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T.C.A.No.1455 of 2008



**IN THE HIGH COURT OF JUDICATURE AT MADRAS**

Reserved on :20.04.2026

Pronounced on :30.04.2026

CORAM

**THE HONOURABLE DR. JUSTICE G. JAYACHANDRAN  
AND  
THE HONOURABLE MR.JUSTICE SHAMIM AHMED**

T.C.(A)No.1455 of 2008

Tata International Limited  
A Company incorporated under the  
Companies Act, 1956, having its  
registered office at 7<sup>th</sup> Floor, Trent House,  
G-Block, Plot No.C-60, Beside Citi  
Bank, Bandra Kurla Complex,  
Bandra-E, Mumbai 400 051.  
(Appellant name substituted as  
Tata International Limited vide  
Court order dated 20.04.2026 made in  
C.M.P.no.22138 of 2018 in  
T.C.A.No.1455 of 2008(GJJ & SSAJ)

..Appellant

/versus/

The Assistant Commissioner of  
Income-Tax, Income Tax Department,  
Central Revenue Building, 2<sup>nd</sup> Floor,  
Behind Karpagam Super Market,  
Officer's Line, Vellore 632 001.

.. Respondent

Prayer:

Tax Case Appeal has been filed under Section 260A of Income Tax Act, 1961, against the order dated 11.04.2008 passed by the Income Tax Appellate Tribunal, Chennai in ITA No.643/Mds/2007 for Assessment year 2003-2004.



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For Appellant :Mr.R.Harshvardan for  
Mr.Arunkarthik Mohan and  
Mr.Suhrith Parthasarathy

For Respondent :Mr.Prabhu Mukunth Arunkumar  
Sr.Standing Counsel

### **JUDGMENT**

*(Judgment was made by Dr.G.JAYACHANDRAN,J.)*

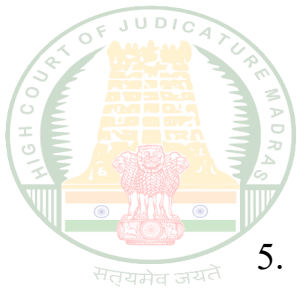
The appellant is a Private Limited Company formerly known as 'M/s Bachi Shoes India Pvt Ltd'. This company is engaged in the business of manufacturing and export of Leather goods including shoes uppers and full shoes. For the Assessment year 2003-2004, it filed return of income declaring income of Rs.16,53,065/-. The appellant arrived this income claiming deduction of Rs.72,77,912/- under Section 80 HHC and besides claiming deduction of Rs.58,27,020/- under Section 80 IB, from the gross income.

2. The Assessing Officer completed the assessment under Section 143(3) determining the total income at Rs.50,01,780/-. *Inter alia*, for computing the deduction under Section 80 HHC, he first deducting Rs.58,27,020/- (claimed under Section 80 IB by the assessee) from the profits of the business and thereafter, allowed only Rs.39,29,201/- as deduction under Section 80 HHC.



3. The assessee preferred appeal before CIT(A) contending that the Assessing Officer has misapplied the provisions of Section 80 IB r/w Section 80 IA to reduce the deduction under Section 80 HHC. However, the CIT(A) confirmed the view of the Assessing Officer by relying on the decision of the ITAT Special Bench rendered in ***Leben Laboratories Limited –vs- DCIT in ITA No:2850/Mum/04***. Further appeal filed by the assessee before the ITAT was also dismissed by following the decision of the Special Bench in the case of ***ACIT –vs- Rogini Garments reported in [294 ITR (AT) 15 (SB)]***.

4. The Tribunal confirmed the order of the assessing officer and the appellate authority by holding , the deduction under Section 80 IB to be given effect prior to deduction under Section 80 HHC. Thereafter, only if any positive income is arrived at after giving effect to the deduction under Section 80 IB, then deduction under Section 80 HHC will be computed for the remaining income. In other words, deduction under Section 80 IB and Section 80 HHC cannot be done simultaneously from the gross income. It should be one after the another. While computing the taxable income, the claim of deduction under Section 80 HHC cannot be on the gross income. The deduction under Section 80 IB should be granted from profits and gains of the business. Thereafter, from the remaining balance, relief under Section 80 HHC should be granted.



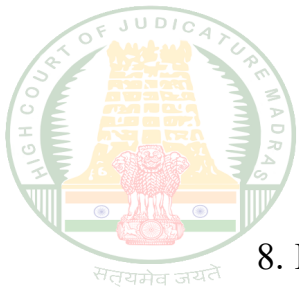
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5. Against the above method of computing the income and deductions claimed under Sections 80 HHC and 80 IB postulated by the Tribunal, the assessee is before this Court questioning the same as infirm and contrary to the spirit of law meant for providing tax concessions for industries involved in exports and earning foreign exchange.

6. On considering the conflicting views regarding the method of computing the taxable income, the following Substantial Question of Law framed for consideration:-

Whether the Tribunal was right in holding that the relief u/s 80 IB should be deducted from profits and gains of business before computing relief u/s 80 HHC of the Income Tax Act?

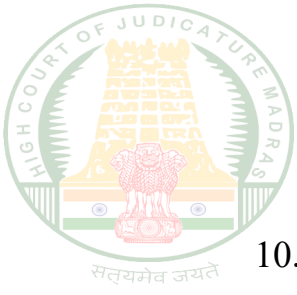
7. The Learned Counsel appearing for the appellant/assessee submitted that the mode of computing deductions claimed under Chapter VI A of the Act been considered by the Hon'ble Supreme Court at length in *M/s Shital Fibers Ltd –vs- Commissioner of Income Tax* reported in [(2025) 174 taxmann.com 807 (SC)]. The Hon'ble Supreme Court has laid down the guidelines, how to compute the deductions mentioned in Chapter-VIA of the Income Tax Act, 1961 particularly under Sections 80 IA , 80 IB and Section 80 HHC.



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8. In the case in hand, the Tribunal has affirmed the view of the assessing officer and the appellate authority, the computation of taxable income by first deducting under Section 80 IB (deductions in respect of profit and gains from industrial undertaking other than infrastructure development undertaking) and thereafter deducting the claim under Section 80 HHC (deduction in respect of profits retained for export business) from the balance of profit and gain instead of, the gross profit and gains. This method of computing taxable income is apparently in deviation to the method of computing approved by the Supreme Court in *M/s Shital Fibers Ltd case (cited supra)*. Hence, he prays for remand back the matter to the Assessing Officer to reconsider the return of income afresh by the assessee company, in the light of the guidelines laid by the Hon'ble Supreme Court in *M/s Shital Fibers Ltd. case (cited supra)*.

9. The Learned Senior Standing Counsel for the respondent submitted that if the matter is to be remanded back to the Assessing Officer, the reassessment shall be restricted in respect of deductions claimed under Section 80 IB and 80 HHC, in the light of *M/s Shital Fibers Ltd., case* and shall not expand the scope of remand any further.



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10. Considering the rival submissions and the judgment of the Hon'ble Supreme Court rendered in *M/s Shital Fibers Ltd -vs- Commissioner of Income Tax* reported in [(2025) 174 taxmann.com 807 (SC)], in our view the impugned tax demand is not based on proper computation of income. Hence, it has to be set aside.

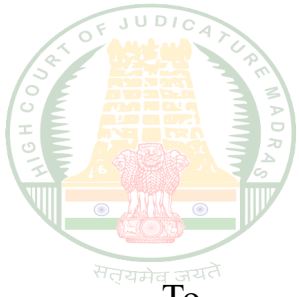
11. As a result, we set aside the order of ITAT in ITA No:643/Mds/2007 dated 11/04/2008 and remand back the matter to the Assessing Officer for computation of taxable income after giving due deductions under Section 80 IB and Section 80 HHC as per the dictum laid by the Hon'ble Supreme Court in *M/s Shital Fibers Ltd. case (cited supra)* and pass order as per law.

12. In fine, **the Tax Case Appeal by the assessee stands allowed** and the matter is remanded back for re-assessment as directed above. No order as to costs.

(G.JAYACHANDRAN, J.) (SHAMIM AHMED, J.)

30.04.2026

Neutral Citation: Yes  
Index: yes/no  
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To  
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The Assistant Commissioner of  
Income-Tax, Income Tax Department,  
Central Revenue Building, 2<sup>nd</sup> Floor,  
Behind Karpagam Super Market,  
Office's Line, Vellore 632 001.



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**Dr.G.JAYACHANDRAN, J.  
AND  
SHAMIM AHMED, J.**

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Judgment made in  
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