



KARNATAKA POWER TRANSMISSION CORPORATION LIMITED

Corporate office, 'Kaveri Bhavan' Bangalore-560 009.

Bangalore : 080 22212343

KPTCL/B9/38304/2013-14

Date: - 1 MAR 2014

CIRCULAR

Sub: - Clarification regarding including service tax component in the estimates prepared based on KPWD Schedule of Rates.

- Ref: - 1. FA (A&R)/KCO-20/6911/2012-13 dated 30/07/2012.
2. FA (A&R)/KCO-21/6911/2012-13 dated 17/09/2012.
3. FA (A&R)/KCO-21/6911/2012-13 dated 19/11/2012.
4. CEE/TZ/Bgkt/EE(C)/10294-95 dated 26/09/2013.
5. SEBC/AE-6/SR-2013-14/4223 dated 30/11/2013.
6. CEE/TZ/H/SEE (O)/EE(C)/2013-14/9508-12 dt 04/12/2013.

The Financial Advisor (A&R) in the circulars cited under reference has issued clarifications regarding payment of service tax on Works Contract. As per the said circulars, the Works Contract of KPTCL come under **Joint Charge Mechanism**, wherein the service tax is payable jointly by the Service Provider and the Service Recipient at prescribed percentage. Further, it has been clarified that Joint Charge Mechanism is applicable in respect of works entrusted by KPTCL only when the Service Provider is an Individual, HUF, Partnership Firm or Association of Persons and not in case of a Body Corporate (i.e. Company). Further, guidelines have also been issued in the said circulars regarding regulating payment of service tax applicable to Works Contract.

The Chief Engineer (Ele), Transmission Zone, Bagalkot and Hassan have requested to clarify as to whether or not, service tax component is to be included in the estimates prepared based on KPWD SR. In this regard, the Superintending Engineer, PWP & IWTD, Bangalore circle was requested to clarify as to whether the rates provided for finished items in the Schedule of Rates for the year 2013-14 includes service tax component. The Superintending Engineer, PWP & IWTD in his letter dated 30/11/2013 has detailed the various components included in computation of Rates for finished items of work in the Schedule of Rates, which implies that the

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service tax component has not been accounted in computation of rates for finished items of works in the Schedule of Rates.

As Works Contract attracts service tax on the value of service, following guidelines are issued regarding making necessary provision for service tax component in the estimates prepared based on KPWD Schedule of Rates with immediate effect.

1. If the portion of material cost is ascertainable in the works contract, then the value of services will be Gross Amount charged minus the value of goods.
2. If the portion of material cost is not ascertainable in works contract, then the value of service shall be computed as detailed below depending on the nature of work.

Nature of works	Valuation
<p>Original works</p> <ul style="list-style-type: none"> • all new constructions. • all types of addition and alteration to abandoned or damaged structures on land that are required to make them workable. • erection, commissioning or installation of plant, machinery or equipment or structures, whether pre-fabricated or otherwise. 	<p>40% of the total amount charged.</p>
<p>Maintenance, repair, reconditioning etc., of goods</p>	<p>70% of the total amount charges.</p>
<p>Other works including maintenance, repair, completion and finishing services such as glazing, plastering, floor and wall filling, installation of electrical fittings of an immovable property.</p>	<p>60% of the total amount charged.</p>

3. Service tax shall be included in all the estimates prepared based on KPWD Schedule of Rates, as a separate component at the prevailing rate on the value of service, in future.

4. While inviting tender, the bidders shall be asked to quote their rates **exclusive of Service Tax (but inclusive of all other taxes)**. At the time of comparison of tenders, the service tax component provisioned in the estimate and the service tax computed on the tendered amount of bidders may be taken in to account for evaluation of tenders and for computing the tender percentage.
5. While awarding works on piece work basis at estimated rates based on KPWD Schedule of Rates, the contractors may be informed of the fact that the service tax component has been provisioned in the estimate as a separate component and the mode of regulating service tax in the contract will be as per the circular cited under reference-3.

B. Shetty 01.03.14
Deputy General Manager (Tech)
KPTCL, Bangalore.

Copy to:

1. The Financial Advisor (A&R)/ (IA), KPTCL, Kaveri Bhavan, Bangalore.
2. All Chief Engineers (Ele), Transmission Zones, KPTCL.
3. All Superintending Engineers (Ele), Transmission Circles, KPTCL.
4. The Superintending Engineer (Civil), KPTCL, Kaveri Bhavan, Bangalore.
5. The Superintending Engineer (Ele), (IT&MIS), KPTCL with a request to publish the circular in KPTCL web-site.
6. All Controller of Accounts, Transmission Zones, KPTCL.
7. All Executive Engineer (Ele), TL & SS Divisions, KPTCL.
8. All Executive Engineer (Ele), MW Divisions, KPTCL.
9. All Executive Engineers (Civil), Transmission Zones, KPTCL.
10. All Deputy Controller of Accounts, Transmission Zones, KPTCL.
11. All Assistant Executive Engineer (Civil), Transmission Zones, KPTCL.
12. All Accounts officers, Transmission Zones, KPTCL.