

Clarification of exemption on services provided to the Government, a Local authority or a governmental authority with regard to water supply

On receipt of various representations by Board, wherein it has been informed that in majority of the cases contractors providing the service of construction of tube wells for the government have been considered as taxable service.

CBEC, referring to various exemptions given in mega exemption notification i.e. 25/2012 ST dated 20.06.2012 in respect of water supply has clarified that Serial No. 12(e) and Serial No. 25(a) of the mega exemption notification provides various exemptions in respect of water supply, wherein exemption will be available to the following services provided to the Government, a local authority or a governmental authority by way of:

- Construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, repair, renovation, alteration of pipeline, conduit or plant for (i) water supply (ii) water treatment; and
- Water supply.

It has been clarified that the word “water supply” is to be considered in general sense. It will involve providing the users, access to a source of water.

- ✓ Source may be natural or artificial like tanks, wells tube wells etc;
- ✓ Providing the users access to such a source will involve construction of source (if artificial) and transmission of water to the user.

Further, it will involve activities like drilling, laying of pipelines, valves, gauges etc. fitting out motor testing etc. so as to eventually result in the supply of water. Therefore, the word ‘plant’ has to be understood and interpreted with reference to the above context. A plant for water supply need not necessary involves a huge assembly of machinery and apparatus.

Thus the exemption under entries at Sl.no. 12(e) and 25(a) of the mega exemption notification shall cover wide range of activities/ services provided to a government, a local authority or a governmental authority and will include the activity of construction of tube wells.

[Circular No. 199/09/2016-ST dated 22.08.2016]