M/s Karnataka Solar Power Development Corporation Limited, Bengaluru (GSTIN 29AAFCK7685P1ZF)

Authority for Advance Ruling — Karnataka

Advance Ruling No. KAR ADRG 10/2020, Date: 18-03-2020 (handwritten f… Dated **18.03.2020**

Q Questions Before the Authority

- Whether the amount collected from Solar Power Developers towards the Local Area Development (LAD) Fund, which is kept in a separate account and used for development of the affected area under MNRE guidelines, can be treated as not a supply under the CGST/KGST/IGST Act 2017 and so not taxable.
- Without prejudice to the first question, if the LAD collection is treated as a supply, what HSN/SAC code applies.
- Without prejudice to the first question, if the LAD collection is treated as a supply, whether it is exempt under Sl. No. 3 or 3A of Notification 12/2017-Central Tax (Rate) as the activities are covered under Article 243G or 243W of the Constitution.
- Without prejudice to the above, whether payments made at the direction of the LAD committee are a service rendered by Government to the applicant, liable to GST under reverse charge under Entry No. 5 of Notification 13/2017-Central Tax (Rate). This question was added at the personal hearing.

F Facts

The applicant is a joint venture company of SECI and KREDL, acting as a Solar Power Park Developer for a 2000 MW park in Tumkur District. It leases land from farmers for 28 years and sub-leases it to Solar Power Developers (SPDs), collecting rent with GST. Under MNRE guidelines and the Implementation and Support Agreement, SPDs also pay Rs. 5,00,000 per MW in five yearly instalments into an LAD Fund, which the applicant holds in a separate account and disburses at the direction of a committee chaired by the District Commissioner, Tumkur.

H Ruling

Whether the LAD Fund collection is outside the scope of supply and not taxable	****Not accepted. The amount forms part of the value of the rental/leasing supply and is taxable under forward charge.****	The Authority treated the LAD amount as linked to the lease consideration, since the lessor may terminate the lease for non-payment (para 8.3). Section 15(2)(a) was relied on for inclusion in value.
HSN/SAC code if the LAD collection is a supply	****SAC 997212****	Stated as the classification of the rental/leasing service to which the LAD amount attaches.
Exemption under Sl. No. 3 or 3A of Notification 12/2017-CT(R) for Article 243G/243W activities	****Not applicable****	The exemption covers pure services supplied to the Central or State Government, a UT, a local authority or a Government entity. The LAD amounts were supplied by the applicant to the SPDs, not to a government body.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

Reverse charge under Entry 5 of Notification 13/2017-CT(R) on committee-directed payments	****Not applicable****	The Government of Karnataka and the local authorities are not involved in providing any service, so no Government-to-applicant supply arises.

The Authority held that the LAD collection forms part of the value of the rental/leasing supply made by the applicant to the SPDs and is taxable under forward charge. It classified the activity under SAC 997212. It held that the exemption under Sl. No. 3 or 3A of Notification 12/2017 does not apply, and that reverse charge under Entry 5 of Notification 13/2017 does not apply to the committee-directed payments.

R Reasoning

The Authority held that the LAD collection is not separate from the lease. It reasoned that the SPDs pay it on account of the sub-lease, that non-payment permits termination of the lease, and that it is therefore part of the consideration for a single rental service under Section 15 and Section 15(2)(a) of the CGST Act. Under Section 7(1)(a), the committee's direction is not a supply of goods or services for consideration in the course of business, so the reverse charge route fails. The Authority also held that the Sl. No. 3 and 3A exemptions cover only services supplied to Government bodies, and that the impugned amounts were supplied by the applicant to the SPDs.

P Provisions Relied On

- Section 7(1)(a) of the CGST Act 2017
- Section 9(1) of the CGST Act 2017
- Section 15 and Section 15(2)(a) of the CGST Act 2017
- Section 2(45) of the Companies Act 2013 (applicant's status as a Government company, as claimed)
- Notification 12/2017-Central Tax (Rate) dated 28.06.2017, Sl. No. 3 and 3A
- Notification 13/2017-Central Tax (Rate) dated 28.06.2017, Entry No. 5
- Articles 243G and 243W of the Constitution of India

! For the Practitioner

This ruling is useful for any state-owned or joint-venture developer that collects statutory development levies from lessees or users. It indicates that such levies are likely to be treated as part of the taxable value of the underlying supply where the payer can be disconnected for non-payment. It also shows that the Sl. No. 3 and 3A exemptions and Entry 5 reverse charge will not rescue a levy collected from private lessees. The ruling does not decide whether a levy that is not linked to any termination right or lease obligation would be treated differently. Its binding effect is limited to the applicant.

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 -> kar_aar_10_2020_18.03.2020_kspdcl.pdf

Prepared 20-11-2026.

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

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

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

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

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

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