



SOLAR POWER DEVELOPERS ASSOCIATION
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SPDA/PG/2021/269

February 16, 2021

To,

Shri Indu Shekhar Chaturvedi
Secretary
Ministry of New and Renewable Energy
Government of India.

Subject: Request your immediate intervention regarding non-levy of Goods and Services Tax by Solar park agency in the State of Gujarat.

Dear Sir,

Greetings from Solar Power Developers Association.

We are writing to you in continuation with the discussion in the monthly meeting with Solar Developers held on 10th February 2021, regarding clarification on levy of GST by Solar Park Development agency.

Clarification on applicability of GST on User Development Fee:

GST is applicable on User Development Fee (UDC) charges that are usually payable, as part of the Solar Park tender, by the IPP to the Solar Park Developer Agency after the Implementation Support Agreement (ISA) is signed and the Land Lease Agreement (LLA) is ready to be registered. Many state agencies have started levying GST on these UDC charges to transfer the entire risk of GST applicability to the IPP which forces developers to pay this GST to avoid penalties/default with the tax authorities thereby leading to an increase in their project cost.

It may be noted that most of the state agencies that invite Solar Park bids are government-owned and as per the GST guidelines, if charges are levied by a state government agency (majority shareholding by the state government) then GST is not be applicable under Article 243G of the Constitution of India.

This additional GST (18%) impact would result in an increase in project costs for the IPP which would imply low returns to IPPs, as GST credit is not available to IPPs on the sale of electricity. Also, this would also lead to an increase in tariffs going forward as the bidders for such tenders will be forced to include this cost in their bid price.

For example, Gujarat Power Corporation Limited (GPCL) which is a Solar Park Development Agency in the state of Gujarat, have in the recent bid (invited by GUVNL, who is the off-taker) asked the IPPs to select, at their own risk, to either pay or not



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pay the GST (@18%) on UDC. If not paid then the IPPs are to provide an undertaking that any liability including penalties that arises in the future would be paid by the IPPs. It may be noted that in the previous tenders (awarded by GUVNL) where GPCL is the Solar Park Development Agency , they have not levied GST on UDC payments.

Request:

Considering the above we request for a clarification from MNRE to Solar Park Development Agencies that award Solar Park bids not to levy GST on UDC charges.

We look forward to your kind consideration in the matter.

Thanking you.

Yours Sincerely

Praveen Golash

Joint Secretary, SPDA

CC:

- To,**
Shri Amitesh Kumar Sinha,
Joint Secretary,
Ministry of New and Renewable Energy
CGO Complex, New Delhi