

राष्ट्रीय आदिवासी छात्र शिक्षा समिति

(जनजातीय कार्य मंत्रालय के अंतर्गत
एक स्वायत्त संस्थान, भारत सरकार)
भू-तल, गेट नंबर-3ए, जीवन तारा बिल्डिंग,
संसद मार्ग, नई दिल्ली-110001
दूर. 011-23340280



National Education Society for Tribal Students

(An Autonomous Organization under
Ministry of Tribal Affairs, Govt. of India)
Ground Floor, Gate No.3 A, Jeevan Tara Building,
Parliament Street, New Delhi-110001
Telephone No. 011-23340280
वेबसाइट/Website: www.tribal.nic.in
Email: nests-tribal@tribal.gov.in

F. No. NESTS/Civil/EMRS Order/140/2021-22(Pt.)
Comp No. 21655

Dated: 28/11/2023

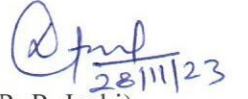
OFFICE ORDER

Sub: Calculation of PMC Charges, Contingencies and ESI/EPF Charge in the A/A & E/S or DPRs – reg.

A committee had been constituted in NESTS for taking a comprehensive view in all aspects (Legal, Financial, etc.) upon the calculation of PMC charges, Contingencies and ESI/EPF charge in the A/A & E/S or DPRs processed in the NESTS.

Committee had submitted their report (*annexed*) in which their point-of-view (*page#3 first paragraph*) has been mentioned, which shall be referred for guidance and compliance by officials/Consultants of NESTS dealing with Billing/finalization of Estimates of c/o EMRSs.

This issues with the approval of the Competent Authority.



(R. P. Joshi)

Executive Engineer

Encl:- As above.

Copy To:

1. PS to Commissioner, NESTS;
2. PS to Addl. Commissioner, NESTS;
3. Joint Commissioner/s (AS & BCR);
4. Deputy Commissioner (F);
5. A.C. (F);
6. All Consultants dealing with Technical & Financial matters.

REPORT

Sub: Calculation of PMC, Contingencies and ESI/EPF charge in the A/A & E/S or DPR – reg.

In terms of Office Order No. NESTS/Civil/EMRSOrder/140/2021-22(Pt.) dt. 22/06/2023 further amended on 30/06/2023, a committee has been constituted to take a comprehensive view in all aspects (Legal, financial, etc.) upon the calculation of PMC, Contingencies and ESI/EPF charge in the A/A & E/S or DPR.

Apropos to which, the meeting of the committee under the chairmanship of Sh. Bipin Raturi JC was convened on 07.07.2023 with a direction to provide report on the subject captioned above.

Following members were presented in the meeting:

- a) Sh Amit Sahu, DC (Finance)
- b) Sh B P Singh, Chief Tech. Consultant
- c) Sh ADP Keshri, Chief Tech. Consultant
- d) Sh Daya Nand, Chief Accounts Consultant
- e) CA. Avinash Gupta, Consultant - Finance

The matter was discussed at length covering all relevant issues.

Detailed Report

This is regarding the implementation of various charges viz. Contingencies, EPF, ESI, PMC etc. in the preliminary estimates / DPR etc. NESTS has adopted the procedure of CPWD manual in EMRS construction works. Preliminary Estimates are being received in this office from various units of the CPWD/States/PSUs for construction of EMRS at different locations in the country having different calculations of EPF, ESI, contingencies & PMC charges. It is essential to maintain the uniformity for calculation of these charges in the estimates submitted by the construction agencies to NESTS. CPWD is putting the charges of Contingencies, EPF, ESI etc. on the cost of construction including GST as applicable.

The present procedure adopted in NESTS is as under:

1. The expenditure against contingencies is incurred for actual claim against bill/voucher/invoice only against the provision made in the estimates on the actual cost including GST.
2. EPF & ESI are to be re-imbursed against actual amount paid to the contractor by the PSU. PSU has to re-imburse the charges to the contractor against production of challans/proof of payment etc.
3. As per clause 2.1 of agreement between NESTS and PSU, "The Construction Agency shall be paid service charges on the projects as approved/accepted by the Owner/client at the respective accepted rates for the states allocated to the CA, of the **actual cost of work (excluding contingency)** to cover all charges such as establishment, overheads etc. for planning/pre-construction activities and execution of works based on the architectural drawings/ structural drawings, specification etc. as approved by the NESTS (**as mentioned at Appendix-A**). The bid service charges shall be excluding the GST on the prevailing rates. The payment schedule and the terms of payment shall be as per **Appendix-B** of this agreement."

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Administrative approval & Expenditure sanction is being issued after taking calculations of PMC charges on the estimated cost of work after including GST, EPF & ESI etc. But payment of PMC charges is being done on the tendered cost of work excluding Contingencies, GST, EPF & ESI, as the actual cost of the work will be available after completion of the project. **The actual cost of work has not been defined in the agreement / revised agreement signed with PSUs.**

The A/A & E/S can be issued after making necessary provision in the estimates and DPR as per below example to maintain the uniformity in all cases:

1. Suppose Base cost of construction work	100.00	(A)
2. GST as applicable i.e. now 18%	18.00	
3. Cost of work including GST @ 18%	118.00	(B)
4. Add Contingencies @ 3% on (B)	03.54	(C)
5. Add EPF & ESI @ 4% on (B)	04.72	(D)
6. Total Cost of the work (B+C+D)	126.26	(E)
7. Add PMC charges as applicable suppose @ 3.5% on (A)	03.50	(F)
8. GST @ 18% on PMC Charges on (F)	00.63	(G)
9. Gross value of Project i/c PMC	130.39	(H)

So, the gross value of the project in the estimate comes to Rs. 130.39 P as per above example pl. If estimate is being prepared on basis of DSR 2021, in which GST @ 12% is already included, then then value of additional GST @ 6% should be included on the base cost to get the value/cost with GST @ 18% (B) as per applicability on the items in the estimate. In some cases, multiplying factor of CPWD i. e. @ 0.633% or 0.5357% has been adopted for computing the cost of work with GST from 12% to 18% but in many cases, it is not being applied by the PSUs in their claims of RA bills. It should also be uniformly as per direct calculations of GST in tax invoices.

Following procedure is being followed by CPWD/NESTS which is enumerated herein as below:

- a) **CPWD:** As per Modified Preliminary Estimate Document No. P.E. No.:50/PE/CE-HYD/2020-21 w.r.t. construction of EMRS building at Singareni, Distt. Khammam, Telangana (copy attached). As per their calculation statement, **they are also calculating contingencies @ 3% on total DPAR which is inclusive of GST.** Meaning thereby, they are not excluding GST component while deriving 3% contingencies amount. No PMC charges are being paid to the CPWD for EMRS construction works.
- b) **NESTS:** Initially, NESTS has made the payment of some PMC charges bills based on percentage as per accepted rates duly calculated on total cost of project which is inclusive of GST (excluding contingencies) at the applicable rates prevailing at that time. **But later on, NESTS has changed the calculation system of PMC. Presently, all payments w.r.t. PMC charges are being calculated on base amount i.e. excluding GST, contingencies, EPF & ESI.**

Further, while making the payment of PMC charges towards 2nd and subsequent RA bills, any extra payment, which was made at the time of releasing the 1st PMC bill, is being recovered/adjusted in subsequent bills.

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Page-3**Our point of view:**

Nests proposes to calculate all percentage-based payments like PMC Charges, Contingencies, ESI & PF in the following manner:

- (i) PMC charges should be calculated on base cost i.e. cost of work excluding GST, contingencies, PF & ESI.
- (ii) Contingencies should be calculated on cost of work including GST (Base cost +GST) as per CPWD norms, subject to reimbursement on actual basis, whichever is less.
- (iii) ESI & PF should be calculated on base cost + GST as applicable as per CPWD norms, subject to reimbursement on actual basis, whichever is less.

Basis thereof:

In our considerate opinion, the vendor is providing services on cost plus mark-up basis, on which it is charging GST at prevailing rates. The GST so collected by the vendor is in the nature of custodian of exchequers. No person should be benefited out of tax portion which they have collected on behalf of the Government. Charging anything on tax portion will lead to provide undue benefit/advantage to the service provider, which seems not justified and feasible. Moreover, NESTS is an unregistered dealer and can't avail ITC. If NESTS would be eligible to avail ITC of GST, then the cost of project would be automatically excluding GST. Further GST @ 18% is already being paid on PMC charges to PSUs.

Avinash Gupta, Consultant – Finance

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Daya Nand, Chief Accounts Consultant

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B P Singh, Chief Tech. Consultant

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ADP Keshri, Chief Tech. Consultant

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Amit Sahu, DC (Finance)

:



Bipin Raturi, JC (NESTS)

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