

**KERALA STATE ELECTRICITY BOARD Ltd**

(Incorporated under the Companies Act, 1956)

**Office of the Financial Adviser**

Registered Office: Vidyuthi Bhavanam, Pattom, Thiruvananthapuram – 695 004

CIN: U40100KL2011SGC027424

Web: www.kseb.in

Phone :0471-2514533

Email :fakseb@gmail.com

No.E 53382/KSEBL/FIN/FA/TAX/82/2024-AFO1

Date: 19-10-2024

To  
All ARU's

Sir/ Madam,

**Sub:** Major Changes in GST Collection and Invoicing- Applicable to KSEBL-reg**Ref:** 1. Notification No.08/2024 – Central Tax ( Rate) dated 08.10.2024

2. Notification No.09/2024 – Central Tax ( Rate) dated 08.10.2024

Vide notification referred (1) above, the following Services has been notified as exempt from GST with effect from 10.10.2024 -

“Supply of services by way of providing metering equipment on rent, testing for meters/transformers/capacitors etc., releasing electricity connection, shifting of meters/service lines, issuing duplicate bills etc., which are incidental or ancillary to the supply of transmission and distribution of electricity provided by electricity transmission and distribution utilities to their Consumers”.

As per the said notification, all the services which are incidental or ancillary to the supply of transmission and distribution of electricity provided by KSEBL are exempt from GST. Hence, the taxability of various transactions, on which presently GST is collected, will undergo vast change as GST will not be applicable to most of the services provided by KSEBL.

Further Vide notification referred (2) above, the following Services has been bought under reverse charge mechanism.

“Service by way of renting of any property other than residential dwelling by an unregistered person to any registered person”.

Hence w.e.f. 10.10.2024 KSEBL will have to pay GST under reverse charge mechanism for the rent paid to any commercial property where the property owner is an unregistered person in GST. To summarize, KSEBL will have to pay GST under reverse charge mechanism for all



rent (of immovable property-Land or building) paid by KSEBL. However where the Property owner (other than Government/Local Authority) is a person registered under GST, reverse charge mechanism is not applicable and KSEBL has to reimburse GST to such person. Please see the below table for clarity;

Nature of Transaction	Whether Reverse Charge GST applicable	Remarks
Rent on property paid to Government/Local Authority, who are having GST registration	Yes	Already under RCM
Rent on residential/commercial property paid to persons other than Government/Local Authority who are having GST registration	No.GST will have to be reimbursed to such persons	
Rent on residential property paid to persons other than Government/Local Authority who are not having GST registration	Yes	Already under RCM
Rent on Commercial property paid to persons other than Government/Local Authority who are not having GST registration	Yes	Introduced w.e.f. 10.10.2024. RCM is applicable to all bills passed w.e.f 10.10.2024

#### **Meaning of the term “Incidental or ancillary”**

As per section 2(17) of the CGST Act 2017, the term “Business” includes any trade, commerce, manufacture, profession, vocation, adventure, wager or any other similar activity, whether or not it is for a pecuniary benefit and any activity or transaction in connection with or incidental or ancillary to it.

The word incidental means “happening in connection with or resulting from something more important”. The word ancillary means “Providing necessary support to the main work or activities of an organization”.

Since the notification uses the word “incidental or ancillary”, it can be reasonable concluded that all activities related to transmission or distribution of electricity is exempt from GST.

Detailed list of various services provided (as per account code wise) and the status of taxability is attached herewith.

#### **Services/Sales on which GST is applicable to KSEBL (Forward Charge Mechanism)**

KSEBL is liable to collect and remit GST on the following services :



- a. Maintenance Charges for poles from Cable TV Operator/Internet Service Providers etc and Interest collected on the same
- b. Rental Income including IB Rent (other than Meter Rent and Rent of residential building let out for residential purpose)
- c. Sale of Scrap
- d. Sale of Tender Form/E-Tender Fee
- e. Sale of LED Bulbs
- f. Annual Maintenance Services which are not incidental or ancillary to distribution or Transmission of Electricity
- g. Deposit works which are not incidental or ancillary to distribution or Transmission of Electricity (eg; Deposit Works related to Solar Plant Installation works)
- h. PMC Charges/Centage charges collected related to works are not incidental or ancillary to distribution or Transmission of Electricity
- i. Consultancy Services
- j. Training Fee
- k. Other Educational Services
- l. Other Services which are not incidental or ancillary to distribution or Transmission of Electricity

The above list is not exhaustive and the GST applicability has to be decided considering the fact as to whether the Services provided are “incidental or ancillary to distribution or Transmission of Electricity”.

**Expenditure on which GST is liable to be remitted by KSEBL under Reverse Charge Mechanism**

Nature of Service	Reverse Charge (%)	Remarks
Rent-Cab	5%	
GTA Services	5%	
Security Services where the Service Provider is not a Body Corporate	18%	
Services provided by Government	18%	Services Provided by Railways, Government etc, Insurance Premium remitted to Government
Rent given to Government/ Local Authority on immovable Property	18%	Rent given to Panchayath, Municipality, Government etc
Rent given to owners for letting out residential building	18%	



Rent given to owners for letting out a commercial property in cases where the owner is not registered under GST	18%	<u>w.e.f 10.10.1024</u>
Services provided by Directors to KSEBL	18%	Sitting Fees given to Directors

#### **Software changes required in KSEBL**

##### **a. Orumanet;**

Most of the Services provided through Orumanet falls under the exemption list as they are incidental or ancillary to the service of Transmission or Distribution of Electricity. GST will have to be collected on only those Services that are not related to the distribution of electricity.

The major Services on which GST is applicable is listed as below:

- Sale of Tender Form
- Sale of LED Bulbs
- Sale of Scrap
- Collections unrelated to distribution activity ( eg. Application fee & Registration fee for grid connectivity to solar plants)

The above list is not exhaustive and the GST applicability has to be decided considering the fact as to whether the Services provided are “incidental or ancillary to distribution or Transmission of Electricity”.

##### **b. Samagra;**

Most of the Collection done through Samagra continues to be taxable except the Deposit works/Supervision Charges that are incidental or ancillary to distribution or Transmission of Electricity. The taxability of various collections as per their account head wise is attached herewith. It is reiterated that GST is applicable only on those Deposit works which are not incidental or ancillary to distribution or Transmission of Electricity (For eg; Deposit works for installation of Solar Plants).

#### **Taxability of the amount collected/accounted in 62999**

The major identified transactions in 62999 are grouped as under to identify the taxability -

<b>Nature of Transaction</b>	<b>Whether GST Applicable</b>	<b>Remarks</b>
Transactions originated in Orumanet	No	
Application Fee	Yes	
Penalty collected in 62999 (related to taxable income of KSEBL)	Yes	Ground rent collection and penalty for delay in remittance etc



Writing off Stale Cheque	No	
Recovery towards short supply of materials/short execution of work	No	
Insurance compensation received	No	
Sundry credits written back	No	
Recovery of Risk and Cost	No	
Realizing of Bond Money on resignation of employee	No	
Recovery of Electricity and Water Charges from the Bills of the Contractors	Yes, If the recovery is not on the basis of a bill or invoice of KSEBL or KWA	
Recovery on account of Price Refixation on supply of materials/Recovery of excess amount paid	No	

**c. Energise:**

Most of the Services provided through Energise falls under the exemption list as they are incidental or ancillary to the service of Transmission or Distribution of Electricity. GST will have to be collected on only those Services that are not related to the transmission or distribution of electricity. As per the details available, there are no such collection done through Energise Software that are not related to transmission or distribution of Electricity.

Hence, the following Services on which GST is collected at present becomes exempt under GST:

- Meter Rent
- Wheeling Charges
- Transmission Charges

**Including GST incurred by KSEBL while preparation of Estimate of Deposit works:**

Even though the taxability of deposit works that are incidental or ancillary to the transmission or distribution of electricity is withdrawn, the taxability of Services provided by the contractors to KSEBL is continuing. Hence, while arriving at the cost of labour and material in the estimate for deposit works, the GST incurred/to be incurred by KSEBL for executing the work should be considered as part of labour and materials.

The following example may be looked into for easy understanding-

**Estimate for Deposit works in Distribution Wing (For works which are Incidental or ancillary to Distribution of Electricity)**

Sl No	Description	Amount



1	Cost of Materials as per cost data ( <b>While preparing Cost data, it should be ensured that the cost is inclusive of GST</b> )	A
2	Centage Charge	B= 16% of A
3	Transportation Charges, if any	C
4	Labour Charges ( <b>Including the cost of GST incurred/to be incurred</b> )	D
5	Total cost of work	E=A + B + C + D
6	Supervision Charge	F = 10% of (C + D)
7	Total Deposit amount	G =E + F

**Estimate for Deposit works in Transmission Wing (For works which are Incidental or ancillary to Transmission of Electricity)**

Sl No	Description	Amount
1	Cost of Materials ( <b>Including GST</b> )	A
2	Erection & Commissioning	B =7.5% of A
3	Transportation, Insurance and Contingencies	C =6% of A
4	Civil Work and Special works like SCADA etc if any ( <b>including GST</b> )	As per Estimate =D
5	Tree Cutting Compensation if any	As per Estimate = E
6	Sub Total	F=A+B+C+D+E
7	Overhead/Supervision Charges	G=10% of F
8	Total Deposit amount	H= F + G

**Impact on GST demanded and collected on the exempted items:**

GST collected should be remitted to GST department despite the exemption notification. However, in cases wherever GST has been demanded but not collected, the demand can be revised and fresh demand can be served to the consumer/applicant without GST.

In cases where the GST is remitted on due basis (in case of meter rent etc), the GST already demanded need not be revised.



**Annexure: Taxability of various Services provided by KSEBL (Account Head Wise)**

Head of Account/Account Group	Nature of Transaction	Whether GST Applicable (Yes/No)	Remarks
46908	Pole Rent Advance	Yes	
47 Group	Deposit Works	No – if the deposit work is incidental or ancillary to transmission or Distribution of Electricity. Further, GST is not applicable on Grants received from Government (MP Funds, MLA Fund, etc)	GST will be applicable for all such deposit works which are not incidental or ancillary to transmission or distribution of Electricity. e.g., Deposit works related to Solar Plant Installation; Deposit works related to the works done by SPIN and Consultancy wing
55 Group	Contribution towards cost of Capital Assets	Same as 47 Group	Same as 47 Group
61 Group	Revenue from Sale of Power	No. Except for Collections unrelated to transmission or distribution of electricity eg; 61940 is taxable as it is not an activity related to transmission or distribution of electricity.	Meter Rent, Transmission Charges, Wheeling Charges, Open Access Charges and Open Access-Registration and Application Fee are exempt from GST.
622 Group	Income from Loans, Advance, Investment etc	No	
623 Group	Income from Trading	Yes	
626 Group	Income/fees/Collections from Staff Welfare Activities	Yes	
62901	Rental for Staff Quarters	No	
62902	Rental From Contractors	Yes	
62903	Rental from Others	Yes	
62905	Excess found on Physical Verification of Stock	No	
62908	Pole Rent	Yes	

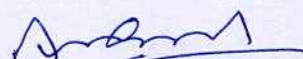


62909	Infrastructure Development and Supervision Charges	No -if the Service is incidental or ancillary to transmission or Distribution of Electricity.	GST is applicable on Supervision Charges/PMC Charges collected on Solar Plant Installation works, PMC Charges collected on work done under SPIN and Consultancy wing,etc
62918	SD Forfeited	No.	
62921	Receipts from Sale of Trees at Project sites	Yes	
62922	Penalty/Liquidated Damages collected from Contractors/Suppliers	No. However, Late fee collected for delayed remittance by parties,ground rent collected for delay in lifting of scrap, etc., is subjected to GST	If penalty is levied/collected by KSEBL for any Taxable services provided by KSEBL, GST is applicable on such penalty.
62923	Revenue share of KSEB Ltd-Utilisation of land and premises by KHTC.	Yes	
62928	Interest/Penalty on Pole Rent and Security Deposit	Yes	
62930	Recpts. From Outside/Students Doing Proj. Works	Yes	
62931	Income / Fees for providing information to public	No	
62934	Receipt of cost of DPR/DIR from allottee of private SHPs developers	Yes	
62935	Revenue from Energy Audit Consultancy	Yes	
62936	Rent from Office cum Com.Complex of KSEB	Yes	
62937	Rent from optical fibre cable leasing	Yes	
62940	Entry fee collected from visitors for visiting Power stations of KSEBL	Yes	



62941	Application fee for Industrial Internship from students	Yes	
62943	Registration and Application fee-Roof Top Solar Power Plants	Yes	
62944	Service charge from consumers under Soura Project	Yes	
62945	Appeal fee deposited in respect of Appellate Authority	No	
62960	Other Income from EV charging stations	Yes	
62980	From Consumers for CFL distribution under BLY Scheme	Yes	
62981	Testing Fee of equipments: received from contractors/ Suppliers/others	No. Except for Testing Fee collected from Contractor/Suppliers	
62983	Centage charges received from Government Departments/Agencies	Yes	
62984	Course fee received from training institution as reimbursement	No	
62986	LED Street Light Installation charges- NILAAVU scheme	Yes	
62987	Other Income- Annual Maintenance Charges	Yes	
62988	Other Income- Performance Incentive from MNRE	No	
62999	Miscellaneous Income	Separately Mentioned	

Yours faithfully



ANIL ROSH T S

DEPUTY CHIEF ACCOUNTS OFFICER WITH FULL POWERS OF FA