



भारतीय राष्ट्रीय राजमार्ग प्राधिकरण  
(सड़क परिवहन और राजमार्ग मंत्रालय)  
**National Highways Authority of India**

(Ministry of Road Transport and Highways)  
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NHAI/F&A/GST-2017-18/SM

Dated: 04<sup>th</sup> October, 2017

CIRCULAR (3.3.15)

Subject: Standard Operating Procedure on implementation of GST Act, 2017

Background:

- a. Goods and Service Tax Act, 2017 has been implemented in India with effect from 01.07.2017. The Act has subsumed various Indirect Taxes of both the Central & State Governments, such as Central Excise Duty, Service Tax, Central Sales Tax (CST) / Works Contract Tax (WCT)/State Value Added Tax (VAT), Additional Custom Duty (CVD) and Special Additional Duty (SAD) apart from Entry Tax and Octroi Charges etc.
- b. Approval has been by accorded by the Board of the Authority during its meeting held on 21st Sept. '2017 on implementation of GST Act, 2017 in NHAI and noted the consequential actions to be adopted by NHAI.
- c. Accordingly, the following Standard Operating Procedures (SOP) are approved by Competent Authority on :
  1. Incidence of application of Service Tax/ GST
  2. EPC Contracts Payments
  3. Preparation of DPR, Estimation of Project Cost, Utilities Shifting and Change of Scope etc.
  4. Payment against Hybrid Annuity Projects (40% of Bid Project Cost) and O&M Contracts.

1. Incidence of application of Service Tax/ GST

Following are the timelines on the incidence of the applicability of taxes:-

*byu*

Sl. No	Completion of Service	Invoice Date	Payment Date	Applicability of Taxes			Applicable TDS
				Service Tax	WCT	GST	
1.	Before June 30, 2017	Before June 30, 2017	Before June 30, 2017	Yes	Yes	No	WCT TDS
2.	Before June 30, 2017	Before June 30, 2017	After June 30, 2017	Yes	Yes	No	WCT TDS
3.	Before June 30, 2017	After June 30, 2017	After June 30, 2017	No	No	Yes	GST TDS *
4.	After June 30, 2017	After June 30, 2017	After June 30, 2017	No	No	Yes	GST TDS *

\* Presently, the TDS u/s-51 against GST is notified as per notification no. 33/2017 dated 02.09.2017. However, rate of deduction of TDS is yet to be notified. Hence, no TDS on GST shall be deducted till it is notified by the GST Authorities.

## 2. EPC Contracts Payment

In most of EPC contracts the contract price quoted is lump-sum and inclusive of all taxes and these taxes have now been subsumed to GST. In order to arrive at the incidence of application of Service Tax/GST as mentioned at Para 1 above, the total work has to be divided into:

- Works completed up to 30.06.2017 and Billing completed by 30.06.2017
- Works completed up to 30.06.2017 and Billing not completed by 30.06.2017
- Works yet to be completed on 01.07.2017.

GST Act, 2017 shall be applicable for all the works mentioned above at (ii) & (iii). As such, in order to streamline the payments and avoid disputes with the contractors in such works of contract, the following procedure may be adopted by the ROs / PIUs while making payments as per the provisions in the contract:-

- The project components under different major heads (like Earth, Sand, Aggregates, Steel, Cement, Bitumen etc...) are to be intimated by the

contractor and checked/confirmed by the respective IE/AE in consultation with the concerned RO/PD for each of the Project.

- b) In order to compile the above information, an indicative Excel format is suggested for guidance and attached as **Annexure-I**. It indicates various project components which attract various types of taxes including Excise Duty, CST, VAT/WCT and other taxes, which were already included in the contract price as per the original contract. The same format can be used to compile the information for each ongoing projects, taking into consideration the GST Input Tax Credit available for the project. The project components and rates shown are only indicative and should be modified as per the project actuals and shall be certified by the statutory auditors of the Contractor/Developer/Company. In case, appointment of Statutory Auditor is not mandatory, then it can be certified by a Practising Chartered Accountant.
- c) After completion of the said exercise, the costs against the subsumed taxes (Excise duty, CST, VAT/WCT etc.) in the particular contract are to be finalized and to be mutually agreed by IE/AE/NHAI/Contractor. The cost of subsumed taxes factored in the contract value is required to be reduced from the original contract price to arrive at the actual balance cost of the project.
- d) Based on such certification and mutual agreement, NHAI shall either pay or recover the net impact of the GST after accounting for subsumed tax component and input tax (GST) credit. The contractor shall be responsible for correct declaration of GST liability and shall provide the supporting documents, if required.
- e) This will be an interim arrangement till the completion of the project and the final impact of GST (positive or negative) shall be worked out at the time of Final bill.

### **3. Preparation of DPR, Estimation of Project Cost, Cost of Utility Shifting and Change of Scope:**

For all the cost estimates, which are finalised prior to 01.07.2017, NHAI needs to revise the estimated amount taking in to consideration the implication of GST. This includes Estimated Cost for Road projects, Cost involved in Utility Shifting and estimated amount for Change in Scope. While estimating the cost, various Schedule of Rates (SoR) are followed, which are approved prior to application of GST. In all such cases, pre-GST taxes should be excluded from

the cost/estimates in line with the explanation given at para 2 and the applicable GST rate shall be shown separately/and added in the cost/estimate.

4. Payment against Hybrid Annuity Projects(40% of Bid Project Cost) and O&M Contracts

In case of Payment against Hybrid Annuity Projects (40% of Bid Project Cost) and O&M Contracts, the procedure mentioned at para 2 should be followed for ongoing projects/contracts.

This is issued with the approval of Competent Authority.

  
(Sibannarayan Nayak)  
CGM (FA)

Copy to: -

- 1) All ROs/PIUs/NHAI-HQ
- 2) PS to Chairman
- 3) PS to all Members
- 4) Web Admn. for hoisting in GST portal
- 5) Library.