

GOVERNMENT OF TELANGANA
WORKS ACCOUNTS DEPARTMENT

From:
I. Vishnudatha Raya,
Director of Works Accounts,
Telangana State, 1st Floor,
Engineer-in-Chief(PH) Buildings,
Kashana, A.C Guards,
Hyderabad – 500004.

To
The All ENC'S, CE'S &
Corporations.

Lr. No. DWA/TS/Hyd/Sn.I/A1/2019-19/ 75

Dated: 20.05.2019.

Sir,

Sub:- Public Works- GST- All indirect taxes subsumed in to GST- interim measure and final calculations of embedded taxes- Discontinuation of addition of ad hoc value of 5% from 1-6-2019- Regarding.

Ref:- 1) Govt, Memo No.33/WP/A2/2017 dated.08-08-2017 of Finance (W&P) Department.
2) G.O Ms No.67 Irrigation & CAD (Reforms) Department Dated 04-07-2018.

It is brought to your kind notice that, the legislation and rules governing Goods and Services Tax have become effective from 01-07-2017. The Government in reference 1st cited have instructed and permitted to add 5% value of work recorded in each bill towards GST liability of the agency concerned in lieu of all indirect taxes provided in Part- B of agreement, subject to GSTDS as and when applicable and subject to final adjustment as per actual GST liability and ITC.

Almost two years have elapsed since the issue of the above instructions in ref 1st cited and the Government in ref 2nd cited have issued comprehensive instructions to the Engineering Heads of the Department as well as Estimate sanctioning authorities for dealing with the component of embedded taxes in the value of old agreements to be applied from 01-07-2017 and for regulation of ad hoc amount already paid during the interregnum between issue of two references cited and the levels of sanctioning authorities within the Department for regulation of payments under all subsumed indirect taxes. The instructions issued in Para 5 (e) of the G.O. 2nd cited are as following:

“The difference of tax 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”.

Further it is to inform that, the Drawing Officers/EEs are still preferring bills by including ad hoc reimbursement values towards GST against the spirit of references cited, whereby considerable amounts are paid to the Agencies without calculating the

value of embedded taxes by postponing application of instructions issued in the reference 2nd cited.

It may be noted that postponing of calculation of embedded taxes for their adjustment in the GST payable now and continued addition of ad hoc 5% in the bills will have cascading effect on the quantum of resulting excess payment to the agencies. There is a possibility of such excess payments running into crores on the date of finalisation of contract and may pose serious problems with regard to recovery of embedded taxes and ad hoc value paid to the agency. Special care has to be taken in the case of EPC, as the value of VAT included in EPC is also liable to be recovered along with the above components.

It is requested to instruct the authorities listed in reference 2nd cited and the Drawing and Disbursing Officers to apply Government Orders issued in the reference 2nd cited to all claims and regulate the payments duly recovering the value of embedded taxes, as well as the implied VAT under EPC Agreements and ad hoc value allowed from 01-07-2017 to avoid over run of payments. The above authorities under your control may be instructed to desist addition of ad hoc value from all claims preferred from 1-6-2019.

Yours faithfully,

Sd/-

**Director of Works Accounts,
Telangana State, Hyderabad.**

//T.C.F.B.O//


Joint Director of Works Accounts,
O/o. Director of Works Accounts,
Telangana State, Hyderabad.

20/6/19.