payable.

8. In the result, **the Tax Case Appeals are disposed of.** The orders of the ITAT impugned in the appeals are set aside. The matters are remanded back to the Assessing Officer to recompute the tax payable, in the light of the directions given above. No costs.

(G.JAYACHANDRAN, J.) **(R.SAKTHIVEL, J.)**

02.06.2026

Neutral Citation:yes/no
Index:yes/no
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To

The Assistant Commissioner of Income Tax,
Company Circle-II(4),
Chennai 600 034.

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

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delivery Common Judgment made in
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