

■ AJIT GULABCHAND
President

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CONSTRUCTION
FEDERATION OF
INDIA

Date: September 5, 2022



**Hon'ble Union Minister of Finance
& Corporate Affairs**
Ministry of Finance
North Block
New Delhi

Kind Attn.: Smt. Nirmala Sitharaman

Respected Madam,

Sub: Payment of GST@6% due to increase in rates of GST from 12% to 18% with effect from 18.07.2022

- Request for Reimbursement of Additional 6% GST Rates

The Federation is a representative body of the engineering and infrastructure development companies of the country engaged in the construction of Roads, Bridges, Highways, Railways (metro, mono), Water projects etc. as well as other basic infrastructure of national importance. In view of the initiative taken by the present government to boost the economy of the country, a number of road projects across the country are under construction.

At the time of implementation of GST in India, the services in the nature of Works Contract for Roads (falling under SAC 9954) were subjected to GST at 18%. However, after considering the various representations by Infrastructure Associations and the national importance of the said services, the GST Council reduced the rate of GST from 18% to 12%.

But, as you must be aware, the GST Council in its 47th Meeting held on 28th & 29th June 2022, has recommended and increased the rate of GST on Works Contract for the Roads again to 18%. This increase has come into effect from 18.07.2022. The said increase in GST Rates has directly increased the cost of the existing projects by 6% and will also have direct cost impact on the output supply too.

As per the concession agreements (BOT/HAM/EPC) entered into with the NHAI (the authority), the authority is liable to make the payment to the contractors, as the amount provided in the contract is inclusive of GST. Increase in the rate of GST is a Change in Law, and hence GST at an increased rate is required to be paid by the Client authority to the Contractors.

In terms of the 'Change in Law' clause in the concession agreement, the authority has to bear the burden of the additional tax being imposed with effect from 18.07.2022 by the Government of India. The failure to do so may account to breach of contractual liability on part of the authority. If the same is not paid by the authority, the members would not be in a position to bear the burden of the additional cost and also would not be in a position to continue with the ongoing projects which are of national importance. Many projects may come to a grinding halt.

As the change in GST rate is effective from 18.07.2022, the members have already paid the additional tax to the government by 20.08.2022 which was the due date for submitting the monthly GST returns. **Federation is requesting the authority to issue circular/notification by giving clarity on reimbursement of additional 6% due to change in GST rates with effect from 18th July 2022. Thus, as the matter is extremely urgent and important, we implore your good self to issue guidelines for reimbursement of the said additional tax on monthly basis to the members (contractors) for mitigating statutory compliance well in time.**

We request your urgent intervention on this crucial issue. It would not be out of place to mention here that claims earlier made by some members (contractors) for reimbursement of GST (when it was levied and introduced for the first time with effect from 01.07.2017) are still pending. In case your good self requires any further clarification/ information, we would be happy to provide the same, in person.

We also request your good self to kindly extend an opportunity to members of the Federation to meet your good self to explain the hardships being faced by infrastructure construction sector in detail and discuss the remedial measures.

Thanking you in anticipation of a positive and prompt consideration.

With sincere regards,



(Ajit Gulabchand)
President

CC

Shri Tarun Bajaj
Revenue Secretary
Ministry of Finance
North Block
New Delhi

