

GOVERNMENT OF ANDHRA PRADESH

ABSTRACT

Municipal Administration & Urban Development (CRDA) Department – Release of 5% towards GST as an interim relief without leading to the excess payments to the agencies duly considering the subsumed taxes in the part bills till the final orders on the GST are approved – Orders – Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (CRDA.2) DEPARTMENT
G.O.MS.No. 381

Dated: 26-11-2018

Read the following:-

1. G.O.MS.No.58, Finance (WR-I) department, dt.08.05.2018
2. From the Commissioner, APCRDA, Lr.No:APCRDA/CE/Infra-1/GST/General/001, Dt:31.10.2018

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ORDER:-

Government of Andhra Pradesh (GoAP) is developing the new Capital City – Amaravati, post bifurcation of State of Andhra Pradesh. Andhra Pradesh Capital Region Development Authority (APCRDA) was formed under the Andhra Pradesh Capital Region Development Authority (APCRDA) Act- 2014 as planning and development authority of capital region development area, undertaking construction of new capital and for managing and supervising urban services. The development of Amaravati Capital city is unique and one of its kind, unprecedented in terms of size and scale wherein several Tier 1 or Trunk infrastructure and Tier 2 or Last mile infrastructure works are being taken up simultaneously in addition to the development of the Amaravati Government complex including Secretariat & HoD Buildings, Legislative Assembly, Legislative Council, High Court, Raj Bhawan, CM Bunglow, Bungalows for the Ministers, Government Housing for officers and staff etc.

2. The Commissioner, APCRDA in the letter 2nd read above, has stated that the Government of Andhra Pradesh based on the recommendations of the Board of Chief Engineers have issued orders vide G.O.MS.No.58, Finance (WR-I) department, dt.08.05.2018 for implementation of GST since 01.07.2017 in work bills for the estimates prepared with schedule of rates as follows:

- a. GST for the works contracts at 18% for the works contracts from 1.07.2017 to 21.08.2017 and 12% for the works contracts from 22.08.2017 with input tax credit.
- b. With effect from 13.10.2017 the works contracts involving predominantly earth work (constituting more than 75% of the value of the work) attract 5% GST with input tax credit.
- c. In the said G.O, Government has ordered that for contracts concluded prior to or after 1.07.2017 with the SSR of 2016-17 and prior (where in the tax element is included) the following procedure is to be adopted.
 - I) revised estimates have to be prepared and approved separately duly segregating the portion of the works executed prior to 1.07.2017 and work done after 1.07.2017 with GST provision applicable with the basic rates of sanctioned SSR.
 - II) Supplemental agreements are to be concluded with the arrived unit rates (excluding tax element) for the works executed on or after 1.07.2017 and GST as applicable to be added to the bill amount.
 - III) Payments are to be allowed duly adjusting the already made payments in the intermediate bills.

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3. The Commissioner, APCRDA has also stated that the payment liability under GST shall be taken into consideration at the time of invoicing and payments as per the terms and conditions of the agreements between the contracts and the Engineering departments. Departments shall ensure that there shall not be any excess payments to the agencies.

4. The Commissioner, APCRDA has further stated that the contractors M/s L&T and others have represented that the adoption of reformulated SSRs (2008-09 to 2016-17) with the basic rates for the works executed after 01.07.2017 will result in to the contractors put to huge losses since the following factors effect the bidding during the tenders:-

1. The contractors are empowered to procure the inputs as per WCT Act/state Govt. Procedures the materials procured by paying excise duty and VAT within the state.
2. Contractors empowered to procure the materials from outside state by paying Excise duty @12% /CST @2%.
3. Contractors were used to to procure from unregistered dealers and also from local manufactures for the materials like bricks, aggregates, cement jallies pre cast tiles and other miscellaneous items under SSI/ cottage industry whose turnover is less than 150 lakhs by getting exemption of ED.
4. Most of the contractors have their own machinery set up as per tender guide lines which will not attract tax.

5. The Commissioner, APCRDA has also stated that in view of the provisions available as referred above the application of the total deductions of the tax in the rescheduled SSRs will lead to the huge loss and the contractors have requested to restructure the tax component in rescheduled SSRs. Vide in CMP/no.4626/GSP/2018, dated.27.07.2018, the principal secretary to CM due to several representations received from the executing agencies from arising issues unresolved in the interpretation of the new GST law and causing the hampering of the works has advised to conduct the workshop under chairman ship of Sri. Kutumbarao, vice chairman, Planning Board on 31.7.2018 involving all the officers concerned.

6. The Commissioner, APCRDA has further submitted that a meeting was held on 31.07.2018 and the following recommendations as per the outcome of the discussions are communicated to the board of chief Engineers for further discussion and to come up with a common resolution for reporting the same to the Government.

1. In case of materials procured from dealers or agencies with less than 1.50 crore turn over the contractors would not be eligible to claim input tax credit. So ITC not to be deducted from GST payable. Contractors shall provide self-certificate to materials procured from such dealers or agencies.
2. Machinery or equipment owned by the contractors, ITC not be deducted. Self certification shall be provided by the contractor.
3. For all the tenders called after 1st July: Agreements clauses shall be followed.

7. The Commissioner, APCRDA has also submitted that the BOCE held on 14.08.2018 and on 28.9.2018 has discussed in detail on the issues raised by the contractors and keeping the recommendations made during the work shop to resolve the issues in the interpretation of the new GST law the following conclusions were received:-

1. The rates as adopted in the old SSR (2017-18 1st phase) for the machinery or equipment owned by the contractor are proposed to be retained.

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2. The Contractors profit and over heads @13.65% are proposed to be factored on the ITC component.
 3. In case of materials procured from the dealers or agencies with less than 1.5 crs turn over - The BOCE could not able to come to the conclusion on the same since the limit for the value of the composite scheme is not been approved by the Govt.
 4. The committee has suggested to conclude supplemental agreements for the items executed post GST resume duly deducting the embedded taxes and paying the GST accordingly.
8. The Commissioner, APCRDA has further submitted that the above recommendations have been submitted to the Government seeking for the necessary orders to incorporate the same for implementation and the orders from the Government are awaited.
9. The Commissioner, APCRDA has submitted that the contractors have further requested that the delay in finalization of the bills due to lack of clarity on GST in the departments, huge amounts were blocked with the departments and the cash flow is affecting the progress of the works and requesting the Govt. to consider the provision of arrangement for interim relief by allowing the release of 8% towards the GST temporarily considering the subsumed tax component @4% till the final orders were released on the GST implementation.
10. The Commissioner, APCRDA has further stated that APCRDA and ADC is taking up huge volume of works under Housing and Infra Development which are to be completed in time bound manner. The tenders for the many of these works which are now in progress were called before August 2017 and the estimates were prepared based on SSR 2016-17 and 2017-18(included the tax element). As per the G.O.MS.No.58, Finance (WR-I) department the contractors have to enter into the supplemental agreements in order to enable the settlement of the bills including the GST payable. As per the conditions stipulated in the agreements the embedded tax component is to be deducted from the agreement rates and the GST as per the norms to be allowed. As per the analysis for the nature of works executed in APCRDA and ADC the average embedded tax component is being arrived at 6.51% to 8.33 % (varying from 3% to 12% as per the sector based on the % of material component).
11. The Commissioner, APCRDA, has requested the Government to consider the proposal for provision of extending part release of GST as appropriate without leading to the excess payments to the agencies duly considering the subsumed taxes in the part bills till the final orders on the GST are approved.
12. After careful examination, Government hereby accord approval for release of 5% towards GST as an interim relief without leading to the excess payments to the agencies duly considering the subsumed taxes in the part bills till the final orders on the GST are approved
13. The Commissioner, Andhra Pradesh Capital Region Development Authority(APCRDA) and the Chairperson & Managing Director, Amaravati Development Corporation Ltd., shall take further necessary action accordingly.
14. This order issues with the concurrence of Finance(FMU-EFS&T,MA&UD,CRDA) Department vide their U.O.No. FIN01-FMU0BES/3/2018 (Computer No: 673609), dt.23.11.2018.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

**AJAY JAIN
PRINCIPAL SECRETARY TO GOVERNMENT (CRDA)**

To

The Commissioner,
Andhra Pradesh Capital Region Development Authority,
Vijayawada.

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The Chairperson & Managing Director,
Amaravati Development Corporation Limited(ADC),
Ananda Heights, Beside Prabhas College, Kedarewarao pet,
Vijayawada.

The Accountant General, Andhra Pradesh,
Hyderabad.

The Director of Works Accounts,
Ibrahimpattanam, Vijayawada.

Copy to:-

The P.S to Principal Secretary, Chief Minister's Office,
A.P. Secretariat, Velagapudi.

The P.S to Finance Minister, A.P. Secretariat, Velagapudi.

The P.S to Chief Secretary to Government, A.P. Secretariat, Velagapudi.

The P.S to Principal Finance Secretary, A.P. Secretariat, Velagapudi.

The P.S to Min(MA)

The P.S to Prl. Secy.(CRDA)

SF/SC

//FORWARDED : : BY ORDER//

SECTION OFFICER