

GST ITC available on installation of Solar Power Panel as electricity so generated captively used for manufacture of taxable goods

In the matter of *M/s. KLF Nirmal Industries Pvt. Limited [Order No. 19/ARA/2021 dated June 18, 2021]*, M/s. KLF Nirmal Industries Pvt. Limited (**"the Applicant"**) has sought the Advance Ruling before the Tamil Nadu Authority for Advance Ruling (**"AAR"**) on the following grounds:

1. Whether the Applicant is eligible to take input tax credit (**"ITC"**) as inputs/capital goods or input services of the items used in Design, Engineering, Supply, Execution (EPC) of 265KW Roof top Grid Solar PV Power Plant as per MNRE 8v IEC Standards?
2. Whether the Applicant is eligible to take ITC for inputs and services for running the solar plant?

The Applicant has a plant in Erode for extracting edible oils etc. The Applicant is in the process of installing/ has installed a captive roof top solar grid connected power plant in the edible oil extracting plant. The solar panels have been installed at the top of the roof of the factory building and oil tanks. Electricity generated from the solar plant has been fully consumed to produce taxable goods. The Applicant has stated that the Roof top Grid solar PV Power is for captive consumption within the premises. There is no third-party sale and the units generated by the solar plant are consumed for operating the edible oil extraction plant.

The Hon'ble Tamil Nadu AAR noted that the Applicant has complied with the provisions of Section 16(1), (2) and (3) of the Central Goods and Services Act, 2017 (**"the CGST Act"**).

The Tamil Nadu AAR further observed that, solar generation is done only when there is a consumption (discharge) in the main panel which is being sensed by the smart meter. If there is no consumption the smart meter will shut down the complete solar system. Hence the electricity generated by the said solar power plant can only be consumed captively and the Applicant has not entered into any wheeling agreement with the Tamil Nadu Generation and Distribution Corporation Ltd. (**"TNGDCL"**). Thus, the electricity generated is qualified to be considered an input used in the manufacture of end product namely edible oils.

The Hon'ble Tamil Nadu AAR held that, the Applicant has procured the solar panels for use in their business and also stated that the entire amount excluding the GST component has been capitalised thereby depreciation on the GST element has not been claimed for which documentary evidences has been produced by the Applicant. The Applicant is eligible for availing ITC as inputs/capital goods or input services of the items used in Design, Engineering, Supply, Execution (EPC) of 265KW Roof top Grid Solar PV Power Plant as per MNRE & IEC Standards procured from M.s KCP Solar Industries as the Applicant have been found to comply with the provisions of Sections 16 (1) and (2), Section 17 (5) of the CGST Act and are found to be using the electricity so generated captively only in the process of manufacture of edible oils, which is a taxable commodity.

Further held that, regarding whether the Applicant is eligible to take ITC for inputs and services for running the solar plant, the Applicant has not furnished the list of inputs and services that will be used in running the solar plant as they have done for the capital goods vide Appendix-A and elaborated it with the Fixed Assets and Work-in-progress register. The Applicant has not even attempted to substantiate their stand in this regard. Hence the Tamil Nadu AAR, has refrained from passing a ruling in this respect for want of valid inputs.

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