

**GOVERNMENT OF TELANGANA
WORKS ACCOUNTS DEPARTMENT**

From:
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1st Floor, Engineer-in-Chief,
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To:
The Principal Secretary to
Government (FP),
Finance (WA) Department,
3rd Floor, 'D'Block,
T.S., Secretariat, Hyderabad.

Letter No.DWA/TS/Hyd/Sn.I/A1/2019-20/ 162,

Dt:15.07.2019.

Sub: GST – Embedded taxes in works sanctioned with SORs prior to 2017-18 (with taxes) –Contractors profit and overheads - deduction from data – clarification requested – Regarding.

Ref:1) G.O.Ms.No.67, Irrigation and CAD (Reforms) Dept., dated 04.07.2018
2) Chairman BOCE vide Lr.No.ENC/IW/P&M/EE/DEE.2/AEE.5/BOCE/61108/2018, dated:27.08.2018.
3) Chairman BOCE Pro. No ENC/W/P&M/EE/DEE-2/AEE-5/ GST/2018-19/Vol.III, dated 09.04.2019.



I submit the following for favour of perusal and request to issue suitable instructions/clarification.

Government have issued guidelines in the reference 1st cited for adjustments to be made for payment of work bills with the advent of GST w.e.f.01.07.2017 in place of the existing taxes in the SORs.

As per Para 5(d) of the G.O., GST has to be reimbursed to the agencies of ongoing works as on 01.07.2017 or after, considering the actual net amounts paid/payable by them during the works execution towards GST. It was also instructed that the net GST payable to the contractors for ongoing works as on 01.07.2017 and also for works taken up after 01.07.2017 with rates inclusive of taxes shall be at 5%, 12% or 18% whichever is applicable on the amount of work bill after deducting embedded taxes.

As per Para 5(e) of the G.O, the taxes embedded in the estimates are to be worked out by the estimates sanctioning authority and communicated to the agreement concluding authority. After due approval of the Agreement authority the difference has to adjusted.

In accordance with the orders issued, the Board of Chief Engineers has approved the quantum of embedded taxes in various items of the SOR vide reference 2nd cited. Further on a representation from the Builders Association of India, the Board of Chief Engineers have revised he quantum of embedded taxes vide reference 3rd cited.

The Board of Chief Engineers have appended a model calculation for arriving at the embedded taxes. Bills are being received in PAO offices showing the calculation of embedded taxes item wise. The amount of embedded taxes is being deducted from the Bill amount.

Contd..2..

However, it is seen that , while contractors profit and overheads (at 13.615%) is being allowed on the original data (including embedded taxes), the embedded tax component is only being deducted without considering the element of the component of Contractors profit and overheads, which is already included in the original data. Further GST would also become payable on such element.

A doubt has arisen, whether the element of Contractors' Profit is also to be deducted along with embedded taxes while allowing payment. Implications of the procedure being adopted is worked out in the statement attached herewith.

It is therefore requested to kindly clarify whether the element of Contractors Profit and overheads is also be deducted along with the embedded taxes, while allowing payments in respect of bills of works sanctioned with SORs prior to 2017-18.

Yours faithfully,



**DIRECTOR OF WORKS ACCOUNTS,
TELANGANA STATE, HYDERABAD.**



Encl:- Statement.

Calculation of the implication of deducting embedded taxes along with contractors profit and overheads thereon.

Specification:

IRR-CCDW-2-21 Providing and laying insitu vibrated M-15 (28 days cube compressive strength not less than 15N.Sq mm) grade cement concrete using 40 mm down size approved, clean hard, graded aggregates with placing and sinking plums of size 150 to 80 mm upto 15 percent for gravity type retaining walls/piers/abutments etc., including cost of all materials, machinery, labour, formwork, scaffolding, cleaning, batching, mixing placing in position, levelling, vibrating, finishing, curing etc., complete with initial lead upto 50 m and all lifts

Rate analysis as being proposed in bills

Rate analysis excluding embedded taxes along with Contractors profit and overheads component thereon.

Rate analysis 18.09 CuM				Rate analysis 18.09 CuM			
			Embedded taxes				Embedded taxes
1	Cost of Materials	66900.48	7124.19		Cost of Materials	66900.48	7124.19
2	Hire charges of machinery	1436.15			Hire charges of machinery	1436.15	
3	Cost of labour	21353.41			Cost of labour	21353.41	
	Total	89690.03			Total	89690.03	
					Deduct: Embedded Taxes	7124.19	
					Total after deducting embedded taxes	82565.84	
	Contractors' Profit and overheads @13.615%	12211.3			Contractors' Profit and overheads @13.615%	11241.34	
	Total Cost for 18.09 Cum	101901.33			Total Cost for 18.09 Cum	93807.18	
	Deduct embedded taxes	7124.19			Rate per CuM	5185.58	
	Total amount after deducting embedded taxes	94777.14					
	Rate per Cum	5239.20					
	Lead charges				Lead charges		
	Metal	92.64			Metal	92.64	
	Sand	41.17			Sand	41.17	
	Total Rate without embedded taxes	5373.01					
	Rate being proposed for payment without embedded taxes	5373.01			Total Rate without embedded taxes	5319.39	
	GST @ 12%	644.76			GST @ 12%	638.33	
	Total with GST	6017.77			Total with GST	5957.72	
			Difference:	Rate 53.62	GST 6.43	Total 60.05	