

M/s. Shibaura Machine India Private Limited

Appellate Authority for Advance Ruling — Tamil Nadu

Order No. AAAR/08/2025 (AR)

Dated 18.12.2025

Q Questions Before the Authority

- Whether Input Tax Credit (ITC) is eligible on electrical works carried out for expansion of factory for manufacturing activity?
- What should be the basis to arrive the timeline to avail ITC on tax invoice raised by Supplier to bill "Advance Component" of the Contract and Subsequent Adjustment of Advance in the Service Bills showing both Gross and Net amount.

F Facts

The Appellant entered into a contract for the supply, installation, testing, and commissioning of electrical works for a new factory expansion. They sought an advance ruling on whether ITC is available for these electrical installations and the timeline for availing ITC on advance payments. The Appellant argued that these installations are movable and essential for manufacturing, thus qualifying as plant and machinery.

H Ruling

Eligibility of ITC on electrical works	Not eligible	Blocked under Section 17(5)(c) and 17(5)(d) of the CGST/TNGST Acts as they form part of immovable property.
Timeline to avail ITC on advance component	Does not arise	The question was not answered as the main query on ITC eligibility was decided in the negative.

The Appellate Authority upheld the original ruling, concluding that the electrical installations are not eligible for ITC. It determined that these works constitute part of the immovable property and do not qualify as plant and machinery under the GST law. Consequently, the second question regarding the timeline for availing ITC on advance payments was rendered moot.

R Reasoning

The Authority reasoned that the electrical installations, including panels, bus-ducts, and wiring, are **permanently fastened** to the building and lack an independent existence, thereby becoming part of the immovable property. It held that these items do not meet the definition of 'plant and machinery' as they are not used for making outward supply but are generic infrastructure for the facility. The ruling relied on the **exclusion clauses** under Section 17(5)(c) and 17(5)(d) of the CGST Act, which block ITC for works contract services and goods/services received for the construction of immovable property. The Authority also applied the principles of the **functionality and permanency tests** to determine that the installations were intended for the permanent benefit of the factory building.

P Provisions Relied On

Section 16(1) of the CGST Act

Section 17(5)(c) of the CGST Act

Section 17(5)(d) of the CGST Act

Section 3(26) of the General Clauses Act

Section 3 of the Transfer of Property Act

! For the Practitioner

This ruling reinforces a **restrictive interpretation** of ITC eligibility for electrical installations in factory construction, categorizing them as immovable property rather than plant and machinery. It serves as a warning for practitioners that even if equipment is technically movable, the **intent and nature of annexation** to the building will likely lead to the denial of ITC. It does not provide relief for taxpayers seeking to claim ITC on comprehensive electrical works contracts for new factory setups.

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 -> 2-shibaura_electrical_works_aaar_order_08-2025-1.pdf

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