

M/s SBF Ispat Private Limited

Appellate Authority for Advance Ruling — Rajasthan

ORDER NO. 02/2026-27

Dated **20.05.2026**

Q Questions Before the Authority

- Whether, the applicant is eligible to avail input tax credit of GST paid on inputs/capital goods or input services used in Design, Engineering, Installation of 20.5 MW of the Solar Power Plant as per the Rajasthan Integrated Clean Energy Policy, 2024 (RICEP) standards, wherein, the generation of electricity from such solar plant is used for captive consumption;
- Whether the applicant is eligible to take input Tax credit as 'inputs/capital goods' or 'input services' of the items enlisted in "Annexure-B" of this application in terms of Section 16 and 17 of the CGST/SGST/IGST Act; and
- Whether the capital goods and inputs used in setting up/erection/commissioning/installation of the solar power plant constitute "Plant and Machinery" under the ambit of Section 17(5) of the CGST/SGST Act, 2017 and further as the said power plant is used in the manufacture of steel, whether, the same is used or intended to be used in the course or furtherance of the business of manufacturing Steel and hence, not blocked input tax credit under section 17(5) of the CGST/SGST/ IGST Act?

F Facts

The appellant is a manufacturer of steel products and is setting up a 20.5 MW solar power plant at a separate location within Rajasthan, declared as an additional place of business. The electricity generated is transferred to the grid of RVPN/DISCOM, and the appellant receives credits for this energy, which are adjusted against the electricity consumed at their factory. The appellant contends this is captive consumption for the furtherance of their business.

H Ruling

Eligibility for ITC on solar power plant inputs/capital goods	Not eligible	The solar power plant is used for generation of electricity, which is an exempt supply.
Eligibility for ITC on items in Annexure-B	Not eligible	Credit is restricted under Section 17(2) read with Section 17(5) of the CGST/SGST Act, 2017.
Classification as Plant and Machinery and business use	Not eligible	The goods do not qualify as plant and machinery used for making taxable outward supplies; credit is blocked under Section 17(5)(c) and 17(5)(d).

The Appellate Authority upheld the original ruling, denying the appellant's eligibility to claim input tax credit on goods and services used for the solar power plant. It concluded that the transfer of electricity to the grid constitutes a supply, and since the supply of electricity is exempt, the input tax credit is blocked. The authority rejected the argument that this arrangement qualifies as captive consumption.

R Reasoning

The authority determined that feeding electricity into the DISCOM grid constitutes a **taxable supply** under Section 2(83) of the CGST Act, as the credits received from DISCOM represent consideration. Because the output (electricity) is an **exempt supply** under Notification No. 02/2017-CT(Rate), the input tax credit is blocked under Section 17(2) and Section 17(5) of the CGST Act. The authority further held that the 'captive' nature of the power is determined by the location of generation, not the location of use, and therefore the consumption cannot be treated as captive.

P Provisions Relied On

Section 2(31) of the CGST Act, 2017	Section 2(83) of the CGST Act, 2017
Section 16 of the CGST Act, 2017	Section 17(2) of the CGST Act, 2017
Section 17(5) of the CGST Act, 2017	Rule 42 of the CGST Rules, 2017
Rule 43 of the CGST Rules, 2017	Notification No. 02/2017-CT(Rate) dated 28-06-2017

! For the Practitioner

This ruling clarifies that for businesses generating electricity at a remote location and feeding it into the grid for credit adjustments, the activity is treated as a **taxable supply of exempt goods**, thereby blocking ITC. It serves as a warning that 'same GSTIN' status does not automatically permit ITC if the electricity is not consumed at the place of generation. Practitioners should note that this order distinguishes itself from previous case laws by emphasizing the **bilateral nature of the grid-transfer arrangement**.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> [web_manager_2.pdf](#)

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Pune (HQ)

RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Delhi

3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Ahmedabad

Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp...

Mumbai

104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Gurugram

Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram...

Talk to us: **+91 94594 56700** | sales@patronaccounting.com | patronaccounting.com