

HC: No ITC on Coal Cess for Township Electricity

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REFER THE DECISION OF THE HON'BLE CHHATTISGARH HIGH COURT IN THE CASE OF

Bharat Aluminium Company Ltd. v. State of Chhattisgarh Citation: (2025) 33 Centax 209 (Chhattisgarh)

Bharat Aluminium Company Ltd. (BALCO) operated a power plant to generate electricity. The electricity was used in two ways:

1. For running its manufacturing operations, and
2. For its residential township, where employees lived.

The company claimed Input Tax Credit (ITC) of compensation cess paid on coal, even for the electricity supplied to the township.

The tax department disagreed, saying:

“Electricity for residential use is not part of business. ITC cannot be claimed on that portion.”

BALCO argued that the township was essential for employees, and therefore indirectly in the course of business.

The matter reached the Chhattisgarh High Court.


The Court referred to earlier Supreme Court rulings:

- Gujarat Narmada Fertilizers (2009) and
- Maruti Suzuki (2009),

which made it clear that only inputs directly or integrally connected with manufacturing/business are eligible for ITC.

Electricity supplied to a township was held to be personal consumption, not business use.

Conclusion

 **Result: The Court disallowed ITC of compensation cess on coal used to generate electricity for the township.**