



## JUDGEMENT

# Solar EPC Contracts Held Eligible for Concessional 8.9% GST by Applying Statutory Rate Bifurcation Notifications

<b>Issued By:</b>	Andhra Pradesh High Court
<b>In Case Of:</b>	Vikram Solar Limited
<b>Order No:</b>	WP/4420/2025
<b>Order Date:</b>	3rd Dec 2025

## FACTS & OBSERVATIONS

- The petitioner challenged a GST assessment order for FY 2018–19 and 2019–20, wherein the **tax department treated turnkey contracts for supply and installation of solar power projects as works contracts relating to immovable property, taxable at 18%**.
- The core dispute arose from the classification of the transaction: **the assessee contended that the contracts involved supply of solar modules and related goods along with ancillary services**, and not a pure works contract resulting in immovable property.
- The **department rejected the concessional GST rate claimed by the assessee** and denied the benefit of notifications applicable to solar power generating systems, leading to a substantial tax demand.
- Aggrieved by the assessment, the petitioner approached the High Court under Article 226, contending that the **assessing authority failed to correctly apply the relevant GST notifications and binding clarifications governing taxation of solar power projects**.

## JUDGEMENT

- The High Court observed that the GST framework contains specific rate notifications prescribing a deemed bifurcation of consideration for solar power projects, allocating 70% to goods and 30% to services, and held that the **assessing authority erred in mechanically taxing solar EPC contracts at 18% without applying this statutory mechanism.**
- While the Court examined the long-standing controversy on whether solar EPC contracts result in immovable property, **it consciously kept this issue open, noting that subsequent rate notifications effectively tax solar installation contracts at an 8.9% rate based on the 70:30 split**, thereby reducing the relevance of the immovable–movable debate for rate determination.
- The Court **rejected the department's contention that the benefit of the 70:30 bifurcation applies only where the entire solar power system is supplied**, holding that even contracts involving supply of solar devices or parts along with services are entitled to the same concessional treatment.
- The Court **held that denial of concessional GST without a reasoned examination of the applicable notifications and circulars was legally unsustainable**, set aside the assessment order, and remanded the matter for fresh adjudication.

N J JAIN & ASSOCIATES

CHARTERED ACCOUNTANTS

**WWW.NJJAIN.COM**

---

info@niteshjain.co.in

079-4002-2628