

Claims due to Changes in Taxation Regime (GST) for Construction Projects

Masin standard work plan for providing engineering and construction claims analysis and expert testimony services is to use a “phased approach.” Our task assignments are dependent on the work already performed by our client, the availability of project documentation, the issues in dispute, and the timing of required work products that are defined by the arbitration/ litigation schedule. Therefore, we can make any necessary adjustments to our typical work tasks described herein.



Masin provides a combined approach to damages quantification, integrating its engineering, accounting, and financial professionals.

Preface

In Construction Industry, where Contracts involve hundreds of crores of Rupees, the Change in Law with GST implementation, has not only created an un-certainty over business transactions, but has great potential to impact on financials/ cash flow of ongoing projects.

Thus, in Construction Contracts where Indirect Taxes ranges to the extent of 15% to 25% of Project Value, doing impact assessment of GST regime and filing of Claims is need of the hour. Contractors getting delayed in filling such claims might be in violation of the notification clause and may end up loosing crores of rupees.



We at Masin Projects, a Claim & Contract Management consultancy firm, provide expert services to various Construction & Infrastructure in Buildings, Oil & Gas, Highways Energy, Power domains. Our Financial and Commercial Experts can support Construction Companies in identifying, assessing, analyzing and filing the Change in Law Claims due to implementation of GST regime. Our Taxation and Contract specialists are doing this for many construction contractors and can do the same for you also.

GST Impact on Construction Contracts

Most of the companies have started for GST implementation study and will be well versed with the GST rates, filing of returns, carry forward of Cenvat credit and other transition provisions of GST laws. However in the EPC industry, Claims due to change in law plays a vital role for the Employers (Owner of the project) as well as for the Contractors, Sub contractors and sub vendors.

Contracts are normally awarded having lump sum value including the cost of indirect tax. Generally, values of included indirect taxes have to be mentioned in a separate annexure of the price schedule. Nonetheless, in most of the contracts one can find a number of instances where some of the indirect tax cost has not been mentioned separately in the price schedule depending upon case to case basis.

Further it would need an extensive exercise to determine the value of indirect taxes included in the billed value of the contract till the date of GST come into force (Cut off date) and GST liability for unbilled value/value of work done vis a vis total cost of indirect tax mentioned in the contract subject to change in law clauses and other terms of the contract. After detailed analysis and extensive working, Contractor can file the claims of differential cost due to change of tax regime, which may be referred as GST claims.

