



JUDGEMENT

Solar Power Stations Classified as Composite Supply, Attracting 5% GST Instead of 18%

Issued By:	Andhra Pradesh High Court
In Case Of:	Sterling And Wilson Pvt Ltd
Order No:	W.P No. 20096 / 2020
Order Date:	10 th January 2025

FACTS & OBSERVATIONS

- The taxpayer, engaged in setting up solar power stations, filed GST at a 5% rate, treating the supply as a composite supply under Section 2(30) of the GST Act. A refund was claimed for the period January to March 2018 under Section 54 of the A.P. GST Act, 2017, citing that input GST exceeded the output GST.
- The assessing authority rejected the refund and issued a show cause notice, reclassifying the supply as a works contract under Section 2(119) of the GST Act. This reclassification led to the application of an 18% GST rate, resulting in a higher tax liability for the taxpayer.
- Dissatisfied with the revised assessment, the taxpayer contested the decision before the Joint Commissioner, who upheld the assessing authority's order regarding tax and interest liability. The matter then proceeded to the Andhra Pradesh High Court for resolution.

JUDGEMENT

- The High Court noted that while a works contract is a composite supply, not all composite supplies qualify as works contracts. The distinction lies in whether the end product is movable or immovable.
- The court clarified that solar power stations, including their modules, are movable assets. Although attached to civil foundations embedded in the earth, the attachment is not for the beneficial enjoyment of the structure. Instead, the foundation is embedded to support the solar power station's operation.
- Referring to the Supreme Court's ruling in CCE v. Solid and Correct Engineering Works, the bench emphasized that the property in question is not permanently embedded in the earth, ruling out its classification as immovable property.
- Concluding the case, the court upheld the taxpayer's position, holding that the supply of solar power stations constitutes a composite supply and is subject to a 5% GST rate, not 18%.

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

WWW.NJJAIN.COM

info@niteshjain.co.in

079-4002-2628