

Capital receipt includes income from sale of Carbon Credit Certificates

Summary – The Jaipur ITAT in a recent case of Ginni Global (P.) Ltd., (the Assessee) held that Capital receipt would include income from sale of Carbon Credit Certificates

Facts

- The assessee-company was engaged in the business of generation of electricity and had claimed deduction under section 80-IA in respect of Carbon Emission Reduction Certificates (CERs) sales. The AO by way of reassessment determined that the assessee was not eligible for the deduction under section 80-IA in respect of the income from sale of Carbon Emission Reduction Certificates (CERs).
- On appeal, the Commissioner (Appeals) allowed the claim of the assessee by holding that the income from sale of Carbon Emission Reduction Certificates (CERs) was capital receipt.
- On revenue's appeal:

Held

- The Commissioner (Appeals) has followed the decision of Jurisdictional High Court and no contrary decision had been brought on record. Further as per proviso to section 28(va) a sum received as compensation on account of measure taken to curb the use or emission of substance that deplete the Ozone layer under the United Nations Environment Programme is excluded from business income. Thus, any sum received on account of carbon credit or protecting the environment is not included in the business income.
- In view of the above discussion as well as fact and circumstances of the case, there is no error or illegality in the impugned order of the Commissioner (Appeals).