

## **All the supplies made in relation to distribution of electricity are not exempt under GST: AAAR Tamil Nadu**

### Fact of the Case

M/S Tamil Nadu Generation & Distribution Corporation Ltd. ("TANGEDCO" or "the Appellant") and M/S Tamil Nadu Transmission Corporation Limited ("TANTRANSCO") are two subsidiary companies of M/S Tamil Nadu Electricity Board Limited ("holding Company" or "TNEB"), 100% owned by Government of Tamil Nadu. The Appellant is in the service of generation and distribution (sale of) electricity in the state of Tamil Nadu and TANTRANSCO is in the business of transmission of electricity.

The Appellant and TANTRANSCO entered into transactions between them in the course of generation, transmission and distribution of electricity in Tamilnadu. The Appellant contends that the various services extended to TANTRANSCO constitute distribution services. The Appellant also contends that all items/activities forming the value chain in relation to transmission and distribution of electricity are beyond purview of GST.

This appeal has been filed against the ruling passed by the AAR, Tamilnadu vide Order No. 14/AAR/2020 dated April 20, 2020, wherein, it was held that, the Appellant is liable to pay GST on the 'supply of goods' operation and maintenance materials used in the regular day to day functioning, transfer of capital assets to TANTRANSCO and on the deployment of employees to TANTRANSCO. Further, the exemption under Sl. No. 25 of Notification No. 12/ 2017-Central Tax (Rate) dated June 28, 2017 ("Services Exemption Notification") is not applicable to such transactions between the Appellant and TANTRANSCO.

### Decision of the Case

The AAAR, Tamil Nadu, in the matter of M/S Tamil Nadu Generation and Distribution Corporation Limited, upheld the ruling of the AAR and held that *GST is applicable on supply of operation and maintenance materials used in regular day-to-day functioning by one subsidiary company engaged in the generation and distribution of electricity to another subsidiary company engaged in the transmission of electricity. Further, modified the ruling to the extent that GST is not leviable on deployment of employees from one subsidiary company to another.*