IMPORTANT GST CASE LAW

JUDGEMENT

ITC Allowed for Direct Captive Power Use, But Denied Where Solar Plant Feeds Grid and Adjusts Consumption via Re- Credits

Issued By:	Tamil Nadu AAR
In Case Of:	M/S Kanishk Steel Industries Ltd
Order No:	01/ARA/2025
Order Date:	6th Feb 2025

FACTS & OBSERVATIONS

- Kanishk Steel Industries Ltd., a steel manufacturer, installed a 10.2 MW solar power plant in Tamil Nadu to meet energy requirements for its manufacturing unit.
- The electricity generated was entirely supplied to the TANGEDCO grid, with equivalent energy credits adjusted against factory consumption; no direct on-site usage occurred.
- The company claimed Input Tax Credit on installation, operation, and maintenance costs, contending that the solar plant qualified as “plant and machinery” integral to its business under Section 16 of the CGST Act.
- Reliance was placed on AAR rulings from Tamil Nadu, Karnataka, and Rajasthan which had permitted ITC for captive renewable energy plants in comparable circumstances.

JUDGEMENT

- Electricity supplied to the grid was classified under HSN 27160000, attracting a NIL rate of GST and treated as an exempt supply under GST provisions.
- Under Section 17(2) of the CGST/TNGST Act, ITC is blocked on goods and services used exclusively for making exempt supplies.
- The authority distinguished earlier rulings, noting those cases involved direct captive consumption at the generation site, not supply and re-credit via a third-party grid.
- The AAR held that absence of direct captive consumption made the supply exempt, thereby denying ITC for goods and services used in the plant’s operation and maintenance.

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

WWW.NJJAIN.COM

info@niteshjain.co.in

079-4002-2628