



# NATIONAL SOLAR ENERGY FEDERATION OF INDIA

Regd. No. 362 / IV of 8 May, 2013

Ref: NSEFI/CMTL/2020-21

Date: - 20.08.2020

To,

**Shri K Chandrashekhar Rao**  
**Hon'ble Chief Minister of Telangana**  
**Government of Telangana**  
**India**

**Ref:** Order of assessment under Telangana Tax on Entry of Goods into Local Areas Act. 2001 (TGET Act) issued in case of various Solar Power Developers (SPDs) Companies:

Dear Sir,

The National Solar Energy Federation of India (NSEFI) is an umbrella organization of all solar energy stakeholders of India. This apex solar organization works in the area of policy advocacy and is a national platform for addressing all issues connected with solar energy growth in India.

NSEFI consists of leading International, National and regional companies and includes Solar Developers, Manufacturers, EPC Contractors, Rooftop Installers, System Integrators, and Balance of Plant suppliers and manufacturers, Small and Medium Enterprises (MSME). NSEFI works in a complementary manner with the Central and State Governments for achieving India's national solar target of 100 GW by 2022.

At the outset we appreciate your efforts in creating a sustainable environment to facilitate high intensity renewable energy proliferation in India.

The Commercial Taxes Department (CTD) of Government of Telangana has recently issued assessment orders to various Solar Power Developer (SPD) Companies for and Payment of Entry Tax on the notified goods, imported into the state of Telangana. The said notified goods were used by the SPDs for setting up of the Solar Power Projects in the State of Telangana.

The Telangana Tax on Entry of Goods into Local Areas Act, 2001 (TGET Act), envisages levy of Entry Tax on import of notified goods into the state of Telangana for consumption. The notified goods are exempted from the Entry Tax liability under the Act, only if such notified goods are re-sold or used as inputs in manufacturing. On 31 December 2007, the Hon'ble High Court of Andhra Pradesh has declared the impugned levy of Entry Tax as unconstitutional. The matter was appealed by the erstwhile Government of Andhra Pradesh in the Hon'ble Supreme Court. On 29 March 2017, the Hon'ble Supreme Court has dismissed the Appeal and directed the State Government to file fresh petitions before the Hon'ble High Court, raising the appropriate issues with necessary factual background and on any other constitutional/statutory issue for fresh consideration.

Since the levy of Entry Tax was declared as unconstitutional by the Hon'ble High Court of Andhra Pradesh on 31 December 2007, and since the matter was under sub-judice before the Hon'ble Supreme



Court until 29 March 2017, the solar project developers have never in-built this cost of Entry Tax into their capital costing model for arriving at bidding tariff.

It is also pertinent to note that the generation of solar power is a manufacturing activity (production of electricity). The material used in solar power manufacturing, i.e. Capital Goods shall perfectly fit into the word “input” used in the TGET Act as there are no other Consumables required for production of solar power. Hence, Capital Goods like solar modules, mounting structures, inverters, substation, etc. are nothing but the “inputs” / “raw material” used in manufacturing / generating of solar power and therefore should be exempted from the Entry Tax liability under TGET Act.

### **Impact on Solar Power Projects:**

It is pertinent to mention that most of the solar projects in the State of Telangana were set up during 2015-2018 and retrospective levy of Entry Tax on the goods procured by SPDs and EPC companies of Solar Power Project from outside the state of Telangana would result in a substantial increase in the Project cost which would severely impact the financial viability of the project. It is important to mention that majority of the goods like Solar PV Modules, Inverters, cables etc. used for setting up the Solar PV Power Plants have been imported from outside India and other supplies have also been procured from outside the state of Telangana. The levy of Entry Tax is around 12.5% on the capital goods coming from other states. Imports are exempted.

### **Request:**

Based on the above facts, it is kindly requested to:

1. Direct the State Government of Telangana to exempt from payment of Entry Tax for the capital goods, imported into the state of Telangana and which were used for setting up of the Solar Power Projects by the SPDs

Sec 3(2) of TGET Act, 2001, provides an exemption from payment of Entry Tax, which is reproduced below:

*“Notwithstanding anything contained in sub-section (1), no tax shall be levied on the notified goods imported by a dealer registered under [the Andhra Pradesh/ Telangana Value Added Tax Act, 2005] who brings such goods in to any local area for the purpose of resale [or using them as inputs for manufacture of other goods] in the State of Andhra Pradesh/ Telangana or during the course of inter-State trade or commerce:”*

Since SPDs are using these goods/capital goods in the manufacture of Electricity/ development of solar power projects, the said notified goods should be exempted from the Entry Tax liability under the TGET Act. A clarification should be issued in this regard that the Capital Goods used in setting up of the solar PV power plants shall fit into the word “input” used in the TGET Act and therefore should be exempted from the Entry Tax liability under TGET Act.



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Request your kind and immediate action in this regard as this would lead to a major set-back for the solar industry as we are already under tremendous pressure due to non- payment of dues by Telangana and AP Discoms, delays in recovery of GST and Safeguard claims under Change in Law, etc.. The levy of Entry tax on Solar Power Projects would make the projects completely unviable.

We would be happy to provide any additional information that may be required in this regard.

Regards



**Subrahmanyam Pulipaka**  
Chief Executive Officer

CC To: -

- **Shri R K Singh - Honourable Minister of State, Ministry of New and Renewable Energy** Block-14, CGO Complex, Lodhi Road, New Delhi
- **Shri Indu Shekhar Chaturvedi – Secretary Ministry of New and Renewable Energy** Block-14, CGO Complex, Lodhi Road, New Delhi