

SUPREME COURT OF INDIA

C.I.T., Jabalpur

Vs.

Rajaram Maize Products

C.A.No.2006 of 1998

(S. P. Bharucha, Y. K. Sabharwal and Ashok Bhan JJ.)

23.08.2001

ORDER

1. Leave granted in the Special Leave Petition.

2. The question that requires our consideration reads thus:

"Whether on the facts and in the circumstances of the case, the Tribunal was justified in holding that the power subsidy received by the assessee was a capital receipt not liable to be taxed within the meaning of Section 28(iv) of the *Income-tax Act, 1961* ?"

3. This Court in *Sahney Steel and Press Works Ltd. and others v. Commissioner of Income-tax*¹, has held that power subsidies are of revenue nature and have to be taxed accordingly. We also find that the terms under which the subsidy was given in the present cases clearly suggest that the subsidy was of a revenue nature inasmuch as it went towards reduction of the electricity bills. AIR 1997 SC 3968 : 1997 AIR SCW 3903 : 1997 Tax LR 1064

4. Accordingly, the appeals are allowed. The orders under challenge are set aside insofar as they relate to the question quoted above. That question is answered in the negative and in favour of the Revenue.

5. No order as to costs.

Appeal allowed.

¹(228 ITR 253)