

## SECTION - IV

### PUBLIC WORKS DEPARTMENT BUILDINGS ORGANIZATION

**From**  
**Er.R.JAYASINGH, B.E., M.B.A.,**  
Engineer-in-Chief (Buildings)  
Public Works Department &  
Chief Engineer (Buildings),  
Chennai Region, Chennai.  
Chepauk: CHENNAI – 600 005.

**To**  
All The Executive Engineers/  
The Electrical Engineers,  
Public Works Department,  
Buildings Organization.

**Letter No. B1 / 40100 / 2017. dated 07.07.2017**

Sir,

**Sub:** Goods and Services Taxes – Implementation of GST in the State – Opening of new Heads of Account – Regarding.  
**Ref:** DS to Govt. (Budget) Finance (BG-II) Dept. Secty. Chennai-9 Lr.No.34637/BG-II/2017 – 1 dated 30.06.2017.

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In the reference cited letter, **as an interim arrangement** the Government have opened the new heads of account for booking State Goods and Services Taxes with effect from 01.07.2017.

The deduction of VAT herein after dispensed with. In lieu of VAT the following head may be incorporated in schedule of deduction.

Prevailing head of account	New Head of Account
0040-00 Taxes on Sales, Trade Etc – 102 Receipts under State Sales Tax Act – AK Tax Collections under State Value Added Tax Act [1002] (DPC 0040-00-102-AK-0004)	0006-00 State Goods and Services Tax (SGST) – 01 Tax - AA State Goods and Service Tax  (DPC 0006-00-101-AA-0000)

The Executive / Electrical Engineer of buildings organization are requested to deduct and debit the State Goods and Services Taxes from the contractor bills under the above head of account at the rate of prevailing applicable percentages till the receipt of detailed report from the Government in Finance Department.

The rate of Deduction and **permanent head of account** will be informed on receipt of details from Commercial Taxes Department and Government in Finance Department in due course.

For Engineer in Chief (B) PWD  
Chief Engineer (B), Chennai Region,  
and Chief Engineer (General)  
Chepauk, Chennai-5.

Copy to the Chief Engineers (Buildings) PWD, Trichy & Madurai Regions  
Copy to All SE of Buildings Organization for information.  
Copy to the Commissioner of Commercial Taxes Dept, Ezhilagam, Ch -5  
Copy to the Directorate of Treasuries and Accounts  
Copy to All PAOs  
Copy to All Treasuries.



Finance (BG-II) Department,  
Secretariat,  
Chennai – 600 009.

Letter No. 34637/BG-II/2017-1, Dated:30.03.2017

From  
Thiru. M.Arvind, I.A.S.,  
Deputy Secretary to Government (Budget)

To  
The Additional Chief Secretary / Commissioner,  
Commercial Taxes,  
Chepauk,  
Chennai – 600 005.

Sir,

Sub: Goods and Services Taxes – Implementation of GST in the State –  
Opening of new Heads of Account – Intimated.

Ref: Your Lr.No. D5/ 18977 / 2017, Dated: 29.06.2017.

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I am to invite your kind attention to the letter cited and to inform that the following new heads of account opened under Demand No.10 HoD Code:02 for booking State Goods and Services Taxes and Integrated Goods and Services Taxes as the interim arrangements:-

- (i) 0006-00, State Goods and Services Tax (SGST) – 101. Tax – AA. State Goods and Services Tax  
(DPC: 0006-00-101-AA-0000)
- (ii) 0006-00. State Goods and Services Tax (SGST) – 105. Input Tax Credit cross utilization of SGST and IGST Tax – AA. State Goods and Services Tax  
(DPC: 0006-00-105-AA-0008)
- (iii) 0008-00. Integrated Goods and Services Tax (IGST) – 101 Tax – AA State Goods and Services Tax  
(DPC: 0008-00-101-AA-0002)
- (iv) 0008-00. Integrated Goods and Services Tax (IGST) – 105. Input Tax Credit cross utilization of SGST and IGST Tax – AA State Goods and Services Tax  
(DPC: 0008-00-105-AA-0000)
- (v) 2043-00 Collection Charges under State Goods and Services Tax - 001 Direction and Administration – AA. State Goods and Services Tax.  
(DPC: 2043-00-001-AA-0003)
- (vi) 2043-00 Collection Charges under State Goods and Services Tax - 101 – Collection Charges - AA. State Goods and Services Tax.  
(DPC: 2043-00-101-AA-0001)
- (vii) 2043-00 Collection Charges under State Goods and Services Tax – 800 – Other Expenditure – AA. State Goods and Services Tax.  
(DPC: 2043-00-800-AA-0009)
- (viii) 4047-00 Capital Outlay on Other Fiscal Services - 006 State Goods and Services Tax – AA. State Goods and Services Tax  
(DPC: 4047-00-006-AA-0005)

2. The Commissioner, Commercial Taxes is the Estimating, Reconciling and Controlling authority for the above new heads of account.

Yours faithfully,  
For Deputy Secretary to Government

**PUBLIC WORKS DEPARTMENT  
BUILDINGS ORGANISATION**

**From**  
**Er.R.JAYASINGH, B.E., M.B.A.,**  
Engineer-in-Chief (Buildings)  
Chief Engineer (Buildings), Chennai Region  
Chepak: CHENNAI – 600 005.

**To**  
The Principal Secretary to Government,  
Public Works Department,  
Secretariat, Chennai – 9.

**Letter No. LC1 /GST-Work Contract/ 2017, dated 10.08.2017**

Sir,

- Sub:** Buildings - Goods and Services Tax – Work Contract  
Rate of TDS in the Bill – Instruction to present and getting  
Pass the Contract Bills from the Treasury - Regarding.
- Ref:** 1. Section 51 of the CGST ACT, 2017 - TDS  
Lr.No.34637/BG-II/2017 – 1 dated 30.06.2017.

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It is brought to the kind notice of the Government that under the GST regime, the “Work Contract” treated as service, for which 18% composite tax has been leveled as per GST Act.

Under VAT TDS on Contractor Bill at the rate of 2% of was deducted, now, under GST the rate of TDS as per TDS mechanism under GST Issued by Directorate of General of Tax payer Services Central Board of Excise and Customs is 1% CGST (and 1% SGST).

In this connection, on enquiry with Commercial Tax Department it has been explained by the Commercial Tax authorities that the act for the TDS mechanism falls under the **Section 51 of the CGST Act, 2017, which was not brought into force by the GST council**, therefore, TDS could not be imposed for the Contract Bill until such approval for section 51 of CGST Act, 2017.

Due to the above unclear status on TDS rate, it is Informed by the Executive Engineers that some of the Treasuries returning the Bills already Presented by the Executive Engineers and also do not accept further work Bills. The volume of pending bills accumulates about Rs.200 crore in respect of Building Organisation in the month August upto this date.

In these circumstance, a clarification requires from the Commercial Tax Department on rate of TDS to be made in the work bill by PWD, in order to ensure the continue the payments to the Contractors through the Treasury and the creditable head of account as detailed below:-

1. Works contract concluded before 30-06-2017 payment made after 01.07.2017
2. Works contract in force from 30.06.2017 and spills over after 01.07.2017.
3. Works contract concluded after 01.07.2017.

Also a clarification form the commercial Tax Department on the Rate of Tax on Tender Schedule sold by the Department with creditable head of account is requires with authority.

I request that the above clarification may please be communicated to this office to give necessary instructions to the Executive Engineers to in corporate the same into the work bill, the same may also be communicated to the Treasuries and Accounts Department for admit the work bills.

For Engineer in Chief (Building)  
Chief Engineer (Buildings) CR &  
Chief Engineer (General)

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**Letter No.8678/B1/2017-2, Dated 24.8.2017**

From

Thiru.S.K.Prabakar.I.A.S.,  
Principal Secretary to Government (FAC)

To

All Additional Chief Secretary / Principal Secretary /  
Secretary to Government  
Secretariat Department,  
Chennai – 600 009.

Sir,

- SUB: GST – Registration of Government Department and Tax Deduction at Source under the Tamil Nadu goods and Service Tax Act 2017 – Queries / clarification / doubts –Details of contact officials – communicated – Reg.
- REF: From the Additional Chief Secretary to Government, commercial Taxes and Registration Department, D.O.Letter No.8678/B1/2017, Dated.2.8.2017.

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In continuation of the reference cited, I am to state that section 51 of the Tamil Nadu Goods and Services Tax Act 2017, mandates a department or establishment of the central Government or State Government or local authority or Governmental agencies to deduct tax at the rate of one percent from the payment made or credited to the supplier of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees.

2. In this regard State Government Departments local authority and Governmental agencies are requested to contact the following officials of

- ii. Engineer in Chief (Water Resources Organisation)
- iii. Director General , Highways Department
- iv. Chief Engineer, Design Research and construction support (WRO)
- v. Representative from Finance department, Secretariat.

2. In the letter fourth cited, the standard schedule of Rates, Cost of Cement and cost of steel approved for the year 2017-18 by the schedule of Rates committee for adoption in the preparation of estimates with effect from 1.6.2017 (SOR 2017 – 2018) have been communicated to all Head of Department concerned for taking necessary action.

3. In the Government Order fifth cited, orders on the guidelines to be followed regarding payment in works contracts consequent to introduction of Goods and Services Tax (GST) have been issued in this G.O. it has been mentioned that public works department and Highways department are in the process of revising schedule of Rates (SOR) to separate out taxes subsumed under the new GST regime from the schedule of Rates.

4. Consequent on the implementation of Goods and Services Tax from 1.7.2017, the existing approved schedule of Rates 2017 -18 which presently includes taxes for materials as well , needs to be revised to base rates excluding the tax components and therefore there is a need to reconstitute the SOR committee to refix the SOR for the year 2017-2018 by inclusion of Member from commercial Taxes department with subject expertise since the proposed SOR committee involves discussion on all types of taxes.

5. In the circumstances stated above the Government hereby issue order to include the Additional commissioner (Taxation), Commercial taxes Department as a Member of the committee of rates for the year 2017 -18 consequent on the implementation of Goods and Services Tax from 1.7.2017.

Yours faithfully,  
for Principal Secretary to Government

Copy to

The Chief Minister's office, Chennai 9.  
 Private Secretary Chief Secretary to Government , Chennai 9.  
 The Private Secretary to Additional Chief Secretary, Finance department , Chennai -9.  
 The Finance department , Chennai -9.  
 The Commercial taxes and religious endowment department, Chennai -9.  
 All sections of Public Works Department, Chennai -9. SF/SC.

The commercial taxes department for clarification on any queries and doubts with regard to registration and tax deduction at source under the Tamil Nadu Goods and services Tax Act 2017.

Sl.No.	Name of the official	Designation	Contact Number
1.	M.Manikandan	Assistant Commissioner	9941219491
2.	Swaminathan	Commercial Tax Officer	9444440857
3.	E.Gurunathan	Commercial Tax Officer	9952075288
4.	Jai munisha	Commercial Tax Officer	9790900638
5.	S.R.Murali	Deputy Commercial Tax officer	9791197393

Yours faithfully,  
 For Principal Secretary to Government(FAC)

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 2017



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**FINANCE [Salaries] DEPARTMENT**

**G.O.Ms.No.264, Dated 15th September 2017.  
 (Heyvilambi, Aavani-30, Thiruvalluvar Aandu 2048)**

**ABSTRACT**

Works Contracts - Payment in Works Contracts Consequent to Introduction of Goods and Service Tax - Orders-Issued.

**Read:-**

1. The Gazette of India Extraordinary No.12, dated: 12.04.2017.
2. The Gazette of India Extraordinary No.13, dated: 12.04.2017.
3. Tamil Nadu Government Gazette Extraordinary No.189,dated: 23.06.2017.

-oOo-

**ORDER:**

The Central Goods and Services (CGST) Act 2017, the Integrated Goods and Services (IGST) Act 2017 and the Tamil Nadu Goods and Services (TNGST) Act 2017 have been enacted and enforced from 01.07.2017. Consequently, there has been a complete change in the indirect tax system in the Country and in the State of Tamil Nadu.

2. Certain difficulties have arisen on account of this change of tax regime in Government works contracts. Typically, existing contracts include clauses stating that risk arising due to change in law would be borne by procuring entities. However, it has been brought to notice of the Government that existing works contracts in some departments do not provide for such a clause. Introduction of GST is a major change in tax law. The Government has therefore taken a policy decision that the risk on account of change of tax law in Government works contracts due to introduction of the GST shall be borne by the procuring entity. The Government accordingly will notify detailed guidelines for evaluating the net change in tax liability on contracts for the purpose of payments to be made to the contractors and entering into supplementary agreements with contractors.

3. The Government is also examining the full implications of the GST on works contract and government procurement. The Public Works Department and Highways Department are in the process of revising schedule of rates to separate out taxes subsumed under the new GST regime from the schedule of rates.

4. In the meanwhile, it has come to the notice of the Government that bills of existing contractors are being held up ostensibly due to lack of clarity on the treatment of GST. Delay in payment of bills for part of works already executed by contractors is likely to result in locking of their working capital and slowing down of works. There have also been enquiries and representations from contractors on non-payment of bills presented by them, apart from seeking compensation for increased tax liability on account of implementation of GST.

5. Under the new tax regime, GST (comprising CGST, SGST and IGST) on works contracts for Government work was initially notified at 18 percent. This had resulted in representations from contractors of ongoing works for compensation by procuring entity for increased tax liability over and above the contracted value of work. The difficulties arising out of increased GST on works contracts for Government work was deliberated in the GST Council Meetings held on 20th August 2017 and 9th September 2017. Consequently, the GST on works contracts for Government work is being reduced to 12 percent. This move more or less balances the taxes on works contracts in the pre GST and post GST regime.

6. Pending notification of guidelines in the matter, the Government now direct that all departments and procuring entities shall make 'on account' payment of bills presented by contractors, restricting the payments to the value due as per existing contract agreements. Any difference on account of final payment due based on the guidelines to be issued and the 'on account' payment made as above may be adjusted from out of the 5 percent amount retained with the procuring entity. The payment of final bill in cases where on account payments have been made shall be made only after the notification of the guidelines.

**(BY ORDER OF THE GOVERNOR)**

**M.A. SIDDIQUE**

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**FINANCE [Salaries] DEPARTMENT**  
**G.O.Ms.No.296, Dated 9th October 2017.**  
**(Heyvilambi, Puratasi-23, Thiruvalluvar Aandu 2048)**

**ABSTRACT**

Works Contracts – Payment in Works Contract Consequent to the Introduction of Goods and Services Tax – Orders – Issued.

**Read:-**

G.O.(Ms)No.264, Finance (Salaries) Department, dated: 15.09.2017.

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**ORDER:**

In the Government Order read above, orders were issued directing the procuring entities to make 'on account' payment of bills presented by the contractors, restricting the payments to the value due as per existing contract agreements and to make final payment, adjusting excess payment if any in the retained amount, after issue of detailed orders on policy decision that the risk arising due to introduction of GST regime shall be borne by procuring entities.

2. Presently, Rule 14(7) of the Tamil Nadu Transparency in Tenders (TNTIT) Rules, 2000 requires that financial bid quoted should be inclusive of taxes and duties. The new Goods and Services Tax (GST) laws require that all invoices should show the value of supply and GST separately, and the value of supply will therefore include non GST taxes, which remain embedded in the input prices, such as taxes on petroleum products.

3. Since the tender rules require that price bid quoted should be inclusive of taxes and duties, most procuring entities have entered into contract that are subsisting on 01.07.2017 that provide for payment to the contractor or supplier of a sum that includes taxes. While procuring entities have obtained tax payable information separately, some procuring entities have not done so.

4. The Tamil Nadu Value Added Tax Act, 2006 allowed Input Tax Credit (ITC) of Value Added Tax (VAT) paid on inputs. The ITC in the account of the supplier refers to the total VAT that has been paid by the supplier while purchasing the input goods and services. The GST laws allow the ITC credit under the existing Acts to be carried forward under their transitional arrangements.

5. As regards the Central Excise Duty that have already been paid on goods that have been purchased in the pre-GST period by way of embedded tax in the pre-GST price of the goods, the GST laws in section 140 allow ITC on the closing stock on the transition date. Even in case of a registered taxable person who was not a registered dealer prior to GST, section 140(3) Tamil Nadu Goods and Services Tax Act, 2017 and Rule 117(4) Tamil Nadu Goods and Services Tax Rules, 2017 allow ITC on VAT on normative basis and section 140(3) Central Goods and Services Tax Act, 2017 and Rule 117(4) Central Goods and Services Tax Rules, 2017 allow ITC on Central Excise Duty on normative basis. Therefore, Section 140 of the GST laws in effect allow credit of all subsumed taxes paid by a taxable person on his inputs, including the Central Excise Duty embedded in the price of inputs. Thus, the ITC that finally gets credited into the GST credit ledger of the supplier through transitional arrangement includes both the VAT and Central Excise Duty paid on the inputs.

6. The supplier, while raising bills and tax invoice post- GST, will now have to collect GST from the purchaser at revised rates of notified percentage of value of supply and remit the same to the respective Government. The entire GST of the supply will have to be finally borne by the purchaser.

7. Under works or supply contract that has been entered into, prior to GST, the work order amount or the contracted amount can be divided into two components, namely, (1) value of supply including taxes and duties such as Customs Duty, taxes on petroleum products and other non-VAT taxes that have not been subsumed into GST; and (2) value of taxes subsumed into GST such as Central Excise Duty and VAT. Therefore, value of subsumed taxes under GST needs to be separated out from the contracted amount to arrive at the value of supply.

8. The supplier will have to pay GST on the value of supply, which he will pay to the respective Government, partly using the ITC that represents the taxes that he has already paid through the inputs, and partly using cash collected from the procuring entity concerned. Through this arrangement, the value of value addition (profits) by the supplier would remain unchanged. The supplier also cannot claim to have incurred loss on account of embedded Central Excise Duty that has been paid on the inputs, since the GST law provides for ITC credit towards this payment.

9. The existing TNTIT Rules require that the bid amount in tender should be inclusive of all taxes. In many departments, the quoted or contracted amount is inclusive of tax, and therefore, there is a need to estimate the value of subsumed tax. The key issue is to estimate the value of subsumed tax carefully and as accurately as possible.

10. Considering the necessity to provide for a transparent means of estimating subsumed tax Government direct that the following methodology be adopted for estimating the value of subsumed taxes in the contracted value of work:

- a) If the supplier has furnished break up of taxes within the quoted value (bid value) at the time of submission of tenders, it shall be taken as the basis for estimating the value of subsumed tax. If, after negotiation, the contracted value is less than the bid value, the tax quoted shall be proportionately reduced to arrive at estimate of the value of subsumed tax. For instance, if the bid value was Rs.50 lakh and the break up of tax is Central Excise Duty of Rs.1 lakh and VAT or CGST of Rs.1 lakh, the corresponding subsumed tax as per his break up of taxes is Rs.2 lakh and after negotiation, the contracted value was reduced to Rs.48 lakh, the subsumed tax shall be taken as  $\text{Rs.2 lakh} \times \frac{48}{50} = \text{Rs.1.92 lakh}$ .
- b) In case, the break up of taxes was not obtained or furnished in the bid document, the supplier may be asked to furnish break up of the taxes within the contracted amount, giving details and explanations and based on this estimate of total subsumed tax shall be arrived. For instance, if for the contracted amount of Rs.48 lakh in the example above, the supplier states that the Central Excise Duty is Rs.1 lakh and VAT or CGST is Rs.1 lakh, after checking the reasonability of his claim, the subsumed tax may be arrived at Rs.2 lakh.

- c) The estimate of subsumed tax should also be worked out independently from the departmental estimates. Revised Schedule of Rate (SOR) showing basic price and tax components separately are being issued by the Public Works Department. Using the revised SOR, revised departmental estimates for the work without subsumed tax shall be arrived as per normal procedure. The difference between the departmental estimates arrived using earlier SOR with taxes would constitute value of subsumed tax in the value of work. For instance, if the Estimate arrived at using the revised SOR without subsumed taxes is Rs.45 lakh and that with earlier SOR with taxes is Rs.50 lakh, the value of subsumed taxes in the value of work is Rs.5 lakh. If the contracted value for this same work of Rs.50 lakh is Rs.55 lakh, i.e. with tender premium of Rs.5 lakh, then the value of subsumed tax may be proportionately enhanced (or reduced in case of tender discount or minus tender) as follows: Rs.5 lakh x 55/50 = Rs.5.5 lakh. This method is considered as a good proxy for the actual value of subsumed tax for the purpose of determining the value of supply for payment to the supplier along with taxes under the GST laws.

11. The value of the subsumed tax may finally be arrived at values estimated in (a) or (b) or (c), whichever is higher.

12. The procuring entities shall negotiate existing agreements with works contractors and enter into supplemental agreements with revised agreement value fixed as the original contracted value minus the value of subsumed tax arrived in paragraph 11 above plus GST as applicable. The procuring entities shall make payment of final bills accordingly, in cases where 'on account' payment has been made as per Government Order first read above and any excess payment, if made 'on account', shall be adjusted from out of 5 percent amount retained by the procuring entities.

(BY ORDER OF THE GOVERNOR)

K.SHANMUGAM  
ADDITIONAL CHIEF SECRETARY TO GOVERNMENT

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**Commercial Taxes Department**

From

To

Dr.C.Chandramouli, I.A.S.  
Additional Chief Secretary  
Commissioner of Commercial taxes  
Chepauk, Chennai -5.

The Deputy Chief Engineer (Building)  
O/O. The Engineer in chief Building and  
Chief Engineer (Building, Chennai  
Chepauk, Chennai 5.

**RC.No.954 /A3/ 2017 / Taxation cell dated.12.01.2018.**

Sir

SUB Deduction of tax at source under GST certain clarifications required by the public works department sent - reg.  
REF The Deputy Chief Engg. , Chennai 5, Lr. No.LC1/ deduction of tax /2018 dt.5.1.2018

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As per the reference cited, the deputy Chief Engineer (Building) Public Works Department has requested for certain clarifications regarding work contracts for issuing instructions to the Executive Engineers of PWD.

In respect of information sought by Public works dept. in the reference cited the clarification is furnished as below.

Details sought for	Reply furnished
Whether TDS is required to be deducted in work bills of the department.	As provisions of TDS /TCS under GST has been deferred to 1.4.2018. no TDS is needed to be recovered in work bills until its implementation
If the contract had conducted before 1.7.2017 whether GST is attracted for payments made late.	As per the transitional provisions under GST if the contract had conducted before 1.7.2017 TDS will attract only for VAT and not for GST.

For Additional Chief Secretary,  
Commissioner of Commercial Taxes.