

■ AJIT GULABCHAND
President

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**CONSTRUCTION
FEDERATION OF
INDIA**

Date: December 9, 2021

To,

Smt. Nirmala Sitharaman
Hon'ble Union Minister of Finance & Corporate Affairs
Ministry of Finance
North Block
New Delhi 110 001

Dear Hon'ble Minister :

**GST Notifications 15/2021&16/2021 Central Tax (Rate)
dated November 18, 2021 effective from January 1, 2022**

Request Applicability Only for Contracts entered from January 1, 2022

We invite your kind attention to the recent GST Notifications 15/2021&16/2021 Central Tax (Rate) dated November 18, 2021 effective from January 1, 2022, wherein it is proposed to amend the existing concessional GST @ 12% available for the projects meant for Governmental Authority and Government Entity has been removed and increased the rate of GST @ 18%. There is no clarity about the effective rate of tax on ongoing projects contracts from January 1, 2022.

The contracts awarded by the Governmental Authority or by Government Entity considering the concessional GST rate @ 12% and allocated the fund, accordingly the contract conditions were made and accepted by the contractor.

The recent amendment by omitting the "Governmental authority" & "Government Entity" from the concessional GST rate will increase the cost of the project without any budget allocation, which may lead to non-payment or delayed payment by the awarder to the contractor.

Consequently, it will jeopardize various on-going projects which are under execution. Hence, your valuable guidance under this pandemic situation will provide great relief to entire construction industry executing projects across the Nation.

CFI members played key role in nation building by creation of various prestigious infrastructure projects – highways, roads, bridges, railway projects (metro/mono), dams, power stations and water projects.

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Federation members feel that government should not intrude the existing rate of tax for the ongoing contracts, which lead the Govt. depart from the promises made to the current projects, which may offend by the principle of promissory estoppels.

To provide clarity, we bring to your kind notice about precedent under Service Tax, please refer Notification No. 9/2016 (service tax) dated March 1, 2016, there is specific clause was introduced under Entry 12A:

"under a contract which had been entered into prior to the March 1, 2015 and on which appropriate stamp duty, where applicable, had been paid prior to such date:

The above entry provides clarity that the exemption was available for the contracts entered prior to March 1, 2015, not for the new contracts which satisfies the promise made by the legislature not to tax for specific projects and continues to exempt upto the completion of the project.

CFI members requested your good-self that these provisions should be applicable for Contracts entered from January 1, 2022 and not for the existing contracts under execution.

We shall be thankful if your good-self extend us an opportunity to meet select members on date and time convenient to you and explain the difficulties being faced by infrastructure construction sector.

Regards,



AJIT GULABCHAND

CC: **Shri Tarun Bajaj**
Revenue Secretary &
Ex-officio Secretary to the GST Council
Ministry of Finance