



## GST and the electricity industry

How GST applies to suppliers and purchasers in the electricity industry.

### **GST and the Small-scale Renewable Energy Scheme**

Information on how GST applies to small-scale technology certificates (STCs) for homeowners, businesses, installers and REC agents.

### **Power Purchase Agreements**

How GST applies to green products supplied as part of Bundled Power Purchase Agreements.

### **Electricity Purchase Agreements**

How GST applies to electricity distributors and customers connecting to the electricity distribution network.

QC 105956

## **GST and the Small-scale Renewable Energy Scheme**


Information on how GST applies to small-scale technology certificates (STCs) for homeowners, businesses, installers and REC agents.

**Last updated** 11 December 2025

The Small-scale Renewable Energy Scheme (SRES) provides a financial incentive for households and businesses to install eligible small-scale renewable energy systems (systems). Examples include solar panel systems, small-scale wind systems, small-scale hydro systems, solar water heaters and air source heat pumps.

Small-scale technology certificates (STCs) can be created once a system has been installed. You do not pay GST when you register or create an STC on the REC Registry. However, transactions relating to sales, purchases and assignments of STCs may have GST consequences for home owners, businesses, installers and REC agents.

**See also:**

- [Clean Energy Regulator](#)  – provides more information on STCs, including buying and selling and the REC registry.

## System owner

- [Home owner – system purchase](#)
- [Home owner – sale and assignment of STCs](#)
- [Business owner – system purchase](#)
- [Business owner – sale and assignment of STCs](#)

### Home owner – system purchase

As a home owner, when you purchase and install systems, generally the system installer will be registered for GST, so your payment will include GST.

GST is based on the price of the installation before the discount is applied.

Your invoice may show the GST amount is greater than 10% of the price you pay to the installer. This is because you may be paying a

discounted installation price as a result of assigning your rights to STCs.

## **Home owner – sale and assignment of STCs**

As a home owner, you may:

- elect to create your own STCs and sell them, or
- assign your right to STCs to the installer or another entity (third party) in exchange for a delayed cash payment or an up-front discount on the purchase of the system.

You don't pay GST on the sale or the assignment of STCs if the system isn't used for business purposes.

## **Business owner – system purchase**

As a business owner, you may be entitled to claim a GST credit when you purchase and install a system if:

- you're registered or required to be registered for GST, and
- the system is used in carrying on your business.

Your GST credit will be based on the price of the installation before the discount, less any personal use.

## **Business owner – sale and assignment of STCs**

As a business owner, you may:

- elect to create your own STCs and sell them, or
- assign your right to STCs to the installer or another entity (third party) in exchange for a delayed cash payment or an up-front discount on the purchase of the system.

You pay GST on the sale or the assignment of the STCs if you are registered or required to be registered for GST and the installed system is used for your business.

The GST is based on the amount of the sale or the amount of the delayed cash payment or the up-front discount. You need to issue a tax invoice to the purchaser if the amount is more than \$82.50 (including GST).

You can **contact us** if you are unsure of your obligations.

## Installers

As an installer, you make a taxable supply when you sell and/or install a system if you're registered or required to be registered for GST.

### GST on your sales

The system owner may choose to assign their right to STCs to you in return for an 'up-front discount' on the purchase and installation price of the system.

You calculate your GST liability based on the full price of the system and/or installation – not the discounted or reduced amount.

### Purchasing STCs

You are entitled to claim GST credits for the value of the assignment of STCs if the system owner who has made the assignment to you is registered or required to be registered for GST. You will also need to get a tax invoice from the system owner.

#### Example: Installer – GST on sales

Bill is an installer of solar water heater systems. Bill installs a system at Maree's home for a GST-inclusive price of \$6,700. This price includes the up-front discount of \$1,000 for Maree, as she assigned her right to create the STCs for the system to Bill. The invoice to Maree shows:

##### Invoice

System and installation \$7,700 (GST-inclusive)

Less assignment of STCs \$1,000 (GST-exclusive)

**Total payable \$6,700 (GST-inclusive)**

The supply of the installed system to Maree has a GST-inclusive price of \$7,700. Bill is registered for GST and is liable to pay GST based on one-eleventh of this price, which is \$700.

Maree receives an 'up-front discount' of \$1,000 for the assignment of the right to create STCs, and she pays a net price of \$6,700 (GST-inclusive price of \$7,700, less \$1,000 up-front discount).

Bill cannot claim GST in relation to \$1,000 value of the assignment, as Maree isn't registered or required to be registered for GST, and the system is for personal use and is not used in any business activity.

## **REC agents**

A Renewable Energy Certificate (REC) agent can be the installer or a third party, such as an REC trader, aggregator or system wholesaler.

## **Assignment of STC rights**

A system owner can choose to assign their right to the STCs to a REC agent. Generally, payment to the system owner is provided as a discount or cash-back offer against the installation price.

## **System owner – not registered for GST**

As a REC agent, you aren't entitled to claim GST credits on the purchase of the assignment of STCs if you purchase the assignment from a system owner who isn't registered or required to be registered for GST. This is because the assignment of the STCs is not a taxable supply.

### **Example: Assigning STCs to REC agent**

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Lukas is a REC agent, as well as an installer.

Lukas has installed a solar water heater system at John's home. Lukas gives John an up-front discount on the purchase price of installation, as John agreed to assign his entitlement to create the STCs to Lukas.

John's assignment to Lukas is not a 'taxable supply', as John is not carrying on a business and is not registered or required to be registered for GST.

Lukas is not entitled to claim GST credits on the purchase of the right to create the STCs.

## Example: Assigning STCs to a REC agent who is not an installer

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Peter, an installer of solar water heater systems who is registered for GST, sells a system to Jane for a GST-inclusive price of \$4,400. Jane is not carrying on a business and is not registered or required to be registered for GST.

Jane assigns her right to create the STCs in relation to the system to Sunxyz Pty Ltd, a REC agent. Jane is paid for this assignment in the form of an 'up-front discount' on the purchase and installation of the system. The 'up-front discount' of the system is \$600, so Jane pays a net price of \$3,800; that is, the GST-inclusive price of \$4,400 less \$600 'up-front discount'.

The assignment of the right to create the STCs is a separate transaction between Jane and Sunxyz Pty Ltd. Sunxyz Pty Ltd pays Peter \$600, being the amount equivalent to the 'up-front discount' on the system, received by Jane. Sunxyz Pty Ltd is registered for GST but cannot claim the GST credit in relation to the \$600. This is because Jane is not carrying on a business and is not registered or required to be registered for GST.

Peter's supply of the installed system to Jane has a GST-inclusive price of \$4,400. Peter's GST liability is calculated **before** the reduction in price arising from the 'up-front discount' for the assignment of the right to create the STCs. Peter is liable to pay GST of \$400. Peter does not have a GST liability in relation to the \$600, as this is part of the \$4,400.

### System owner – registered for GST

A system owner who is registered or required to be registered for GST makes a taxable supply when they assign their right to create STCs for a system that is used in their business. System owners are required to issue you with a tax invoice if the assignment is more than \$82.50 (GST inclusive).

As a system installer, you are entitled to a GST credit on the purchase of the assignment if you are registered or required to be registered for GST.

### Transferring and selling STCs

You pay GST on your transfer or sale of STCs if you are registered or required to be registered for GST.

QC 24820

## **Power Purchase Agreements**

How GST applies to green products supplied as part of Bundled Power Purchase Agreements.

**Last updated** 11 December 2025

### **What are Power Purchase Agreements?**

Power Purchase Agreements (PPAs) are contracts between parties that generate electricity (generators) and those looking to purchase electricity (off-takers).

A PPA provides electricity price certainty for the generator and off-taker through a long-term contractual framework.

Renewable energy generators create green products, such as large-scale green certificates, which are tradeable.

PPAs don't involve the actual sale of electricity. Instead, the off-taker receives its electricity from a retailer in the National Electricity Market (or equivalent local market) and the PPA includes a Contract for Difference (CfD). The CfD acts as a financial arrangement to hedge against price volatility of electricity by covering the difference between a fixed price and the fluctuating market price for renewable energy that's generated, also known as the floating price.

If the floating price exceeds the fixed price, the generator pays the off-taker the difference. If the fixed price exceeds the floating price, the off-taker pays the generator the difference.

### **Bundled PPAs**

There are PPAs where the generator 'bundles up' the supply of the entry into the CfD with the supply of green products they generate, in

return for the off-taker entering into the CfD. These agreements are commonly known as Bundled PPAs (BPPAs).

## **Supplies made under a BPPA for GST purposes**

In the BPPAs we have considered, the:

- generator supplies
  - a derivative when they enter into the CfD
  - green products in return for non-monetary consideration from the off-taker, being their entry into the CfD
- off-taker supplies a corresponding derivative when they enter into the CfD.

The supply of:

- a derivative is an input-taxed financial supply
- the green products is a taxable supply, where the generator and off-taker are located in Australia.

## **Attribution of GST on the green products**

It's common for a BPPA to cover a long period (typically 10–15 years), with green products transferred as they're generated over the life of the agreement.

In the BPPAs we have considered, consideration provided in return for the taxable supply of green products under a BPPA is non-monetary consideration, being the initial entry into the CfD by the off-taker.

In these circumstances, the attribution of the GST payable on the supply of all the green products over the period of the agreement occurs in the tax period the agreement is entered into, or when any conditions precedent are satisfied or waived. This is because the non-monetary consideration is received upfront. Therefore, the timing of the supply of green products or issuing of invoices for them will not reflect the correct attribution period for GST purposes.

There may be other types of BPPAs we haven't considered, where the consideration for the green products is not received upfront. If the analysis of the agreement indicates separate consideration is payable,

other than the entry into the CfD for the green products, the attribution of the GST payable on the supply of the green products may be different.

For more information, see [Reviewing your contracts](#).

## Valuation of non-monetary consideration

Guidance on how to value non-monetary consideration is provided in Goods and Services Tax Ruling GSTR 2001/6 *Goods and services tax: non-monetary consideration*.

It may be difficult to value the CfD non-monetary consideration. As explained in GSTR 2001/6, you may choose to value the green products instead. However, valuing the green products to be supplied over the period of the contract may be difficult given the quantum is unknown.

As also explained in GSTR 2001/6, when the parties are unrelated, the generator may use a reasonable method that is agreed to with the off-taker in determining the GST-inclusive market value of the green products. You can use valuation methodologies that are consistent with professional guidelines (see paragraph 154 of GSTR 2001/6).

## Reviewing your contracts

It's important to review your contracts and check whether they correctly attributed the GST payable or the GST credits claimable to the relevant tax periods. Keep in mind that the off-taker has a **4-year credit time limit** for claiming GST credits.

If you have BPAA arrangements involving different facts to those we've described and you're unsure about your individual circumstances, you can:

- request an early engagement discussion, or
- apply for a private ruling yourself or jointly with the other party.

# Electricity Purchase Agreements

How GST applies to electricity distributors and customers connecting to the electricity distribution network.

**Last updated** 11 December 2025

## What are connection services?

In this guidance we use the term connection services to describe the initial connection to an electricity distribution network and the ongoing connection service.

Under the regulatory frameworks governing electricity connection services, distributors must connect new customers to the electricity distribution network upon request. For business customers, this process may involve substantial construction work to establish a connection between the customer's premises and the distributor's electricity distribution network.

Certain connection activities must be performed by the distributor for safety reasons. However, other tasks classified as 'contestable works' may be undertaken or arranged by either the distributor or the customer, at the customer's discretion. This could include the construction of the electricity assets needed to connect to the electricity distribution network. The customer may perform the construction themselves or engage a third party to construct the required electricity assets (transferred assets).

## Transferred assets and initial connection services

The regulatory framework generally mandates that ownership of electricity assets is transferred to the distributor prior to connection. These transferred assets are often supplied to the distributor for no monetary consideration (despite the cost of the assets being funded by the customer). This is sometimes referred to as 'gifted assets.'

## How GST on transferred assets applies to electricity distributors

Electricity distributors should be aware that additional GST can be payable where non-monetary consideration (that is, the gifted assets) is provided by a customer in return for the supply of network connection services in addition to monetary consideration provided. The tax invoice issued by the distributor should reflect both the monetary and non-monetary consideration (for example, the transferred gifted assets) for the connection services.

## **How GST on transferred assets applies to customers**

GST-registered customers should be aware that GST can be payable on the transfer of gifted assets to the distributor. The distributor may request a tax invoice be provided for the supply of the transferred gifted assets made to them. The consideration for this supply will be the GST-inclusive value of the portion of the connection services for which no monetary consideration was provided.

If you're unsure about how GST applies to your individual circumstances, you can:

- request an early engagement discussion, or
- apply for a private ruling.

For more information on non-monetary consideration, see Goods and Services Tax Ruling *GSTR 2001/6 Goods and services tax: non-monetary consideration*.

## **Connection services and agency arrangements**

Initial and ongoing connection services in the electricity market can be supplied directly from the distributor to customers, bypassing the retailer. Notwithstanding this, the retailer is often the party that has a direct billing arrangement with customers. This means the retailer may issue the invoice to the customer and collect payment for the:

- retailer's supply of electricity
- connection services supplied by the distributor.

This can cause confusion in relation to GST obligations. Where the connection service is between the distributor and the customer, the retailer is not making this supply for GST purposes and hasn't acquired anything from the distributor for the connection services. The retailer

is not liable for the GST and is not entitled to any GST credits for the connection service. Any GST included by the retailer on their invoice to the customer for the connection services should be reported by the distributor on their BAS, as they made the supply of the connection services.

## **Simplifying GST obligations using Subdivision 153-B**

Subdivision 153-B of the GST law can simplify the GST obligations for the distributor and retailer by allowing them to enter into an arrangement where the retailer is treated as a separate supplier or acquirer.

If a Subdivision 153-B written arrangement is validly in place, the distributor is treated as if they'd made a supply of connection services to the retailer. The retailer is treated as if they've made a supply of connection services to the customer. Their GST obligations then follow the invoicing, with the retailer:

- charging GST as if they'd made the supply to the customer
- able to claim GST credits for creditable acquisitions from the distributor.

In the absence of a valid Subdivision 153-B written arrangement, you should take care to ensure GST is charged for the supplies made which may not align with invoicing arrangements.

If you are unsure about how GST applies to your individual circumstances, you can:

- request an early engagement discussion, or
- apply for a private ruling.

For more information, see Goods and Services Tax Ruling *GSTR 2000/37 Goods and services tax: agency relationships and the application of the law*.

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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