

Office of the Commissioner of the State Goods and Service  
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Dtd : 20/12/2018

From

The Joint Commissioner (General)

To

The Commissioner for Rural Development  
Commissionerate for Rural Development,  
Swaraj Bhavan, Nanthancode  
Thiruvananthapuram- 695 003.

Sir

Sub: SGSTD- Clarification regarding GST on Implementation of  
Watershed Works - reg.

Ref: Letter No. 214/SLNA-02/2017 dated 07/11/2018 f that office.

Please refer to the above whereby clarification regarding GST on Implementation of Watershed Works has been sought. The clarification is furnished as follows:

In GST, the liability of Government Departments is in two scenarios

1. TDS liability
2. Tax payer liability.

TDS liability is applicable as per Section 51 of the KSGST Act 2017, if the inward taxable supply value exceeds Rs.2.5 lakhs per contract. Currently the liability to deduct TDS is applicable only if the supplier is a registered taxable person under the GST Act as per SOP on TDS released by Law Committee of GST Council. In the instant case the contracts executed through unregistered beneficiary committees will have no TDS liability.

Tax payer liability for the Department will happen only if the Department is supplying goods or services attracting GST. In the instant case, there is no such scenario. Hence no liability for the Department to take tax payer registration. However, the beneficiary committees who execute the work being a separate legal person, is liable to take registration and pay tax if the aggregate annual turnover in a financial year exceeds 20 lakhs rupees, subject to the condition that the works contract is executed is taxable under GST Act.

The major tax rates in relation to the nature of work given in the request with their applicable tax rate is described below:

I/36217/2018

As per serial number 3 of KSGST notification No. SRO 371/2017, Pure services (excluding works contract service or other composite supplies involving supply of any goods) provided to the Central Government, State Government or Union territory or local authority or a Governmental authority by way of any activity in relation to any function entrusted to a Panchayat under Article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution are exempt from GST. Minor irrigation, water management and watershed development are coming under article 243 G of the Constitution of India.

Composite supply of goods and services in which the value of supply of goods constitutes not more than 25 per cent of the value of the said composite supply provided to the Central Government, State Government or Union territory or local authority or a Governmental authority or a Government Entity by way of any activity in relation to any function entrusted to a Panchayat under article 243G of the Constitution or in relation to any function entrusted to a Municipality under article 243W of the Constitution are exempt from GST.

As per notification No. S.R.O 724/2017, composite supply of works contract as defined in clause (119) of section 2 of the Central Goods and Services Tax Act, 2017, involving predominantly earth work (that is, constituting more than 75% of the value of the works contract) provided to the Central Government, State Government, Union territory, local authority, a Governmental Authority or a Government Entity will attract tax at the rate of 5%.

As per notification No. S.R.O 705/2017, Composite supply of works contract as defined in clause (119) of section 2 of the Central Goods and Services Tax Act, 2017, supplied to the Government, a local authority or a Governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of, canal, dam or other irrigation works; pipeline, conduit or plant for (i) water supply (ii) water treatment, or (iii) sewerage treatment or disposal will attract GST @ 12%.

For any information relating to changes in the tax rate, notifications issued from time to time [www.cbic.gov.in](http://www.cbic.gov.in) / [www.keralataxes.gov.in](http://www.keralataxes.gov.in). may be verified

The FAQ provided by this department can be accessed through the following URL

'<http://keralataxes.gov.in/2017/08/21/faq-for-government-departmentslocal-authorities-and-other-line-departments/>'.

Yours faithfully,

THYAGARAJABABU B S  
JOINT COMMISSIONER