


KERALA STATE ELECTRICITY BOARD Ltd

(Incorporated under the Companies Act, 1956)

Office of the Financial Adviser

 Registered Office: Vydyuthi 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: 30-10-2024

 To
All Distribution ARU's

Sir/ Madam,

Sub: Impact of GST Exemption on Deposit Works- Further Clarification

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

 3. This office letter No.E 53382/KSEBL/FIN/FA/TAX/82/2024-AFO1
dated 19.10.2024

Vide letter referred (3) above intimation was given with regard to various changes impacting the GST collection of KSEBL whereby most of the services provided by KSEBL becoming exempted. However it has been brought to the attention of this office that various confusions are persisting across ARU's regarding the collection of amount on Deposit works, especially in Distribution sector. Hence the following is clarified with regard to the impact of GST exemption on Deposit works especially in distribution wing;

Sample 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 Standard Cost data	A
2	Centage Charges	B= 16% of A
3	Transportation Charges, if any	C

4	Labour Charges (as per the Uniform Labour data)	D
5	Tax Payable to the Contractor, if applicable (This field may be kept as optional). If applicable, the amount to be entered is 18% of (C+D)	E
6	Total cost of work	$F = A + B + C + D + E$
7	Supervision Charge	$G = 10\% \text{ of } (C + D + E)$
8	Total Deposit amount	$H = F + G$

Queries and Replies

- a. Whether additional GST is to be collected on works where rate has been explicitly fixed by KSERC

GST has been exempted for services provided by KSEBL in relation to transmission and distribution of electricity. No additional amount is to be collected from the rate approved by KSERC

- b. Whether GST can be paid to the contractor for executing the works mentioned in (a) above

On a plain reading of the exemption notification the Services provided by the contractor to KSEBL for executing such services is still taxable. Hence GST is payable to the registered contractor for executing such works

- c. Whether additional GST is to be collected on works where rate has not been explicitly fixed by KSERC (Commonly termed as Deposit works)

GST has been exempted for services provided by KSEBL in relation to transmission and distribution of electricity. However on a plain reading of the exemption notification the Services provided by the contractor to KSEBL for executing such services is still taxable. Hence GST Payable to the contractor has to be considered as an expense incurred by KSEBL and is to be added to the Labour charges while preparing the estimate of such deposit

works.

- d. Whether GST can be paid to the contractor for executing the works mentioned in (c) above

On a plain reading of the exemption notification the Services provided by the contractor to KSEBL for executing such services is still taxable. Hence GST is payable to the registered contractor for executing such works.

- e. Whether the GST if included in Labour Charges (as per the above estimate) is in nature of tax evasion/hiding of tax

It is clarified that KSEBL is not collecting any amount as GST from the consumer/applicant. KSEBL will have to pay GST to the contractor (If the contractor is GST registered) while executing deposit works. Such GST incurred as cost by KSEBL is reimbursed from the beneficiary. This is not a GST collection but a cost reimbursement.

- f. What should be done if at the time of preparation of estimate the status of tax payable to the contractor is not known

If the status of "Tax payable to the contractor" is not known at the time of preparation of estimate, it may be presumed that tax will be payable to the contractor at 18% and the said tax liability to be discharged to the contractor should be entered in the respective field.

- g. Whether KSEBL is eligible for any input tax credit on the GST Paid to the contractors while executing the Deposit works(that are incidental and ancillary to the distribution of electricity)

Since the Outward services provided by KSEBL has become exempt, KSEBL is not eligible for any input tax credit and hence the GST paid/payable to the contractor becomes the cost of KSEBL

- h. Whether the Services provided by Contractors to KSEBL (which are incidental and ancillary to the distribution of electricity) exempt from GST

On a plain reading of the exemption notification the Services provided by the contractor to KSEBL for executing such services is still taxable. However, there are various rulings which have upheld the contention that if the main work is exempt the sub work of the same is also exempt. But there has been no finality in this regard. Since the tax liability is in the part of the contractor, KSEBL cannot take a final decision regarding the same. KSEBL will be seeking a clarification from the GST department for obtaining finality in this regard

Hence currently the said services provided by the contractors to KSEBL may be considered as taxable

- i. Whether the Cost data of materials is including GST. Why the GST cost is not added to the material cost as done in the case of labour?

The materials procured by KSEBL are valued at actual cost inclusive of taxes and therefore material cost taken for estimate preparation is inclusive of GST. Hence additional GST need not be added.

Yours Faithfully



ANIL ROSH T.S.

DEPUTY CHIEF ACCOUNTS OFFICER WITH

FULL POWERS OF FA.