

**IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION**

CIVIL APPEAL NO.14318/2015

SHITAL FIBERS LTD.

APPELLANT

VERSUS

COMMISSIONER OF INCOME TAX

RESPONDENT

WITH

CIVIL APPEAL NO.14295/2015

CIVIL APPEAL NO.14299/2015

CIVIL APPEAL NO.14297/2015

CIVIL APPEAL NO.14301/2015

CIVIL APPEAL NO.14304/2015

CIVIL APPEAL NO.14305/2015

CIVIL APPEAL NO.14309/2015

CIVIL APPEAL NO.14324/2015

CIVIL APPEAL NO.14319/2015

CIVIL APPEAL NO.14313/2015

CIVIL APPEAL NO.14323/2015

CIVIL APPEAL NO.14314/2015

CIVIL APPEAL NO.14322/2015

CIVIL APPEAL NO.14320/2015

CIVIL APPEAL NO.14341/2015

CIVIL APPEAL NO.14337/2015

CIVIL APPEAL NO.14339/2015

CIVIL APPEAL NO.14340/2015

CIVIL APPEAL NO.14346/2015

CIVIL APPEAL NO.14347/2015

CIVIL APPEAL NO.3393 OF 2026
@ SLP(C) No. 19698/2014

CIVIL APPEAL NO.3394 OF 2026
@ SLP(C) No.36539/2014

CIVIL APPEAL NO.3395 OF 2026
@ SLP(C) No.9723/2018

CIVIL APPEAL NO.3412 OF 2026
@ SLP(C) No.28934/2019

O R D E R

C.A. No.14318/2015, C.A. No.14295/2015, C.A. No.14299/2015,
C.A. No.14297/2015, C.A. No.14301/2015, C.A. No.14304/2015,
C.A. No.14305/2015, C.A. No.14309/2015, C.A. No.14324/2015,
C.A. No.14319/2015, C.A. No.14313/2015, C.A. No.14323/2015,
C.A. No.14314/2015, C.A. No.14322/2015, C.A. No.14320/2015,
C.A. No.14339/2015, C.A. No.14340/2015, C.A. No.14346/2015,
C.A. No.14347/2015, C.A. No.3394 OF 2026 @ SLP(C)
No.36539/2014 AND C.A. No.3395 OF 2026 @ SLP(C)
No.9723/2018:

1. Heard.
2. Leave granted in SLP (C) Nos.36539/2014 and 9723/2018.
3. The present group of Civil Appeals have been filed

under Article 136 of the Constitution of India which arises out of the final judgment and order passed by various High Courts which involves deductions under Sections 80-IA, 80-IB and 80-HHC of the Income Tax Act, 1961.

4. The principle question of law is the interpretation of Section 80-IA(9), namely, whether after claiming deduction under Section 80-IA or 80-IB, can assessee again claim deduction under Section 80-HHC on the same profits and whether such deduction is to be computed independently or restricted?

5. The Division Bench of this Court in *Assistant Commissioner of Income Tax, Bangalore Vs. Micro Labs Ltd.*, reported in (2015) 17 SCC 1996 expressed a difference of opinion which necessitated the matter being referred to the Larger Bench. The Three Judges Bench of this Court resolved the said issue by affirming the view taken by the Bombay High Court in *Associated Capsules (P) Ltd. Vs. Deputy Commissioner of Income Tax and Anr.*, reported in C.A. No.14318/2015 : (2011) SCC OnLine Bombay 27 and holding the Section 80-IA(9) restricts the availability not the computation of deduction. The said finding has been reiterated by the Three Judges Bench and held:

"23. Hence, we find that the view taken by the Bombay High Court is correct. Dipak Misra, J (as he then was), in paragraphs 47 and 48 of the

decision in the case of *Assistant Commissioner of Income Tax, Bangalore v. Micro Labs Limited* ((2015) 17 SCC 96) approved the view taken by Bombay High Court in the aforesaid case. Paragraphs 47 and 48 read thus:

"47. It is in the context of Section 80-HHC that sub-section (9) of Section 80-I has come up for interpretation. There is no dispute that sub-section (9) of Section 80-I would be applicable as the assessee would be entitled to deduction under Section 80-IA as well as under Section 80-HHC. The contention of the Revenue is that the said sub-section mandates that deduction under Section 80-HHC has to be computed not only on the profits of business as reduced by the amounts specified in clause (baa) and sub-section (4-B) of Section 80-HHC but by also reducing the amount of profit and gains allowed as a deduction under Section 80-IA(1) of the Act. In other words, the gross total income eligible for deduction under Section 80-HHC would be less or reduced by the deduction already allowed under Section 80-IA. Thus, the gross total income eligible for deduction would not be the gross total income as defined in sub-section (5) of Section 80-B read with Section 80-B, but would be the gross total income computed under sub-section (5) of Section 80-B read with Section 80-AB less the deduction under Section 80-IA. An example will make the position clear. Supposing an assessee has gross total income of Rs 1000 and is entitled to deduction under Sections 80-IA and 80-HHC and the deduction under Section 80-IA is Rs 300, then the gross total income of which deduction under Section 80-HHC is to be computed would be Rs 700, and not Rs 1000.

48. On the other hand, the case of the assessee is that the gross total income would not undergo a change or reduction for the purpose of Section 80-HHC. The two deductions will be computed separately, without the deduction allowed under Section 80-IA being reduced from the gross total income for computing the deduction under Section 80-HHC. The reason being that sub-section (9) of Section 80-IA does not affect computation of deduction under Section 80-HHC, but postulates that the deduction computed under Section 80-HHC so aggregated with the deduction under Section 80-IA does not exceed the profits of the business."

In paragraphs 53 and 54 of the same decision, it is held thus:-

"53. The first part of sub-section (9) of Section 80-IA refers to the computation of profits and gains of an undertaking or enterprise allowed under Section 80-IA in any assessment year and the amount so calculated shall not be allowed as a deduction under any other provisions of this Chapter. It is in this context that the Bombay High Court has rightly pointed out that there is a difference between allowing a deduction and computation of deduction. The two have separate and distinct meanings. Computation of deduction is a stage prior and helps in quantifying the amount, which is eligible for deduction. Sub-section (9) of Section 80-IA does not bar or prohibit the deduction allowed under Section 80-IA from being included in the gross total income, when deduction under Section

80-HHC(3) of the Act is computed. In this context it has been held that the expression "shall not be allowed" cannot be equated with the words "shall not qualify" or "shall not be allowed in computing deduction". The effect thereof would be that while computing deduction under Section 80-HHC, the gross total income would mean the gross total income before allowing any deduction under Section 80-IA or other sections of Part C of Chapter VI-A of the Act. But once the deduction under Section 80-HHC has been calculated, it will be allowed, ensuring that the deduction under Sections 80-HHC and 80-IA when aggregated do not exceed profits and gains of such eligible business of undertaking and enterprise.

54. As I find, the legislature has used the expression "shall not qualify" in Sections 80-HHB(5) and 80-HHD(7), but the said expression has not been used in sub-section (9) of Section 80-IA. The formula prescribed in sub-section (3) of Section 80-HHC is a complete code for the purpose of the said computation of eligible profits and gains of business from exports of mercantiles and goods. It has reference to total turnover, turnover from exports in proportion to profits and gains from business in clause (a) and so forth under clauses (b) and (c) of Section 80-HHC(3) of the Act. In case the gross total income is reduced or modified taking into account the deduction allowed under Section 80-IA, it would lead to absurd and unintended consequences. It would render the formula under sub-section (3) of Section 80-HHC ineffective and unworkable as highlighted in para 30 of the decision in Associated Capsules (P) Ltd. [Associated Capsules (P) Ltd. v. CIT,

2011 SCC OnLine Bom 27 : (2011) 332 ITR 42 (Bom)] with reference to clause (b) of Section 80-HHC(3). Even when I apply clause (a) and calculate eligible deduction under Section 80-HHC, it would give an odd and anomalous figure. To illustrate, I would like to expound on the earlier example after recording that the gross total income of Rs 1000 was on assumed total turnover of Rs 10,000 which includes export turnover of Rs 5000 and the deduction allowable under Section 80-IA was 30% and the deduction allowable under Section 80-HHC was 80% of the eligible profits as computed under Section 80-HHC(3). The stand of the Revenue is that without alteration or modification of the figures of total turnover and the export turnover, the gross total income would undergo a reduction from Rs 1000 to Rs 700 as Rs 300 has been allowed as a deduction under Section 80-IA. This would result in anomaly for the said figure would not be the actual and true figure or the true gross total income or profit earned on the total turnover including export turnover and, therefore, would give a somewhat unusual and unacceptable result. There is no logic or rationale for making the calculation in the said impracticable and unintelligible manner."

24. In view of what we have held above, we find that the interpretation made by the Bombay High Court in the case of *Associated Capsules (P) Ltd. v. Deputy Commissioner of Income Tax and Anr ((2011) SCC Online Bombay 27)* appears to be logical and correct."

6. Thus, the issue involved in the present appeals being

no more *res integra*. The appeals filed by the assessee are hereby allowed. No order as to costs.

7. Pending application(s), if any, stands consigned to records.

C.A. No.14341/2015 AND C.A. NO.14337/2015:

1. Learned counsel appearing for the respondent - assessee would draw the attention of this Court to the verifying affidavits filed before the High Court, namely, the affidavit accompanying the appeals filed under Section 260-A of the Income Tax Act, 1961. A perusal of the same would indicate that revenue has stated in unequivocal terms that tax effect involved in these two appeals are to the tune of Rs.1,96,23,162/-.

2. In the light of the same and in the background of the extant Circular being Circular No.09/2024 dated 17.09.2024 issued by the Central Board of Direct Taxes where the matters pending before this Court has been resolved not to be pursued if the monetary limit as fixed thereunder is attracted or in other words such appeals would not be further prosecuted. Hence, the present appeals are disposed of as they fall within the four corners of the Circular.

3. Pending application(s), if any, stands consigned to records.

C.A. No.3393 OF 2026 @ SLP(C) No. 19698/2014 And C.A. No.3412 OF 2026 @ SLP(C) No.28934/2019:

1. Leave granted.
2. In view of the finding recorded in the connected Civil Appeals disposed of today by order of even date, the present appeals of the revenue would not survive for consideration or in other words, the impugned order(s) would not warrant our interference and accordingly, they stand dismissed. No order as to costs.
3. Pending application(s), if any, stands consigned to records.

.....J.
(ARAVIND KUMAR)

.....J.
(PRASANNA B. VARALE)

NEW DELHI;
FEBRUARY 26, 2026.

ITEM NO.103

COURT NO.16
S U P R E M E C O U R T O F
R E C O R D O F P R O C E E D I N G S

SECTION IV
I N D I A

Civil Appeal No(s).14318/2015

SHITAL FIBERS LTD.

VERSUS

Appellant(s)

COMMISSIONER OF INCOME TAX

Respondent(s)

WITH

C.A. No. 14295/2015 (XIV-A)

C.A. No. 14299/2015 (XIV-A)

C.A. No. 14297/2015 (XIV-A)

C.A. No. 14301/2015 (XIV-A)

C.A. No. 14304/2015 (XIV-A)

C.A. No. 14305/2015 (XIV-A)

C.A. No. 14309/2015 (IV)

C.A. No. 14324/2015 (IV)

C.A. No. 14319/2015 (IV)

C.A. No. 14313/2015 (IV)

C.A. No. 14323/2015 (IV)

C.A. No. 14314/2015 (IV)

C.A. No. 14322/2015 (IV)

C.A. No. 14320/2015 (IV)

C.A. No. 14341/2015 (XIV-A)

C.A. No. 14337/2015 (XIV-A)

C.A. No. 14339/2015 (XIV-A)

C.A. No. 14340/2015 (XIV-A)

C.A. No. 14346/2015 (IV)

C.A. No. 14347/2015 (IV)

SLP(C) No. 19698/2014 (IX)

SLP(C) No. 36539/2014 (IV-B)

SLP(C) No. 9723/2018 (XIV)
FOR ADMISSION and I.R.

SLP(C) No. 28934/2019 (IX)
FOR CONDONATION OF DELAY IN FILING ON IA 161693/2019
FOR CONDONATION OF DELAY IN REFILEING / CURING THE DEFECTS
ON IA 161694/2019

Date : 26-02-2026 This appeal was called on for hearing today.

CORAM : HON'BLE MR. JUSTICE ARAVIND KUMAR
HON'BLE MR. JUSTICE PRASANNA B. VARALE

For Appellant(s) : Mr. Pankaj Jain, Sr. Adv.
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Mr. Sachin Bhardwaj, Adv.
Mr. Yogesh Kumar Mittal, Adv.
Ms. Samridhi, Adv.
Ms. Srishti Choudhary, Adv.
Ms. Shefali Choudhary, Adv.
Ms. Namita Choudhary, AOR

Mr. Ambhoj Kumar Sinha, AOR
Mr. Raj Bahadur Yadav, AOR

Mr. Salil Aggarwal, Sr. Adv.
Mr. Bhargava V. Desai, AOR
Mr. Shivam Sharma, Adv.

Ms. Usha Nandini V., AOR

Mr. Vikas Mehta, AOR
Ms. Shashi M Kapila, Adv.
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Mr. Sushil Kumar, Adv.
Mr. Vaishak Omanakuttan, Adv.
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For Respondent(s) : Mr. Sahil Tagotra, AOR
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Mr. Annirudh Sharma Ii, Adv.
Mr. Vijay Awana, Adv.
Mr. Gaurang Bhushan, Adv.
Mr. Udit Dedhiya, Adv.

Mr. Kishore Kunal, AOR
Mr. Ankita Prakash, Adv.
Mr. Anuj Kumar, Adv.

Mr. Raj Bahadur Yadav, AOR

UPON hearing the counsel the Court made the following
O R D E R

C.A. No.14318/2015, C.A. No.14295/2015, C.A.
No.14299/2015, C.A. No.14297/2015, C.A. No.14301/2015, C.A.
No.14304/2015, C.A. No.14305/2015, C.A. No.14309/2015, C.A.
No.14324/2015, C.A. No.14319/2015, C.A. No.14313/2015, C.A.
No.14323/2015, C.A. No.14314/2015, C.A. No.14322/2015, C.A.
No.14320/2015, C.A. No.14339/2015, C.A. No.14340/2015, C.A.
No.14346/2015, C.A. No.14347/2015, C.A. No.3394 OF 2026 @
SLP(C) No.36539/2014 AND C.A. No.3395 OF 2026 @ SLP(C)
No.9723/2018:

Heard.

Leave granted in SLP (C) Nos.36539/2014 and 9723/2018.

The appeals filed by the assessee are hereby allowed in terms of the signed order. No order as to costs.

Pending application(s), if any, stands consigned to records.

C.A. No.14341/2015 AND C.A. NO.14337/2015:

The appeals are disposed of in terms of the signed order.

Pending application(s), if any, stands consigned to records.

C.A. No.3393 OF 2026 @ SLP(C) No. 19698/2014 And C.A. No.3412 OF 2026 @ SLP(C) No.28934/2019:

Leave granted.

The appeals stand dismissed in terms of the signed order. No order as to costs.

Pending application(s), if any, stands consigned to records.

(NEHA GUPTA)
COURT MASTER (SH)

(AVGV RAMU)
COURT MASTER (NSH)

(Signed order is placed on the file)