

TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LIMITED

(ACCOUNTS BRANCH)

From

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To

All Chief Engineers,
All Superintending Engineers.

Circular. No.CFC/GL/FC/Tax/AAO/TAX/F. DCW File/D.165/2021,dt.07.10.2021

Sir,

Sub: TANGEDCO – GST Applicability on the charges collected towards capital Works relating to new service connections, improvement works for additional Load/ reduction in load, Deposit Contribution Works-Detailed guidelines Issued for compliance – reg.

From the inception of GST w.e.f 1.7.2017, GST was collected on sale of fly ash, scraps, testing fees, training fees, Registration fees, Liquidated damages, interest for delayed remittance of SD, EMD forfeiture etc. though, the major income from sale of power as well as services of Distribution of power was exempted from GST. The levy of GST was made on certain additional revenue heads like meter rent, labour charges for shifting of meter/service lines, application fees, testing fees etc. from consumers, based on specific clarification issued by GOI for power sectors. Further GST recovery has also been initiated on the Rebate availed from the suppliers/contractors other than power purchases. All such GST levy are being collected from consumers or suppliers and remitted to GOI, as tax compliance.

GST Application on DCW nature:

TANGEDCO had applied before the Hon'ble Authority for Advance ruling (AAR) seeking clarification on the applicability of GST on Deposit contribution Works. The Authority for Advance ruling had confirmed the application of GST on the Deposit contribution work and the same has also been upheld by the Hon'ble Appellate Authority for Advance ruling. Consequent to the AAR verdict, CMD has approved to levy GST on the

improvement work for additional load/reduction in load prospectively and on the **DCW works for other than supply retrospectively from 01.07.2017.**

The applicability of GST on the following charges from consumer is tabulated below:

S. No.	Description of Work	GST Taxability
1.	Capital Works for supplying electricity to new service Connections	Exempt from GST since covered under SAC 996912. Development charges, Meter caution deposit, estimate charges are also exempt from GST.
2.	Improvement/Capital Work for Extending Additional Load/Reduction in Demand	GST is applicable prospectively on the estimate charges. Development charges, Meter caution deposit, are exempt from GST.
3.	DCW work in relation to shifting of lines, structures and equipments etc.,	GST is applicable retrospectively from 01.07.2017. GST arrears need to be levied and collected.
4	Recoveries under TATKAL scheme for agriculture service connections or additional load sanction	Exempt from GST as per notification No. 14/2018 – Central Tax (Rate) dt 26.07.2018.

Time of supply rules:

The Liability to pay GST shall arise at the time of supply.

The time of supply of services shall be the earliest of the following dates, namely:-

1. Invoice is **issued** within the time limit for raising invoice
 - a. The date of issue of invoice
 - (or)
 - b. The date of receipt of payment, **whichever is earlier.**

2. Invoice is **not issued** within the time limit for raising invoice
 - a. The date of provision of service.
(or)
 - b. The date of receipt of payment, **whichever is earlier.**
3. **If both (1) & (2) do not apply,**
The date on which the recipient shows the receipt of services in his books of account.

TIME LIMIT FOR RAISING INVOICE IN GST:

Invoice can be issued before or after the provision of service but **within a period of thirty days** from the date of supply of service. i.e., completion of the work.

TANGEDCO shall issue invoice at two stages.

Stage I:

AT the time of receipt of payment:

E-Invoice shall be issued to the B2B consumer and tax invoice shall be issued to the B2C consumer at the time of receipt of payment of the estimate and at the time of receipt of additional estimate charges.

Stage II:

On completion of the work, a revised estimate shall be prepared based on the actual cost of materials, contingencies, storage, labour, loading, unloading, transport, erection charges, Establishment and supervision charges, road cut charges etc., and revised contribution will be recovered or refunded to the beneficiaries along with GST by way of Debit Note (recovery from consumer) or credit Note (refund to consumer) after the provision of service but within a prescribed period of thirty days from the date of completion of the work.

a) Estimate value is less than the work Value:

Debit Note has to be issued after the provision of service but within a prescribed period of thirty days from the date of completion of the work if the collected amount is lesser than value of work along with GST.

b) Estimate value is more than the work value:

Credit Note along with GST shall be issued against the invoice raised earlier, before or after the provision of service but not later than 6 months from the end of the Financial Year (i.e., Up to due date for filing of GST return of September of next Financial year) to which the invoice relates against which credit note is proposed.

PROCEDURE TO BE FOLLOWED:

The point of levy of GST for Additional load/reduction in load/DCW work is explained below, so that the uniformity of practice is followed for creation on tax invoice or E-invoice, the various timelines for reporting the transactions to Taxation wing, to be adhered by the circles.

S. No.	Transaction process	Action to be taken by the Circle
1.	Estimate preparation for new service connections	No GST need to be applied on the total value of the Works chargeable to the party. Development charges, Meter caution deposit, estimate charges are also exempt from GST
2.	Estimate preparation for additional load/Reduction in load.	GST need to be applied on the total value of the Works chargeable to the consumer. Development charges, Meter caution deposit, estimate charges are exempt from GST
3.	Estimate preparation for DCW	GST need to be applied on the

	nature of work other than relating to power supply	total value of the Works excluding board side expenses.
4.	Estimate preparation for DCW nature of work other than relating to power supply carried out under self-execution scheme wherein Supervision and Establishment charges are only recovered.	GST need to be applied on the value of the Works including the value of material / labour directly incurred by consumers
5.	Demand notice to the consumer to pay the estimate amount	Demand will be sent to the consumer inclusive of GST for applicable cases.
6.	The demanded amount is collected from the consumer along with GST.	Invoice shall be issued on receipt of payment as <u>per time of supply rules.</u> Reporting of such invoice transaction to <u>Taxation wing in Monthly return macro format before 7th of the next month,</u> in order to pay GST to the GOI
7.	Filing of all the invoice related to the above work	A statement of all the expenses incurred in connection with the work along with the related GST amount shall be prepared. All the invoices in connection with the work for effecting additional load/reduction in load/DCW work shall be maintained in the work order file in order to claim ITC if any eligible. All the details must be kept intact for

		future verification by Internal Auditor, GST Auditors, ITC Consultants, Statutory Auditor and C & AG Auditor.
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Value of Work for levy of GST:

The value of transactions for levying GST will include all components of estimate viz., materials, labour, contingencies, storage, loading, unloading charges, supervision and establishment charges, etc., The value on which GST is to be collected is tabulated below.

S. No.	Particulars	Work carried out by TANGEDCO	Works carried out partly by TANGEDCO partly by Consumer	Work fully carried out by Consumer and only supervision and Establishment charges are collected from the consumer
1.	Material (cost data) – TANGEDCO	xxxx	Xxxx	N. A
2.	Material - Consumer	N. A	Xxxx	xxxx
3.	Labour Portion – (As per approved schedule of rates for HT/LT lines and improvement work under works contract approved by Circle level committee/Rates in vogue)	xxxx	Xxxx	N. A

4.	Labour Portion – Incurred by Consumer	N. A	xxxx	xxxx
5.	Storage, transport – contingency, loading, unloading charges etc.,	xxxx	xxxx	xxxx
6.	Establishment & Supervision Charges (22%/15%)	xxxx	xxxx	xxxx
7.	Total Transaction value for GST purpose Sum of (1) to (6) above	xxxx	xxxx	xxxx
8.	GST on (7) above @18%	xxxx	xxxx	xxxx
9.	Total value of the work (7)+(8)	xxxx	Xxxx	Xxxx
10	Observations	Value of work shall include all the material, labour and other charges incurred by TANGEDCO.	Value of work shall also include all the expenses incurred by consumers.	Value of works shall include all the expenses incurred by consumer also.

Note:

The amount of charges that TANGEDCO is entitled to charge the consumers as per the supply code/distribution code shall alone be includible in the value of work for calculation of GST. i.e., if the supply code/Distribution code mandates any work to be done by the TANGEDCO and the cost to be borne by TANGEDCO then such charges shall be excluded from the value of the work for calculation of GST.

Accounting process changes:

I) D.C.W /Additional load/Reduction in load:

The accounting entries for DCW work including Addition or reduction in load and its GST at the time of receipt are detailed below

A/c code 24.000	Bank account	Dr	xxxx
	To		
A/c code 55.101	Development charges		xxxx
A/c code 61.955	Estimate charges		xxxx
A/c Code 47.601	DCW Deposit		xxxx
A/c code 47.603	EMD		xxxx
A/c code 47.604	Caution Deposit		xxxx
A/c Code 46.941	CGST Liability		xxxx
A/c Code 46.942	SGST Liability		xxxx
A/c Code 46.943	IGST Liability		xxxx

(Being the receipt of estimated value and its GST for the WO number dated brought into account)

*Applicable a/c code shall be used

II) Entries for Additional contribution for DCW work/Additional load/Reduction in load:

The accounting entries for receipt of additional contribution.

A/c code 24.000	Bank account	Dr	xxxx
	To		
A/c code 55.101	Development charges		xxxx
A/c code 61.955	Estimate charges		xxxx
A/c Code 47.601	DCW Deposit		xxxx
A/c code 47.603	EMD		xxxx
A/c code 47.604	Caution Deposit		xxxx
A/c Code 46.941	CGST Liability		xxxx
A/c Code 46.942	SGST Liability		xxxx
A/c Code 46.943	IGST Liability		xxxx

(Being the receipt of additional estimated value and its GST for the WO number dated brought into account)

*Applicable a/c code shall be used

III. The accounting entries for refund.

A/c code 55.101	Development charges	xxxx
A/c code 61.955	Estimate charges	xxxx
A/c Code 47.601	DCW Deposit	xxxx
A/c code 47.603	EMD	xxxx
A/c code 47.604	Caution Deposit	xxxx
A/c Code 46.941	CGST Liability	xxxx
A/c Code 46.942	SGST Liability	xxxx
A/c Code 46.943	IGST Liability	xxxx

A/c code 24.000 To bank account xxxx

(Being the refund of excess estimated value and its GST for the WO number dated brought into account)

GST shall be refunded through a credit note, before or after the provision of service but not later than 6 months from the end of the Financial Year (i.e., Up to due date for filing of GST return of September of next financial year) to which the invoice relates against which credit note is proposed.

*Applicable a/c code shall be used

III) The following accounting journal has to be made at the time of closure of work order:

A. A/c code 10.000 Fixed Assets Dr xxxx
To
A/c Code 14.656 Capital Works in Progress xxxx
(being the finalized value of work order (excluding GST portion) is transferred to related fixed assets on work order completion)

B. A/c code 47.601 DCW Dr. xxxxx
To
A/c code 55.100 Consumer Contribution xxxxx

(Being the finalized value of DCW collected from consumers/Third parties is transferred to consumer contribution head on completion of works).

C. A/c code 47.603 EMD Dr. xxxxx
 To
 A/c code 48.110 Current consumption deposit xxxxx
 (Being the finalized value of additional load collected from consumers/Third parties is transferred to CCD Account on completion of works).

Modification in HT and LT billing package:

Provision will be enabled in the packages for generation of GST on the estimates for additional load/reduction in load & DCW and will be communicated in due course. At the time of receipt, **invoice cum receipt** is proposed to be issued showing taxable charges and GST component separately. The generation of E-invoice shall be automated through the HT or LT billing package for DCW works/Additional load/Reduction in load. Provision will have to be enabled in the HT and LT billing packages for reporting separately the GST collected on the estimates for additional load or reduction in load. **EDCs shall include GST component while preparation of estimates for Additional load/Reduction of load/DCW works henceforth.** Reporting of GST component separately at the time of raising demand will be enabled shortly in the LT and HT package and will be communicated to the field.

GST Arrears Recovery:

Since GST provisions were implemented from 1.7.2017 onwards, the levy of GST on DCW shall have to be levied as arrears on all Deposits collected from consumers / Third parties in respect of DCW for shifting/deviation of existing service/structure etc., In case of past cases of DCW collections, all the DCW estimates have to be re-opened, and levy of GST @ 18% has to be initiated as below:

S No.	Particulars	GST applicability.
Scenario 1	DCW collected and Work not completed	GST @18% to be collected on the receipt value. On the additional contribution also, GST needs to be collected as per time of supply rules.

Scenario 2	DCW collected and work completed, Additional Contribution received	GST @18% to be collected on the original contribution as well as on additional contribution as and when collected from the consumers.
Scenario 3	DCW collected and work completed, refund made	GST @18% to be collected on the original contribution and on the refund of GST the consultant will be addressed to find out the liability to refund GST and will be informed.

Separate instruction will be communicated to EDCs after discussion with CE/IT about the reports that can be made available in the HT package, LT Billing packages and IMS to help EDCs to identify the relevant work orders to assess actual quantum of GST liability to be remitted to Govt by TANGEDCO with a detailed report showing work order reference, final value of work, GST to be levied, GST already recovered if any (whether GST is booked separately or included in estimate account), GST remitted, GST to be remitted.

SUMMARISE:

Based on several orders under GST regime including latest orders from Appellate Authority for Advance Ruling for Tamil Nadu (TN AAAR) dated 30.03.2001 the following is proposed.

- 1) Applicability of GST @ 18 %
 - a. Retrospectively from 1.7.2017 onwards i.e from the date of implementation of GST for DCW (other than related to power supply).
 - b. Applicability of GST @ 18 % prospectively for improvement work **for extending additional load/Reduction in demand on the amount chargeable from the consumers.**

- c. No additional GST on Capital works for extending new service connection and to recover from the consumers the GST incurred on material cost, labour charges and other expenses.
- d. **Recoveries under TATKAL scheme for agriculture service connections or additional load sanction would not be subject to GST levy**



CHIEF FINANCIAL CONTROLLER/GL.