



Through Speed Post/e-mail

Ref: CC/CS/GST

Dated: 06/10/2017

To,

[.....The Contractors who are executing contracts in POWERGRID.....]

Kind Attention:

Sub: Goods and Services Tax (GST)

- Restructuring of Contracts/Bidding Documents due to implementation of GST reg.

Dear Sir/Madam,

- 1.0 As you are aware, Government of India has rolled out the Goods and Services Tax (GST) w.e.f. 01st July 2017. Pursuant to above, so as to have views/suggestions of the contractors on the impact of GST on contracts awarded under pre-GST tax architecture, various meetings were held at POWERGRID's CC office at Gurgaon during the month of June/July 2017 (Minutes of Meeting dated 19.07.2017 is placed at Flag-A). You will recall that during the aforesaid meetings it was clarified that the matter of aligning on-going contracts is under deliberations in POWERGRID and these meetings are also a part of the said initiative. It was also intimated that once deliberations would be completed, POWERGRID will share the outcome with the contractors also.
- 2.0 The deliberations on the subject matter have now been completed in POWERGRID. After deliberations, a methodology to align the pre-GST contract has evolved, of which following are the salient points:
 - a. Entire range of pre-GST transactions in a contract i.e. direct transactions, bought-out transactions and services are to be considered for equitable adjustments. On the price so arrived after equitable adjustment, the GST on the adjusted price shall be reimbursed by POWERGRID. Therefore, the contract price in the GST regime shall be net of GST.

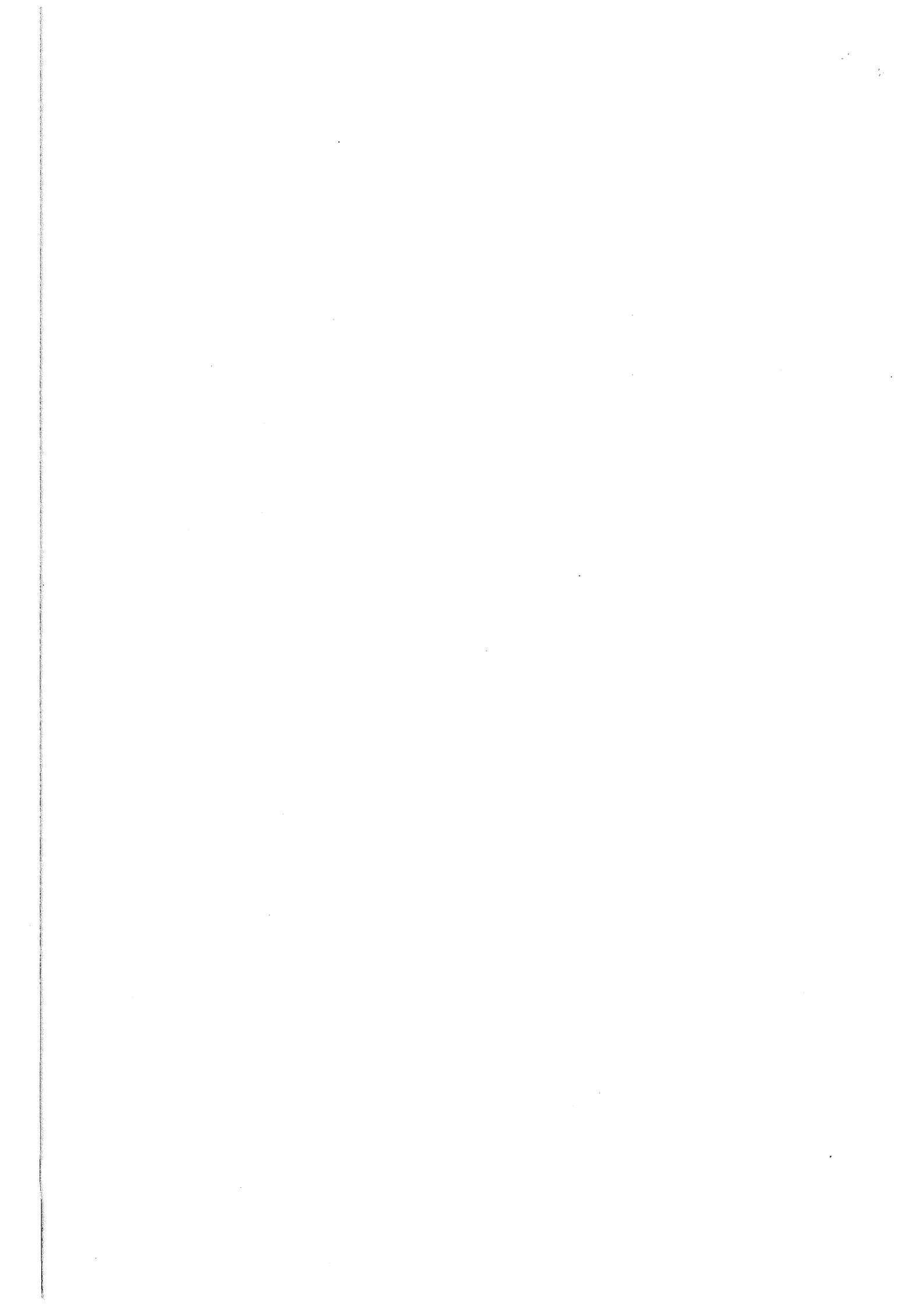
Dear

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- b. The tax incidences which were payable/ reimbursable by POWERGRID extra over the contract price of an item shall, however, not be required to be reduced upfront since these were not included in the contract price. Accordingly, indirect taxes like ED, CST/VAT and Entry Tax in case of pre-GST direct transactions shall not be required to be excluded upfront (since these are payable by POWERGRID extra at actuals), except for exclusion on account of Input Tax Credit (ITC) as per para (f) below.
- c. For making equitable adjustment in price of any of the items, pre-GST tax incidences on the transactions leg to POWERGRID, which were included in an item's price and have now been subsumed in GST, are to be excluded upfront. Accordingly, in case of bought out items, indirect taxes like ED, CST/VAT except Entry Tax (as Entry Tax was payable extra) included in contract price shall require to be excluded upfront before considering equitable adjustment. Similarly, in cases of services, Service Tax/VAT/WCT etc., if included in the contract price, shall require to be excluded upfront.
- d. For working out the above, Material component, Labour component and Overheads/profit component of the contract price shall be based on the Price Variation (PV) formula of an item as per the contract.
- e. For non-PV items, following components shall be considered for the above purpose:
Direct Transactions: 15% Fixed and 60% Material & 25% Labour component;
Bought-out Transactions: 20% Fixed and 60% Material & 20% Labour component;
Services: 20% Fixed and 60% Material & 20% Labour component.
- f. Besides upfront reductions as above (i.e. reductions on account of ED, CST/VAT and Service Tax on respective components as per PV formula), other pre-GST taxes which were forming part of cost of an item in pre-GST regime but have been subsumed in GST and benefit is envisaged to be accrued due to flow of Input Tax Credit (ITC) on account of such taxes, are also required to be excluded from the price of an item.





- g. The contractor shall submit their duly certified declaration from the Statutory Auditor for benefits to be accrued due to ITC as per (f) above. The said declaration on account of any benefit accruing due to ITC shall be separately against (i) material price component for material sourced by the contractor from his sub-vendor, and (ii) on overall price of an item including fixed component being on the transaction price for supply of goods/services by the contractor to POWERGRID.
 - h. The contractor shall have an option to furnish the above declaration either contract wise or contractor wise.
 - i. In case of contracts with awarded value (including its amendment) or value of balance work to be executed as on 30.06.2017 not exceeding INR 2 Cr., the contractor may submit declaration on their own without a need of certification from Statutory Auditor on account of passing of any benefit due to ITC.
 - j. Once the GST adjusted price of an item is derived on the above basis, the same shall be taken as the new base price in post-GST regime on which the GST shall be reimbursable by POWERGRID as all the transactions post GST i.e. supply of goods and services are to be effectively rendered direct transactions between POWERGRID and the contractor.
 - k. Once the prices are finalized with respective contractors, contract shall be amended in line with above including changing the relevant clauses of the contract so as to make the transactions GST compliant and aligned to it.
 - l. Guiding format for Statutory Auditor certification along with declaration of contractor and the templates covering the above methodology are enclosed at Annex-I to this communication.
- 2.1 You may please note that the methodology outlined hereinabove are indicative & for the purpose of reference only and you shall not derive any right or have any claim based on the methodology outlined above.
- 2.2 Accordingly, this communication is without prejudice to POWERGRID's rights under the respective contracts. Any contract awarded under the pre-GST regime shall be aligned with GST regime as per agreement and amendment specific to the contract.

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3.0 You may also note that further needful regarding aligning on-going contracts with GST regime viz. necessary tie-ups for amending the contract, submission of contractor's declaration along with Statutory Auditor certification, amendment to the contract etc. shall be done at Region/Project office wherein the same is under execution. You are therefore requested to approach the C&M deptt. of concerned Region/Project under intimation to respective GM(Proj.)/ED(Region).

Thanking you,
Yours faithfully

For and on behalf of
Power Grid Corporation of India Limited


06/10/2017
(C S Gupta)
Additional General Manager (Contract Services-P&S)

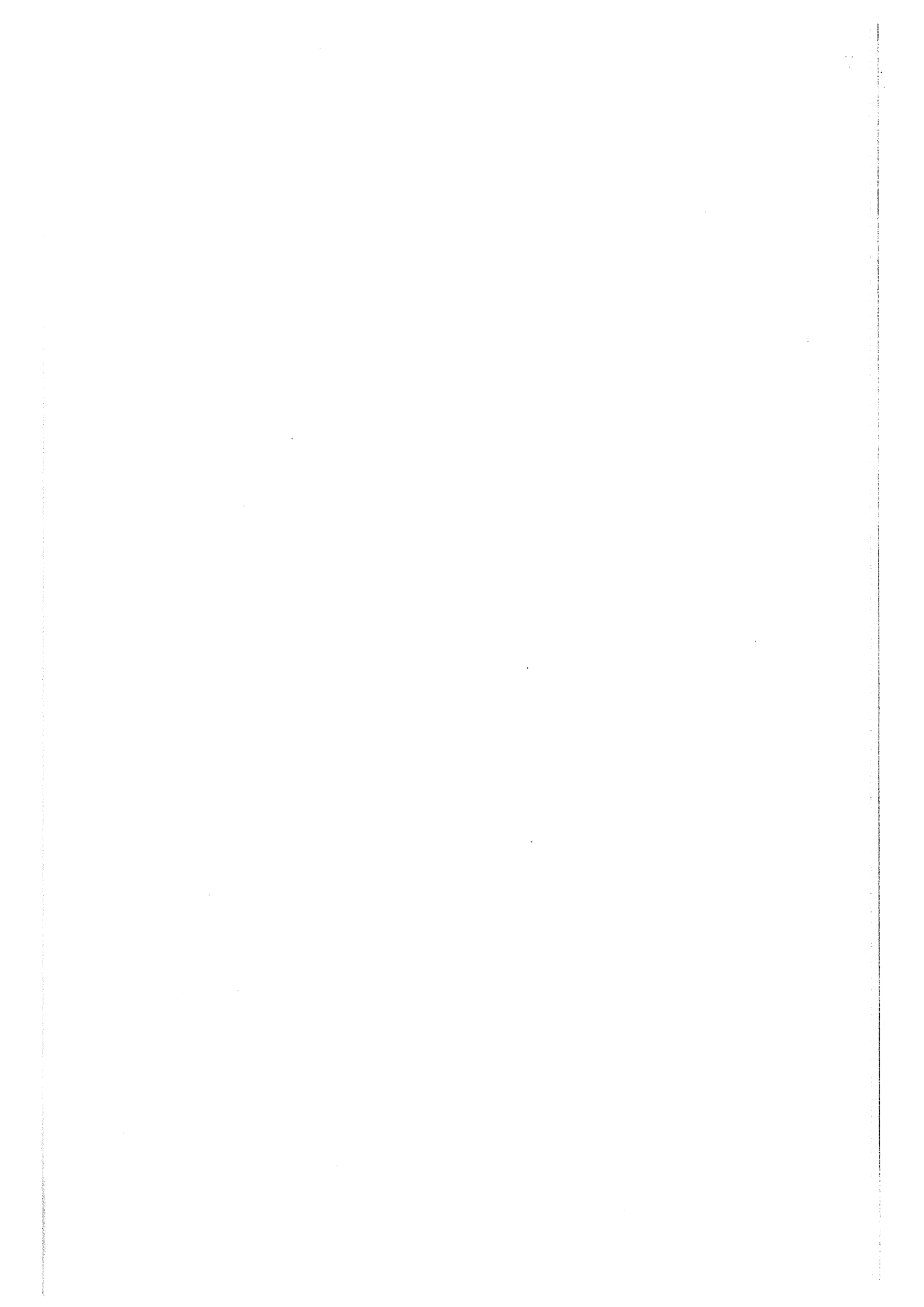
**RECORD NOTES OF DISCUSSIONS
OF
POWERGRID'S VENDORS MEET HELD ON 19th JULY 2017 ON GST
IMPLEMENTATION/SWITCHING OF CONTRACTS TO GST REGIME**

1. POWERGRID welcome all the participants to this meeting held for deliberations on the impact of GST on various transactions.
2. This meeting is in continuation to meetings held with the Vendors/Contractors on 05th June 2017; subsequent meetings of Working Groups (WG) of Vendors {constituted in 05th June meeting for item-wise deliberations} held on 12.06.2017 (WG-1), 13.06.2017 (WG-2), 14.06.2017 (WG-3 and WG-4) and 20.06.2017 (combined meeting of all the 4 working groups).
3. During the deliberations, following had emerged:
 - (i) The pool of input taxes available as credit would increase thereby leading to reduction in prices which are inclusive of the taxes. As such, the benefits, if any, accruing to Vendors on account of increased creditability would get passed on to the customer.
 - (ii) Vendors emphasized that as GST is not merely an introduction or replacement of old tax architecture but is entirely a new and transformative framework, an equitable adjustment on this account needs to be considered in totality. They further added that such equitable adjustment is called for, as also clarified by POWERGRID from time to time during the bidding process for award of contract, since under the GST regime all transactions became direct transactions for supply of goods/services, between POWERGRID and the Contractor. The sale-in-transit as was foreseen in pre-GST regime under the Bought-out transactions is neither feasible nor relevant. Furthermore, the existing clauses in the Contract pertaining to taxes & duties are rendered ineffective in toto and, as such, need to be amended. Thus, anything contained in the existing clause is no more applicable.
 - (iii) For the above purpose, vendors stated that they will furnish the declaration duly certified by their Statutory Auditor. The declaration shall be towards the benefit to be passed on account of pre-GST tax incidences forming part of pre-GST cost but subsumed in GST and which must be passed on due to Anti-profiteering provisions of GST Act. Based on above, suggestive formats for declaration by the Contractor/Supplier, Statutory Auditor declaration and Templates for deriving the factor for different items/services are finalized and are enclosed at **Annex-1**.
 - (iv) It was agreed that the above declarations be made basis the Price Variation (PV) Formulae as already defined in the respective contracts.



- (v) It was agreed that wherever PV formula is not available, similar formula/formulation be considered for the above purpose.
- (vi) Contract conditions be also amended suitably so as to make it GST compliant.
4. List of participants are attached at **Annex-2**.

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[.....format of declaration duly certified by the Statutory Auditor pursuant to implementation of GST w.e.f. 01.07.2017.....]

SUB.: [.....Name of the Contract.....]

Contract Agreement (CA)/ Notification of Awards (NOA) REF. (to be incorporated suitably):

..... dtd. xx/xx/2017

..... dtd. xx/xx/2017

..Implementation of Goods and Services Tax (GST)-reg.

Dear Sir,

This is with reference to declaration (copy enclosed) made by[Name of the Contractor]..... in connection with the impact of GST on transactions under the subject contract arriving at adjusted contract price post-GST.

On the basis of the examination carried out by us and the information, documents, explanations and management representation provided to us, we hereby certify that the details of the below mentioned benefits accruing to the company under the contract post GST, as contained in annexure are in accordance with the applicable provisions of various tax laws.

S. No.	Name of the Item	Benefits on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passed due to Anti-profiteering provisions of the GST Act, expressed as % of:	
		Raw Material/Supply of Material Cost 'DECLARATION-A'	Overall price (other than considered in 'DECLARATION-A') 'DECLARATION-B'
A.	DIRECT TRANSACTIONS		
1	Tower/Tower parts		
...		
B.	BOUGHT-OUT TRANSACTIONS		
1	Tower/Tower parts		

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S. No.	Name of the Item	Benefits on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passed due to Anti-profiteering provisions of the GST Act, expressed as % of:	
		Raw Material/Supply of Material Cost 'DECLARATION-A'	Overall price (other than considered in 'DECLARATION-A') 'DECLARATION-B'
2	H/W Fittings		
....		
C.	SERVICES		
1	Installation/Erection		
2	Supply and Placement of Reinforcement Steel		
3	Concreting	Cement: Sand & Clay:	
....		
....		

Date:

For and on behalf of,

<<Statutory Auditor's attestation>>

Firm Reg No. Membership No.

For and on behalf of,

<<Contractor's name>>

<<Name of authorized signatory>>

<<Designation of authorized signatory>>

[Handwritten Signature]

[.....Format for declaration in case the Contractor/Supplier don't agree for Revenue Neutralization Rates.....]

To,

[.....Name and Address of the Employer.....]

SUB.: [.....Name of the Contract.....]

Contract Agreement (CA)/ Notification of Awards (NOA) REF. (to be incorporated suitably):

..... dtd. xx/xx/2017

..... dtd. xx/xx/2017

.....

...Implementation of Goods and Services Tax (GST)-reg.

Dear Sir,

- 1.0 This has reference to Goods and Services Tax (GST) implemented w.e.f. 01.07.2017. The subject communication is the outcome of series of deliberations held with POWERGRID on the matter inter-alia including outcome as per 'Record Notes of Discussions' of the meeting held on 19.07.2017.
- 2.0 We understand that the GST has replaced most of the indirect taxes levied in pre-GST regime bringing about increased fungibility of credits, thereby, impacting tax costs and related pricing of supplies.
- 2.1 We understand that under GST, the pool of input taxes available as credit would increase and we believe that the benefit accruing to us, if any, on account of increased creditability should be passed on to the ultimate customer.
- 2.2 We are also aware that to obligate passing on of tax efficiencies to the recipient of the goods and services, the GST Act encompasses an anti-profiteering clause as well, which mandates passing on to the recipient any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit by virtue of introduction of GST.
- 2.3 We understand that in a scenario if it is determined that the anti-profiteering provisions have not been complied with, reduction in prices and related passing on of benefits with imposition of penalty and cancellation of registration shall be effected to by the GoI.
- 3.0 Basis the above, we hereby submit our detailed declaration duly certified by the Statutory Auditor towards benefits on account of taxes and duties forming cost of item in pre-GST regime. Further, considering the same, we have also enclosed herewith the item-wise templates for working out the post-GST rates/prices (Annex-1).

[Handwritten Signature]

[.....Format for declaration in case the Contractor/Supplier don't agree for Revenue Neutralization Rates.....]

- 3.1 We also confirm that while making the subject declaration, we have worked out our post-GST rates/prices by reducing Excise Duty, CST, VAT, Service Tax etc. wherever considered in our prices. Our post-GST rates/prices are further reduced to the extent of miscellaneous other tax/ cost factors such as Entry Tax on materials/ raw materials, 6(3) reversal costs, stock transfer costs etc. which are not applicable in post GST regime. No further reduction is possible in our prices on account of GST implication.
- 3.2 We further confirm that with the reduction as above, we have complied with the legal provisions regarding anti-profiteering as per GST law.
- 4.0 Considering the above, we request you to adjust our contract price.
- 4.1 Please note that the contract prices so adjusted shall be exclusive of GST which shall be reimbursable by POWERGRID separately, for which the existing provisions related to pre-GST taxes & duties would be required to be amended suitably.
- 5.0 The confirmations, as above, are covered under the Integrity Pact signed between us and POWERGRID for the subject contract and we understand that any action by us in violation to the specified provisions of IP *inter alia* including misrepresentation of facts or submission of false/forged documents/ information shall be treated as transgression of IP and shall be dealt with as per the provisions specified therein.

Thanking you,

Yours faithfully

For and on behalf of

<<Contractor's name>>
<<Name of authorized signatory>>
<<Designation of authorized signatory>>

Note:

1. The aforesaid declaration shall be jointly signed by the Contractor' Representative/Power of Attorney holder and Key Managerial Personnel of the company.
2. The duly certified Statutory Auditor declaration is to be attached.

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	DIRECT TRANSACTIONS	DOMESTIC FUNDING
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	Tower/Tower parts
1C	Price Variation(PV) Formula as per Contract	$EC1 = EC0 [0.15 + 0.56 \times (A1/A0) + 0.09 \times B1/B0] + 0.20 \times (L1/L0) - EC0$
2	Item Break-up as per PV formula	% composition as per PV
2A	Fixed Component (Margins, Overheads and other such Misc charges)	15
2B	Material component	65
2C	Labour component	20
	Total	100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	EXW Price as per Contract	100.00
3B	Fixed Component [Refer 2A]	15.00
3C	EXW Price excluding Fixed Component [3A-3B]	85.00
3D	Price of Material Component [Refer 2B]	65.00
3E	Labour Charges [Refer 2B]	20.00
4	Input Leg	
	Transaction b/w Contractor and Its Supplier of Raw Material	
	Raw Material	
4A	Price of Raw Material [Refer 3D]	65.00
4B	DECLARATION-A*	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of Input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profeteering as per GST Act, for Raw Material	
4C	Net Cost of Raw Material in GST regime [4A/(1+4B)]	65.00
5	Total Price in GST Regime	
5A	Total Material Cost Including Labour [4C+3E]	85.00
5B	Fixed Cost [Refer 3B]	15.00
5C	EXW Price of item net of reduction declared by the Contractor/Supplier as per (4B) above [5A+5B]	100.00
5D	DECLARATION-B*	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of Input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profeteering as per GST Act (other than considered in DECLARATION-A), to be applied on overall price as per 5(C)	
6	Net EXW Price in GST Regime [5C/(1+5D)]	100.00

Note:

* The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.

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	DIRECT TRANSACTIONS	MULTILATERAL FUNDING-DEEMED EXPORT
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	Tower/Tower parts
1C	Price Variation(PV) Formula as per Contract	$EC1 = EC0 [0.15 + 0.56 \times (A1/A0) + 0.09 \times B1/B0] + 0.20 \times (L1/L0) - EC0$
2	Item Break-up as per PV formula	% composition as per PV
2A	Fixed Component (Margins, Overheads and other such Misc charges)	15
2B	Material component	65
2C	Labour component	20
	Total	100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	EXW Price as per Contract	100.00
3B	Fixed Component [Refer 2A]	15.00
3C	EXW Price excluding Fixed Component [3A-3B]	85.00
3D	Price of Material Component [Refer 2B]	65.00
3E	Labour Charges [Refer 2B]	20.00
4	Input Leg	
	Transaction b/w Contractor and its Supplier of Raw Material	
	Raw Material	
4A	Price of Raw Material [Refer 3D]	65.00
4B	DECLARATION-A* % Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act, for <u>Raw Material</u>	
4C	Net Cost of Raw Material in GST regime [4A/(1+4B)]	65.00
5	Total Price in GST Regime	
5A	Total Material Cost including Labour [4C+3E]	85.00
5B	Fixed Cost [Refer 3B]	15.00
5C	EXW Price of item net of reduction declared by the Contractor/Supplier as per (4B) above [5A+5B]	100.00
5D	DECLARATION-B* % Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act (<u>other than considered in DECLARATION-A</u>), <u>to be applied on overall price as per 5(C)</u>	
6	Net EXW Price in GST Regime [5C/(1+5D)]	100.00

Note:

* The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.

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BOUGHT-OUT TRANSACTIONS		DOMESTIC FUNDING
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	
1C	Price Variation(PV) Formula as per Contract	Hardware Fittings ECHW1 = ECHW [0.20 + 0.40 x (A1/A0) + 0.05 x (B1/B0) + 0.22 x (C1/C0) + 0.13 x (L1/L0)] - ECHW
2	Item Break-up as per PV formula	
2A	Fixed Component (Margins, Overheads and other such Misc charges)	% composition as per PV
2B	Material component	20
2C	Labour component	67
	Total	13
		100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	EXW Price as per Contract	
3B	Fixed Component [Refer 2A]	100.00
3C	EXW Price excluding Fixed Component [3A-3B]	20.00
3D	Rate of Excise Duty [^] considered in the price	80.00
3E	Rate of CST [^] considered in the price	12.50%
3F	Rate of VAT [^] considered in the price	2.00%
		0.00%
3G	EXW Price excluding T&D [3C/(1+3D)*(1+3E or 3F)]	
3H	Price of Material component [3G*2B/3C]	69.72
3I	Price of Labour component [3G*2C/3C]	58.39
		11.33
4	Input Leg	
	Transaction b/w Sub-Vendor (from whom item is sourced) and its supplier of raw material	
	Raw Material	
4A	Price of Raw Material [Refer 3H]	
		58.39
4B	DECLARATION-A**	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act, for Raw Material	
4C	Net Cost of Raw Material in GST regime	
		58.39
5	Total Price in GST Regime	
5A	Total Material Cost including Labour [4C+3I]	
5B	Fixed Cost [Refer 3B]	69.72
5C	EXW Price of Item net of reduction declared by the Contractor/Supplier as per (4B) above [5A+5B]	20.00
		89.72
5D	DECLARATION-B**	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act (other than considered in DECLARATION-A), to be applied on overall price as per 5(C)	
6	Net EXW Price in GST Regime [5C/(1+5D)]	
		89.72

Note:

** The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.

[^] Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

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BOUGHT-OUT TRANSACTIONS		MULTILATERAL FUNDING-DEEMED EXPORT
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	Hardware Fittings
1C	Price Variation(PV) Formula as per Contract	$ECHW1 = ECHW [0.20 + 0.40 \times (A1/A0) + 0.05 \times (B1/B0) + 0.22 \times (C1/C0) + 0.13 \times (L1/L0)] - ECHW$
2	Item Break-up as per PV formula	% composition as per PV
2A	Fixed Component (Margins, Overheads and other such Misc charges)	20
2B	Material component	67
2C	Labour component	13
	Total	100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	EXW Price as per Contract	100.00
3B	Fixed Component [Refer 2A]	20.00
3C	EXW Price excluding Fixed Component [3A-3B]	80.00
3D	Rate of Excise Duty [^] considered in the price	0.00%
3E	Rate of CST [^] considered in the price	2.00%
3F	Rate of VAT [^] considered in the price	0.00%
3G	EXW Price excluding T&D [$3C / (1 + 3D) * (1 + 3E \text{ or } 3F)$]	78.43
3H	Price of Material component [$3G * 2B / 3C$]	65.69
3I	Price of Labour component [$3G * 2C / 3C$]	12.75
4	Input Leg	
	Transaction b/w Sub-Vendor (from whom item is sourced) and its supplier of raw material	
	Raw Material	
4A	Price of Raw Material [Refer 3H]	65.69
4B	DECLARATION-A** % Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profeteering as per GST Act, for <u>Raw Material</u>	
4C	Net Cost of Raw Material in GST regime	65.69
5	Total Price in GST Regime	
5A	Total Material Cost including Labour [4C+3I]	78.43
5B	Fixed Cost [Refer 3B]	20.00
5C	EXW Price of item net of reduction declared by the Contractor/Supplier as per (4B) above [5A+5B]	98.43
5D	DECLARATION-B** % Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profeteering as per GST Act (<i>other than considered in DECLARATION-A</i>), to be applied on overall price as per 5(C)	
6	Net EXW Price in GST Regime [5C/(1+5D)]	98.43

Note:

** The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.

[^] Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

SERVICES CONTRACT		
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	Installation Price Component (Including CIVIL Works but excluding 'Supply & Placement of Reinforcement Steel', 'Concreting')
1C	Price Variation(PV) Formula as per Contract	$ER3 = ERO [0.20 + 0.22 \times (A1/A0) + 0.58 \times (L1/L0)] - ERO$
2	Item Break-up as per PV formula	% composition as per PV
2A	Fixed Component (Margins, Overheads and other such Misc charges)	20
2B	Labour Charges	80
	Total	100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	Installation Price as quoted (including all taxes viz. Service Tax and WCT/VAT)	100.00
3B	Fixed Component [Refer 2A]	20.00
3C	Installation Price excluding Fixed Component [3A-3B]	80.00
3D	Labour Charges [Refer 2B]	80.00
3E	Services Tax^ applicable	15.00%
3F	Price of Services excluding ST [3D/(1+3E)]	69.57
4A	Fixed part [Refer 3B]	
4B	Services Tax paid on Fixed Part [4A-4A/(1+3E)]	20.00
4C	Net Fixed part excluding Services Tax [4A-4B]	2.61
		17.39
5	Total Price in GST Regime [3F+4C]	86.96
6	DECLARATION-B*	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profeteering as per GST Act, to be applied on overall price as per 5	
7	Net Installation Price in GST Regime [5/(1+6)]	86.96

Note:

* The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.

^ Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

20
24/11/17

SERVICES CONTRACT (WITH MATERIAL)		
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	Concreting
1C	Price Variation(PV) Formula as per Contract	$ER1 = ERO [0.20 + 0.18 \times (A1/A0) + 0.09 \times (L1/L0) + 0.35 \times (B1/B0) + 0.18 \times (C1/C0)] - ERO$
2	Item Break-up as per PV formula	% composition as per PV
2A	Fixed Component (Margins, Overheads and other such Misc charges)	20
2B	Cement component	35
2C	Sand (incl. Aggregate) component	18
2D	Ferrous component	0
2E	Services component including Labour Charges	27
	Total	100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	Installation Price as quoted (including all taxes viz. Service Tax and WCT/VAT)	100.00
3B	Fixed Component [Refer 2A]	20.00
3C	Installation Price excluding Fixed Component [3A-3B]	80.00
3D	Price of Cement [Refer 2B]	35.00
3E	Price of Sand (incl. Aggregate) [Refer 2C]	18.00
3F	Price of Ferrous Metal [Refer 2D]	0.00
3G	Services portion including Labour Charges [Refer 2E]	27.00
4	Input Leg	
	Transaction b/w Contractor and its Supplier	
	Cement	
4.1A	Price of Cement [Refer 3D]	35.00
4.1B	VAT [^] applicable on Cement	14.50%
4.1C	Excise Duty [^] applicable on Cement	12.50%
4.1D	Price of Cement excluding ED and VAT $[4.1A / (1 + 4.1B) * (1 + 4.1C)]$	27.17
	Sand	
4.2A	Price of Sand [Refer 3E]	18.00
4.2B	VAT [^] applicable on Sand (incl Aggregate)	5.00%
4.2C	Price of Sand excluding VAT $[4.2A / (1 + 4.2B)]$	17.14
	Ferrous Metal	
4.3A	Price of Ferrous Metal [Refer 3F]	-
4.3B	VAT [^] applicable on Ferrous Metal	5.00%
4.3C	Excise Duty [^] applicable on Ferrous Metal	12.50%
4.3D	Price of Ferrous Metal excluding ED and VAT $[4.3A / (1 + 4.3B) * (1 + 4.3C)]$	-
4.4	Price of Material (Cement, Sand and Ferrous Metal) $[4.1D + 4.2C + 4.3D]$	44.31

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4.5	DECLARATION-A*	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act, for <u>Material</u>	0.00%
4.6	Net Cost of Material in GST regime [4.4/(1+4.5)]	44.31
5	Services	
5.1A	Price of Services [Refer 3G]	
5.1B	Services Tax [^] applicable	27.00
5.1C	Price of Services excluding ST [5.1A-5.1B]	15.00%
		23.48
5.2A	Fixed part [Refer 3B]	
5.2B	Services Tax paid on Fixed Part [5.2A-5.2A/(1+5.1B)]	20.00
5.2C	Net Fixed part excluding Services Tax [5.2A-5.2B]	2.61
		17.39
6	Material Costs	
6A	Price of Material [Refer 4.6]	
6B	Services portion Including Labour Charges [Refer 5.1C]	44.31
		23.48
7	Total Price in GST Regime	
7A	Total Material Cost Including Labour [6A+6B]	
7B	Fixed Cost [Refer 5.2C]	67.79
7C	Installation Price net of reduction declared by the Contractor/Supplier as per (4.5) above [7A+7B]	17.39
		85.18
7D	DECLARATION-B*	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act (<i>other than considered in DECLARATION-A</i>), to be applied on overall price as per 7(C)	
8	Net Installation Price in GST Regime [7C/(1+7D)]	85.18

Note:

* The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.

[^] Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

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SERVICES CONTRACT		
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	Supply and Placement of Reinforcement Steel
1C	Price Variation(PV) Formula as per Contract	$ER1 = ERO [0.20 + 0.10 \times (A1/A0) + 0.05 \times (L1/L0) + 0.65 \times (B1/B0)] - ERO$
2	Item Break-up as per PV formula	% composition as per PV
2A	Fixed Component (Margins, Overheads and other such Misc charges)	20
2B	Ferrous component	65
2C	Services component including Labour Charges	15
	Total	100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	Installation Price as quoted (including all taxes viz. Service Tax and WCT/VAT)	100.00
3B	Fixed Component [Refer 2A]	20.00
3C	Installation Price excluding Fixed Component [3A-3B]	80.00
3D	Price of Ferrous Metal [Refer 2B]	65.00
3E	Services portion including Labour Charges [Refer 2C]	15.00
4	Input Leg	
	Transaction b/w Contractor and its Supplier	
	Ferrous Metal	
4A	Price of Ferrous Metal [Refer 3D]	65.00
4B	VAT [^] applicable on Ferrous Metal	5.00%
4C	Excise Duty [^] applicable on Ferrous Metal	12.50%
4D	Price of Ferrous Metal excluding ED and VAT $[4A/(1+4B) \times (1+4C)]$	55.03
4E	DECLARATION-A* % Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act, for <u>Ferrous Metal</u>	
4F	Net Cost of Ferrous Metal in GST regime $[4:3D/(1+4:3E)]$	55.03
5	Services	
5A	Price of Services [Refer 3E]	15.00
5B	Services Tax [^] applicable	15.00%
5C	Price of Services excluding ST [5A-5B]	13.04
5D	Fixed part [Refer 3B]	20.00
5E	Services Tax paid on Fixed Part $[5D-5D/(1+5B)]$	2.61
5F	Net Fixed part excluding Services Tax [5D-5E]	17.39
6	Material Costs	
6A	Ferrous Metal [Refer 4F]	55.03
6B	Services portion including Labour Charges [Refer 5C]	13.04

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7	Total Price in GST Regime	
7A	Total Material Cost including Labour [6A+6B]	
7B	Fixed Cost [Refer 5F]	68.07
7C	Installation Price net of reduction declared by the Contractor/Supplier as per (4E) above [7A+7B]	17.39
		85.46
7D	DECLARATION-B*	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of Input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act (other than considered in DECLARATION-A), to be applied on overall price as per 7(C)	
8	Net Installation Price in GST Regime [7C/(1+7D)]	85.46

Note:

- * The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.
- ^ Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

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OFF-THE-SHELF TRANSACTIONS		
1	Contract Details	
1A	Contract Name	
1B	Name of the Item	CURRENT TRANSFORMER
1C	Price Variation(PV) Formula as per Contract	$dEC = ECO \times (0.15 + 0.60 \times (A1 / A0) + 0.25 \times (L1 / LO)) - ECO$
2	Item Break-up as per PV formula	% composition as per PV
2A	Fixed Component (Margins, Overheads and other such Misc charges)	15
2B	Material component	60
2C	Labour component	25
	Total	100
3	Output Leg	
	Transaction b/w POWERGRID and Contractor	
3A	EXW Price as per Contract	100.00
3B	Fixed Component [Refer 2A]	15.00
3C	EXW Price excluding Fixed Component [3A-3B]	85.00
3D	Rate of SAD [^] considered in the price	4.00%
3E	Rate of CVD [^] considered in the price	12.50%
3F	Rate of cess [^] considered in the price	3.00%
3G	EXW Price excluding taxes $[3C / (1+3D) * (1+3E+3E*3F)]$	72.41
3F	DECLARATION-A**	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act, for <u>Material</u>	
3H	Net Cost of Material in GST regime	72.41
4	Total Price in GST Regime	
4A	Total Material Cost including Labour [3G]	72.41
4B	Fixed Cost [Refer 3B]	15.00
4C	EXW Price of item net of reduction declared by the Contractor/Supplier as per (3F) above $[4A+4B]$	87.41
4D	DECLARATION-B**	
	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act (<u>other than considered in DECLARATION-A</u>), <u>to be applied on overall price as per 4(C)</u>	
5	Net EXW Price In GST Regime $[4C / (1+4D)]$	87.41

Note:

** The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by their Statutory Auditor.

[^] Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

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CIVIL WORKS
Price Inclusive of all Taxes & Duties

REGION/SITE PACKAGES		
Sr. No.	Description	Price
1	Price as per the contract (Inclusive of all Taxes & duties)	100
2	Percentage of Basic Price on which Service Tax is applicable	40%
3	Rate for Service Tax ^	15%
4	Percentage of Basic Price on which VAT is applicable	60%
5	Rate for VAT^	12.50%
6	Divisor for Calculating Basic Price (Refer Illustration below)	1.15
7	Basic Price excluding all taxes & duties	87.23
8	Fixed Component	20%
9	Input Material & Service	80%
10	Fixed Component	17.45
11	Fraction for Input Material Cost	60%
12	Input Material Cost (60% of 80%)	41.87
13	Fraction for Input Service Cost	40%
14	Input Service Cost (40% of 80%)	27.91
15	VAT(weighted average)^ on Input Material	5.0%
16	VAT Amount included in Input Material	1.99
17	Excise Duty (weighted average)^ on Input Material	0.0%
18	Excise Duty Amount included in Input Material	0.00
19	Total Tax on input material	1.99
20	Input Material Price excluding Taxes	39.88
21	Input Service Cost excluding Taxes	27.91
22	Total Price	85.24
23	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act, to be applied on overall price**	
24	Net Price in GST Regime	85.24

^ Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

** The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified
Calculation of Divisor to get Price without taxes and duties (Pre-GST)

Illustration: Taxes applicable on Basic Price

- 1) Service Tax @15% on 40% of Basic Prices excluding taxes and duties.
- 2) VAT @ 12.5% on 60% of Basic Price
- 3) Welfare Cess @ 1% on Basic Price plus Service Tax plus VAT

The Price quoted by the bidder is inclusive of VAT and Welfare Cess, as above

To calculate Base Price, it is necessary to deduct Service Tax, VAT & Welfare Cess from the Price Quoted by the bidder.

Assume,

Basic Price excluding all taxes & duties 'X'

Awarded Price as per Contract is 'Y'

As such,

Basic Price + Service Tax + VAT + Welfare Tax = Price as per the contract

$$(X + X * (0.15 * 0.4) + X * (0.125 * 0.6)) * 1.01 = Y$$

$$1.14635 X = Y$$

Note The fields in green cells are fillable and shall vary from state to state and contract to contract. Hence Divisor = 1.14635

The taxes on input material shall be the weighted average of taxes applicable on different materials to be used in the contract for work to be executed in post GST regime. The methodology to work out the weighted average is indicated in the sheet attached herewith.

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CIVIL WORKS

Price Inclusive of VAT & BOCW but excluding Service Tax

REGION/SITE PACKAGES		
Sr. No.	Description	Price
1	Price as per the contract <i>(Inclusive of all Taxes & Duties excluding Service Tax)</i>	100
2	Percentage of Basic Price on which Service Tax is applicable	40%
3	Rate for Service Tax [^]	15%
4	Percentage of Basic Price on which VAT is applicable	60%
5	Rate for VAT [^]	5.00%
6	Divisor for Calculating Basic Price <i>(Refer Illustration below)</i>	1.04
7	Basic Price excluding all taxes & duties	96.07
8	Fixed Component	20%
9	Input Material & Service	80%
10	Fixed Component	19.21
11	Fraction for Input Material Cost	60%
12	Input Material Cost (60% of 80%)	46.11
13	Fraction for Input Service Cost	40%
14	Input Service Cost (40% of 80%)	30.74
15	VAT(weighted average) [^] on Input Material	5.0%
16	VAT Amount included in Input Material	2.20
17	Excise Duty (weighted average) [^] on Input Material	0.0%
18	Excise Duty Amount included in Input Material	0.00
19	Total Tax on input material	2.20
20	Input Material Price excluding Taxes	43.92
21	Input Service Cost excluding Taxes	30.74
22	Total Price	93.87
23	% Reduction on account of pre-GST tax incidences viz. CST, Entry Tax, Reversal of CENVAT Credit under rule 6(3) of CENVAT Credit rules 2004, Reversal of input tax on stock transfer, Local taxes, Turnover tax etc forming part of pre-GST cost but subsumed in GST, passing of benefit on account of Anti-profiteering as per GST Act, to be applied on overall price**	
24	Net Price in GST Regime	93.87

[^] Indicative Rates. Actual/Applicable rate for the Contract to be substituted.

** The figure is to be considered based on declaration by the Contractor/Supplier as per format attached duly certified by

Calculation of Divisor to get Price without taxes and duties (Pre-GST)

Illustration: Taxes applicable on Basic Price

- 1) Service Tax @15% on 40% of Basic Prices excluding taxes and duties.
- 2) VAT @ 12.5% on 60% of Basic Price
- 3) Welfare Cess @ 1% on Basic Price plus Service Tax plus VAT

The Price quoted by the bidder is inclusive of VAT and Welfare Cess, as above

To calculate Base Price, it is necessary to deduct Service Tax, VAT & Welfare Cess from the Price Quoted by the bidder.

Assume,

Basic Price excluding all taxes & duties 'X'

Awarded Price as per Contract is 'Y'

As such,

Basic Price + Service Tax + VAT + Welfare Tax = Price as per the contract + Service Tax

$$(X + X * (0.15 * 0.4) + X * (0.125 * 0.6)) * 1.01 = Y + (X * 0.15 * 0.4)$$

$$1.1009 X = Y + X$$

0.06

$$1.0409 X = Y$$

Hence Divisor =

1.0409

Note The fields in green cells are fillable and shall vary from state to state and contract to contract.

The taxes on input material shall be the weighted average of taxes applicable on different materials to be used in the contract for work to be executed in post GST regime. The methodology to work out the weighted average is indicated in the sheet attached herewith.

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Weighted Average for Region/Site Packages

Illustration for Calculation of Weighted Average for calculating VAT and Excise Duty Rates for Region/Site Awarded Civil Packages

Sr No.	Description	Tax Rate	% of Total Input Material Price	Weighted Tax Amount
1	Materials under Tax Rate 5%	5.0%	20%	1.00%
2	Materials under Tax Rate 12.5%	12.5%	25%	3.13%
3	Materials under Tax Rate 0%	0%	25%	0.00%
4	Materials under Tax Rate 6%	6%	30%	1.80%
			100%	5.93%

Explanation:

Suppose there are various materials involved in a contract and bidder declares the % contribution of different material falling under different category of taxes as per above table. The weighted average shall be worked out as per methodology indicated above.

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