



**PUNJAB STATE TRANSMISSION CORPORATION LIMITED**

(Regd. Office: PSEB, Head Office, The Mall, Patiala-147001, Punjab, India)

Corporate Identity Number - U40109PB2010SGC033814,

Office of CFO, AO/Taxation, Shakti Sadan, Patiala

E-mail: [ao-taxation@pstcl.org](mailto:ao-taxation@pstcl.org), Tel/Fax No. 0175-2203637

**GST Circular no.03/2019**

To

All Addl. SEs/Sr. Xens/AOs (DDOs)  
Under PSTCL

Memo No: - 634/80/CFO/Taxation/38

Dated: -12.02.2019

**Sub: Levy of GST on Penalty charges recovered/deducted from suppliers/contractors.**

A letter has been received from the office of AO/CPC, PSTCL regarding applicability of GST on penalty charges recovered/deducted from suppliers/contractors. PSTCL enters into agreement for supply of material and services (both inward and outward) and penalty is imposed if the supplier/contractor/purchaser violate the terms and conditions of the contract/agreement. The matter has been examined and following instructions is issued for compliance by all DDOs:

**1. Penalty charged in case of Purchase of material/availing services**

**i) Penalty deducted from bills of vendors/suppliers/contractors for delay in delivery of material/completion of work**

Penalty is the amount deducted from the bill of vendors/suppliers/contractors for not fulfilling the terms & conditions of agreement/contract like late delivery of material etc. and penalty deducted is booked to income heads of PSTCL and if delay is condoned by the competent authorities, the penalty already deducted may be refunded.

In this case penalty charged/deducted for late delivery of material shall be considered as consideration received for supply of service for agreeing to tolerate an act or a situation as per Section 2(31) and clause 5(e) of Schedule II of the CGST Act, 2017 and GST is required to be levied @18% (HSN 9997) on amount charged/deducted as penalty.

**ii) In case of Penalty charged for acceptance of material/services which are not as per specifications of contract/agreement**

Penalty charged for non-supplying the material as per specifications is not covered above, as such penalty is required to be adjusted from the cost of material received/work and not to be booked to income heads of PSTCL.

**2. Penalty charged in case of Sale Orders**

**i) In case of Penalty charged for late payment**

In this regard it has been informed that penalty amount is charged from the purchasers of goods for late payment to PSTCL for the purchase and penalty charged is booked to income heads of PSTCL.

In this case it shall be included in the value of supply as per **Section 15 of the CGST Act, 2017** and taxable at the rate and HSN as applicable to supply of goods and services for which the penalty is charged.

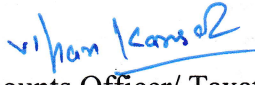
**ii) In case of penalty charged for delay in lifting of Material**

In this regard it has been informed that penalty amount is charged from the purchasers of goods for violating the terms and conditions of the contract/agreement e.g. delayed lifting of material etc. and penalty charged is booked to income heads of PSTCL.

In this case penalty charged for delay in lifting of material shall be considered as consideration received for supply of service for agreeing to tolerate an act or a situation as per Section 2(31) and clause 5(e) of Schedule II of the CGST Act, 2017 and GST is required to be levied @18% (HSN 9997) on amount charged/deducted as penalty

**Further, it is also informed that GST invoice is also required to be issued in above cases as is being issued for supply of other goods and services through the GST software of PSTCL.**

This is for your information and further necessary action please.

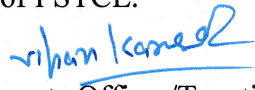
  
Accounts Officer/ Taxation  
PSTCL, Patiala.

Endst No: -681/716/CFO/Taxation/38

Dated: -12.02.2019

Copy of the above is forwarded to the following for information and further necessary action please.

1. Chief Engineer/HIS&D PSTCL, Patiala.
2. Chief Engineer/SLDC, PSTCL, Patiala.
3. Chief Engineer/TS, PSTCL, Patiala.
4. Chief Engineer/P&M PSTCL Ludhiana.
5. CAO/F&A, PSTCL Patiala.
6. Company Secretary, PSTCL.
7. All Dy.CEs/SEs under PSTCL.
8. All Dy. CAOs / Dy. CAs under PSTCL.
9. All Addl. SEs/Sr. Xens under PSTCL (other than DDOs)
10. All AOs under PSTCL (other than DDOs).
11. SE/IT, PSTCL, Patiala for uploading the circular on website of PSTCL.

  
Accounts Officer/Taxation  
PSTCL, Patiala.

CC:

1. PS to CMD, PSTCL, Patiala for kind information of CMD, please.
2. PS to Director/F&C, PSTCL, Patiala for kind information of Director/F&C, please.
3. Joint. Secy. to Director/Tech., PSTCL, Patiala for kind information of Director/Tech., please.
4. Sr. PS to Director/Admn., PSTCL, Patiala for kind information of Director/Admin, please.