Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited

Authority for Advance Ruling — Madhya Pradesh

11/2018 Dated **27.08.2018**

Q Questions Before the Authority

- Whether clause(vi)(a) of Sr. No. 3 of table of Notification No. 11/2017-Central Tax(Rate) dated the 28th June, 2017 is applicable on the works contract undertaken by it. And determination of liability to pay Tax.

F Facts

The applicant, a government-owned electricity distribution company, executes various infrastructure and power distribution projects including rural electrification under schemes such as DDUGJY, IPDS, Saubhagya Yojna, and ADB-funded projects through contractors. The work involves composite supplies of materials and erection for electricity lines and sub-stations. The applicant sought an advance ruling to determine whether its works contracts qualify for a concessional GST rate meant for Government Entities.

H Ruling

Applicability of concessional GST rate of 12% under Notification No. 11/2017-CT(R) Entry 3(vi) for works contracts	**Not applicable; subject to **18% GST** (9% CGST + 9% SGST)**	Infrastructure constructed is used for business purpose (sale of electricity)

The authority held that the applicant is **not entitled to the concessional GST rate of 12%** under Notification No. 11/2017-Central Tax (Rate) as amended. The projects undertaken are for constructing distribution lines and infrastructure predominantly meant for the commercial sale of electricity. Therefore, the applicable GST rate on the works contracts executed for these projects is **18% (9% CGST and 9% SGST)** .

R Reasoning

While the applicant satisfies the definition of a **Government Entity** , entry 3(vi) of Notification No. 11/2017-Central Tax (Rate) (as amended by Notification No. 24/2017-CT(R) and Notification No. 31/2017-CT(R)) requires that the construction services be predominantly for use **other than for commerce, industry, or any other business or profession** . According to the Memorandum of Association, the applicant's primary object is the business of purchasing, selling, and distributing electricity. Because the infrastructure created under government schemes is used for selling electricity, the works contracts are for a commercial purpose and attract the standard rate of 18% GST.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

P Provisions Relied On

- Section 2 of CGST Act, 2017
- Section 97(2) of CGST Act, 2017
- Entry 3(vi) of Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017
- Notification No. 20/2017-Central Tax (Rate) dated 22.08.2017
- Notification No. 24/2017-Central Tax (Rate) dated 21.09.2017
- Notification No. 31/2017-Central Tax (Rate) dated 13.10.2017
- Notification No. 46/2017-Central Tax (Rate) dated 14.11.2017
- Notification No. 01/2018-Central Tax (Rate) dated 25.01.2018

! For the Practitioner

The ruling establishes that government ownership alone does not qualify a project for concessional GST rates under Entry 3(vi) of Notification No. 11/2017-CT(R). If the infrastructure built by a **Government Entity** is used for a **business purpose** such as electricity supply and distribution, the regular 18% GST rate applies.

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 -> final oreder mppkvvcl.pdf

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