

National Rural Infrastructure Development Agency
Ministry of Rural Development
15, NBCC Tower, Bhikaji Cama Place
New Delhi

No: NRIDA-G021(17)/3/2017-FA / 3552

Dated 23.12.2019

The Principal Secretary/Secretary of Nodal Departments of PMGSY (All States/UTs) Empowered Officers/CEOs & Chief Engineers of SRRDAs, General Managers Finance (NEAs) (All States)

Subject: Implementation of Goods and Service tax – Works Contract

Sir/Madam,

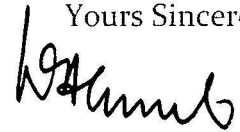
This office, vide letter of even Number 1793 to 1821 dated 06.06.2018 (copy enclosed,) had issued guidelines to all the States/UTs that “the states shall work out the impact of GST for all the works individually for all category of works indicated in the referred letter and shall submit detailed proposals based on the same. Any cost excess shall be borne by MoRD and the state in the existing Fund sharing pattern of PMGSY as may be applicable to the states/UTs”.

2. In spite of the above guidelines, it has been observed that the State(s) have not assessed the impact of GST holistically as per the guidelines and instead are referring proposals in a piecemeal manner seeking additional funds.

3. In view of above, the States are once again requested to follow the instructions/guidelines issued vide letter dated 06.06.2018 and demand additional funds from Ministry of Rural Development, if required, after a complete analysis of all the pending cases.

Encl: As above

Yours Sincerely,



(Deepak Ashish Kaul)
Director (F&A)

Copy for information to:

1. PPS to AS MoRD & DG, NRIDA, Krishi Bhawan, New Delhi
2. All Financial Controllers of Nodal Departments of PMGSY in all States / UTs
3. Consultant Director (Tech), Director (P-I, P-II & P-III), NRIDA
4. Director (RC Division), MoRD, Krishi Bhawan, New Delhi

5/2019/RC

National Rural Infrastructure Development Agency
 Ministry of Rural Development, Government of India
 15 NBCC Tower, 5th Floor, Bhikaji Cama Place, New Delhi-110066

स्वीकृत पोस्ट द्वारा
 07/06/18

File No. NRRDA-G021(17)/32017-FA/17937/182472

Dated: 06.06.2018

The Principal Secretary/ Secretary of Nodal Departments of PMGSY (State/UT), Empowered Officers/CEOs & Chief Engineers of SRRDAs, General Managers Finance (NEAs) (All State)

Subject: Implementation of Goods and Service tax- Works Contract

Sir/Madam

Government of India has enacted the Goods and Services Act 2017 throughout India w.e.f. 1.07.2017. The GST has subsumed various indirect Taxes of both the Central & State Government, such as Central Excise Duty, Service Tax, Central Sales Tax (CST)/ Works Contract Tax (WCT)/ State Value Added Tax (VAT), Additional Custom Duty (CVD) and special Additional Duty (SAD) apart from Entry Tax and Octroi Charges etc.

2. The Standard Bidding Document (SBD) makes provisions about the taxes which directly related to Contract Value. It incorporates that whenever the tax structure is changed during the ongoing contract and new law comes into force then the contractor has to be refunded the increased amount of taxes, if any and similarly, recovery is to be made from the contractor if the taxes have decreased.
3. On request of various States, seeking clarifications of GST and issuance of guidelines for future references, this office in consultation with Integrated Finance Division (IFD) of Ministry of Rural Development (MoRD) has worked out comprehensive guidelines and categorized all the projects under PMGSY into four different categories of A, B, C and D to enable the States to calculate additional tax burden.
4. The adoption and the consequent implication of GST under PMGSY will be on the following categories of works -
 - i. Works sanctioned, prior to 01.07.2017, under different phases of PMGSY and which are ongoing i.e. subsisting contracts(including the delayed projects, beyond the original intended completion date) under various stages of physical and financial progress -(Category A)
 - ii. Works sanctioned, after 01.07.2017, under different phases of PMGSY wherein GST has not been accounted for in the original proposal/sanction and wherein Tenders have been completed-(Category B)
 - iii. Works sanctioned after 01.07.2017, under different phases of PMGSY wherein GST has not been accounted for in the original proposal/Sanction and for which tender process has not been initiated - (Category C).
 - iv. All new works proposed and yet to be proposed i.e. works which are in the pipeline under PMGSY - (Category D).
5. Following are the Guidelines suggested to be followed by all SRRDAs --

A. Category A

The new Goods and Services Tax (GST) laws require that all invoices should show the value of supply and GST separately, and the value of supply will therefore, include non-GST taxes, which remain embedded in the input prices, such as taxes on petroleum products.

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- ii. The Project components under different major heads (like Earth, Sand, Aggregates, Steel, Bitumen etc) are to be intimated by the Contractor, checked and confirmed by the competent authority.
 - iii. The major issue under GST regime is to identify the portion of the existing contract that will come under GST. Therefore, there is a need to cull out GST component of the existing contracts (i.e. the value of taxes subsumed under GST).
 - iv. The benchmark date for this purpose will be 01.07.2017 i.e. GST will be applicable on the portions of the contracts that are being paid from 01.07.2017.
 - v. The value of the portion of the work not completed or not paid for as on 01.07.2017 shall be divided into two components:
 - a. Value of work including taxes and duties such as Customs Duty, taxes on petroleum products and other non-VAT taxes that have not been subsumed into GST should be worked out.
 - b. The balance will be the value of taxes subsumed into GST such as Central Excise Duty and VAT i.e. GST component.
 - vi. Therefore, the value of subsumed taxes under GST needs to be separated out from the contracted amount to arrive at the value of work.
 - vii. The key issue is to estimate the value of subsumed tax carefully and as accurately as possible. For this purpose, an indicative Excel format is annexed for guidance. Model calculations are also attached herewith and states may workout similarly for all the ongoing works. Excel sheet indicates various project components which attract various types of taxes including ED, CST, VAT/WCT and other taxes which were already in the contract price as per the original contract. The same format can be used to compile the information for each ongoing project, taking into consideration the GST input tax credit available for the project. The assessment of subsumed shall be submitted by the contractor along with copies of invoices and statement of input taxes duly certified by a Chartered Accountant. It is responsibility of the contractor to furnish correct details of the subsumed taxes.
 - viii. Once the value of work sanction and GST taxes are arrived, the employer may enter into supplemental agreement with revised agreement value that will be original contracted value minus the value of subsumed tax arrived as above plus GST of 12%. i.e., the cost of the subsumed taxes factored in the original contract value is required to be deducted from the original contract price to arrive at the actual amount of "cost of the project".
 - ix. The GST law allows the ITC (Input Tax Credit) under the existing Acts (VAT etc) to be carried forward under their Transitional Provisions. Therefore, Section 140 of the GST law in effect allow credit of all subsumed taxes paid by a taxable person on his inputs, including the Central Excise Duty embedded in the price of inputs.
 - x. Thus, the supplier gets ITC into the GST credit ledger through Transitional Provisions (including both the VAT and Central Excise Duty paid on the inputs).
 - xi. The contractor while raising their bill and tax invoice post-GST, will now collect GST as indicated above from the employer and will remit the same to the respective Government. The entire GST of the supply will have to be finally borne by the employer.
 - xii. The contractor will have to pay GST on the value of work, which he will pay to the respective Government, partly using the ITC that represents the taxes that he has already paid through the inputs, and partly using cash collected from the procuring entity concerned.
 - xiii. Through this arrangement, the supplier also cannot claim to have incurred loss on account of embedded taxes that has been paid on the inputs.
- B. Category B
- i. The works sanctioned after 01.07.2017, may be treated upon status of their work, as here under:
 - a. For works, which have been awarded and commenced on the field, action may be initiated as detailed in the Category A above.

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b. For works, which have been awarded but not commenced may also be treated as above before commencement of the work.

ii In cases, where tenders are initiated as per the existing SBD (Standard Bidding Document) norms, there should be no change in the evaluation criteria for selection of the bidders and bids shall be evaluated based on the criteria mentioned in the tender documents. However, after identification of the lowest bidder, it must be ensured that, all taxes subsumed under GST are carefully deducted to arrive at the value of works under the GST law, and the agreements should provide for payment of value of works plus applicable GST.

C. Category C

- i. In cases, where the sanctions have been obtained after 01.07.2017 and tenders are yet to be initiated, the rates to be quoted shall be exclusive of GST and GST of 12% will be added to the value offered by the bidder separately.
- ii. The SBD may be modified to the above extent.
- iii. The Bill of Quantities (BoQ) shall also reflect prices offered by the bidder without GST and applicable GST separately.
- iv. The states shall work out the departmental cost of the work without GST for the purpose of evaluation and comparison with rates offered by the bidders.

D. Category D

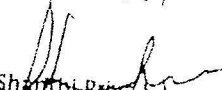
- i. In cases of all new works to be proposed under PMGSY, the states shall prepare Schedule of Rate (SoR) after deducting the taxes subsumed under GST.
- ii. The Detailed Project Reports shall be prepared based on this revised SoR and the state may add 12% GST to cost of the work to arrive at the overall cost of the work.
- iii. In all such cases approval of SoR may be obtained from NRRDA as per existing practice.

6. Revision of Cost

The states shall work out the impact of GST for all the works individually for all category of works indicated above and shall submit detailed proposals based on the same. Any cost excess that may be required shall be borne by MoRD and the state in the existing fund sharing pattern of PMGSY as may be applicable to the state.

7. These instructions will not apply to cases where the proposals have been made with necessary GST component for which no revision of cost is required or permitted.
8. This has concurrence of IFD, MoRD vide diary dated 28.05.2018 w

Yours sincerely,


(Shantini Priya S.)
Director (F&A)

Copy to :

1. JS (RC) & Dy. NRIDA, Krishi Bhawan, New Delhi
2. All Financial Controllers of Nodal Departments of PMGSY
3. Director (Tech) / Director (P-III) / Director (P-I, P-II) NRIDA
4. Dy. Secretary (RC Division), MoRD, Krishi Bhawan, New Delhi
5. Dy. Secretary (IFD), MoRD, Krishi Bhawan, New Delhi


Director (F&A)