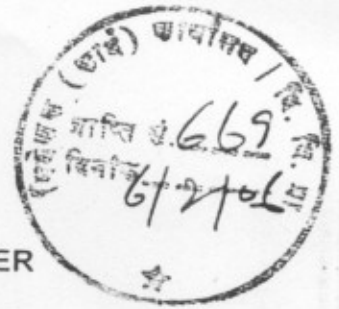


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DELHI DEVELOPMENT AUTHORITY
OFFICE OF THE CHIEF ACCOUNTS OFFICER

No. PA (Div. (Fin.)) 2005/DDA/05/ft./02 Dated: 2nd February,

OFFICE MEMORANDUM

Subject: Delhi Value Added Tax on Works Contracts

The Delhi Value Added Tax (D-VAT) Act, 2004 and the D-VAT Rules came into force with effect from 01.04.2005. The D-VAT Act 2004 has been enacted to consolidate and amend the law relating to levy of Tax on transfer of property involved in execution of Works Contracts.

1. Under Delhi Value Added Tax (D-VAT) Act 2004, the rate of VAT in respect of goods involved in the Execution of Works Contracts is 12.5%. However, the net Tax liability is always lesser than this as the Dealer (Contractor in this case) is eligible for input Tax Credit of the VAT paid by him on all his purchases of the material including Capital Goods during the Tax period. This Input Tax Credit can be set off by the Dealer himself against his tax liability during the period.

2. Deduction of Tax at Source (TDS) in respect of Works Contracts

With the introduction of VAT Sales Tax on works contract has been abolished. As per provisions of Section 36A of D-VAT Act, 2004 every person responsible for making payment to any dealer (hereinafter in this section referred to as "the contractor") for discharge of any liability on account of valuable consideration payable for the transfer of property in goods (whether as goods or in some other form) in pursuance of a works contract, shall at the time of credit of such sum to the account of the contractor or at the time of payment thereof in cash or by any other mode, whichever is earlier, deduct tax thereon at the rate of two percent. No deductions are allowed to be made from the total consideration paid or credited while making Deduction of Tax at Source.

For brief information pl.

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2.1 Transactions on which Tax to be Deducted at Source

Tax is to be deducted on the following transactions:-

- (i) Amount paid or payable for transfer of property in goods.
- (ii) Amount payable to a dealer to whom a works contract has been awarded.

2.2 Treatment of Advance and Cost Escalation

The TDS is also deductible on advance payment to be adjusted in future bills and on the amount of cost escalation.

2.3 Application for Tax Deduction Account Number (TAN)

For deducting TDS every person required to deduct TDS shall make an application in form D-VAT-44 for allotment of Tax Deduction Account Number. The application for TAN allotment shall be made within 30 days from the date on which the tax was deducted or became deductible.

2.4 Deposit of TDS in the Bank

A person (Contractee) who deducts Tax at Source shall deposit it in the Nationalized Bank or Private Sector Bank authorized to collect TDS on Challan in Form DVAT-20. The TDS must be deposited on or before the expiry of 28 days following the month in which such deduction has been made.

The delay in deposit of such deductions not only attract penalty at the rate of twice the amount deductible but also liable to pay interest @ 15% p.a.

2.5 Issue of TDS Certificate

A person(Contractee) deducting TDS must issue a certificate to the Contractor in Form DVAT-43. The TDS certificate has to be issued by the Contractee in triplicate. Original copy shall be given to the contractor within 28 days from the end of the month in which tax has been deducted, the second copy along with proof of payment in challan (Form DVAT-20) shall be attached along with the TDS annual return required to be filed by the contractee and the third copy shall be retained by the contractee for his records.

2.6 Filing of TDS Annual Return

Every contractee Deducting TDS shall file an annual return in Form DVAT-48. The Annual Return of TDS shall be furnished within a period of 28 days from end of the year in which Tax was deducted.

3. Miscellaneous

1. The contract awarding authority should all the time insist that the contractor/agency considered for work contract is registered under Delhi Value Added Tax Act, 2004. A No Dues Certificate may be asked for from the party concerned before awarding the contract.
2. It is clarified that under section 2(ZO) of Delhi Value Added Tax Act 2004, the works contract includes any agreement for carrying out for cash or for deferred payment or for valuable consideration, the building construction, manufacturing processing, fabrication, erection, installation, fitting out, improvement, repair or commissioning of any moveable or immovable property.

This issues with the approval of FM, DDA.


CHIEF ACCOUNTS OFFICER

Copy to:-

- 1) All CEs(Civil) i/c CE(Elect.) with the request to bring this circular to the notice of all SEs and EEs Jt.CAOs, FO and CE(HQ)
- 2) CE(QC) with the request to bring this circular to the notice of SEs & EEs.
- 3) CE(Design), DDA with the request to bring this circular to the notice of SEs and EEs.
- 4) CVO, DDA with the request to bring this circular to the notice of SEs and EEs.
- 5) Financial Advisor(H)
- 6) Jt./Dy.CAOs (HQ), DDA for circulation.
- 7) Project Manager(Flyover)Gr.I & II with the request to bring this circular to the notice of EEs and FOs.
- 8) Dir.(Hort.) North and South with the request to bring this circular to the notice of Jt./Dy.Directors.

- 9) Director(MM) with the request to bring this circular to the notice of EEs and FOs.
- 10) Director(LC)
- 11) Director(Works)
- 12) EO-I, II,III, PPC-1, PPC-2 to EM, DDA
- 13) AO(Plan),DDA

Copy for information to:-

- PS to VC, DDA for information of the latter.
- PS to EM, DDA for information of the latter.
- PS to FM, DDA for information of the latter.