

## CHAPTER - V

### DETERMINATION OF TAXABLE TURNOVER FOR THE PURPOSE WORKS CONTRACTORS

#### 22. Determination of Taxable Turnover of Goods involved in Works Contract for the purpose of sub-section (3)(c) of Section 9: -

1. (a) The works contractor VAT Dealer shall be liable to pay tax at the appropriate rates, on the total value of goods, transferred in property (either in the same Form or in other Form) involved in execution of works contract.
  - (b) When such VAT dealer awards any part of the contract to a sub-contractor, such sub-contractor shall issue a tax invoice to the contractor for the value of the goods at the time of incorporation in such sub-contract.  
The tax charged in the tax invoice issued by the sub-contractor shall be accounted by him in his returns.
  - (c) The value of the goods used in execution of work in the contract, declared by the contractor shall not be less than the purchase value and shall include total consideration contract charges, including blasting and breaking charges, crusher charges, loading, transport and unloading charges, stacking and distribution charges, expenditure incurred in relation to hot mix plant and transport of hot mix to the site and distribution charges.
  - (d) The value of goods involved shall be taxable after deducting from it, the following charges, such as: -
    - (i) Labour charges for execution of the works;
    - (ii) Charges for planning, designing and architect fees;
    - (iii) Charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract;
    - (iv) Cost of consumables such as water, electricity, fuel, etc., used in the execution of the works contract, the property in which is not transferred in the course of execution of a works contract;
    - (v) Cost establishment of the contractor to the extent it is relatable to supply of labour and services;
    - (vi) Other similar expenses relatable to supply of labour and services;
    - (vii) Profit earned by the contractor to the extent it is relatable to supply of labour and services.
2. Where the amount of charges towards the labour, services, hire charges or all other like charges in any contract are not ascertainable, from the terms and conditions or the accounts furnished in this behalf of the contract, the amount of such charges shall be calculated at the following percentages: -

Sl. No.	Type of contract	Percentage of the total value eligible for deduction
1.	(a) Electrical Contracts.  <div style="margin-left: 40px;">(i) H.T. Transmission lines</div> <div style="margin-left: 40px;">(ii) Sub-station equipment</div> <div style="margin-left: 40px;">(iii) Power house equipment and extensions</div> <div style="margin-left: 40px;">(iv) 11 and 22 KV and L.T. distribution lines 12+5</div> <div style="margin-left: 40px;">(v) All other electrical contracts</div>	Twenty percent  Fifteen percent  Fifteen percent  Seventeen percent  Twenty five percent  Thirty five percent
	(b) All structural contracts	
2	Installation of plant and machinery	Fifteen percent
3	Fixing of marble slabs, polished granite stones and tiles (other than mosaic tiles)	Twenty five percent
4	Civil works like construction of buildings, bridges roads etc	Thirty percent
5	Fixing of sanitary fittings for plumbing, drainage and the like	Fifteen percent
6	Painting and polishing	Twenty percent
7	Laying of pipes	Twenty percent
8	Tyre re-treading	Forty percent
9	Dyeing and printing of textiles	Forty percent
10	Printing of reading material, cards, pamphlets, posters and office stationery	Forty percent
11	All other contracts	Thirty percent

Provided, where such contractor VAT dealer has not maintained the accounts to determine the correct value of the goods at the time of incorporation he shall pay tax at the rate of twelve and a half percent (12.5%) on the total consideration received or receivable subject to the deductions specified in the table aforesaid. In such cases the contractor VAT dealer shall not be eligible to claim input tax credit and shall not be eligible to issue tax invoices.

3. Where a works contractor is permitted to pay lump-sum amount or Composition of Tax under Section 22 or 58 respectively of the Act, the provisions of this Rule shall not apply in such cases.

### **23. Tax Deduction at Source**

- (1) (a) Where a works contract is awarded to a VAT dealer by any contractee and where the contractee is liable for deduction of tax at source of Advance Tax, as specified in the notification issued under Section 44 of the Act, by the State Government in this behalf, the tax shall be deducted from the payment of the valuable consideration after deducting: -
  - (i) the amount of labour charges, services and the transactions falling under Section 3, 4 and 5 of the CST Act 1956.
- (2) the amount of Advance Tax so deducted by the Contractee in pursuance to the notification issued in this behalf, the same shall be deposited in the Government Treasury in the following manner: -
  - (a) In the circumstances, when the contractee is the department of the State Government, it will deduct the Advance Tax from the bills of the contractor, in accordance to the rules, as provided by the Government for such respective departments and shall remit to the Government Treasury for credit therein into the respective "0040 Head", and a copy of such Schedule forwarded to the Prescribed Authorities of the appropriate circle.
  - (b) In the circumstances, where the contractee is other than the contractee mentioned in sub-rule (a) of this Rule, such person shall deposit the deducted Advance tax into the Head "0040", directly into the Government Treasury through a prescribed Challan, in the name of such contractor(s), from whose bills such deduction has been made, and furnish a statement to be submitted to the respective Circle In-charge for each month on the 15<sup>th</sup> day of the following month along with copies of challans.
  - (c) Every person or Government Department referred in this Rule, shall issue to the contractor, a certificate of tax deduction at source in Form JVAT 400 deducted for the respective year.

Provided that, a Certificate issued to the contractor in Form JVAT 400, shall be accepted and adjusted against the tax payable by such contractor, by the Assessing Authority, where the contractor is registered.

### **24. Non-deduction of Tax at Source from the bills of Supplier and Works Contractors**

- (1) No deduction shall be made under Section 45—
  - (a) if the dealer is not liable to pay tax under Section 14, 49 & 57 of the Act;
  - (b) if the supplier, being a dealer registered under Section 25 or 26 of the Act, produces before the deducting authority a certificate in Form JVAT 407 issued by the in charge of the circle in which he is registered.
- (2) Further; no deduction shall also be made under Section 44—
  - (a) if the works contractor, in course of execution of works contract, involves such goods in the transfer of property in goods in the same form or in some other forms: and such goods are not liable to tax under Section 14, 49 & 57 of the Act; or
  - (b) if the works contractor, being a registered dealer: and has opted for composition of tax under Section 58 of the Act, and is registered in terms of Rule 4 of this Rule, and produces before the deducting authority a certificate in Form JVAT 407 issued by the in-charge of the circle; in which he is registered.
- (3) A supplier or the works contractor, registered under the Act, for the purpose of obtaining the certificate in Form JVAT 407, shall apply for the same, in Form JVAT 120 and the authority specified in Rule 57, after verifying the particulars furnished in the application, shall issue the certificate in Form JVAT 407.
- (4) The provisions of sub rules (2) of Rule 23 shall apply mutatis mutandis in so far as they relate to deductions, deposits, returns and certificates.