

Council concedes to demand of govt. to reduce GST on project works to 12 pc

HYDERABAD-The Goods and Services Taxes Council is learnt to have conceded the demand of the Telangana government for a reduction in the GST on work contracts from 18 per cent to 12 per cent. However, the state government is still pursuing the matter with the Centre for a total exemption of work contracts from GST purview or for a levy of the lowest tax rate of 5 per cent.

If GST is levied at 18 pc on works on irrigation projects, Mission Bhagiratha and 2BHK housing scheme, the burden on the state government will be around ₹19,200 crore. Principal secretary (commercial taxes) Somesh Kumar has been in touch with the Union ministry of finance and making repeated requests for a cut in the tax. Chief minister K Chandrasekhar Rao met the Union finance minister and submitted a representation to this effect. After Telangana officials took the initiative, all other states supported it. "There is unanimity in the GST Council over the need for reducing the GST on work contracts from 18 per cent to 12 per cent," official sources said.

Ongoing works TS officials also demanded that GST should not apply to the ongoing works. If at all, 12 pc GST is inevitable, it should be levied only on new work contracts, they said. But central government officials counter it, asking what if the ongoing works continued for 10 years. State officials suggested that the tenders for ongoing contracts should be cancelled and fresh tenders called. TS officials suggested 5 pc GST on canal works and 12 pc on other works. "The tax should be imposed on consumption.

Constructing irrigation projects, 2BHK houses and Mission Bhagiratha will not come under consumption. They are welfare works for people. Moreover, the state government paying tax to the central government looks awkward," an official remarked. It was recalled that there was no central excise duty on certain materials like pipes used in irrigation or drinking water projects before GST.

The next GST Council meeting on Aug 5 is likely to take a decision on revision of tax rates and also discuss the Telangana government's decision to continue with the e-way bill system. Though there was provision in the GST for e-way bills, the Centre failed to implement it due to delay in the development of software by NIC. The state has decided to continue with the e-way bill system. Way bills are now required for consignments worth ₹50,000 or more. "Currently, the e-way bill rules are being vetted by the law department. We will issue orders this week," an official said.

Impact of GST on work contracts If GST is levied at 18 pc on works on irrigation projects, Mission Bhagiratha and 2BHK housing scheme, the burden on the state government will be around ₹19,200 crore.