

M/s GVS projects Private limited.

Authority for Advance Ruling — Andhra Pradesh

AAR No.33/AP/GST/2019 dated: 31.10.2019

Q Questions Before the Authority

- Whether APSPDCL & APEPDCL is a Government authority/ Government Entity or not?
- What is the applicable rate of GST on work agreement entered into with the APSPDCL & APEPDCL as mentioned in the Annexures.
- Under which Notification the work would fall, for discharging the GST liability?
- Whether for the value of materials recovered from RA bills issued on cost recovery basis by APSPDCL & APEPDCL is liable to tax under RCM as per Notification No.13/2017 Central Tax (Rate) dated 28.06.2017 or not?

F Facts

The applicant is engaged in electrification works, including the construction of indoor sub-stations and erection of lines, under contracts with APSPDCL and APEPDCL. These contractees recover the cost of certain materials supplied to the applicant from the Running Account (RA) bills. The applicant sought clarification on the status of the contractees, the applicable GST rate, and the taxability of the cost-recovered materials under Reverse Charge Mechanism (RCM).

H Ruling

Status of APSPDCL & APEPDCL	They are Government Entities.	Based on 100% share capital held by the Government of Andhra Pradesh.
Applicable GST rate	18% (9% CGST + 9% SGST).	Concessional rate of 12% is not available.
Applicable Notification	Entry no. (ii) of S.No.3 of the table of Notification No.11/2017 - Central Tax (Rate), dated 28th June 2017.	As amended from time to time.
Taxability of cost-recovered materials	Includible in the taxable value of supply.	Not liable under RCM; governed by Section 15(2)(b) of the CGST Act.

The Authority held that APSPDCL and APEPDCL qualify as Government Entities. It ruled that the applicant is not entitled to the concessional 12% GST rate and must discharge tax at 18%. Furthermore, it determined that the value of materials recovered on a cost-recovery basis must be included in the taxable value of the supply.

R Reasoning

The Authority concluded that APSPDCL and APEPDCL are Government Entities because they are wholly owned by the Government of Andhra Pradesh. It determined that the works contract services provided do not qualify for the concessional 12% rate under Notification No. 24/2017-Central Tax (Rate) and are instead taxable at 18% under Notification No. 11/2017. Regarding cost recoveries, the Authority relied on Section 15(2)(b) of the CGST Act, 2017, stating that amounts incurred by the recipient but not included in the price must be added to the taxable value. It clarified that RCM is not applicable to these specific cost recoveries.

P Provisions Relied On

Section 2(119) of the CGST Act, 2017	Section 15(2)(b) of the CGST Act, 2017
Section 97 of the CGST Act, 2017	Section 98 of the CGST Act, 2017
Notification No. 11/2017 - Central Tax (Rate)	Notification No. 24/2017 - Central Tax (Rate)
Notification No. 31/2017 - Central Tax (Rate)	Notification No. 13/2017 - Central Tax (Rate)

! For the Practitioner

This ruling confirms that state-owned power distribution companies in Andhra Pradesh are **Government Entities**. It serves as a precedent that cost-recovered materials in works contracts are **includible in the taxable value** under Section 15(2)(b) rather than being subject to RCM. Practitioners should note that the **concessional 12% rate** is strictly limited and not applicable to these specific electrification works.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> aar_no.33-2019_gvs_projects.pdf

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