



PM Cell – MM

# Oil and Natural Gas Corporation Ltd

Corporate Materials Management

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## Sub: Optimizing the incidence of Indirect Tax without affecting the Operational Efficiency in LSTK and FPSO contracts

EC in its 547<sup>th</sup> meeting held on 14.10.2020, *inter-alia*, deliberated to optimise the incidence of indirect tax without affecting the operational efficiency in LSTK Contracts and FPSO contracts and decided as under:

### i) LSTK Contracts:

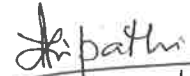
Considering the issue of project management under LSTK contracts, it was opined to continue with the existing tendering process with single point responsibility. However, in case of LSTK contracts with substantial value of material (say, more than 46% in case of Offshore works contract), if the work centre adopts the methodology of inviting single tender with separate scope of work & price format for goods and for services without cross fall breach clause, the material part will attract GST@5%, presently, against EC issued by DGH. Here, Bidders have the option to quote for supply of goods or for services or both. In such case the material would be issued on free-issue basis to the Service Contractor. Accordingly, the possibility of providing material of high/substantial value on free issue basis in the contracts shall be examined by work centres while working out strategy for execution of LSTK contracts.

The structure of contract / tender shall be deliberated during sanctioning process. If split structure is recommended, approval from Director(Offshore) / Director(Onshore) as applicable be obtained on case to case basis in LSTK contracts before sending the indent to MM for processing tender which will be prepared accordingly. In case where clarity/ view for splitting is firmed up later, process will be run on split with the approval of concerned Director.

ii) FPSO: As per amendment to GST-Rate Notification effective from 01.10.2019(Notification no. 19/2019- IGST(Rate) dated 30.09.2019), the 'Charter Hiring of FPSO with Operator' was, *inter-alia*, made to attract GST @18% whereas 'Charter Hiring of FPSO without Operator' was to attract 5% GST.

Therefore, approval from Director (Offshore) in consultation with Director (Finance) be obtained in the case of FPSO for entering in to separate contracts for leasing and for operation of FPSO after holistic examination of operational issues, direct and indirect costs and overall liabilities of ONGC, on case to case basis.

Above guidelines should be meticulously followed by all concerned.

  
07/12/2020  
(A P Tripathi)

ED-Chief MM Services

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1. EO to CMD, ONGC, New Delhi.
2. CEA to Director (F)/ Director (Offshore)/ Director (Exploration)/ Director (HR)/ Director (T&FS)/Director (Onshore), New Delhi.
3. CVO, ONGC, New Delhi.