Commissioner of Income Tax-LTU, Chennai v. M/s. Rane Brake Lining Ltd.

T.C.A. No. 1133 of 2010

T.C.A. No. 1133 of 2010 (Madras High Court, decided 12 June 2025) | 2025-06-12

Section 80HHC computation without reducing section 80IB deduction; scrap proceeds excluded from total turnover, following Supreme Court precedents.

Income-tax Act, 1961: sections 80HHC, 80IB and 260A

High Court of Judicature at Madras | 2-judge bench (Division Bench) | Hon'ble Chief Justice K.R. Shriram | Hon'ble Justice Sunder Mohan

Assessment years: Not specified in source

01 FACTS OF THE CASE

Revenue challenged the Chennai ITAT A Bench order dated 4 June 2010 in ITA 105/Mds/2009. The appeal was admitted on 21 December 2010 on whether section 80HHC deduction could be computed without reducing section 80IB deduction and whether scrap sales could be excluded from total turnover for section 80HHC.

Source: PDF p.1

02 DISCUSSION BY THE HON'BLE COURT

The first question was covered by Shital Fibers, 2025 SCC OnLine SC 1178. The Court also referred to Associated Capsules and Micro Labs in explaining that section 80HHC deduction was to be given without reducing section 80IB deduction. Punjab Stainless Steel Industries, [2014] 46 taxmann.com 68 (SC), covered exclusion of scrap-sale proceeds from total turnover.

Source: PDF p.3

03 JUDICIAL DECISION

Both framed questions were answered in the affirmative. The appeal was dismissed without costs.

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04 OUTCOME / IN WHOSE FAVOUR

The Tribunal's treatment of both computation questions stood. The judgment contains no fresh numerical recomputation or separate ruling on the taxability of scrap receipts themselves.

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05 EXPERT COMMENTS

AKHB EXPERT COMMENTS — editorial analysis, distinct from the Court's findings.

Keep the two computational questions separate — The first holding addresses interaction of section 80IB deduction with section 80HHC computation. The second addresses what enters total turnover. A working paper should show those adjustments separately: the order does not supply the taxpayer's profit figures, export ratio or a final allowable amount.

Exclusion from turnover is not exemption of the receipt — The scrap holding concerns the denominator used for section 80HHC. It does not state that scrap proceeds cease to be income or decide how every scrap-related amount must be treated elsewhere in the accounts or tax computation. Apply the identified precedent to the relevant turnover issue without converting it into a general exemption.

The decision applies precedent rather than restating every limitation — The Bench treats both questions as covered by the cited Supreme Court authorities. It does not independently work through section 80IA(9), an aggregate-profit ceiling or the applicable assessment year. Those matters require the underlying assessment and cited judgments; the present order supports the two affirmative answers and dismissal actually recorded.

Source: PDF p.2

SOURCE & VERIFICATION

High Court of Judicature at Madras official judgment PDF — AKHB Repository (20250612_HCMA010137922010.pdf)

5-page official High Court of Judicature at Madras order/judgment PDF (20250612_HCMA010137922010.pdf, 100,811 bytes).

All 5 original pages read and visually inspected; all five panels audited.

Open cited source rendition

All five source pages, including the concluding order and backsheet, read and visually verified.

STATUTORY SCOPE

The source does not specify the assessment year or quantify the deductions. Section 80IA(9) and a numerical overall cap are not separately analysed here.

LATER TREATMENT

Source checked 2026-10-21. Subsequent treatment has not been independently verified.

AI DISCLOSURE

AI-assisted research checked against the identified source. Extraction, interpretation or omission errors remain possible. Source review does not mean independent approval by a practising professional. Verify every material statement against the complete original judgment.

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