

## Ruling

### **Rooftop Solar Plants Do Not Come Under Immovable Property And Are Eligible For ITC**

#### Observations & Findings

Unique Welding Products P. Ltd., the applicant, is engaged in the manufacturing and sale of welding wires. They levy an 18% GST on their supplied products and services. In a recent development, the applicant installed a rooftop solar system on their factory roof, boasting a capacity of 440 KW (AC) for power generation. Furthermore, the applicant has entered into an interconnection agreement with Madhya Gujarat Vij Company Ltd., the power distribution licensee. This agreement grants them exclusive access to power generated by rooftop solar systems for their in-house consumption.

Notably, all the power generated is dedicated solely to the in-house production of welding wires within their premises. According to Section 2(17) of the CGST Act, 2017, the manufacturing and sale of welding wires by the applicant at their Anand-based manufacturing plant qualifies as a 'business.' Under Section 16(1), the applicant is eligible for Input Tax Credit (ITC) for any goods or services used or intended to be used in the course of their business.

The applicant has sought to claim ITC for inputs, input services, and capital goods utilized in the erection, commissioning, and installation of rooftop solar power plants.

Upon reviewing the provided information, the Gujarat Authority for Advance Ruling (AAR) focused on two main issues. First, whether the applicant could categorize the purchased rooftop solar system, along with its installation and commissioning, under 'inputs/capital goods' or 'input services' per the provisions of sections 16 and 17 of the GST Act. Second, whether the rooftop solar system, once installed and commissioned, qualifies as the plant and machinery of the applicant, used in their welding wire manufacturing business, thus exempt from blocked input tax credit as defined in Section 7(5).

The AAR carefully considered the rooftop solar plant's characteristics. It observed that the solar plant, affixed to the building's roof, lacked integration with the ground, distinguishing it as movable plant and machinery rather than immovable property. This machinery is crucial for generating electricity exclusively and solely employed in the welding wire production process. The applicant continues to supply welding wires while adhering to GST payments at the applicable rates.

The AAR ultimately ruled that the rooftop solar plant, not being permanently affixed to the building, is categorized as plant and machinery rather than immovable property. As a result, it falls outside the scope of blocked credit specified in Section 17(5)(d) of the CGST Act, 2017. Consequently, the applicant is entitled to claim input tax credits for the rooftop solar plants.