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### **Gist of CFI Pre-Budget Meeting with Revenue Secretary, 8<sup>th</sup> November 2016**

A Pre-Budget meeting under the Chairmanship of Dr. Hasmukh Adhia, Revenue Secretary, Ministry of Finance was held on 8<sup>th</sup> November 2016 at Finance Ministry with the representatives of CFI, BAI, CREDAI and NHBF collectively to discuss the direct and indirect tax related issues concerning to infrastructure construction sector.

A Presentation on Direct and Indirect Taxation issues concerning to Infrastructure Construction Sector was submitted by CFI to Revenue Secretary and other senior officials from Finance Ministry.

On behalf of CFI, Mr. R. Anand, Sr. Manager – Indirect Taxation, Larsen & Toubro Ltd., Mr. Soodamani Meyyappan, Sr. General Manager- Taxation, Mr. Shyam Ramadi, Consultant Taxation respectively from Hindustan Construction Co. Ltd. and Mr. Shiv Rawat, Deputy Director, CFI participated in the meeting.

CFI members in its presentation, emphasised on the issues such as exemption from provision of specified Domestic transaction in the case of contract awarded by Central Govt./state Govt./local authority/any other statutory body to JV/AOP; ICDS III relating to Construction Contracts on the issue of inclusion of retention money as revenue ; Rule 5 as Place of Provision of Service for Projects in J & K, irrespective of location of Service Provider & Service Receiver; Unutilized credit in the hands of the AOP / JV due to partial Reverse Charge Mechanism; exemption of Service Tax to sub-contractors for pure services, when Main contractor providing Works Contract services and exemption to Ready Mix Concrete manufactured at site for use in construction work for the period prior to 1<sup>st</sup> March 2016:

Other issues raised in the presentation include:

#### **Direct Taxes:**

- Mandatory processing of return under Section 143 (1D) of Income-Tax Act
- Amendment to Rule 8D of Income Tax rules – To provide that no disallowance shall be made in the year when there is no exempt income.
- Clarification regarding Taxability of Consortium members – For clarity on profit sharing and splitting of TDS credit
- Proposal for reduction to 2 years for period of holding for non-listed entities for purpose of Capital gains

#### **Indirect Taxes:**

- Service Tax exemption to services provided within SEZ – For issuance of clarification that issuance of Form A1 shall be considered as issued since the inception of the project
- Sharing of expenses between associated companies – To issue clarification that mere allocation of expenses would not attract Service Tax
- Amendment to Sr. No. 233 of Notification No. 12/2012-C.E. dated 17.03.2012 for Water Treatment Plant
- Excise duty exemption for goods supplied for setting up of Sewerage projects
- To restore CVD & SAD exemption on specified construction equipments
- Clarification required on Custom Circular No. 49/2011 dated 4th November, 2011 issued under F.No. 528/14/2008-Cus (TU)
- To restore exemption of Basic Customs duty on Plans, Designs & Drawings
- To restore rate of Basic Custom Duty on import of machinery/ equipments falling under CTH 84 & 85 - from 7.5% to 10%

Revenue Secretary agreed to review the issues such as inclusion of retention money in ICDS III relating to Construction Contracts, exemption to Ready Mix Concrete manufactured at site for use in construction work for the period prior to 1<sup>st</sup> March 2016 and difficulties faced by AOP / JV due to reverse charge mechanism etc.

As per members present at the meeting, it was decided that Federation should also meet Revenue Secretary and other concerned officials for discussion on the GST issues already submitted to them. Secretariat already made a request to Revenue Secretary Office for a meeting with members.