

GOVERNMENT OF TELANGANA  
**WORKS ACCOUNTS DEPARTMENT**

**From**

V. Phanibhushan Sharma,  
Director of Works Accounts,  
Telangana State,  
1<sup>st</sup> Floor, ENC(PH) Buildings,  
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Hyderabad – 500 004.

**To**

The Managing Director,  
Mission Bhageeratha,  
Errummanzil,  
Hyderabad.

**Lr.No.DWA/TS/Hyd/Sn.-I/A-1/2020-21/73,**

**Date: 17-07-2020.**

**Sir,**

**Sub:-** Goods & Service Tax - Provision to be made in O&M estimates and addition of GST to the value of work done in the O&M works of Mission Bhageeratha and other related O&M work bills - Clarification sought for – Request - Regarding.

**Ref:-** 1) PAO, Ranga Reddy L.No.PAO/RR/Sn.II/Admn/20-21/TDWSP-RR/25,  
dt:04-07-2020.  
2) JDWA, Hyd, Lr.No.JDWA/W&P/Hyd/ITC/2020-21/81,  
dt: 13-07-2020.

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I am to state that in Mission Bhageeratha Segment works as per the Agreement conditions (Clause 25) after commissioning, the schemes shall be operated and maintained by the Agencies for a period of 10 years including DLP of 5 years. The O&M estimate shall be prepared as per the norms of CPHEEO manual every year with current SSR or as applicable and approved by the competent authority. The agency shall deploy the staff as per the approved estimates.

The contractor shall enter into an agreement for maintenance of the projects as per the norms of the department after commission of project every year based on the O&M estimate prepared. O&M shall be paid as per sanctioned estimate of the particular year for system staff engaged, Power charges, consumables and other usable on the basis of actual bulk water supplied to the village points during the first five years period. No separate payment will be made for the replacements/repairs/rectification of the defective materials of the pipeline or any other items during the above defect liability period. During this period the contractor shall be paid only O&M component as per sanctioned estimate.

During the period of maintenance from 6<sup>th</sup> to 10<sup>th</sup> year, the contractor shall be paid for repairs of pipe line or any other item or replacements if any, including O &M.



PAO, Rangareddy and the Joint Director of Works Accounts, Hyderabad have reported that, as per the above stipulation in the agreement conditions, Departmental authorities are concluding O&M Agreement with the agencies for a period of three months each time, making provision towards GST at 12@% on the value of O&M work. Payments are also being proposed adding the value of GST.

In this connection the following are brought to notice:

Government of India vide Notification No.12/2017, Central Tax (Rate), dated 28.11.2017 as amended by Notification No 2/2018-Central Tax (Rate) have exempted Composite Supply of Goods and Services in which the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply provided to the Central Government, State Government or Union Territory or local authority or a Governmental authority or a Government Entity by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution. (Sl.No. 3A, Chapter 99)

Supply of Water for domestic, industrial and commercial purposes is an activity included in the Twelfth Schedule (Article 243W) of the constitution and Drinking water is an activity included in the Eleventh Schedule (Article 243G) of the Constitution.

Therefore as the supplies of services under the O&M Agreement are with 25% of the value of supply of goods, and as the said activity is included in Articles 243G and 243 W of the Constitution, the value of supply under the O&M contract does not attract GST.

Thus GST need not be paid on O & M contracts, where value of supply of Goods constitutes less than 25% of the value composite supply. Copy of letter of PAO Rangareddy cited under ref 2<sup>nd</sup> is herewith enclosed for reference. As O & M Contracts are under execution in all the Districts of the State, the amounts involved are substantial

It is therefore requested to review the above and instruct the concerned suitably, so that the exchequer is relieved of additional burden.

**Yours faithfully,**  
Sd/-  
**Director of Works Accounts,**  
**Telangana State, Hyderabad.**

