

**GOVERNMENT OF ODISHA  
FINANCE DEPARTMENT**

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Memo No. 36116 /F,  
FIN-CT1-TAX-0045-2017

D. 07.12.2017

To

**All Departments of Government,  
All Heads of Department.**

**Sub: Guidelines regarding Works Contract under GST.**

The Goods and Services Tax (GST) has come into force w.e.f. 1<sup>st</sup> July, 2017. Works Contract is treated as composite supply of service under GST. The GST rate for composite supply of Works Contract to the Government, local authority or Government authority is reduced from 18% to 12% (CGST 6% and SGST 6%) vide Finance Department notification No.24672 dated 22.8.2017 and 27987 dated 21.9.2017. Further, the GST rate for composite supply of Works Contract involving predominantly earthwork (that is, constituting more than 75% of the value of the Works Contract) provided to the Central Government, State Government, Union Territory, local authority, a Governmental authority or a Government entity has been reduced to 5% (CGST 2.5% and SGST 2.5%) vide Finance Department notification No.29779 dated 13.10.2017. However, different Departments have raised different issues regarding Works Contracts awarded in pre-GST regime and GST regime. After careful consideration of the issues, the Government have been pleased to issue the following clarifications :

1. **Works Contracts executed before 01.07.2017 and payments made in pre-GST period and GST period.**

- (i) In the pre-GST regime, taxes like Central Excise Duty, Entry Tax, OVAT and Service Tax have been included in the estimated value of the Works Contract and form a part of the bid price as well as of the contract price. Accordingly, the value of the contract was inclusive of all taxes.
- (ii) In case of Running bills, submitted before 1<sup>st</sup> July, 2017, the provision of VAT and Service Tax were applicable.
- (iii) The Running bills/Final bills submitted after 1<sup>st</sup> July, 2017 for the works executed in the GST regime, the tax invoice is to be issued by the contractor showing CGST and SGST as applicable separately within the contract value of the works.
- (iv) In case, TDS amount has been deducted before 01.07.2017, but not yet deposited in State Government exchequer under the Head of Account – 0040 through challan, the same may be deposited immediately.

2. **Works Contract executed after 01.07.2017 but tender invited before 01.07.2017**

- (i) In case, the tender for works contract was invited before 01.07.2017, but agreement to be executed after 30.06.2017, the tender may be awarded to the L-1 bidder with the stipulation that the quoted price is inclusive of GST as applicable and appropriate GST will be shown separately in the invoice within the contract price. If the L-1 bidder does not agree with the aforesaid arrangements, the tender invited may be cancelled.
- (ii) For work contract executed in the GST period, provisions of GST Acts are applicable.
- (iii) The TDS provisions under the GST Act (i.e. Section 51 of OGST Act/CGST Act) have not yet come into effect. Therefore, no TDS deduction is to be made under GST Acts against payments released or to be released to the executants after 01.07.2017 until further communication.
- (iv) As per the GST Acts, the executant is bound to issue GST invoice for receiving payment. Therefore, once the measurement of the work is completed (running/final measurement) and the gross amount payable to the executant is determined by the engineer-in-charge of the work, the executant shall issue GST Invoice showing CGST and SGST separately within the contract price.
- (v) The executant, on receipt of payment, has to discharge his tax liability under the GST Acts accordingly.

3. **Preparation of estimate for new works after 01.07.2017**

- (i) The estimate of the work is to be prepared on the basis of revised Schedule of Rate – 2014 issued by Works Department vide their OM No.13827/W dated 16.09.2017 . In case, goods and services required for the execution of works contract are not covered in the revised Schedule of Rate issued by Works Department, the Administrative Department may prepare the same deducting Central Excise Duty, Entry Tax, OVAT and Service Tax as applicable before 01.07.2017 in consultation with Finance Department.
- (ii) The GST as applicable will be added with the estimated cost of the work separately.

In case of any further clarification in the matter, the Administrative Department may refer the proposal to Finance Department.

Sd/-

**Principal Secretary to Government**