

Shital Fibers Limited v. Commissioner of Income Tax

Civil Appeal No. 14318 of 2015 and connected appeals/petitions

[2025] 5 S.C.R. 1248 : 2025 INSC 743 | 2025-05-20

Whether section 80-IA(9) requires reducing the income base used to compute section 80-HHC deduction by the deduction already allowed under section 80-IA/80-IB, or instead limits the aggregate deduction at the allowance stage.

80-IA(9) | 80-HHC | 80-IA | 80-IB

Three-judge bench | Abhay S. Oka, J. | Ahsanuddin Amanullah, J. | Augustine George Masih, J.

Assessment years: 2002-03

01 FACTS OF THE CASE

The lead assessee, Shital Fibers, declared net taxable income of Rs 46,99,293 for AY 2002-03 and claimed concurrent Chapter VI-A deductions. The judgment records a claim of Rs 90,43,347 under section 80-IB on profits of Rs 4,19,40,609, and Rs 1,76,90,799 under section 80-HHC. In reassessment, the Revenue rejected its contention that the deductions should first be computed independently and restricted only when allowed. The assessee failed before the CIT(A), ITAT and Punjab and Haryana High Court. The batch came before three judges because the two judges in Micro Labs had differed on section 80-IA(9). Some connected appeals had already been disposed of on 1 August 2024 for low tax effect; this judgment used the lead appeal's facts to answer the legal reference.

Source: [official signed judgment / paragraphs 1-7 / PDF pages 1, 2, 3, 4 / judgment](#); [reported alternate rendition / paragraphs 1-7 / PDF pages 3, 4, 5 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

The Court explained that gross total income is computed before Chapter VI-A deductions. Sections 80-A, 80-AB and 80-B(5) provide that framework, while each deduction provision supplies its own computation rule. On a plain reading, section 80-IA(9) does not direct that an amount allowed under section 80-IA must first be subtracted from the income base for computing another deduction under heading C. It operates on allowance: the same eligible profits cannot generate aggregate deductions exceeding the profits and gains of the eligible business. The Court approved Associated Capsules and the view expressed by Dipak Misra, J. in Micro Labs, which distinguish computation from allowance. The illustration adopted from Associated Capsules is that, against eligible business profits of Rs 100, an Rs 30 section 80-IA deduction and an independently computed Rs 80 section 80-HHC deduction result in allowance of only Rs 70 under section 80-HHC. Thus, separate computation does not permit a total deduction of Rs 110.

Source: [official signed judgment / paragraphs 12-22 / PDF pages 6, 7, 8, 9, 10, 11, 12, 13, 14, 15 / judgment](#); [official signed judgment / paragraphs 23-24 / PDF pages 15, 16, 17, 18, 19 / judgment](#)

03 JUDICIAL DECISION

Section 80-IA(9) restricts the allowance of concurrent heading-C deductions; it does not alter the statutory computation of the other deduction by first reducing the gross total income by the section 80-IA deduction. The Court approved the Bombay High Court's interpretation in Associated Capsules, answered the reference accordingly, and directed the Registry to place the appeals/petitions before the appropriate Bench.

Source: [official signed judgment / paragraphs 20-25 / PDF pages 11, 12, 13, 14, 15, 16, 17, 18, 19, 20 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assessee on the referred computation question; underlying appeals not finally disposed of by this judgment

Reference answered; appeals/petitions directed to the appropriate Bench

Section 80-IA(9) interpretive question decided; case-specific final appellate relief left for the appropriate Bench

This is not an order allowing every assessee appeal or granting the claimed deduction amounts. The aggregate eligible-profit ceiling remains. Paragraph 2 separately records earlier low-tax-effect disposals; those are not merits disposals made by this judgment.

Source: [official signed judgment / paragraphs 25 / PDF pages 20 / judgment](#); [official signed judgment / paragraphs 2 / PDF pages 1, 2 / judgment](#)

05 AKHB REVIEW POINT

For an affected legacy year, keep two worksheets: compute each deduction under its own statutory formula, then apply section 80-IA(9) at the allowance stage to prevent aggregate deductions beyond the relevant eligible business profits. Identify the same undertaking and eligible profit pool rather than treating all company income as interchangeable. The judgment settles the computation question, so a case-status entry should say 'reference answered', with any later final order separately verified before reporting appeal relief. Confirm each deduction's own eligibility and the applicable year's text; this decision does not revive a sunset deduction or establish any automatic equivalent under the 2025 Act.

Source: [official signed judgment / paragraphs 15-16, 20-25 / PDF pages 7, 8, 9, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20 / judgment](#)

PROVISION-SPECIFIC SCOPE

1.

Provisions: 80-IA(9)

Role: controlling_issue

Description: Restriction on concurrent deductions under Chapter VI-A, heading C: computation distinguished from ultimate allowance.

Paragraphs: 19-24

2.

Provisions: 80-HHC; 80-IA; 80-IB

Role: substantive_deductions_in_issue

Description: Export-profit and industrial-undertaking deductions whose interaction generated the reference.

Paragraphs: 3, 6-7, 15-18

3.

Provisions: 4(1); 80-A; 80-AB; 80-B(5)

Role: interpretive_statutory_framework

Description: Charge on total income and computation of gross total income before Chapter VI-A deductions.

Paragraphs: 12-15

4.

Provisions: 143(1)(a); 143(2); 147; 148

Role: procedural_background_only

Description: Processing, notices and reassessment history; validity of reopening is not the referred issue determined.

Paragraphs: 3-6

SOURCE & VERIFICATION

[Hon'ble Supreme Court source PDF \(official signed judgment\)](#)

Identified source rendition: 20 PDF pages; SHA-256

29c6dc05df2b4e72a41f5b33b6c69df283578897a06bcf2e07d72ad9a0f3a902. Original bytes preserved.

[Open cited source rendition](#)

The source alternates between 80-IA and 80-IB when narrating the lead claim. The recorded Rs 90,43,347 amount is specifically under 80-IB in paragraph 3; the ratio interprets 80-IA(9).

The operative paragraph 25 was checked in both the reported text and the official signature-page image. It answers a reference and requires further listing; it does not finally dispose of the surviving appeals/petitions.

The references to 80-I within the quoted Micro Labs passages are reproduced source wording, not a separate controlling issue assigned to this note.

No later final orders in the underlying batch have been verified. No 2025 Act crosswalk is asserted.

SCR citation, neutral citation and lead appeal verified on SCR PDF p. 1; neutral citation and appeal number corroborated on the official signed judgment p. 1.

AY 2002-03 is the lead appeal's year (paragraph 3). AYs 2003-04 and 2004-05 occur in paragraph 4 only as background to earlier ITAT proceedings; they are not presented as the full batch's years.

STATUTORY SCOPE

1961 Act provisions and treaty text as considered in the judgment; no 2025 Act crosswalk performed

The governing assessment year, statutory amendments, treaty version, repeal-and-savings provisions and subsequent judicial treatment require independent verification.

LATER TREATMENT

Source checked 2026-10-04. Subsequent appeals, review proceedings, stays, reversals and later judicial treatment have not been comprehensively checked. This note is not a citator status certificate.

IDENTIFIED SOURCE LINKS

[official signed judgment - PDF pages: 20](#)

SHA-256: 29c6dc05df2b4e72a41f5b33b6c69df283578897a06bcf2e07d72ad9a0f3a902

[reported alternate rendition - PDF p. 1 / SCR p. 1248 - PDF pages: 15](#)

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