



GST and the Small-scale Renewable Energy Scheme

- <https://www.ato.gov.au/Business/GST/In-detail/Your-industry/GST-and-the-Small-scale-Renewable-Energy-Scheme/>
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GST and the Small-scale Renewable Energy Scheme

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.

Find out about:

- [System owner](#)
- [Installers](#)
- [REC agents](#)

See also:

- [Clean Energy Regulator](#)¹² – provides more information on STCs, including buying and selling and the REC registry.

System owner

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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

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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

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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

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

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.

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.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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