



सत्यमेव जयते

रक्षा लेखा नियंत्रक, उद्यान विहार, नारंगी, गुवाहाटी-781171
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CIRCULAR

IA/I/020/Circular/Vol-V

Dated. 29/08/2017

To,

The AOs GE/AGE/CCE
Oi/C M Sec, (I,II,III,IV) Local
SC (I,II,III,IV,V) Local
EDP. Local
AN-IV, Local

Sub: Implementation of Goods & services Tax (GST) , 2017- compilations of information on impact of increase/decrease tax liabilities of the contractors in the existing contracts after introduction of GST.

Ref: HQrs letter no. GST Cell/9504/GST/Pt.file-II dt. 21/08/2017.

Please find enclosed copies of GoI MoD (Fin) letters no. 30(10)/GS-II/2017 dt. 02.08.2017 and F.11/15/2017-PPD dt. 25.07.2017 received under HQ office letter cited under reference.

It is requested to furnish your views/response on the same for onwards transmission to HQrs office, latest by 01/09/2017.

Kindly adhere to the time schedule.

JCDA has seen.

Encl: as above (06 pages)

Copy to :-

✓ Oi/C EDP Sec
Local

----- with a request to upload in website.

Sd/-
Sr.A.O(IA)

Sr.A.O(IA)

No. 30(10)/GS-II/2017

Government of India

MOD (Finance)

South Block, New Delhi
Dated: 2nd August, 2017

Subject: Implementation of Goods & Services Tax (GST), 2017- compilations of information on impact of increase/decrease in tax liabilities of the contractors in the existing contracts after introduction of GST.

Please Circulate.

11/33
7/8/17
Please find enclosed a copy of Department of Expenditure's O.M. No.11/15/2017-PPD dated 25th July, 2017 requesting for inputs/ response on following points:

- (a) Impact of increase/decrease in tax liabilities of the contractors in the existing contracts after introduction of Goods & Services Tax (GST).
- (b) If variation in tax liabilities can be paid as per contract conditions or in view of clause 64A of Sale of Goods Act, 1930. Legal opinion, if required, may also be taken in this regard.
- (c) Whether there are any class of contracts not covered under (b) as above.
- (d) Action being taken in all such cases and as to whether any issue requires clarification from the Procurement Policy Division (PPD) of the Department of Expenditure.

2. It is requested that inputs/response on the above said points may please be sent to the undersigned immediately and the latest by 9th August, 2017 to enable MoD (Finance) to send the consolidated response to Department of Expenditure.

3. This may please be accorded top most priority.

4. This issues with the approval of AS & FA (Acq.).



(S.P.S. Tomar)

DFA (GS)

Dated: 02.08.2017

To,

- (i) All Joint Secretaries/ Acquisition Managers in the Ministry of Defence.
- (ii) All Addl. FAs & JSs and Financial Managers in MoD (Finance).
- (iii) Joint Secretary (Coord.), Department of Defence Production.
- (iv) FA Directorates of Army, Navy, Air Force, Coast Guards/ DRDO.

Copy for information to:

- (i) CGDA, Ullan Batar Road, New Delhi.
- (ii) PPS to FA (DS)/ PPS to DG (Acq.)/ PPS to AS & FA (Acq.).

महानियंत्रक
JS) Secretariat

Date: 08/08/17

Adviser

No.F.11/15/2017-PPD
Government of India
Ministry of Finance
Department of Expenditure
PP Division

O/G AS & FA
Diary No. 1086
Date: 1/8/17

Pe disu

2/9

R.No.516, Lok Nayak Bhawan,
New Delhi the 25th July, 2017.

5) - In meeting.

add. FA (AN) 2/3

28/4

OFFICE MEMORANDUM

DF (4)

Subject:-Implementation of Goods & Services Tax (GST), 2017.

The undersigned is directed to refer Secretary, Ministry of Finance, Department of Revenue note dated 17.07.2017 (copy enclosed) on the subject referred above. In this regard, Ministries/ Departments are requested to send their responses latest by 30.07.2017 on:

- (a) Impact of increase/decrease in tax liabilities of the contractors in the existing contracts after introduction of Goods & Services Tax (GST).
- (b) If variation in tax liabilities can be paid as per contract conditions or in view of clause 64A of Sale of Goods Act, 1930. Legal opinion, if required, may also be taken in this regard.
- (c) Whether there are any class of contracts not covered under (b) as above.
- (d) Action being taken in all such cases and as to whether any issue requires clarification from the Procurement Policy Division (PPD) of the Department of Expenditure.

2. This issues with the approval of JS(PF C-II).

(Vinayak T. Likhari)
Under Secretary to the Govt. Of India
Tel.No.24621305
Email : vinayak.likhar@nic.in

To

- (i) The Secretary, Ministry of Road Transport & Highway, Transport Bhawan, New Delhi. secy-road@nic.in Tel: 24366171, 24360402
- (ii) The Secretary, Ministry of Urban Development, Nirman Bhawan, New Delhi. Email:- secvurban@nic.in
- (iii) The Secretary, Ministry of Defence, South Block, New Delhi.
- (iv) The Chairman, Ministry of Railway, Rail Bhawan, New Delhi. Email:- crb@rb.railnet.gov.in

This is not related to facilitator cell.

Received today.

This relates to Fin. Div. May kindly see before it is sent to FA (DS).
Pl. collate info. from members.
01.08.2017.

~~AS & FA (Aeg)~~

Addl FA (AN) & JS

1/8

दिनांक 27/7/17

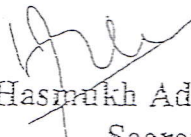
TS (18)
TS (18)
DEPARTMENT OF REVENUE
MINISTRY OF FINANCE
pl commd JOK
18-7-17
1977/17

In the Service Tax regime, the services as given in Annexure were exempted, while in the GST regime, these exemptions have been removed.

2. The reason why the Service Tax exemption was removed is that in GST, there is no pure service, which is being taxed, but it is a composite contract of goods and services on which 18% rate of tax is being charged. Unlike the earlier regime in which Service Tax was charged at an abated rate of 6%, now it is 18% GST, but the works contractor can now take Input Tax Credit of the tax paid by him on all the goods used by him (including capital goods) as Input Tax Credit and reduce that much amount from his liability to pay output tax. In the Service Tax regime, Input Tax Credit of input goods was not allowed to be availed by the works contractor. This change, which has been brought about in GST regime, is likely to result into more number of goods being purchased by banking transactions rather than in cash. The incentive to avail Input Tax Credit will bring about this conversion of cash economy into formal sector.

3. If we continue tax exemption of GST on the Government contracts, then there is no incentive for Government contractors to buy all the material from formal sources along with tax paid bills. This would mean that parallel cash economy in billing the material will continue, which will defeat the main reform of GST. Therefore, it is not a good idea to exempt GST on works contract given by Governments or Government Authorities such as National Authorities of India. However, this will mean that all the contracts, which are given by the Central or State Governments or statutory authorities or municipal local bodies, will have to be renegotiated and, depending on the Input Tax Credit availability for the remaining part of the contract and after calculating the new rate of tax, the

contract price may have to be re-fixed. It is my suggestion that Secretary (Expenditure) may like to issue such an advisory to all the Ministries and Departments of Government of India as well as to State Governments.


(Hasmukh Adhia)
Secretary
17.07.2017

Shri Ashok Lavasa,
Secretary,
Department of Expenditure,
New Delhi.

List of services which were exempt in pre-GST period,
but which are now taxable

(a) Services provided to the Government, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of:-

(i) a historical monument, archaeological site or remains of national importance, archaeological excavation, or antiquity specified under the Ancient Monuments and Archaeological Sites and Remains Act, 1958 (24 of 1958);

(ii) canal, dam or other irrigation works;

(iii) pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal: or

(b) Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation or alteration of:-

(i) a road, bridge, tunnel, or terminal for road transportation for use by general public;

(ii) a civil structure or any other original works pertaining to a scheme under Jawaharlal Nehru National Urban Renewal Mission or Rajiv Awaas Yojana;

(iii) a civil structure or any other original works pertaining to the "In-situ rehabilitation of existing slum dwellers using land as a resource through private participation" under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana, only for existing slum dwellers.

(iv) a civil structure or any other original works pertaining to the "Beneficiary-led individual house construction / enhancement under the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana;"

(v) a building owned by an entity registered under section 12 AA of the Income tax Act, 1961(43 of 1961) and meant predominantly for religious use by general public;

(vi) a pollution control or effluent treatment plant, except located as a part of a factory; or a structure meant for funeral, burial or cremation of deceased;

(c) Services by way of construction, erection, commissioning, or installation of original works pertaining to:-

(a) railways, excluding monorail and metro;

(b) a single residential unit otherwise than as a part of a residential complex;

(c) low- cost houses up to a carpet area of 60 square metres per house in a housing project approved by competent authority empowered under the 'Scheme of Affordable Housing in Partnership' framed by the Ministry of Housing and Urban Poverty Alleviation, Government of India;

(ca) low cost houses up to a carpet area of 60 square metres per house in a housing project approved by the competent authority under:

(i) the "Affordable Housing in Partnership" component of the Housing for All (Urban) Mission/Pradhan Mantri Awas Yojana;

(ii) any housing scheme of a State Government."

(d) post- harvest storage infrastructure for agricultural produce including a cold storages for such purposes; or

(e) mechanised food grain handling system, machinery or equipment for units processing agricultural produce as food stuff excluding alcoholic beverages;