

2nd Workshop on

Impact of GST on EPC and Construction

May 5, 2017, Park Hyatt, Hyderabad

Organiser:

**Indian
Infrastructure**

Supported by:



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IMPACT OF GST ON EPC AND CONSTRUCTION

Background and Mission

- With the Rajya Sabha passing the Constitutional Amendment Bill for the Goods and Services Tax (GST) in August 2016, the ball has been set in motion for the introduction of the biggest tax reform in India.
- The cabinet also notified the Goods and Services Tax Council in September 2016, which will decide on the tax rate, exempted goods and the threshold under the new taxation regime. The council has had several meetings since, though the progress has been uneven. It has finalised a four-rate tax structure of 5 per cent, 12 per cent, 18 per cent and 28 per cent. Further, the revised drafts of the Model GST Law, Integrated GST Law and GST Compensation Law have been released after incorporating suggestions from stakeholders.
- However, the council has still not been able to reach a consensus regarding the issue of dual control between the centre and the state. It, therefore, seems difficult for the GST Bill to be passed in the winter session of Parliament. This also casts uncertainty over the April 1, 2017 deadline. Further, there is a lot of uncertainty regarding the taxation rates, the registration threshold for states, the taxation of interstate trade, and the compensation to states for revenue loss.
- The new tax regime, which proposes to amalgamate various indirect taxes and bring all goods and services under a single GST, may make things simpler for EPC and construction firms engaged in both manufacturing of goods and rendering of services. They currently pay both excise duty and service tax but will now pay a single tax because of the uniform treatment of all aspects of "works contracts".
- With the roll-out of GST, all work contracts (including EPC contracts) are proposed to be taxed as services. The GST rates and provisions, such as place of supply rules (or place of provision of service), will apply to works contracts as applicable on services. A probable benefit of this could be that the tax will now be charged on the actual contractual base. In some cases, the new regime will mean avoidance of double taxation because of the single tax structure and tax credit being available at each stage of production. However, the restriction on availing of credit on goods and work contract services used for setting up infrastructure project continues. According to the Model GST Law, no credit can be taken on goods and services in the "execution of works contracts", which results in the construction of immovable property. So, there remains ambiguity with respect to availing of such tax credits.
- Further, under the new regime, both interstate and intra-state sales would be subject to a creditable system. This was not the case earlier, when interstate sales were not creditable, so the contactors sought to structure "in-transit" sales, which was questioned by the tax authorities. GST could thus also reduce tax disputes and litigation.
- Moreover, EPC contracts will be affected by the impact of GST on materials, equipment as well as technology suppliers.
- One of the crucial raw materials for construction, cement, stands to benefit from the implementation of GST. The tax rates for the cement sector are expected to decline to 18-20 per cent under GST, as against the existing tax rates of 27-32 per cent. The sector is also expected to benefit from the lower cost of logistics under the new regime.
- EPC players must begin preparing for GST implementation, if they have not done so already. They need to analyse the provisions of the draft law in detail, conduct impact assessment studies, review contracts, renegotiate where needed, upgrade their systems and make representations.
- **In this context, Indian Infrastructure is organising a workshop to examine the impact of GST on different aspects of EPC and construction. The workshop will also highlight the key unresolved issues and discuss the way forward. It will provide an opportunity for the industry to interact with legal/tax experts, seek their opinion and discuss strategies.**

Organisers

*The conference is being organised by **India Infrastructure Publishing**, the leading provider of information on the infrastructure sectors through magazines, newsletters, reports and conferences. The company publishes **Indian Infrastructure** magazine. It also publishes a series of research reports including **Ports in India, Airports Development in India, Road Development in India, Construction in India, Construction Materials Market, Tunnelling in India, and Bridges, Flyovers and Elevated MRTS Structures.***

AGENDA/STRUCTURE

GST BASICS

- ❖ What are the key features of GST?
- ❖ What are the key positives and potential benefits?
- ❖ What will be the areas of greatest impact?
- ❖ What are the key concerns and challenges?
- ❖ What are the unresolved issues?
- ❖ Etc., etc.

GST TIMELINES

- ❖ What are the key steps in the GST implementation process?
- ❖ What are the key milestones?
- ❖ Is the July 1, 2017 deadline realistic?

GETTING READY FOR GST

- ❖ What should be the key elements of an impact assessment study?
- ❖ Which contracts need to be reviewed?
- ❖ What are the new compliance requirements?
- ❖ Which systems need to be upgraded?
- ❖ Etc., etc.

IMPACT ON PROJECT OWNERS/DEVELOPERS

- ❖ What will be the impact of GST on project owners/developers?
- ❖ What will be the change in project costs?
- ❖ Will any contracts need restructuring?
- ❖ What are the key concerns and unresolved issues?

IMPACT ON EPC FIRMS

- ❖ What will be the impact of GST on EPC firms?
- ❖ What will be the impact on contract value?
- ❖ What will be the impact on the sub-contracting market?
- ❖ What are the key concerns and unresolved issues?
- ❖ Etc., etc.

IMPACT ON CONTRACT STRUCTURING

- ❖ What changes will be required in the existing contracts (change of law, transfer of title/ownership, indemnities and obligations, etc.)?
- ❖ Will it make sense to split contracts? What could be the potential challenges in doing so?
- ❖ Will the bid evaluation criteria need to be changed?

IMPACT ON EQUIPMENT MANUFACTURERS

- ❖ What will be the impact of GST on equipment manufacturers?
- ❖ Will there be any impact on equipment costs?
- ❖ Will they be able to pass through any of the increased taxation costs?
- ❖ What are the key concerns and unresolved issues?
- ❖ Etc., etc.

IMPACT ON RAW MATERIAL SUPPLIERS (CEMENT, STEEL, ETC.)

- ❖ What will be the impact of GST on key raw material suppliers?
- ❖ What will be the impact on costs?
- ❖ Will they be able to pass through any of the increased taxation costs?
- ❖ What are the key concerns and unresolved issues?
- ❖ Etc., etc.

Target Audience

- The conference is primarily targeted at managers handling the taxation, legal, commercial and finance functions:
 - Project developers
 - Equipment manufacturers
 - Construction companies
 - EPC firms
 - Raw material suppliers (cement, steel, etc.)
 - Etc.
- The conference will also be useful for:
 - Tax advisory firms
 - Legal firms
 - Financial institutions
 - Commercial banks
 - Industry analysts
 - Management consultants

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Registration Form

I would like to register for the conference. I am enclosing Rs _____ vide cheque/demand draft no. _____ drawn on _____ dated _____ in favour of **India Infrastructure Publishing Pvt. Ltd.** payable at New Delhi.

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Three delegates	50,000	7,500	57,500	1,045
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• To register online, please log on to <http://indiainfrastructure.com/conf.html>

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