

Commissioner of Income Tax v. M/s Jindal Steel & Power Limited through its Managing Director

Civil Appeal No. 13771 of 2015 and connected proceedings (full list below)

[2023] 16 S.C.R. 484 : 2023 INSC 1053 | 2023-12-06

For the historical assessment years and statutory framework in question, how should electricity transferred for captive consumption be valued under section 80-IA(8)? The batch also concerns exercise of the WDV depreciation option, a Reliance professional-expense disallowance, and whether a carbon-credit classification issue could be raised for the first time at the final hearing.

80-IA(8) | 80-IA(4)(iv) | 32(1)

Two-judge bench | B. V. Nagarathna, J. | Ujjal Bhuyan, J.

Assessment years: 2001-02, 2006-07

01 FACTS OF THE CASE

The common judgment disposed of Revenue appeals against High Court orders upholding Tribunal relief. In the lead Jindal appeal for AY 2001-02, the company generated power for its steel-manufacturing units and sold surplus electricity to the State Electricity Board under a 15 July 1999 agreement. It recorded captive transfers at Rs 3.72 per unit, the rate charged by the Board to industrial consumers. The Assessing Officer used the Board's Rs 2.32 purchase rate instead and reduced the section 80-IA deduction from Rs 80,10,38,505 to Rs 48,11,72,000. CIT(A) agreed, but the Tribunal restored the claim and the High Court upheld that decision. Basic eligibility for section 80-IA relief was not disputed.

Jindal also claimed WDV depreciation on power-generation assets; the Assessing Officer reduced it on the basis that a separate option had not been exercised. In the Reliance appeal for AY 2006-07, the Revenue disputed Rs 3,39,95,000 of professional payments to S.K. Gupta and his group, relying on search statements that were later retracted. In two Godawari appeals, the Revenue sought to raise the capital-versus-revenue nature of carbon-credit receipts; the Tribunal had treated the receipts as capital, but the issue had not been pursued before the High Court.

Source: [official signed judgment / paragraphs 7-10 / PDF pages 5, 6, 7, 8, 9, 10 / judgment](#); [official signed judgment / paragraphs 35-39 / PDF pages 46, 47, 48 / judgment](#); [official signed judgment / paragraphs 46-50, 53-55 / PDF pages 53, 54, 55, 56, 57, 58 / judgment](#)

02 DISCUSSION BY THE HON'BLE COURT

On captive-power valuation, the Court read the historical section 80-IA(8) Explanation as referring to the price ordinarily obtainable in the open market. Under the applicable electricity regime and agreement, surplus power had to be sold to the State Electricity Board, whose dominant position left the assessee no real bargaining scope over the Rs 2.32 rate. That contracted procurement price was not the consumer-facing market value. The relevant comparison was the Rs 3.72 rate at which the Board supplied industrial consumers, which the manufacturing units would otherwise have paid. The Court distinguished the Calcutta High Court's ITC decision on its facts and regulatory setting; it did not overrule it. Reliance on section 80A(6) failed because that provision took effect from 1 April 2009, after the lead assessment year.

On depreciation, Rule 5(1A) required a timely option but prescribed no separate mode of exercising it. Jindal had claimed depreciation under Rule 5(1) and Appendix I before the return due date. The return claim satisfied the requirement; the Court did not dispense with the option or its deadline.

For Reliance, the Court accepted the Tribunal's evidence-based finding that the payments were supported. The Assessing Officer had relied solely on the earlier statements, rejected the prompt affidavit and subsequent confirming statement without cogent reasons, and denied cross-examination. The Court upheld deletion of the disallowance on that record.

For carbon credits, the Court declined to decide whether the receipts were capital or revenue: the Revenue had not challenged the Tribunal's classification before the High Court and could not introduce it at the final Supreme Court hearing. The classification question was expressly left open.

Source: [official signed judgment / paragraphs 15.5-15.8, 16-18 / PDF pages 32, 33, 34, 35, 36, 37 / judgment](#); [official signed judgment / paragraphs 22-34 / PDF pages 38, 39, 40, 41, 42, 43, 44, 45, 46 / judgment](#); [official signed judgment / paragraphs 40-45 / PDF pages 49, 50, 51, 52, 53 / judgment](#); [official signed judgment / paragraphs 51-55 / PDF pages 55, 56, 57, 58 / judgment](#)

03 JUDICIAL DECISION

The common captive-power valuation issue, Jindal's WDV-option issue and Reliance's professional-expense issue were answered for the assessee. The carbon-credit capital/revenue question was not answered and remained open for an appropriate proceeding. All the civil appeals were dismissed without an order as to costs.

Source: [official signed judgment / paragraphs 34 / PDF pages 46 / judgment](#); [official signed judgment / paragraphs 45 / PDF pages 53 / judgment](#); [official signed judgment / paragraphs 52 / PDF pages 56 / judgment](#); [official signed judgment / paragraphs 55-56 / PDF pages 57, 58 / judgment](#)

04 OUTCOME / IN WHOSE FAVOUR

In whose favour: Assesseees

Revenue civil appeals dismissed; no order as to costs

Captive-power valuation, WDV-option compliance and the professional-expense dispute decided for the assesseees; carbon-credit classification expressly left open

The lead valuation analysis concerns AY 2001-02 and the historical electricity-market restrictions. This is not a universal approval of every consumer tariff, a waiver of depreciation-option timing, a rule that every retracted statement is unusable, or a Supreme Court holding that all carbon-credit receipts are capital.

Source: [official signed judgment / paragraphs 56 / PDF pages 58 / judgment](#)

05 AKHB REVIEW POINT

For a legacy captive-power claim, retain the relevant tariff bills, power-purchase agreement, transfer accounts and evidence of the market/regulatory restrictions actually governing the year. Compare like transactions and establish why a procurement rate is not the appropriate consumer benchmark; do not apply the Rs 3.72 figure or the historical statutory definition mechanically to a different year or market. For depreciation, preserve the timely return and computation showing the option actually exercised. A retracted third-party statement requires examination of the full evidentiary record and any denied cross-examination, rather than a presumption that retraction itself disposes of the issue. Most importantly, tag the carbon-credit point as left open, not as a capital-receipt ratio. No 2025 Act correspondence or present-law certification is made.

Source: [official signed judgment / paragraphs 26-34 / PDF pages 40, 41, 42, 43, 44, 45, 46 / judgment](#); [official signed judgment / paragraphs 40-45 / PDF pages 49, 50, 51, 52, 53 / judgment](#); [official signed judgment / paragraphs 51-56 / PDF pages 55, 56, 57, 58 / judgment](#)

APPEAL AND PROCEEDING NUMBERS

Civil Appeal No. 13771 of 2015 / Civil Appeal No. 13773 of 2015 / Civil Appeal No. 5524 of 2017 / Civil Appeal No. 7425 of 2019 / Civil Appeal No. 7977 of 2023 / Civil Appeal No. 13775 of 2015 / Civil Appeal No. 13774 of 2015 / Civil Appeal No. 9920 of 2016 / Civil Appeal No. 6986 of 2016 / Civil Appeal Nos. 9781-9782 of 2017 / Civil Appeal No. 9917 of 2017 / Civil Appeal No. 941 of 2020 / Civil Appeal No. 7976 of 2023 / Civil Appeal No. 7978 of 2023 / Civil Appeal No. 8983 of 2017 / Civil Appeal No. 1805 of 2020

ASSESSMENT-YEAR DISTINCTIONS

1.

Case: Civil Appeal No. 13771 of 2015; Jindal Steel & Power

Assessment years: 2001-02

Paragraphs: 7, 36

2.

Case: Civil Appeal No. 7425 of 2019; Reliance Industries

Assessment years: 2006-07

Paragraphs: 47

3.

Case: Other connected appeals, including Godawari Power and Ispat carbon-credit issues

Assessment years:

Status: not_stated_in_this_judgment

PROVISION-SPECIFIC SCOPE

1.

Provisions: 80-IA(8), proviso and Explanation

Role: controlling_issue

Description: Determination of market value for electricity transferred by eligible captive-generation units to other businesses of the same assessee; historical open-market-price definition.

Paragraphs: 15.5-15.8, 22-34

2.

Provisions: 80-IA(1); 80-IA(2); 80-IA(4)(iv); 80-IA(5)

Role: deduction_framework_and_eligibility_context

Description: Power-generation deduction framework. Basic entitlement in the lead appeal was undisputed; the common issue was quantum. Section 80-IA(5) appears in the assessee's submissions.

Paragraphs: 11.8, 13.3, 15-20

3.

Provisions: 32(1); 139(1)

Role: additional_issue_and_option_deadline

Description: Depreciation entitlement and return due date governing the option under Rule 5(1A).

Paragraphs: 35-45

4.

Provisions: 80A(6)

Role: revenue_argument_rejected_as_temporally_inapplicable

Description: Inserted with effect from 1 April 2009; held inapplicable to the lead AY 2001-02.

Paragraphs: 12.7, 33

5.

Provisions: 80J(6B); 11

Role: analogy_or_cited_precedent_only

Description: Section 80J(6B) appears in the assessee's valuation analogy; section 11 appears in the discussion of G.R. Govindarajulu about the manner of exercising an option. Neither is the substantive claim decided in this case.

Paragraphs: 11.8, 13.6, 44

6.

Provisions: 260A

Role: appellate_procedure

Description: Revenue appeals to the High Courts; no substantial question of law on the fact-based professional-expense issue.

Paragraphs: 4, 10, 39, 50-52, 55

7.

Provisions: 142(1); 143(1); 143(2); 143(3); 115JA; 115JB

Role: assessment_and_prior_year_background

Description: Assessment processing, scrutiny, MAT and earlier-year history; no standalone rule under these provisions is established.

Paragraphs: 7-7.3, 11.14, 36, 47

SOURCE & VERIFICATION

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

Identified source rendition: 58 PDF pages; SHA-256

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[Open cited source rendition](#)

The full bounded judicial text in reported PDF pp. 4-41 was read, including all four issues; editorial headnotes were not used as a substitute for the judgment. The official judgment body was compared to that text and the signed disposition visually checked.

Different renditions retain separate hashes and physical pagination: official 58 pages; reported 41 pages. The three 2023 civil appeal numbers come from the reported case list, not from filled-in blanks on the official cover.

The first judicial paragraph is unnumbered in both renditions; later paragraphs run 2-56. Do not count editorial headings or paragraphs as judicial paragraph numbers.

The Rs 3.72 and Rs 2.32 rates, assessment years, and depreciation percentages are historical facts, not current rates. Section 80A(6) was expressly held inapplicable to the lead AY.

The Court distinguished CIT v. ITC Ltd.; do not label it overruled. Paragraph 32 reproduces references to sections 21 and 22 of the Electricity Act, 2003 in discussing that decision; their statutory attribution is not independently verified here.

Paragraph 49 says the further Tribunal appeal was by the Revenue although the described disallowance and relief concern the assessee. The note preserves the substantive procedural sequence without adopting this apparent drafting inconsistency.

Paragraph 55 refers to proceedings dated 11 September 2009 while discussing a 2016 Tribunal/High Court sequence. No corrected date is invented; the operative refusal to decide carbon-credit classification is clear.

The carbon-credit capital-receipt observation in paragraph 54 is the Tribunal's finding being recounted, not a Supreme Court classification holding.

Neutral citation and lead appeal are printed on the official cover. SCR citation and assigned Civil Appeal Nos. 7976, 7977 and 7978 of 2023 are verified from the reported rendition, PDF pp. 1 and 4; those three appeal numbers are blank on the official cover, which instead identifies the originating SLPs.

AY 2001-02 is the lead Jindal appeal, including the depreciation issue (paragraphs 7 and 36). AY 2006-07 concerns the Reliance professional-expense issue in Civil Appeal No. 7425/2019 (paragraph 47). AY 2000-01 is mentioned only as earlier-year/precedent background (paragraphs 10, 11.14 and 38). The judgment does not state the assessment year of every other connected appeal; none is inferred.

The official cover leaves three 2023 appeal numbers blank and identifies these three SLPs; reported PDF p. 4 supplies Civil Appeal Nos. 7976, 7977 and 7978 of 2023. A separate registry check of the one-to-one SLP-to-appeal assignments has not been performed, so none is asserted.

STATUTORY SCOPE

Historical 1961 Act provisions, Rule 5 and electricity-law setting considered in this judgment; no 2025 Act crosswalk performed

Check the governing year, later amendments including any applicable transfer-pricing framework, electricity-market rules, repeal-and-savings provisions and subsequent judicial treatment independently.

LATER TREATMENT

Source checked 2026-10-04. Subsequent 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: 58](#)

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[reported alternate rendition - PDF p. 1 / SCR p. 484; connected case list PDF p. 4 / SCR p. 487 - PDF pages: 41](#)

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