



**HARYANA AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICE TAX, HARYANA
VANIJYA BHAWAN, PLOT NO. 1-3, SECTOR-5,
PANCHKULA-134151**



ADVANCE RULING No. HR/ARL/17/2021-22 DATED

Name & Address of the Applicant	M/s M.N. Solar Co. Ward no. 5, House no-298, Kot Mohalla, Ganaur, Sonipat, Haryana
GSTIN of the Applicant	06BEDPN4222D1ZO
Provisions under which the advance ruling has been sought by the applicant	Section 97(2) of CGST/HGST Act, 2017 (a) Classification of goods and/or services or both. (b) Determination of the liability to pay tax on any goods or services or both. (c) Whether any particular thing done by the applicant with respect to any goods and/or services or both amounts to or results in a supply of goods and/or services or both, within the meaning of that term.
Date of Virtual Hearing:	18.05.2022, 05.07.2022

1. APPLICANT'S ELIGIBILITY FOR SEEKING AN ADVANCE RULING:

- 1.1 To file an application before the Authority of Advance Ruling, the applicant must satisfy the conditions prescribed under the Central Goods and Services Tax Act, 2017 (hereinafter referred to as CGST Act, 2017) and Haryana Goods and Services Tax Act, 2017 (hereinafter referred to as HGST Act, 2017). Since the provisions of both the Acts are *parimateria*, any reference to provisions of CGST Act, 2017 in this order should be construed as a reference to corresponding provisions in HGST Act, 2017 as well.
- 1.2 Sections 97(2) (a)(b)& (c) read with Section 95 of the CGST Act, 2017 prescribes that Advance Ruling may be sought inter alia on the question of (a) Classification of goods and/or services or both. (b) Applicability of a notification issue under the provisions of this Act. (c) Determination of the liability to pay tax on any goods or services or both. (g) Whether any particular thing done by the applicant with respect to any goods and/or services or both amounts to or results in a supply of goods and/or services or both, within the meaning of that term.
- 1.3 There is no bar on an applicant from seeking an Advance Ruling in terms of Section 98(2) of CGST Act, 2017 in as much as the questions raised by the applicant are neither pending nor decided in any proceedings in the case of the applicant under the provisions of CGST/HGST Act, 2017. As per the declaration given by the applicant in form ARA-01 the issue raised by the applicant is neither pending nor decided in any proceeding under any of the provisions of the Act, against the applicant, therefore,

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he is eligible to seek an Advance Ruling under the above provisions. Besides the applicable fees in the matter has been paid by him so the case is being heard on merits.

2. BRIEF FACTS OF THE CASE:-

A M/s M.N Solar Co., ward no. 5, House no. 298, Kot Mohalla, Ganaur Distt. Sonipat (herein after referred to as the applicant) is registered under the Act having state jurisdiction (GSTIN -06BEDPN4222D1ZO). The applicant proposes to be engaged in manufacturing of solar inverter and lead acid battery. Apart from that the applicant will procure solar panel and controller from the open market and there after sell the same as a composite unit to the consumer and to the dealer. He plans to sell this composite unit as solar power generating system. The description and function of each of the equipment as stated by the applicant is elaborated below:-

Solar Inverter: - That inverter which is itself a renewable energy device and capable of generating and storing solar power. A solar inverter or PV inverter is a type of electrical converter which converts the variable direct current (DC) output of a photovoltaic (PV) solar panel into a utility frequency alternating current (AC) that can be fed into a commercial electrical grid or used by a local, off-grid electrical network. It is a critical balance of system (BOS)-component in a photovoltaic system, allowing the use of ordinary AC-powered equipment. Solar power inverters have special functions adapted for use with photovoltaic arrays, including maximum power point tracking and anti-islanding protection.

Battery: That the battery is charged by solar electricity and this battery then feeds a load directly or through an inverter. In this way variation of power quality due to variation of sunlight intensity can be avoided in solar power system instead an uninterrupted uniform power supply is maintained.

B. The applicant has seeks an advance ruling from the Authority of Advance Ruling(GST), Haryana on the following issues :-

Question -1. Whether the solar inverter manufactured by the applicant fall under entry no. 234 of Schedule -1 of the Notification 1/2017 – Central tax (rate) dated 28.06.2017?

Question-2. Whether Solar Batteries manufacture by the MNS and sold to the manufactures/trades who further use the same in Solar power plants shall qualify as parts of solar power plants and fall under entry no. 234 of Schedule-1 of the Notification 1/2017 – Central tax (rate) dated 28.06.2017?

Question-3. In addition of the above, since we are supplying solar inverter along with solar battery and solar panel together in package, we also seek clarification / ruling that whether said supply in combination will fall under entry no. 234 of Schedule -1 of the Notification 1/2017 – Central tax (rate) dated 28.06.2017?

C. STATEMENT CONTAINING THE APPLICANT'S INTERPRETATION OF LAW

The entry no 234 of the schedule 1 of the Notification No. 01/2017-Central Tax (Rate), dated 28-06-2017 provides the rate of GST on renewable energy devices & parts for their manufacture. Relevant extract of the same is reproduced below:-



Schedule I - 2.5%

S. No.	Chapter/ Heading/ Sub- Tariff item	Description of goods
(1)	(2)	(3)
234	84 or 85	Following renewable energy devices & parts for their manufacture (a) Bio-gas plant (b) Solar power based devices (c) Solar power generating system (d) Wind mills, Wind Operated Electricity Generator (WOEG) (e) Waste to energy plants/devices (f) Solar lantern/solar lamp (g) Ocean waves/tidal waves energy devices/plants

In the instant case, the applicant proposes to manufacture Inverter and battery which is used in solar power generating system. It is stated by the applicant that inverter which is itself a renewable energy device and capable of generating and storing solar power. A solar inverter or PV inverter is a type of electrical converter which converts the variable direct current (DC) output of a photovoltaic (PV) solar panel into a utility frequency alternating current (AC) that can be fed into a commercial electrical grid or used by a local, off-grid electrical network. It is a critical balance of system (BOS)-component in a photovoltaic system, allowing the use of ordinary AC-powered equipment. Solar power inverters have special functions adapted for use with photovoltaic arrays, including maximum power point tracking and anti-islanding protection.

That the solar inverters are itself capable of generating solar power and is a solar power generating system in itself. The entry no 234 of the schedule 1 of the Notification No. 01/2017-Central Tax (Rate), dated 28-06-2017 covers the solar power generating system in its ambit. Accordingly the Solar inverters fall within the ambit of entry no 234 of the schedule 1 of the Notification No. 01/2017-Central Tax(Rate).

It is submitted that in case of COMMISSIONER OF CUSTOMS, COCHIN VS. SOLGEN ENERGY PVT. LTD. 2018 (364) E.L.T. 678 (Tri. - Bang.) it has been held by the Hon'ble Tribunal that Solar inverter if exposed to sunlight, performing function of generating electricity covered within description 'Solar Power Generating System. Relevant extract of the judgment is reproduced below for ready reference:

*"Sl. No. 332 of the Notification grants the benefit to non-conventional energy devices or system specified in the list. From the list A, we find that Sl. No. 10 of the list covers "solar power generating system". The goods under import which are described as "solar inverter" performs the function of generating electricity when the same is exposed to sunlight, which in our view, **falls within the description of "solar power generating system"**. Hence, we find no reason to interfere with the impugned order which is sustained. Accordingly appeal filed by the Revenue is dismissed."*

On perusal of judgment of Hon'ble Tribunal it is clear that Solar Inverter shall qualify as Solar Power Generating Unit. Once it qualifies as Solar

Power Generating Unit, as per our understanding the same shall fall under entry no. 234 of Schedule -1 of the Notification No. 01/2017 – CGST (Rate).

Similar view has been taken by the Hon'ble CESTAT in case of Bhel v. CCE [2008 (223) E.L.T. 0609 (Tri. - Bang.)] relevant extract of the same is reproduced below for ready reference:

"The benefit of exemption Notification No. 5/99-C.E., dated 28-2-1999. The contention of the revenue is inverter charger should be classified under Heading No. 80.03 of the C.E. Tariff Act as a component of solar power generating system or solar lantern. The exemption Notification No. 5/99-C.E., dated 28-2-1999 as amended exempts "non-conventional energy systems" specified in list 4 of the Notification from payment of duty. Since the exemption notification exempts total system and not parts of the system, the lower authority held that the inverter charger for solar lantern is not entitled for the benefit of the said notification."

We heard both sides. Learned Advocates contended that solar power generating system is also technically known as inverter charger card. Technical experts who headed the Technical Department of the appellants who are a major Public Sector Undertaking have certified that inverter charger card is the power generating system envisaged under the exemption notification. The classification list which was approved by the Jurisdictional Assistant Commissioner on 23-3-1995 also acknowledges that the inverter charger card and solar power generating system are one and the same and the exemption is admissible to the said system. It is an assembly of 19 components. The impugned inverter charger card is one of the 4 constituents in the solar lantern. The constituents are:

- (i) SPV Module*
- (ii) Inverter charger cards/solar power generating systems*
- (iii) Maintenance free lead acid battery*
- (iv) Compact fluorescent lamp.*

On a very careful consideration of the issue, we find that the exemption notification exempts from Central Excise duty the following items:

- (i) Solar voltaic module*
- (ii) Solar power generating system*
- (iii) Solar lantern.*

In the present case, the appellants have claimed exemption in respect of "inverter charger card" as solar power generating system. The appellants actually manufactured SPV lantern. The above lantern required electricity for its working. It is possible to convert solar energy to electricity with the help of inverter charger manufactured by the appellants. The Dy. General Manager has certified that the inverter merger constitutes solar power generating system as it performs the function of generating the required high frequency AC power from Sun-light with, the help of SPV module and supplying it to the

compact fluorescent lamp of a solar lantern. In view of the above, expert opinion, we hold that the impugned item can be considered as solar power generating system and is entitled for of the benefit of the exemption Notification. Therefore, we allow the appeal with consequential relief."

On perusal of above discussions and judgments, it is clear that the solar inverter is considered as solar power generating system. Hence, in our view the same should classify under entry no. 234 of Schedule -1 of the Notification No. 01/2017 – CGST (Rate).

Further, entry no. 234 of Schedule -1 of the Notification No. 01/2017 – CGST (Rate) also caters the parts of the renewable energy devices. In this case, the MNS manufactures batteries used in manufacture of solar power generating units and suitable for use in solar power plants.

The applicant has submitted that battery is charged by solar electricity and this battery then feeds a load directly or through an inverter. In this way variation of power quality due to variation of sunlight intensity can be avoided in solar power system instead an uninterrupted uniform power supply is maintained. Thus Solar battery is an integral part of solar power generating systems. Accordingly appellant is of the view that solar batteries fall with the entry no 234 of Schedule -1 of the Notification No. 01/2017-CGST(Rate) as part of renewal energy devices.

The applicant supplying the solar inverter along with solar battery and solar panel together in package. Here it is pertinent to mention here that solar panel and controller will be procured from the open market and thereafter sold as a composite unit to the consumer and to the dealer as well as solar power generating system.

GST was implemented in India with effect from 01.07.2017. There has been a paradigm shift in the levy of indirect taxes with the introduction of GST. Typically, the event of taxation has been shifted from that of manufacture/ sale to the event of 'supply'.

The term supply is defined under Section 7 of CGST Act to include all types of transfer, exchange, sale, lease, license etc. The relevant provision of Section 7 of the CGST Act is reproduced below:

Section (7) Scope of supply:

(1) For the purposes of this Act, the expression supply includes –

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or



- agreed to be made for a consideration by a person in the course or furtherance of business;**
- (b) import of services for a consideration whether or not in the course or furtherance of business;**
 - (c) the activities specified in Schedule I, made or agreed to be made without a consideration; and**
 - (d) the activities to be treated as supply of goods or supply of services as referred to in Schedule II.”**

Section 7(1) defines the term supply to include transactions such as sale, lease, transfer, rental etc in the course or furtherance of business and to constitute supply the transaction must be for consideration.

In present case, the given transaction shall qualify as supply. However, as the supply involves different components and therefore question arises whether the same shall constitute as single supply or together as composite supply or to be treated as individual supplies?

The term ‘Composite Supply’ is defined under Section 2(30) of CGST Act. The term Composite Supply means combination of two or more supplies which are naturally bundled and supplied in conjunction with each other wherein one of the supplies is principle supply.

Section 2(30) of CGST Act reads as follows:

“composite supply” means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply.”

As per Section 8 of CGST Act, in order to determine the tax liability on the composite supply, the principle supply shall be treated as supply and the composite supply shall be chargeable to tax rate as applicable on principle supply.

We understand that in this case, the goods to be supplied i.e. Solar inverter, solar battery and solar panel work in tandem with each other and are dependent on each other for generation and storage of solar energy. They in combination work as “Solar Power Generating System”.

Solar inverter, solar battery and solar panels are naturally bundled and the same is supplied in conjunction with each other and in combination they are called as “Solar Power Generating System” being capable of generating solar power. Every individual component has its own individual functionality.

Therefore, the same should qualify as composite supply. Once the supply qualifies as composite supply. The entire transaction shall be chargeable at the rate applicable to the principle/main supply which is "Solar Power Generating System" in the present case. Given this, the applicable tax on the same shall be 12% in terms of entry no. 234 of Schedule -1 of the Notification 1/2017 – Central tax (rate) dated 28.06.2017.

It is submitted that the similar question came before the Advance Ruling Authority of Uttarakhand in case of EAPRO GLOBAL LIMITED 2018 (17) G.S.T.L. 677 (A.A.R. - GST) Where in advance ruling authority has held as follow:

"(i) Supply of solar inverter, controller, battery and panels would be covered under "Solar Power Generating System" as a whole in terms of serial No. 234 of Schedule-I of the Notification No. 01/2017-Central Tax (Rate), dated 28-6-2017 when supplied for said purpose and the applicable rate of GST on such supply will be 5% as on today [2.5% CGST + 2.5% SGST] and such supply will be treated as "composite supply".

(ii) Supply of solar inverter & solar panels together will fall under the: definition of "Solar Power Generating System" (if the same are used for said specified purpose) in terms of serial No. 234 of Schedule-I of the Notification No. 01/2017-Central Tax (Rate), dated 28-6-2017 and the applicable rate of GST on such supply will be 5% as on today [2.5% CGST + 2.5% SGST] and such supply will be treated as "composite supply".

(iii) The aforesaid findings are applicable for both manufacturers and traders engaged in said supply".

In the another similar AAR ruling passed by Maharashtra Authority in case number **GST-ARA-03/2017/B-07 dated 03.03.2018** it has been upheld that *"Supply of Solar Invertor, controller, Battery and panels would covered under "Solar Power Generating Systems" as whole in terms of Sr. No. 234 of Schedule-I of the Notification No. 01/2017-Central Tax (Rate) dated 28.062017 when supplied for said purpose and applicable rate of GST on such supply will be 5% {2.5%CGST +2.5%SGST} and such supply will be treated as composite supply."*

On perusal of above advance ruling it is clear that the solar panel, battery and solar inverter if supplied together shall qualify 'solar power generating system' and considered as composite supply. Accordingly, the same shall fall within the ambit of serial No. 234 of Schedule-I of the Notification No. 01/2017-Central Tax (Rate), dated 28-6-2017 and the applicable rate of GST on such supply will be 12% [6% CGST + 6% SGST].

In view of above submissions we are of the view that the solar panel, battery and solar inverter supplied together shall be considered as composite supply and shall qualify as 'solar power generating system'

which fall within the ambit of serial No. 234 of Schedule-I of the Notification No. 01/2017-Central Tax (Rate), dated 28-6-2017 and chargeable to GST at the rate of 12%.

3.PERSONAL HEARING:

Sh Amit Sharma Advocate, an authorized representative on behalf of the applicant attended the virtual hearing on dated 18.05.2022 and 05.07.2022 before the Authority of Advance ruling and reiterated which has already been submitted in writing in the application dated 21.02.2022.

4. Comments of jurisdictional officer of State Tax:-

The proper officer has submitted his report on 19.07.2022 on the issue at hand. He has stated as following:-

- (a) The firm/taxpayer got registration under the Act on 24.07.2021 and the constitution of the business is proprietorship and the products for which registration has been taken are diode, transistor, electric transformer, accumulator etc.
- (b) Business is more trading as of now as compared to Manufacturing. The proprietor has informed that they plan to start manufacturing soon and for this, they will also take an Additional Place of Business.
- (c) Core Business at present: Sale & Purchase in Solar Inverter, PCP Board & Solar panel.
- (d) Expansion Plan: To manufacture Solar Inverter & Solar Battery. They plan to do Inter-state and Intra State sale in Solar Power Generating System of Entry No. 234 of Sechedule I of the Notification 01/2017 of Solar Inverter, Solar Battery, Solar Pancel & Solar Controller. They pain to do both Inter State & Intra State Purchase of Raw Materials.
- (e) Tax liability of Rs. 74,700/- in previous year which has been paid in whole through by ITC and no cash deposited.

6. DISCUSSION AND FINDING

- 6.1 We have gone through the submissions/explanation made by the applicant and the status report of the jurisdiction officer. At the outset, we find that the issue raised in the application is squarely covered under Section 97(2) of the CGST Act 2017. So, the application is being considered on merit.
- 6.2 Before proceeding, we need to elaborate a little on the nature/ function of the goods/services to be supplied by the applicant. Solar energy systems are typically made of solar batteries and panels, mounting tools and a monitoring system for the overall performance. The energy from the sun is collected by the panels that send the converted energy into the inverter from which one can utilize electricity. We find that there are four main components of a solar power generating system as under:
 - (i) **Solar panels:** The main part of a solar power generating system is the solar panel. Solar panels contain solar cells. Solar cells,

sometimes called photovoltaic cells, convert the energy of the sun into electricity. They are made of solar cells and are connected in series. They are made of semiconductor material that converts sunlight into electrical energy.

- (ii) **Inverters:** The electricity produced in a solar panel is DC. Electricity we get from the grid supply is AC. So it is required to install an inverter to convert DC of solar system to AC of same level as grid supply. In off grid system the inverter is directly connected across the battery terminals so that DC coming from the batteries is first converted to AC then fed to the equipment. In grid tie system the solar panel is directly connected to inverter and this inverter then feeds the grid with same voltage and frequency power.
- (iii) **Controller:** As it's is not desirable to overcharge and under discharge a lead acid battery. Both overcharging and under discharging can badly damage the battery system. To avoid these both situations a controller is required to attach with the system to maintain flow of current to and fro the batteries. It measures the efficiency of the entire system and determines the operating life of the batteries. It is not a device dependent on solar power.
- (iv) **Battery:** A solar battery simply store the energy generated by the solar panels in the energy system. The battery is charged by solar electricity and this battery then feeds a load directly or through an inverter. In this way variation of power quality due to variation of sunlight intensity can be avoided in solar power system instead an uninterrupted uniform power supply is maintained. Solar batteries are C10 rating deep cycle battery designed for connecting with solar charge controllers, inverters for giving power backup. It is designed to be charged from Solar panels in the day from sunlight. The main component of the battery is the lead inside it. Generally, lithium ion batteries can supply more cycles than lead-acid, making them great for delivering ancillary services to the grid. One energy saving trait of lithium ion, which makes it a good option for a solar system, is its high charge and discharge efficiencies. A hybrid solar inverter is the combination of a solar inverter and a battery inverter into a single piece of equipment that can manage power from the solar panels, solar batteries, and the utility grid at the same time.

6.3 In the instant case we are not deciding any wider question but restricting our conclusion to the facts and circumstances which was filed for our consideration in the application. Now we proceed by taking the issue one by one:

(a) Whether the supply of solar inverter and battery are covered under entry no. 234 of Schedule -1 of the Notification 1/2017 – Central tax (rate) dated 28.06.2017 and taxed as “Solar Power Generating System” as a whole and what will be the rate of GST on such supply? To appreciate the legal position in this regard the relevant provisions of the Act as are reiterated:

(i) Section 2(30) of the Act **ibid.** “**composite supply**” means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

(ii) Section 2(74) of the Act **ibid** “**mixed supply**” means two or more individual supplies of goods or services, or any combination thereof, made in conjunction with each other by a taxable person for a single price where such supply does not constitute a composite supply.

(iii) Section 2(90) of the Act **ibid** “**principal supply** ” means the Supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;

(iv) Section 8 of the Act **ibid**: The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:—

(a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and

(b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of



6.4 The term "Solar Power Generating System" has not been defined under GST Act. *Generally, the solar power generating systems are the systems which absorb sunlight and convert it into electricity which can be put to further use.*

Further it has also been mentioned that "Solar Power Generating System" has been defined under **"solar power-Grid connected ground mounted and solar rooftop metering regulation-2014"** issued by State of Goa. As per this regulation Solar Power Generating System means *"a grid connected solar generating station including the evacuation system upto the grid inter-connection point"*.

In plain words "a solar power generating system is an electric power system design to supply usable solar energy into electricity by means of photovoltaic cells. It consists of an arrangement of components, including solar panels to absorb and convert sunlight into electricity, a solar inverter to convert the output from direct to alternating current, as well as mounting, cabling and other electrical accessories to set up a working system. It may also use a solar tracking system/controller to improve the system overall performance and include integrated battery".

6.5 The applicant has placed reliance of various case laws passed by various Advance Ruling authorities. We are of the opinion that each case has to be examined individually in the backdrop of several factors. Further, he has also placed reliance on various case laws on the issue passed by the courts of the land related to other acts. We have observed that there is no need to discuss the same in presence of clear provision under GST Law. A solar power plant produces electricity directly from sun by the interaction of sunlight with a solar panel made of semiconductor material. The power provided is direct current (DC) electricity. A solar power plant consists of an array of modules generating DC electricity, an inverter and sometimes battery storage back up.

The applicable GST Rate for supply of equipment for a solar power generating system (composite supply) will be 12 % (The value can be equivalent to 70 % of the plant cost). However, for installation and engineering services, EPC companies and installers will need to raise a separate works contract equivalent to 30 % of the overall bill with a GST rate of 18 %.



7. Ruling :-

- (i) In view of above, this office is of opinion that the combination of solar panel, inverter, solar battery and charge controller may qualify as "Solar Power Generating System. If said items are supply in the assemble form, it will covered under "Solar Power Generating System" and will be treated as composite supply. Accordingly rate prescribed in GST vide Notification no. 01/2017 Central tax (Rate) dated 27.01.2017 will be 12% for "Solar Power Generating System" is applicable. However, if the said items are supplied individually and their value is also shown in the invoice individually, then the said supply will be treated as mixed supply.
- (ii) As the combination of solar inverter & battery do not make "Solar Power Generating System", thus the said supply will be treated as mixed supply and rate of GST will be 18%. The rate of GST does not alter whether the supply has been made by the manufacturer or trader.



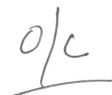
(Sunder Lal)

Member CGST



(Kumud Singh)

Member SGST



Memo No. 220 /AETC(AR) dated 24.08.2022

Copy to:-

1. The Addl. Commissioner, Central Goods & Service Tax Commissionerate, Plot No. 5, Sector 25, Panchkula (Haryana).
2. The Deputy/Assistant Commissioner, Central Goods & Service Tax, Division – Sonapat, Range – 27, Sonapat, Haryana.
3. The Deputy Excise and Taxation Commissioner (ST), Sonapat, Haryana.
4. The appellant.

Note: An Appeal against this advance ruling order lies before the Haryana Appellate Authority for Advance Ruling for Goods and Service Tax Haryana Vanijya Bhawan, Plot No. 1-3, Sector 5, Panchkula-134 151 (Haryana), within 30 days from the date of service of this order.