

M/s. Agratas Energy Storage Solutions Pvt Ltd.

Authority for Advance Ruling — Gujarat

GUJ/GAAR/R/2025/46

Dated **03.11.2025**

Q Questions Before the Authority

- Whether the Applicant would be eligible to avail the ITC of the GST charged on the lease rental, where the factory building would be constructed on lease land?
- Without prejudice to the above, whether the ITC of GST charged on the lease rental paid would be available in the following periods: (i) For the period prior to initiation of the construction of the factory building (ii) For the period after construction of the factory building
- Without prejudice to the above, whether ITC of GST paid on lease rental would be available when the repairs, maintenance and renovation activities are undertaken on the factory building?
- Without prejudice to the above, whether ITC of GST paid on lease rental would be available with respect to the area of the land on which no immovable property is constructed i.e. vacant portion of the land?

F Facts

The applicant is a newly set up company and a wholly owned subsidiary of Tata Sons, engaged in manufacturing battery cells for motor vehicles. They have entered into a 50-year lease agreement with the Government of Gujarat for approximately 321 acres of land for industrial purposes. The applicant is liable to pay annual lease rentals and discharge GST under the Reverse Charge Mechanism.

H Ruling

ITC on lease rental for factory construction	No	Blocked under Section 17(5)(d)
ITC on lease rental prior to construction	No	Blocked under Section 17(5)(d)
ITC on lease rental after construction	No	Blocked under Section 17(5)(d)
ITC on lease rental for repairs and maintenance	No	Blocked under Section 17(5)(d)
ITC on lease rental for vacant land portion	No	Blocked under Section 17(5)(d)

The Authority ruled that the applicant is not eligible to avail Input Tax Credit (ITC) of the GST paid under the Reverse Charge Mechanism on the lease rentals. This denial applies to all scenarios, including the period prior to construction, the period after construction, during repairs and maintenance, and for the vacant portion of the land. The Authority concluded that the lease of land is for the construction of immovable property, which is blocked under the relevant GST provisions.

R Reasoning

The Authority relied on Section 17(5)(d) of the CGST Act, which blocks ITC on goods or services received by a taxable person for the construction of an immovable property on their own account. It interpreted the term 'for' as indicating a purpose, concluding that the lease was specifically for the construction of a factory. The Authority further noted that the definition of 'construction' includes repairs and renovation, and that 'plant and machinery' excludes land. Consequently, it held that the **entire lease transaction is blocked** regardless of the timing or the specific portion of the land.

P Provisions Relied On

Section 7 of the CGST Act	Section 2(102) of the CGST Act
Section 9(3) of the CGST Act	Section 16(1) of the CGST Act
Section 17(5)(c) of the CGST Act	Section 17(5)(d) of the CGST Act
Notification No. 13/2017-Central Tax (Rate)	

! For the Practitioner

This ruling confirms that **ITC on lease rentals** paid for land used for industrial construction is **blocked under Section 17(5)(d)**. It settles that this restriction applies broadly, covering pre-construction, post-construction, and vacant land periods. Practitioners should note that the Authority maintains a strict interpretation that land is not 'plant and machinery' and that the lease is inextricably linked to the construction purpose.

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 -> 46 agratas energy storage solutions private limited compressed.pdf

Prepared 15-10-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

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