

# **GST IMPLICATIONS FOR ELECTRIC VEHICLE (EV) CHARGING STATIONS IN INDIA: NEED FOR CLARITY**

AUTHOR : [SHWETA JAIN](#)

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“Unravel the GST implications for Electric Vehicle (EV) Charging Stations in India. As the government promotes sustainable transportation, this article explores the taxability aspects of charging services and emphasizes the need for clarity. Understand the GST impact, classification, and potential challenges faced by EV charging stations. Stay informed about the evolving regulatory landscape and its impact on the cost of EV charging.”

**The Indian government is actively promoting the adoption of electric vehicles (EVs) as part of its sustainable transportation initiatives. While efforts are being made to expand the EV charging infrastructure, the taxability aspects of charging services remain unclear. This article examines the GST implications for EV charging stations and highlights the need for clarity.**

The government is working on the forefront to promote the E-vehicles (EVs) into the country. EV have been gaining significant attention and traction in India as the country strives to promote sustainable and eco-friendly transportation. The Indian government has been actively promoting EV adoption through various policies and initiatives. The government, along with private players, is working on expanding the charging infrastructure network across the country. This includes setting up public charging stations and promoting home charging solutions. But has the government realised the taxability aspects of getting a battery charged from the EV stations? It appears that the thought process is still lacking which might have huge repercussions in terms of GST demands and making the EV charging costlier which might not be the intention of the Government.

When conducting a **GST impact analysis for Electric Vehicle (EV) charging stations**, the first step is to understand the nature of the ‘supply’ provided by these stations. An EV charging station serves as essential infrastructure where users can access charging modules and connect their vehicles’ operating systems for charging. Users pay for the electricity consumed during the charging process. The billing is done per unit basis.



The key question is whether the activities and facilities offered by an EV charging station qualify as a supply of 'goods' or a supply of 'services' under GST. It's important to note that electricity is considered a 'good' based on various Supreme Court judgments till now under the tax laws.

If the EV charging station's services are categorized as a 'supply of goods,' then they are exempt from GST meaning thereby that the station would be deemed to be selling the electricity and accordingly no GST would be charged. All the GST incurred on the inward side would become cost which will typically be borne by the station operator. But the story does not end here and have bigger issues.

In 2018, the Power Ministry vide Letter No. 23/08-R&R dated 13.04.2018, has clarified that charging of EVs should be treated as service. In fact, that was in a different context because where the electricity is sold as goods, the regulatory requirements of Electricity laws and compliances specified by Ministry of Power will have to be complied with which are quite cumbersome. Power Ministry termed it as a 'service' in order to promote EV charging stations so that they don't have to follow the cumbersome process of obtaining the licenses and other compliances. Declaring it as a 'service' was a much easier task for the Ministry of Power without paying attention to the fact that it might have some other graver consequences under other laws.

With all this in place, the conclusion is that activity of charging the batteries of EVs are being categorised as services by the Ministry of Power which is the regulating authority. Simultaneously, one cannot disown the fact that time and again, Supreme Court has held that 'electricity' is goods. Thus, it would be quite difficult to conclude whether the EV charging stations are providing services or selling electricity. How are they different from the diesel and petrol selling stations? There might be a fine blurring line of distinction or may be none.

In all this fiasco, going by the Ministry of power, if they are to be classified as 'services', then there is no exemption from GST and the service providers should charge the GST while billing the customer for the electricity units. In the industry, there may be quite a possibility that some EV charging stations may be charging GST and some may not.

### **Way Forward**

The government should clarify its stance on such scenario either by declaring such services as exempt in GST (in case their intention is to promote EV and keep it as pocket friendly as it can) or by clearly coming out that such activities would be treated as service in line with the Ministry of Power and hence taxable under the GST law so

that the assessee is not taken to task unnecessarily. Also, if the government brings out the exemption, then that should even be retrospective else the none of the so called service providers would be spared by the GST authorities who would even demand long due interest and may be penalties also which would be an extremely harsh action on the assessee. In such a scenario, it would not be wrong to say that **“assessee is paying not for his own faults but for the law makers faults.”**

**Conclusion:**

The taxability of EV charging stations under GST requires urgent attention from the government. Clear guidelines and classification are essential to provide a consistent and predictable framework for service providers. Whether EV charging services should be exempt or taxable, retrospective application of any changes is necessary to ensure fairness and avoid unnecessary hardships for businesses.