

MINUTES OF 4th BOARD OF CHIEF ENGINEERS MEETING HELD ON 18.07.2018 @ 3.30PM IN THE BOCE CONFERENCE HALL OF ENGINEER-IN-CHIEF (IW), I & CAD DEPARTMENT, ERRUM MANZIL, HYDERABAD.

At the outset the Engineer-in-Chief (IW), Chairman, Board of Chief Engineers has welcomed all the participants and placed the following agenda for discussions by the members of the Board of Chief Engineers. The names of the officers attended the meeting is appended vide Annexure-I. The Engineer-in-Chief (IW) has initiated the discussions.

Agenda Item:

I & CAD Dept.,- Finalization of issues related to GST and Works Contract - **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 – **GO Ms No 67 I&CAD (Reforms) dept dated 04.07.2018 – Quantification of Embedded Taxes for evaluation of Basic Rates of materials/machinery** for the previous SoRs prior to 2017-18 – **Setting-up of mechanism by Board of Chief Engineers** for monitoring the GST paid by each Agency - Directed by the Government – Placed before Board of Chief Engineers for necessary discussion and recommendations - Regarding.

Proposed by Engineer-in-Chief (Irrigation), I&CAD Dept.,

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- As per the guidelines proposed vide Engineer-in-Chief (I) I&CAD Dept letter dated 17-03-2018, the Government have issued **GO Ms No 67 I&CAD (Reforms) dept dated 04.07.2018** on implementation of Goods and Services Tax (GST) for regulating work bills for all Engineering Departments.
- 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.

- 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 amounts of work bill after deducting the embedded taxes.
- 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
- While stipulating above guidelines on implementation of GST for Works Contracts, the Government have **directed the Board of Chief Engineers on quantification of embedded taxes and to set up mechanism for monitoring of GST payments.**

“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.”

- In order to have uniform rates and procedure of finalizing the embedded taxes in the sanctioned estimates, the **Technical sanctioning authority shall work out the tax component in the data sanctioned of each item of work and issue a proceedings for the work concerned** which shall be the basis for working out

the tax component of bills being processed by the D.D.O and certified accordingly.

- Based on the above, the payment officer shall work out the taxes paid/payable by the agencies on all input materials and then workout the GST payable for each work bill. The taxes payable by the Agencies shall be deemed to have been paid and it is their responsibility to account for the same. The balance of the G.S.T payable is to be worked and reimbursed for each bill.
- The above process is applicable for all the running bills and for finalizing the contract accounts of the overall value of work done after 01.07.2017 and is to be worked out, accordingly. Reference to the GST paid up to the previous bill by the concerned Agencies while clearing the running bills is a prerequisite in order to verify and ensure compliance of G.S.T returns by the them.
- The procedure indicated would be the same for final bills also. The corresponding embedded taxes provided in estimates are to be verified and to be set off against the overall GST payable for the work done after 01.07.2017 and accordingly the contracts are to be finalized and the GST to be reimbursed to be indicated clearly in the Final bills.
- HODs of all the Engineering Departments were requested vide ENC(AW) letter dated 11.07.2018 to attend the BOCEs meeting duly **furnishing the Basic rates of materials/machinery excluding embedded taxes pertaining to their Departments in relevant SoRs prior to 2017-18 for its discussion and finalization of basic rates including setting up of HOD wise mechanism for monitoring GST payments.**

The above subject issue is placed before Board of Chief Engineers for its detailed discussion and necessary recommendations regarding quantification of **Embedded Taxes** to finalize **Basic Rates of materials** prior to 2017-18 and to **set up HOD wise mechanism for monitoring the GST paid by each agency and for framing of suitable clause/condition for incorporation of the same into future bid documents/agreements of all Engineering Departments, accordingly.**

The Board of Chief Engineers has examined the issue in detail and after detailed deliberations, the BOCEs has recommended the following.

- 1) Prior to GST regime, all Works Contract estimates are inclusive of taxes (i.e., embedded taxes)**
- 2) All the embedded taxes of respective SoRs prior to GST will be indicated and uploaded in I&CAD website duly collecting the same from respective Departments**
- 3) Based on the above details, the embedded taxes are to be assessed and approved by the concerned Technical sanctioning authority for each item of work for which Technical sanction was accorded earlier and issue a proceedings for the work concerned which shall be followed by the DDOs while processing the bills.**


(Example data shown under Annexure)

- 4) The above common standard procedure shall be followed by all Engineering Departments payment of running and final bills of all the ongoing works.**
- 5) In respect of monitoring mechanism on GST payments by each agency, the BOCEs opined that, the payment of GST on Works Contracts is the liability and responsibility of respective agencies. The EE/DDO shall have to ascertain the previous month GST returns of work executing agencies while processing the respective running/final bills**
- 6) Further, it is also opined that, to ascertain foolproof mechanism on GST payments by agencies, the payment releasing portal of DDO/PAO shall be linked with that of GST portal of Commercial Tax department to ensure that last month payments are compiled under GST returns filed by the respective agencies. However, monthly paid GST amount for each work**

contract will be informed to the Commercial Tax Department through online by e-mail or any other web server.

- 7) All H.O.D's should along with the monthly progress reports also compile the value of bills paid, and G.S.T. reimbursed for their works based on the above procedure and report to their respective Departments in the Government.


Engineer-in-Chief (Irrigation)
Irrigation & CAD Department


Engineer-in-Chief (IW)
Irrigation & CAD Department &
Chairman, Board of Chief Engineer