



PMC Cell – MM

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Sub: Optimizing the incidence of Indirect Tax without affecting the Operational Efficiency in LSTK Contracts.

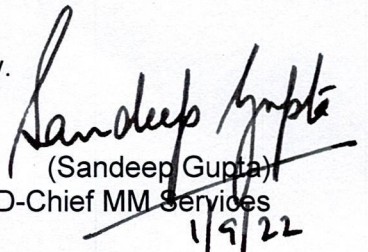
Reference is invited to PMC Circular 64/2020, vide which guidelines for optimizing the incidence of Indirect Tax without affecting the Operational Efficiency in LSTK and FPSO contracts was issued.

Subsequently, for imported Goods, vide Custom notification 40/2022-Customs dated 13.07.2022, concessional rate of Custom duty has been increased from 5% (BCD-Nil and IGST@5%) to 12% (BCD-Nil and IGST@12%). Similarly, for domestic supplies, vide GST Rate Notification-08/2022 dated 13.07.2022, concessional rate of GST has been enhanced from 5% to 12%. This increase in rate of GST will not have any effect on the guidelines issued for FPSO contracts.

With the above amendment in GST rates, in case of LSTK Contracts in Offshore, the GST rate applicable on supply of Goods is same as that applicable on Offshore Works Contract Service (composite supply of goods and services) at 12%. Therefore, examination of methodology as suggested in PMC Circular 64/2020 for LSTK Contracts in Offshore locations from the perspective of optimization of Tax incidence, will not be applicable.

Further, since GST rate applicable on supply of Goods and Onshore Works Contract Service (composite supply of goods and services) are different at 12% and 18% respectively, for LSTK contracts on Onshore Locations, the guidelines issued vide PMC Circular 64/2020 shall continue to be applicable.

All concerned are advised to follow the above guidelines meticulously.


(Sandeep Gupta)
ED-Chief MM Services
1/9/22

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