

5% GST payable on Two or Three-wheeled 'Battery Powered Electric Vehicle' supplied with or without Battery Pack: The AAR, Odisha

Fact of the Case

The applicant, M/s Anjali Enterprises is having a plan to manufacture similar battery powered electric vehicles, therefore, they want clarification whether fitting of battery is mandatory in battery powered electric vehicles while selling the same to the dealers for getting the benefit of 5% GST rate applicable for electrically operated vehicles.

The applicant has sought the advance ruling on the issue of whether fitting of battery is mandatory in two & three-wheeled battery powered electric vehicles while selling the same to the dealers for getting the benefit of 5% GST rate applicable for electrically operated vehicles. The applicant has submitted that the only difference between the goods that are supplied with batteries and the ones without batteries is that, battery is not there in the latter case. Otherwise, the goods without batteries are complete in itself to act as an agent of transportation which is propelled by a motor. Once the battery is fitted, the vehicles will start functioning. Thus, such goods fit within the definition of 'Electrically operated vehicles' mentioned in entry 242A of Notification No. 1/2017.

Decision of the Case

The Coram ruled that a two or three-wheeled "battery powered electric vehicle" when supplied with or without battery pack is classifiable under HSN 8703 as an 'electrically operated vehicle' and is taxable at the rate of 5% GST. The AAR noted that the term 'electrically operated vehicle' to mean "vehicles which run solely on electrical energy derived from an external source or from one or more electrical batteries fitted to such road vehicles and shall include e-bicycles".

That means it is a type of electric vehicle (EV) that exclusively uses chemical energy stored in rechargeable battery packs, with no secondary source of propulsion (e.g. hydrogen fuel cell, internal combustion engine, etc.). An Electric Vehicle with a battery pack uses electric motors and motor controllers instead of internal combustion engines (ICEs) for propulsion.

The Odisha Authority of Advance Ruling (AAR) 5% GST is payable on Two or Three-wheeled "battery powered electric vehicle" supplied with or without battery pack.