

**GOVERNMENT OF TELANGANA**  
**ABSTRACT**

I & CAD Department – Implementation of Goods and Services Tax (GST) for ongoing and future works contracts w.e.f 01-07-2017 – Guidelines on implementation of Goods and Services Tax (GST) for regulating work bills for all Engineering Departments- Orders –Issued.

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**IRRIGATION AND CAD (REFORMS) DEPARTMENT**

G.O.Ms.No. 67

Dated: 04-07-2018

Read the following:

1. From the Engineer-in-Chief (I), I&CAD Department, Hyderabad, Lr.No.ENC(I)/DCEI/OT2/AEE20/GST/2017, Dt:10-07-2017.
2. Government Memo No.6774/Reforms/2017, Dt:11-07-2017.
3. From the Deputy Commissioner, Commercial Tax Department Hyderabad letter Dt: 24-07-2017.
4. From the Engineer-in-Chief(I),I&CAD Department Hyderabad,Lr.No.ENC/IW/P&M/EE/DEE.2/AEE.4/GST/Vol-I/17,Dt:11-01-2018 and 17-03-2018.

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**ORDER:**

The new Tax regime in the form of the Goods and Services Tax (GST) came into effect from 1<sup>st</sup> of July 2017 with Central Goods & Services Tax (CGST) Act No. 12 of 2017 and the Telangana Goods & Services Tax (TGST) Act No. 23 of 2017. Section 2 (119) & para 6(a) of schedule-II of CGST Act stipulates that all the work contracts shall be treated as supply of services. This provision makes a substantial difference in view of the fact that the works contracts with SOR prior to 2017-18, were inclusive of Central & State Taxes. Now, in the GST regime there shall not be any tax imposed on tax. Thus, there is a need for uniform guidelines for implementation of GST, categorising the works into those estimated with SOR up to & including 2016-17 and those with SOR of 2017-18. The implementation of GST in all the Engineering Departments involves major process and procedural changes. Based on the request of the Engineer-in-Chief(Irrigation) in the reference 1<sup>st</sup> read above, Government of Telangana constituted a Committee for implementation of GST in all Engineering Departments vide reference 2<sup>nd</sup> read above.

**2.**In the reference 3<sup>rd</sup> read above, the Deputy Commissioner, Commercial Tax Department has submitted the Committee Report on the effect of Goods and Services Tax (GST).

**3.**In the reference 4<sup>th</sup> read above, the Engineer-in-Chief (I) has submitted the recommendations of the Board of Chief Engineers on implementation of GST with draft guidelines on implementation mechanism for various Works Contracts and requested to issue guidelines.

**(P.T.O)**

**4.** Government after careful consideration of the reports of BOCEs and the committee constituted by the Government hereby issue the following guidelines on implementation mechanism of GST for various Works Contracts in all Engineering Departments:

**5(a)** As per the GST Act all works contracts are to be levied GST with effect from 1/07/2017 i.e., including subsisting contracts as on that date at the rates mentioned below:

- i. From 01-07-2017 to 21-08-2017 for all work contracts GST at 18%
- ii. From 22-08-2017 to 12-10-2017 for all work contracts GST at 12%
- iii. From 13-10-2017 onwards
  - a. For works having earth work component of 75% and more in terms of cost of the concerned works estimates GST is to be levied at 5% on the bills value.
  - b. For all the other works contracts of all Departments and sectors GST is to be levied at 12% on the bills value.

**(b)** All the Works Contracts are to be considered under two categories for implementation of GST w.e.f 01-07-2017.

**i. SOR for year 2017-18 onwards:**

Contracts for which estimates are prepared with SOR 2017-18 (in which rates are excluding taxes).

Since the SOR 2017-18 was already approved by BOCE without taxes, necessary provisions may be made in part-B of the estimates as follows:

- GST @ 18% for the period from 01-07-2017 to 21-08-2017 and @ 12% from 22-08-2017 onwards.
- Those works contracts involving more than 75% earth work attract 5% GST w.e.f. 13-10-2017.

**ii. SOR prior to 2017-18 :**

Ongoing contracts for which estimates were prepared with SOR prior to 2017-18 (in which taxes are included):

The estimates which were prepared with earlier SORs (prior to SOR 2017-18) are to be split into two i.e. value of work done and paid in VAT regime (i.e as per the respective Agreements) and value of work done on or after 01-07-2017 for which GST applicable.

**(c)** Under GST regime, there is a facility of taking credit for all the GST already paid by the Agencies on all the inputs i.e., various materials like Cement, Steel, Pipes etc., during the course of works execution. These taxes paid by the works agencies are to be accounted as paid against the GST payable @ 18% or 12% or 5% on the bills and the balance tax is to be paid by the agencies towards GST on the work bills payments received by them.

// 3 //

- (d) Since, GST is a new tax not stipulated in the subsisting agreements of the ongoing works as on 01.07.2017 or after without the stipulation, the same has to be reimbursed to the agencies after considering the actual net amounts paid / payable by them during the works execution towards GST.

The net GST payable to the Contractors for ongoing works as on 01.07.2017 and also for the works taken up after 01.07.2017 with rates inclusive of taxes shall be @ 5% or 12% or 18% whichever applicable on amount of work bill after deducting embedded taxes.

- (e) The difference of taxes paid and GST leviable for every running bill is to be reimbursed to agencies. For this purpose, the taxes embedded in the estimates are to be worked out by the estimate sanctioning authorities and communicated to the agreement authorities. After due approval of Agreement authorities, the difference has to be adjusted.

- (f) For new Works contracts which are based on estimates with SSR of 2017-18 excluding tax component, the GST payable shall be indicated in Part-B of agreement at the rate of 18% or 12% or 5% as the case may be and accordingly paid for every running bill to the agencies. This provision is to be made in the sanctioned estimates separately.

- (g) The concerned agencies of works contracts are responsible to discharge their liability as per GST Act and provisions and to file their returns accordingly.

**6.** The Board of Chief Engineers (BOCEs) shall quantify the embedded taxes in various types/components of works, within a fortnight of issue of this order, so as to have uniformity across the state. The BOCEs shall also ensure that a mechanism is set up for monitoring the GST paid by each agency. Suitable clause/condition may be framed for incorporation into future bid documents/Agreements of all Departments.

**7.** The 5% additional amount paid towards GST for the intervening period based on the instructions issued by the Government vide Memo.No.33/WP/A2/2017, Dt: 08-08-2017 has to be taken in to account while adjusting the GST payable.

**8.** The Finance (W.P) Department shall issue instructions to the D.D.Os on the following:

- i. Provide the agency wise (along with GSTIN number) GST paid and work value to the CT Department by web service as well as through soft copy.

- ii. Take an undertaking from the agency before releasing the amounts that the Agency has filed GST returns up to previous month.

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**// 4 //**

**9.** The Engineer-in-Chief (Irrigation), Hyderabad shall take further necessary action accordingly.

**10.** This order issues with the concurrence of Finance (W.P) Department videtheirU.O.No.2868/42/WP/A2/2018, Dt: 04-07-2018.

**(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)**

**Dr. SHAILENDRA KUMAR JOSHI  
SPECIAL CHIEF SECRETARY TO GOVERNMENT (FAC)**

To

The Engineer-in-Chief(Irrigation), I&CAD Department, Jalasoudha Buildings,  
Errummanzil, Hyderabad.

The Engineer-in-Chief (I.W), I&CAD Department, Jalasoudha Buildings,  
Errummanzil, Hyderabad.

**Copy to:-**

All Engineer-In-Chiefs and the Chief Engineers, I & CAD Department.

The Accountant General/Principal Accountant General, Telangana, Hyderabad.

The Director Works & Accounts, Telangana, Hyderabad.

The Commissioner, Commissionerate of Tenders, Hyderabad.

The Engineer-in-Chief (TR&RB)Department, Hyderabad.

The Engineer-in-Chief, PR&RD Department, Hyderabad.

The Engineer-in-Chief, MA&UD Department, Hyderabad.

The Engineer-in-Chief, PH Department, Hyderabad.

The Finance (W.P) Department.

The Revenue (C.T) Department.

The Special Chief Secretary (FAC) to I& CAD Department.

The Principal Secretary, TR&RB Department.

The Principal Secretary, PR&RD Department.

The Principal Secretary, MA&UD Department.

The P.S. to Principal Secretary, Hon'ble Chief Minister

The P.S to Hon'ble Minister, Irrigation.

The P.S. to Hon'ble Minister, TR&B Department.

The P.S. to Hon'ble Minister, PR&RD Department.

The P.S. to Hon'ble Minister, MA&UD Department.

The Dy. Director Monitoring Wing, I&CAD Department.

All work Sections in this Department.

SF/SC (C.No.6774/Reforms/2017).

**//FORWARDED::BY ORDER//**

**SECTION OFFICER**