2026:MHC:4531

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IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 04-11-2026

CORAM

THE HON'BLE DR.JUSTICE ANITA SUMANTH
AND
THE HON'BLE MR.JUSTICE S.KARTHIKEYAN

TC(A).Nos.308 and 318 of 2016
CNR:{HCMA010941162016}
and
CMP.Nos.6758 & 6768 of 2016

Case QR

The Commissioner of Income Tax,
Chennai.

..Appellant
in both Appeals

Vs

M/s.TTK LIG Ltd.,
No.6, Cathedral Road,
Chennai - 600 006.

..Respondent
in both Appeals

COMMON PRAYER: Tax Case (Appeals) filed under Section 260A of the Income Tax Act, 1961 against the orders of the Income Tax Appellate Tribunal, Madras 'D' Bench, Chennai passed in I.T.A.No.1792/Mds/2011 and I.T.A.No.2027/Mds/2011, both dated 31.10.2012.

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For Appellant in both Appeals: Dr.S.Sathiyanarayanan Senior Standing Counsel and Ms.Pooja Jain Junior Standing Counsel

For Respondent in both Appeals: Mr.R.Vijayaraghavan and Mr.Vikram Vijayaraghavan for M/s.Subbaraya Aiyar Padmanabhan

COMMON JUDGMENT
(Delivered by Dr.Anita Sumanth, J.)

The questions admitted for resolution in these Tax Case (Appeals) that relates to assessment year (A.Y.) 2003-2004 read as follows:

> *"1. Whether on the facts and in the circumstances of the case, the Income Tax Appellate Tribunal was right in holding that reopening of assessment was not valid under section 147 of the Income Tax Act?*
> *2. Is not the finding of the Tribunal bad especially when the assessing officer did not deal with the issue of gross interest and its treatment from the angle of assessing it as income from other sources and consequently deleting the entire income from profits of the business for the purpose of computation of deduction in the original assessment?"*

2. We have heard Dr.S.Sathiyanarayanan, learned Senior Standing Counsel and Ms.Pooja Jain, learned Junior Standing Counsel appearing for the appellant/Department and Mr.R.Vijayaraghavan and Mr.Vikram Vijayaraghavan for the respondent/assessee.

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3. The return of income filed by the assessee had culminated in an order of assessment under Section 143(3) of the Income Tax Act, 1961 (Act). The order is dated 14.02.2006 and in the course of the proceedings, the Assessing Authority had duly taken note of the claim under Section 80HHC of the Act relating to deduction in respect of export profits. He has applied the formula under Section 80HHC adding back 90% of the export incentives and reworking the claim.

4. While so, the Department has issued a notice under Section 148 of the Act on 23.03.2010, just a week shy of completion of the six year period of limitation. The assessee objected to the assumption of jurisdiction under Section 147 pointing out that the limitation for the assessment has expired and the conditions precedent for invoking larger limitation were not satisfied in this case.

5. Overruling the objections, an order of reassessment came to be passed on 31.12.2010. The appellant filed an appeal before the Commissioner of Income Tax (Appeals), but was unsuccessful. The Tribunal however accepted the argument of the assessee on the question of assumption of jurisdiction assailing which order, the Revenue is before us.

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6. An order of reassessment under Section 147 of the Act will have to be passed normally within a period of four years from the end of the relevant assessment year. It is only in certain adumbrated conditions, viz., where returns had not been filed in time or where the escapement of income was occasioned by virtue of failure of the assessee to make a full and true disclosure, that an extended period of limitation up to six years, is available to the Department.

7. In the present case, the Assessing Authority has noted the claim under Section 80HHC even at the original stage, has been diligent in adverting to the claim and restricted the deduction claimed by excluding 90% of the export incentives. The reasons for reassessment are premised on the judgement of the Hon'ble Supreme Court in *Pandian Chemicals Ltd. vs. Commissioner of Income Tax* [262 ITR 278], wherein the Supreme Court has held that income from interest would not be eligible for inclusion in a claim under Section 80HHC.

8. However, the aforesaid judgement is dated 24.04.2003 and was available to have been applied by the Assessing Authority in the original assessment. Hence, omitting to have taken note of the judgement is not a flaw attributable to the assessee. We are thus of the considered view that there is no error in the Tribunal concluding that the Department did not hold the requisite jurisdiction in this matter.

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9. Although Dr.S.Sathiyanarayanan would rely on Explanation 1 to Section 147, the argument has only to be stated to be rejected, as Explanation 1 is subject to the operation of the proviso to Section 147.

10. Since we are in agreement with the Tribunal that the Department did not hold the requisite jurisdiction, TC(A) No.308 of 2016 is dismissed and the questions are answered in favour of the assessee.

11. As far as TC(A) No.318 of 2016 is concerned, the appeal arises from ITA.No.2027/Mds/2011, wherein the Department had raised grounds before the Tribunal in relation to the merits of the matter, that had not been considered by the Tribunal owing to quashing of jurisdiction under Section 147 of the Act. The appeal loses relevance in light of our conclusion in TC(A) No.308 of 2016 and hence, this Tax Case (Appeal) is also dismissed. No costs. Consequently, connected miscellaneous petitions are closed.

(A.S.M.,J.) **(S.K.,J.)**
04-11-2026

Index: Yes/No
Speaking order
Neutral Citation: Yes

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