

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2284
ANSWERED ON:06.08.2010
CARBON CREDIT TRADING
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has made any assessment of the quantum of `Carbon Credits` expected to be generated by the corporates by 2012;
- (b) if so, the details thereof;
- (c) whether the Government proposes to tax earning and trading of `Carbon Credits`; and
- (d) if any the details thereof and if not the reasons therefor?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): A National Strategy Study on CDM (Clean Development Mechanism) Implementation in India was conducted in the year 2004-05 with the help of World Bank. The study indicated India`s CDM potential of the order of 417 MTCCteeq. (million tonnes CO2 equivalent) up to 2012 in the key sectors including power generation, industries and transport.

(c) & (d): There is no proposal to levy indirect taxes viz. Central Excise duty or Service Tax on trading of carbon credits. Central Excise duty is leviable on `goods` produced or manufactured in India . `Carbon credits` are not in the nature of goods. Apart from the fact that carbon credits encourage the use of environment-friendly practices, there is no Service tax on trading of financial instruments. Thus no Service Tax is levied. So far as direct taxes are concerned, the Income Tax Act 1961 provides an inclusive definition of income, hence income of any nature is taxable unless specifically exempted under the Act. Income generated from trading of carbon credits is taxable under the Income Tax Act, 1961.