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Professional Opportunities in Indirect Taxation - Works Contract Industry Industry

This presentation outlines the opportunities for Chartered Accountants (CAs) in the indirect taxation landscape, focusing on the works contract industry. We will delve into the intricacies of works contracts, the applicability of Goods and Services Tax (GST) on these contracts, and the associated compliance requirements for CAs.

Overview of Works Contract

1

Agreement

A written agreement outlines the terms and conditions of the contract, specifying the scope of work, payment terms, and delivery timelines.

2

Execution

The contractor executes the work as per the agreement, utilizing labor, materials, and technical expertise to deliver the specified project.

3

Completion

Once the work is completed according to the agreed standards, the contractor receives contractor receives payment from the client, signifying the successful completion of completion of the contract.

Works Contract Industry Pre-GST

Before the implementation of Goods and Services Tax (GST) in India, the works contract industry was subject to a complex and fragmented taxation system. This system involved a combination of Central Excise, Service Tax, and State Value Added Tax (VAT), leading to significant compliance complexities and tax burden for businesses.

Works Contract Industry Post GST

1

GST Implementation

GST introduced a unified tax structure, simplifying the taxation of works of works contracts by subsuming various taxes.

2

Consolidated Tax

GST is a single tax levied on the entire value of the works contract, contract, including both goods and services. Works contract is considered considered as service unlike pre-GST

3

Harmonized Rates

GST has a standardized rate structure across India, providing uniformity uniformity and clarity.

Works Contract Industry

Definition

It means a contract for building, construction, fabrication, completion, completion, erection, installation, installation, fitting out, improvement, improvement, modification, repair, repair, maintenance, renovation, alteration or commissioning of any any immovable property where in in transfer of property in goods (whether as goods or in some other other form) is involved in the execution of such contract.”

Scope

The industry encompasses various sectors like infrastructure, real estate, Elevator and escalator etc. offering diverse opportunities for CAs.

Growth

The works contract industry is a dynamic and growing sector in India India providing a fertile ground for for CA professionals.

Valuation of Works Contract Under GST Under GST

Valuation of a works contract service is dependent upon whether the whether the contract includes transfer of property in land as a part of part of the works contract. In case of supply of service, involving transfer involving transfer of property in land or undivided share of land, as the land, as the case may be, the value of supply of service and goods goods portion in such supply shall be equivalent to the total amount amount charged for such supply less the value of land or undivided undivided share of land, as the case may be, and the value of land or land or undivided share of land, as the case may be, in such supply shall supply shall be deemed to be one third of the total amount charged for charged for such supply.

(a) consideration charged for aforesaid service; and

(b) amount charged for transfer of land or undivided share of land, as the case may be case may be

Input Tax Credit For Works Contract

Eligibility

Section17(5)(c) of CGST Act states that Input tax credit shall not be available in works contract services when supplied for construction of an immovable property (other than plant and machinery) except where it is an input service for further supply of works contract service

1. In case where works contract is a sub-contractor, main contractor can claim the credit on tax paid on SUB-CONTRACT i.e. input service for further supply of WCS

2. In case of works contract of plant and machinery, service receiver can claim credit on tax on that works contract of plant and machinery.

3. In other cases, Input tax credit shall not be available for service receiver i.e. tax paid on works contract cannot be claimed by service receiver.

How it is different from other Industries under GST

Works Contracts	Other Industries
Goods and services are bundled together and known as service	Goods and services are generally treated separately.
Taxable value is based on the total total contract value.	Taxable value is calculated on the individual supply of goods and services.
Accounting for revenue recognition is done on percentage of completion method Ind AS 11	Accounting for revenue recognition is done on the basis of Ind AS 18

Challenges Post GST

1

Case 1

Applicability of lower rate of tax that is 12% during the period July 2017 to July 22

2

Case 2

eligibility of ITC for certain materials used in works works contract

3

Case 3

Difference between Plant and machinery and Immovable property

4

Case 4

Reconciliation between GST turnover and statutory turnover

Opportunities for Chartered Accountants (CAs)

Chartered Accountants (CAs) play a vital role in navigating the complexities of indirect taxation in the works contract industry.

1. **Tax Planning and Advisory**

   CAs provide expert advice on tax optimization strategies, helping businesses minimize minimize their tax liabilities and maximize their profitability.

2. **Compliance Management**

   CAs assist businesses in complying with all relevant tax laws and regulations, including including GST filing, tax audits, and dispute resolution.

3. **Financial Reporting**

   CAs ensure accurate and transparent financial reporting, ensuring compliance with compliance with accounting standards and tax regulations.

4. **Auditing and Assurance**

   CAs perform independent audits of financial records to provide assurance on the on the accuracy and reliability of financial statements.

Key Statistics and Trends

1

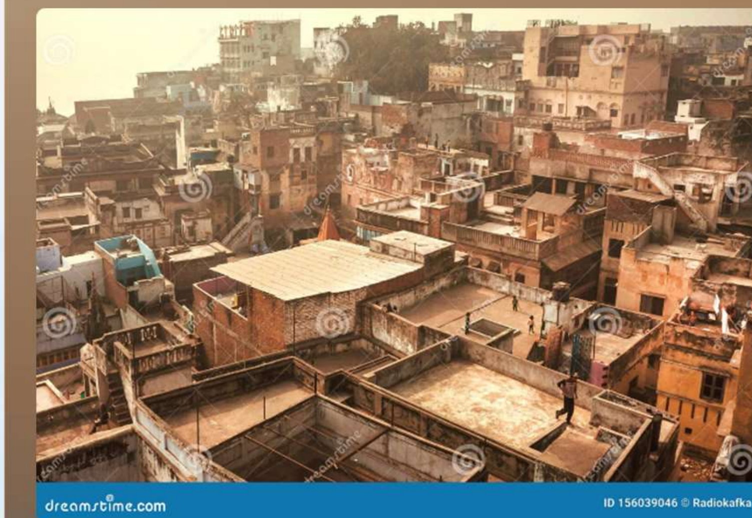
Growing Sector

The Indian construction industry is expected to grow at a CAGR of 5.4% during 2023-2027, driven by 2027, driven by rising urbanization and infrastructure development.

2

Government Initiatives

The Indian government has launched several initiatives to boost the construction sector, such as the sector, such as the Pradhan Mantri Awas Yojana (PMAY).



Compliance Requirements for Works Contracts Contracts

Businesses involved in works contracts must adhere to strict compliance requirements under GST legislation.

1

Registration

Businesses must register under GST if their turnover exceeds the threshold limit.

2

Invoice Issuance

Every works contract must be accompanied by a GST-compliant invoice, providing details of the goods and services supplied.

3

Returns Filing

Businesses are required required to file periodic periodic GST returns, reporting their sales, purchases, and tax liabilities.

4

Payments

GST liability must be paid to the government government on a regular basis.

Audit and Assessments in Works Contracts

The tax authorities have the power to conduct audits and assessments of businesses involved in works contracts to ensure compliance with GST regulations.

Scrutiny

Audits may involve examining financial records, invoices, and other documentation to verify the accuracy of accuracy of GST returns and ITC claims.

Compliance Verification

Tax authorities assess the compliance of businesses with GST laws and regulations, identifying any any discrepancies or non-compliance.

Tax Assessments

Assessments are conducted to determine the final tax liability of businesses, taking into account any adjustments or penalties arising from audits.

Conclusion and Key Takeaways

Indirect taxation in the works contract industry presents both opportunities and challenges.

Tax Planning

Proactive tax planning can help businesses minimize their tax liabilities and optimize their profitability.

Compliance

Adherence to GST laws and regulations is crucial to avoid penalties and ensure smooth business operations.

Expertise

Seeking expert advice from chartered accountants is essential for navigating the complexities of indirect taxation in the works contract industry.

Industry Insights

Staying abreast of changes in GST legislation and industry practices is crucial for remaining compliant and competitive.


THANKS