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KARNATAKA POWER TRANSMISSION CORPORATION LIMITED
Corporate Identity Number (CIN):U40109KA1999SGC025521

Corporate Office,
Kaveri Bhavan,
Bangalore -560 009.

Sub: Incorporation of clause in all future tenders floated by KPTCL regarding Penalty recovered from Supplier/Contractor towards Delay in Supplies/ Completion of work and its refund

- Ref:** 1. Proceedings of 99th Meeting of Board of Directors of KPTCL held on 6th June 2016.
2. Circular No. FA(A&R)/KCO-21/6936/2013-14 dt:21.10.2016 of Financial Adviser (A&R), KPTCL, Kaveri Bhavan, Bengaluru.
3. I.O. Note. No. CEE(T&P)/CA(T&P)/KCO-65/2017-18/1323 dt:05.05.2017.

Preamble:

The matter of modification to the Accounting procedure regarding penalty recovered from Supplier/Contractor towards delay in supplies/completion of work and its refund was discussed in 99th Meeting of Board of Directors of KPTCL held on 6th June 2016. Board noted that the existing procedure which is prevailing since 2008-09 has provision for refunding the penalty recovered from the Agencies out of the Miscellaneous Income and also noted the following observations made by the Audit Committee at its meeting held on 01.06.2016.

- a. On the Miscellaneous Income, KPTCL would have suffered the incidence of Income tax since it is making profits.
- b. The suggestion that incidence of Income Tax will be to the account of the agency concerned may not be correct since KPTCL would have considered the refund only after satisfying itself that the delay in supply of material/completion of work is not attributable to the Agency.
- c. Such an imposition of tax on the Agency can be contended as unjustifiable by the Agency concerned.

Further, Audit committee recommended the revised procedure regarding accounting of penalty for adoption. Board debated the matter and accepted the modified procedure. Hence, Circular has been issued from FA(A&R) on 21.10.2016 regarding revised procedure for Accounting of penalty recovered from Suppliers / Contractors of KPTCL.

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Further Board has directed to issue necessary order for incorporation of a suitable clause in all future tenders floated by KPTCL.

Hence, this order.

Order No KPTCL/B19/1672/91-92

Dt:11.07.2017

All the tendering authorities shall include the following clauses appropriately in the clauses related to penalty of the tender documents in all future tenders floated by KPTCL regarding penalty recovered from Supplier/Contractor towards delay in Supplies/ Completion of work and its refund.

1. Agency shall submit a request for condonation of delay if any within 12(Twelve) Months from the date of commissioning of the Work/Supply of materials with valid reasons and documentary proof.
2. In case no request for condonation of delay is made by the Agency within a period of 12 (Twelve) months, the penalty amount shall be transferred to Miscellaneous income immediately after completion of such period.
3. Once any penalty amount is transferred to Miscellaneous Income Account, it shall, under no circumstances be considered for refund”.

The above order shall be followed scrupulously.


Deputy General Manager (Tech)
KPTCL

Copy to:

1. All the Chief Engineers, Electricity, KPTCL.
2. All the Financial Advisors, KPTCL.
3. All the Superintending Engineers, Elecl., KPTCL.
4. All the Controllers of Accounts, KPTCL.
5. All the Executive Engineer, Ele., KPTCL.
6. All the Deputy Controllers of Accounts, KPTCL.

Copy for information to:

1. EA to MD/DT, KPTCL, Kaveri Bhavan, Bengaluru.
2. PS to MD/DT/DF/D(A&HR)/Director & Company Secretary, KPTCL, Kaveri Bhavan, Bengaluru.
3. The Superintending Engineer (Ele.), IT & MIS, with a request to arrange to upload this Order in KPTCL website.