Date of reserved for orders : 18.08.2026
Date of pronouncement : 15.10.2026
Date of uploading : 15.10.2026

APHC010623002022

IN THE HIGH COURT OF ANDHRA PRADESH
AT AMARAVATI **[3457]**
(Special Original Jurisdiction)

THURSDAY, THE 15th DAY OF OCTOBER 2026

PRESENT

THE HONOURABLE SRI JUSTICE HARINATH.N

WRIT PETITION NO: 37245/2022

Between:

1. LARSEN AND TOURBO LIMITED, A COMPANY INCORPORATED UNDER THE LAWS OF INDIA HAVING REGISTERED OFFICE AT L AND T HBUSE, BALLARD ESTATE, MUMBAI - 400 001, WITH ITS CONSTRUCTION DIVISION (LANDT CONSTRUCTION), WATER AND EFFLUENT TREATMENT, AT TC-3 BUILDING, TOWER B, 5RD FLOOR, MOUNT PONAMALLEE ROAD, MANAPAKKAM, P.B. NO. 979, CHENNAL - 600 089, REPRESENTED BY ITS AUTHORISED SIGNATORY

...PETITIONER

AND

1. THE STATE OF AP, REP. BY ITS PRINCIPAL SECRETARY, MUNICIPAL ADMINISTRATION AND URBAN DEVELOPMENT DEPARTMENT A.P. SECRETARIAT BUILDINGS VELAGAPUDI, AMARAVATI, GUNTUR DISTRICT ANDHRA PRADESH
2. THE ENGINEER IN CHIEF, PUBLIC HEALTH AND MUNICIPAL ENGINEERING DEPARTMENT, FLAT NO. 504 AND 601, GARUDA APARTMENT, TADEPALLI, GUNTUR DISTRICT - 522 501
3. THE SUPERINTENDING ENGINEER PH, PUBLIC HEALTH CIRCLE P.B. NO 9, MULAPET, NELLORE- 524 003
4. THE EXECUTIVE ENGINEER PH, PUBLIC HEALTH DIVISION, RAVINDRA NAGAR, MAGAUNTA LAYOUT NELLORE - 524 003
5. THE DEPUTY EXECUTIVE ENGINEER PH, PUBLIC HEALTH SUB DIVISION VEDAYAPALEM INDUSTRIAL ESTATE PODALKUR ROAD, NELLORE - 524 004
6. PAY AND ACCOUNTS OFFICE, WORKS ACCOUNTS, T.G.P. COMPOUND, DARGAMITTA OPP. NGO HOME S.P.S.R. NELLORE - 520 003. ANDHRA PRADESH

...RESPONDENT(S):

Petition under Article 226 of the Constitution of India praying that in the circumstances stated in the affidavit filed therewith, the High Court may be pleased topleased to issue a Writ, more particularly, a Writ of Mandamus, or any other appropriate Writ, order or direction declaring that, a) The Impugned Memo No. 11142/T2/T4/Labour cess/VandE 2016-2017 dated 21/07/2016 of the Respondent No.2 viz., The Chief Engineer, Public Health and Municipal Engineering Department, Flat No. 504 and 601, Garuda Apartment, Tadepalli, Guntur District - 522 501 and the subsequent actions of the Respondents in not granting the reimbursement of 1percent Labour Cess amounts for the Invoice value of the R.A. Bills of the Petitioner for the works done under the contract Agreement Bond SE(PH) Nellore Agreement No.03/2016-17 dated 16/05/2016, pertaining to the Construction of Decentralized Sewage Treatment Plants with proven in Technology including receiving sumps cum pumping stations, Providing Sewer Network System in entire city including Construction of Conventional Manholes and precast Manholes House sewar connections and allied works, are arbitrary, illegal and in violation of Articles 14, 19(1)(g) and 300A of the Constitution of India, and contrary to the provisions of BOCW (RE and CS) Act and BOCW Cess Act, 1996 and the Rules framed there under, b) consequently, direct the Respondent not to effect recoveries / deductions of 1percent Labour Cess from the Invoice value of the RA Bills to be submitted by the Petitioner, pursuant to the Agreement dated 16/05/2016 for the works done. c) Further direct the Respondents 1 to 6 to release the amount of 4,22,77,672/- (Rupees Four Crore Twenty-Two Lakhs Seventy-Seven thousand six hundred and seventy-two Only) recovered from the gross net amounts of the R.A. Bills Nos.1 to 9 submitted by the Petitioner for the works done pursuant to the Agreement dated 16/05/2016. and pass

IA NO: 1 OF 2022

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased pleased to restrain the Respondents from recovering the 1percent Labour Cess amount paid by them from the Running Bills already submitted, the future RA Bills to be submitted by the Petitioner pertaining to the Contract Agreement Bond SE(PH) Nellore Agreement No.03/2016-17 dated 16/05/2016, for the works done pertaining to the Bidders/Tenderers, for the purpose of executing the Construction of Decentralised Sewage Treatment Plants with proven in Technology including receiving sumps cum pumping stations, Providing Sewer Network System in entire city including Construction of Conventional Manholes and precast Manholes House sewar connections and allied works, pending disposal of the Writ Petition and/or pass

IA NO: 2 OF 2022

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the petition, the High Court may be pleased pleased to direct the Respondent No.3 to consider the representations of the Petitioner to release the amount of Rs. 4,22,77,672/-(Rupees Four Crore Twenty Two Lakhs Seventy Seven thousand six hundred and seventy two Only) recovered from the gross net amounts of the R.A. Bills as of today for the works done pertaining to the Agreement Bond SE(PH) Nellore Agreement No.03/2016-17 dated 16/05/2016, and pass

Counsel for the Petitioner:

1. G V S GANESH

Counsel for the Respondent(S):

1. GP FOR FINANCE PLANNING
2. GP FOR MUNCIPAL ADMN URBAN DEV

The Court made the following:

THE HONOURABLE SRI JUSTICE HARINATH.N
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ORDER:

1. The petitioner is aggrieved by the inaction on the part of the respondents in releasing the reimbursement of 1% labour amounts for the invoice value of the running account bills of the petitioner for the works done under the Contract Agreement Bond dated 16.05.2016 pertaining to the construction of decentralised sewerage treatment plants in the entire city, including construction of conventional manholes and pre-cast manholes, house sewer connections and allied works. A consequent direction not to effect recoveries of 1% labour from the invoice value of the running account bills which are to be submitted by the petitioner is sought. A further direction to the respondents to release ₹4,22,77,672/- which was recovered from the gross net amounts of the running account bills submitted by the petitioner for the works done pursuant to the said agreement.
2. It is submitted that the petitioner is an infrastructure development company engaged in engineering, construction, and contracts, undertaking various construction works and other works, including engineering, procurement of materials, and construction of storm water drainage, etc. The petitioner has executed work for several state governments, in addition to developing other infrastructure projects.
3. It is submitted that the petitioner successfully bid for the construction of Decentralised Sewer Treatment Plants with proven technology,

including receiving sumps, pumping stations, providing a sewer network system in the entire city, including construction of conventional manholes and precast manholes, house sewer connections and allied works; the value of the contract was ₹564,84,00,000/-.

4. It is submitted that clause 11 subclause 2 of Volume 1 of the bid document defines the lump sum price quoted by the bidder as including all the costs towards design, executing and completing the works as per the defined scope of work and based on design criteria; the offer shall provide for superintendence, labour, material and all other things required for work, excluding all taxes such as VAT, labour cess, seigniorage charges, duties, royalties and such other charges except for exemptions provided in the contract.
5. It is submitted that clause 45(3) regarding labour cess contradicts clause 11(ii) of Section 1 of Volume 1 of the bid document. In that regard, a clarification was sought in the pre-bid bidding, and it was informed that all taxes such as VAT, labour cess, excise duty and scene charges shall be reimbursed by the department on submission of proof of payment. It is submitted that the petitioner submitted its price bid for ₹564,84,00,000/- without considering VAT, labour cess, excise duty, and seigniorage charges while submitting the tender document.
6. The learned counsel appearing for the petitioner submits that the respondents cannot deduct the 1% labour cess from the running accounts in view of the clarification issued by the respondent authorities

during the pre-bid meeting. It is also submitted that the Building and Other Construction Workers Regulation of Employment and Conditions of Service Act, 1996 defines the employer and establishment. It is also submitted that the petitioner had submitted several representations to the third respondent, marking copies to the other respondents, requesting them to consider and release the amounts already recovered and further requesting not to recover the 1% labour case amount without granting reimbursement for the value of the subsequent running account bills to be submitted. All these representations are pending consideration, and the respondent authorities have not replied.

7. It is submitted that the respondent authorities could not have deducted 1% cases from the bills paid to the petitioner. It is also submitted that the impugned memo dated 21.05.2016, relying on the perpetrator GO dated 15.12.2009, is without any authority and contrary to the scheme of the Act. It is submitted by the learned counsel for the petitioner that a batch of writ petitions was considered by the learned single judge of this Court and it was ordered that the respondents cannot deduct the labour cess without including 1% of cess in the estimates for the works which they propose to undertake. The said orders were passed in W.P.No.11269 of 2009 and batch, and the same was followed by the learned single judge of the High Court of Telangana in W.P.No.14543 of 2018.

8. The learned Government Pleader, appearing for the respondents, submits that a detailed counter has been filed and that the petitioner cannot seek any equities from this Court, as the petitioner is aware of the beneficial legislation introduced by the Government for the benefit of the labour. It is submitted that the labour cess will be recovered from the running account bills and reimbursed, subject to the petitioner submitting proof of payment of the labour cess. It is submitted that the contractor or the principal employer ought to pay the labour cess; if the contractor fails to pay it, the Government shall deduct the 1% labour cess from the bills payable to the contractor and credit it to the relevant account. It is submitted that the petitioner has entered into a contract, and the contract terms govern the execution of the work.

9. It is also submitted that the petitioner is placing reliance on the clarifications issued in the pre-bid meeting. However, the clarification issued in the pre-bid meeting has never absolved the petitioner from the liability to pay 1% of the labour cess.

10. The learned Government Pleader placed reliance on the judgment passed in W.P.No.4587 of 2008 and batch whereby the learned Single Deed of this Court had held that the cost of construction includes all expenditure incurred by the employer in connection with the building or other construction work, and it excludes the cost of land and any compensation paid or payable to the worker or his kin under the Workmen's Compensation Act 1923. It was also held that the labour

cess sought to be collected is not on the entire value of the work but only on the cost of construction, as provided in Section 3 of the Act. The learned Government Pleader submits that the payment of cess is a statutory requirement.

11. Heard the learned counsel for the petitioner and the learned Government Pleader for the respondents. Perused the material on record.

12. The Building and Other Construction Workers' Welfare Cess Act, 1996 was introduced to provide for, levy and collection of cess on the cost of construction incurred by employers with a view to augmenting the resources of the Building and Other Construction Workers' Welfare Boards constituted under the Building and Other Construction Workers' Regulation of Employment and Conditions of Service Act, 1996. Section 3 of the said Act deals with levy and collection of cess.

13. Section 4 of the Act mandates the employer to furnish the returns. The assessment of cess would be based on the return submitted by the employer. On the facts of the present case, the petitioner seeks a direction from this Court to the respondent authorities to refund the amount deducted by the respondent authority towards labour cess. The petitioner is also seeking a direction to the respondent authorities not to deduct any further amounts towards labour cess in the running account bills. The bid document clearly requires the petitioner to comply with

various enactments, including the Building and Other Construction Workers Welfare Cess Act, 1996.

14. The petitioner would have to submit proof of payment of the cess and then claim a refund of the amount deducted by the respondent authority, despite the petitioner having already paid the cess. Payment of labour cess on the construction value is a beneficial legislation, and the petitioner cannot claim any exemption. The petitioner has not submitted any proof of payment of labour cess, and the petitioner's attempt to rely on the clarification issued by the respondent authorities in the pre-bid meeting will not help the petitioner. Section 6 of the Act deals with the power to exempt. Unless and until the petitioner is exempted from payment of labour cess by an order of the competent authority, the petitioner cannot claim exemption and cannot claim to be absolved from the liability to pay labour cess.

15. The facts of this case are not identical, and the judgments relied upon by the learned counsel for the petitioner do not come to the aid of the petitioner on the present set of facts and circumstances.

16. The writ petition deserves to be disposed of with the following observations;

    i. the respondents are directed to verify the petitioner's claim regarding payment of labour cess.

    ii. the petitioner shall submit the relevant proof of payment of labour to the respondent authorities.

17. On receipt of such proof of payment of labour cess by the petitioner and after due verification by the respondent authorities, the respondent authority shall have to refund the corresponding amount deducted from the petitioner's running account bills towards labour cess by the respondent authority. It is also observed that, in case of failure on the part of the petitioner to furnish proof of payment of labour cess, the respondents are entitled to deduct the applicable labour cess from the running account bills of the petitioner.

18. With the above observation, the writ petition is disposed off. There shall be no order as to costs.

As a sequel, miscellaneous petitions pending, if any, shall stand closed.

JUSTICE HARINATH.N

Dated 15.10.2026
KGM

Whether the order is:

Speaking		Reasoned	☑
Reportable		Non-reportable	☑

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Dated 15.10.2026

KGM