File No. Pr-23025/17/2023-O/o PD (UP) NMCG
Government of India, Ministry of Jal Shakti
D/o Water Resources, River Development and Ganga Rejuvenation
National Mission for Clean Ganga
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1st Floor, Major Dhyanchand National Stadium
India Gate, New Delhi – 110002
Date: 04/06/2025

CIRCULAR

Subject: Comprehensive Guidelines on the applicability of Goods and Services Tax (GST) in the Projects taken up on Hybrid Annuity Based PPP model under Namami Gange Programme.

Ref.:

1. The Central Goods and Services Tax Act, 2017
2. Circular No. 150/06/2021-GST dated 17/06/2021 by DOR, MOF
3. Circular No. 221/15/2024-GST dated 26/06/2024 by CBIT&C, DOR, MOF

Madam/Sir,

Various representations have been received have been received from Concessionaires for the projects taken up on Hybrid Annuity Based PPP Model (HAM) under Namami Gange programme pertaining to GST and payment of the GST on the 'Interest on Balance Capex Annuity'.

2. The matter has been examined in light of the references cited above. Comprehensive guidelines regarding GST applicability for the HAM projects taken up under Namami Gange programme have been developed for the below mentioned 3 (three) cases of projects where the Bid Submission Date (BSD) is:

   Case 1 – BSD before 01st July 2017;
   Case 2 – BSD on or between 01st July 2017 and 31st March 2025; and
   Case 3 – BSD is after 31st March 2025.

3. The comprehensive GST applicability guidelines for the above mentioned three cases are placed at Annexure 1, Annexure 2 and Annexure 3 respectively.
4. The executing agencies are accordingly advised to (i) regulate the GST claims from the concessionaires in accordance with these guidelines subject to the provisions under Concession Agreement clause on 'Change in Law'; (ii) recommend and seek approval of NMCG for GST claims on Capex in respect of projects tendered before 01st July 2017 (Case 1).
5. It is emphasised that the concessionaire shall not gain any profit from the statutory (GST) payments. NMCG reserve the right to make recovery from Concessionaires in cases where such profiteering from GST is established.
6. The circular may also be sent to the concerned Concessionaires and Project Engineers.
7. This issues with the approval of the Director General, National Mission for Clean Ganga.

04.06.2025
(Brijendra Swaroop)
Executive Director (Projects), NMCG

Enclosure: As Above

To,

1. SPMG-Uttarakhand, Bihar, West Bengal, Jharkhand, SMCG-UP,
2. MD-UKPJN, MD-UPJN(R), MD-BUIDCo, MD-JUIDCo, CEO-KMDA, DG-KMC

Internal Distribution: -

1. PS to DG, NMCG/ PS to ED(P)/ PS to ED(F)/ Dr. Pravin Kumar Dir(T), NMCG

Case 1 – Project where Bid Submission Date (BSD) is before 01st July 2017 (bid cost include other taxes except GST; GST payments under Case 1 projects will require due prior approval from NMCG.)

Assumptions for Illustrative Calculations

- Quoted Bid Project Cost (**BPC**) – ₹1000
- Quoted O&M Cost, excluding power, per Month (**OMC**) - ₹10
- Other Included Taxes in BPC ((**OITC**)– 5% (=0.05)
- Other Included Taxes in O&M ((**OITM**)– 5% (=0.05)
- If number of Construction milestones are 'n', i.e. M_1, M_2, M_3, ..., M_n, the value of each milestone (**MV**) shall be '40% / n' of BPC
- No. of Construction Milestones (**M**) – 4 Nos. represented as M_1, M_2, M_3, and M_4, each of 10% of BPC; MV for 4 milestone project = 40%/4 of BPC = 10% of BPC = 0.1*BPC
- Construction Phase Price Index Multiple (**PIMC**) - at different milestones: $PIMC_1$ – 1.02; $PIMC_2$ – 1.05; $PIMC_3$ – 1.07; and $PIMC_4$ – 1.10
- Operation Phase Price Index Multiple at various quarters [**PIMO(Q1)**, PIMO (Q2),...PIMO(Qn),... PIMO(Q60)]; PIMO(Q1) =1.06
- Applicable interest rate (**AIR**) = SBI MCLR (annual tenor) +3% =10% per annum
- Applicable GST Rate (**AGR**[1])= 18%
- O&M Period in the contract – 15-years = 60-quarters (i.e. Q1, Q2,....Qn,...Q60)

Project Bid Features ➡ **Invoice Component** ⬇	**Bids invited include all taxes but exclude GST (i.e. quoted BPC and O&M Cost include all taxes but exclude GST)**
GST on Capex Invoices (During the Construction Phase)	**GST as per applicable rates to be paid on 40% of the Bid Project Cost, adjusted for (i) other taxes like VAT, Service tax etc., included in BPC but later subsumed in GST; and (ii) price index variation.** **GST on nth construction Milestone** = BPC*MV*$PIMC_n$*0.18/(1+OITC)
	Example (GST Calculation for different milestones considering 4 milestones in the project) M_1: BPC*MV*$PIMC_1$*0.18/(1+OITC) = ₹1000*0.1*1.02*0.18/(1+0.05) =₹17.48 M_2: BPC*MV*$PIMC_2$*0.18/(1+OITC) = ₹1000*0.1*1.05*0.18/1.05 =₹18.00 M_3: BPC*MV*$PIMC_3$*0.18/(1+OITC) = ₹1000*0.1*1.07*0.18/1.05 =₹18.34 M_4: BPC*MV*$PIMC_4$*0.18/(1+OITC) = ₹1000*0.1*1.10*0.18/1.05 =₹18.86
GST on Capex Annuity Invoices (During O&M Phase)	**GST as per applicable rates to be paid on Capex Annuity [60% of the Bid Project Cost, adjusted for (i) other taxes like VAT, Service tax etc., included in BPC but later subsumed in GST; and (ii) price index variation].** **GST on nth quarter Capex Annuity = Adjusted BPC*0.6/60*AGR**
	Example **Adjusted BPC** = BPC*(PIM_1 + PIM_2 + ...PIM_N) / [n *(1+OITC)] Adjusted BPC = ₹1000*(1.02+1.05+ 1.07+1.1)/[4*(1+0.05)] = ₹1009.52 Capex Annuity (**CA**) = 0.6*Adjusted BPC = 0.6*1009.52 =₹605.71 **Qtrly CA** = CA/no. of quarter in 15-year O&M period = ₹605.71/60 = ₹10.09 GST on Capex Annuity = Qtrly CA * AGR = ₹10.09*0.18 = ₹1.82 per qtr.

[1] For the illustration purpose AGR has been assumed as 18%, however actual implications need to be worked out based on the then prevailing and applicable GST rates.

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Project Bid Features ➡ **Invoice Component ⬇**	**Bids invited include all taxes but exclude GST (i.e. quoted BPC and O&M Cost include all taxes but exclude GST)**
GST on Interest on Balance Capex Annuity (During O&M Phase)	**GST as per applicable rates to be paid on the Interest on Balance Capex Annuity. The Capex Annuity is as calculated above.** GST on interest in n^{th} Quarter (Qn) • BCA (Qn) = CA – Qtrly CA * (n-1) = ₹605.71-₹10.09*(n-1) • Interest on BCA (Qn) = BCA(Qn)*AIR/4 • GST on Interest = Int on BCA(Qn)*AGR
	<u>**Example**</u> **For 1^{st} Quarter (Q1)** Balance Capex Annuity (BCA) = ₹605.71 - ₹10.09*(1-1) = ₹605.71 Interest Balance Capex Annuity (INT) = BCA*AIR/4 = ₹605.71*0.1/4 = ₹15.14 GST on Interest = INT*AGR = ₹15.14*0.18 = ₹2.73 **For 2^{nd} Quarter (Q2)** BCA (Q2) = ₹605.71-₹10.09*(2-1)=₹595.62 Interest on BCA (Q2) = BCA(Q2)*AIR/4 = ₹595.62*0.1/4 = ₹14.89 GST on Interest = ₹14.89*0.18 = ₹2.68 And so on for further quarters
GST on O&M Cost Invoice (During O&M Phase, excluding power cost)	GST as per applicable rates to be paid on O&M Cost, adjusted for (i) other taxes like VAT, Service tax etc., included in BPC but later subsumed in GST; and (ii) price index variation.
	GST (Q1) = OMC*3*PIMO(Q1)*AGR/(1+OITM) =₹10*3*1.06*0.18/(1+0.05) = ₹5.45

Note: - GST claims from the Concessionaires will be examined keeping in view actual payment of OITC/OITM/GST by the Concessionaires.

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Case 2 – Project where BSD is on or between 01st July 2017 and 31st March 2025 (Bid Cost include applicable GST)

Assumptions for Illustrative Calculations

- Quoted Bid Project Cost (**BPC**) – ₹1000
- Quoted O&M Cost, excluding power, per Month (**OMC**) - ₹10
- If number of Construction milestones are 'n', i.e. M_1, M_2, M_3, ..., M_n, the value of each milestone (**MV**) shall be '40% / n' of BPC
- No. of Construction Milestones (**M**) – 4 Nos. represented as M_1, M_2, M_3, and M_4, each of 10% of BPC; MV for 4 milestone project = 40%/4 of BPC = 10% of BPC = 0.1*BPC
- Construction Phase Price Index Multiple (**PIMC**) - at different milestones: $PIMC_1$ – 1.02; $PIMC_2$ – 1.05; $PIMC_3$ – 1.07; and $PIMC_4$ – 1.10
- Applicable interest rate (**AIR**) = SBI MCLR (annual tenor) +3% =10% per annum
- Applicable GST Rate (**AGR**[2])= 18%
- O&M Period in the contract – 15-years = 60-quarters (i.e. Q1, Q2,....Qn,...Q60)

Project Bid Features ➡ **Invoice Component** ⬇	**Bids invited include GST (i.e. quoted BPC and O&M Cost include GST)** **Exclusion – 100 MLD Lucknow Part –II Phase –II project where bid invited (BPC) included GST on Interest on Balance Capex Annuity**
GST on Capex Invoices (During the Construction Phase)	No additional GST is to be paid as the 40% of the Bid Project Cost, adjusted for price index variation, is inclusive of GST.
GST on Capex Annuity Invoices (During O&M Phase)	No additional GST is to be paid as Capex Annuity (60% of the Bid Project Cost, adjusted for price index variation), inclusive of GST.
GST on Interest on Balance Capex Annuity (During O&M Phase)	GST as per applicable rates to be paid on the Interest on Balance Capex Annuity. The Capex Annuity is as calculated above. GST on interest in n^th Quarter (Qn) • BCA (Qn) = CA – Qtrly CA * No. of quarters till previous Quarter i.e. Q(n-1) = ₹636.00 - ₹10.60*(n-1) • Interest on BCA (Qn) = BCA(Qn)*AIR/4 • GST on Interest = Int on BCA(Qn)*AGR
	Example **Adjusted BPC** = BPC*(PIM_1 + PIM_2 + ...PIM_N) / n, Adjusted BPC = ₹1000*(1.02+1.05+ 1.07+1.1)/4 = ₹1,060.00 Capex Annuity (**CA**) = 0.6*Adjusted BPC = 0.6*1,060.00 =₹636.00 **Qtrly CA** = CA/no. of quarter in 15-year O&M period = ₹636.00/60 = ₹10.60 **For 1st Quarter (Q1)** Balance Capex Annuity (BCA) = ₹636.00 - ₹10.60*!1-1) = ₹636.00 Interest Balance Capex Annuity (INT) = BCA*AIR/4 = ₹636.00*0.1/4 = ₹15.90 GST on Interest = INT*AGR = ₹15.90*0.18 = ₹2.86 **For 2nd Quarter (Q2)** BCA (Q2) = ₹636.00 -₹10.60*(2-1)=₹625.40 Interest on BCA (Q2) = BCA(Q2)*AIR/4 = ₹625.40*0.1/4 = ₹15.63 GST on Interest = ₹15.63*0.18 = ₹2.81

[2] For the illustration purpose AGR has been assumed as 18%, however actual implications need to be worked out based on the then prevailing and applicable GST rates.

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	And so on for further quarters
	<u>Exclusion</u> – 100 MLD Lucknow Part –II Phase –II project where No additional GST is to be paid on Interest on Balance Capex Annuity.
GST on O&M Cost Invoice (During O&M Phase, excluding power cost)	No additional GST is to be paid as O&M Cost (adjusted for price index variation), inclusive of GST.

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Case 3 – Project where Bid Submission Date is after 31st March 2025 (Bid Cost exclude GST)

Assumptions for Illustrative Calculations

- Quoted Bid Project Cost (**BPC**) – ₹1000
- Quoted O&M Cost, excluding power, per Month (**OMC**) - ₹10
- If number of Construction milestones are 'n', i.e. M_1, M_2, M_3, …., M_n, the value of each milestone (**MV**) shall be '40% / n' of BPC
- No. of Construction Milestones (**M**) – 4 Nos. represented as M_1, M_2, M_3, and M_4, each of 10% of BPC; MV for 4 milestone project = 40%/4 of BPC = 10% of BPC = 0.1*BPC
- Construction Phase Price Index Multiple (**PIMC**) - at different milestones: $PIMC_1$ – 1.02; $PIMC_2$ – 1.05; $PIMC_3$ – 1.07; and $PIMC_4$ – 1.10
- Applicable interest rate (**AIR**) = SBI MCLR (annual tenor) +3% =10% per annum
- Applicable GST Rate (**AGR**[3])= 18%
- O&M Period in the contract – 15-years = 60-quarters (i.e. Q1, Q2,….Qn,…Q60)

Project Bid Features ➡ **Invoice Component** ⬇	**Bids invited exclude GST (i.e. quoted BPC and O&M Cost exclude GST)**
GST on Capex Invoices (During the Construction Phase)	GST as per applicable rates to be paid on 40% of the Bid Project Cost, adjusted for price index variation. GST on nth milestone = BPC*$PIMC_n$*AGR
	<u>**Example** (GST Calculation for different milestones)</u> M_1: BPC*MV*$PIMC_1$*0.18 = ₹1000*0.1*1.02*0.18 =₹18.36 M_2: BPC*MV*$PIMC_2$*0.18 = ₹1000*0.1*1.05*0.18 =₹19.66 M_3: BPC*MV*$PIMC_3$*0.18 = ₹1000*0.1*1.07*0.18 =₹20.04 M_4: BPC*MV*$PIMC_4$*0.18 = ₹1000*0.1*1.10*0.18 =₹20.60
GST on Capex Annuity Invoices (During O&M Phase)	GST as per applicable rates to be paid on Capex Annuity (60% of the Bid Project Cost, adjusted for price index variation). GST on quarterly Capex Annuity = Adjusted BPC*0.6*AGR/60
	<u>**Example**</u> **Adjusted BPC** = BPC*(PIM_1 + PIM_2 + …PIM_N) / n, Adjusted BPC = ₹1000*(1.02+1.05+ 1.07+1.1)/4 = ₹1,060.00 Capex Annuity (**CA**) = 0.6*Adjusted BPC = 0.6*1,060.00 =₹636.00 **Qtrly CA** = CA/no. of quarter in 15-year O&M period = ₹636.00/60 = ₹10.60 GST on Capex Annuity = ₹10.60*0.18 = ₹1.91 per qtr.
GST on Interest on Balance Capex Annuity (During O&M Phase)	GST as per applicable rates to be paid on the Interest on Balance Capex Annuity. The Capex Annuity is as calculated above. GST on interest in nth Quarter (Qn) • BCA (Qn) = CA – Qtrly CA * (n-1) = ₹636.00 - ₹10.60*(n-1) • Interest on BCA (Qn) = BCA(Qn)*AIR/4 • GST on Interest = Int on BCA(Qn)*AGR
	<u>**Example**</u> **For 1st Quarter (Q1)** Balance Capex Annuity (BCA) = ₹636.00 - ₹10.60*(1-1) = ₹636.00 Interest Balance Capex Annuity (INT) = BCA*AIR/4 = ₹636.00*0.1/4 = ₹15.90 GST on Interest = INT*AGR = ₹15.90*0.18 = ₹2.86 **For 2nd Quarter (Q2)** BCA (Q2) = ₹636.00 -₹10.60*(2-1)=₹625.40 Interest on BCA (Q2) = BCA(Q2)*AIR/4 = ₹625.40*0.1/4 = ₹15.63

[3] For the illustration purpose AGR has been assumed as 18%, however actual implications need to be worked out based on the then prevailing and applicable GST rates.

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	GST on Interest = ₹15.63*0.18 = ₹2.81 And so on for further quarters
GST on O&M Cost Invoice (During O&M Phase, excluding power cost)	GST as per applicable rates to be paid on O&M Cost, adjusted for price index variation.
	GST (Q1) = OMC*3*PIMO(Q1)*AGR = ₹10*3*1.06*0.18 = ₹5.72

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