

**GOVERNMENT OF ANDHRA PRADESH
FINANCE (TFR) DEPARTMENT**

Memo. No.602/F8(1)/2006

Dated: 14.03.2007

Sub:- VAT Act., 2005 – Amendment to Rule No. 18 of A.P. VAT Tax Rules 2005 – Notification issued – Procedure to be adopted in the recovery of VAT from Contractor's Bill – Reg.

Ref:- G. O. Ms. No. 88, Revenue (CT.II) Department, Dt. 27-1-2007.

All the Heads of Departments are aware that certain amendments have been made to VAT Act. 2005. In regard to works contracts, amendment to Rule 18 of AP VAT Rule 2005 has also been issued in the G.O. cited. These amendments have a bearing on the amount to be provided in the estimates for Works Contract and also on the recovery of VAT from Contractor bills, in respect of ongoing works. It has been noticed that these amended provisions of VAT relating to works contracts are not put to implementation in various Departments. This may lead to undue enrichment of the contractors. It is, therefore, necessary that the amendments are implemented with immediate effect. In this context, the following guidelines are given for necessary compliance.

1. All estimates which are sanctioned and tenders are not called for as on the date of issue of this memo may be recast reducing the VAT provision of 4% on total value in data to 4% of 70% (i.e., 2.8% on total value) of 2% of 70% (i.e. 1.4% on total value) as the case is as per G.O. 88 and then only tenders are to be called for.
2. In respect of works in the agreements of which 4% recovery towards VAT is provided, the same recovery from the contractor shall be made but 4% (structures & composite works) or 2% (Earth work and Road work) of 70% (ie., 2.8% or 1.4% on total value) as the case is only has to be credited to C.T., Department and the balance amount has to taken to the credit of the work concerned. This may be regularized w.e.f. 1-9-2006.

Eg:- (i) only Earth work (or) Road work

- | | |
|--|-------------|
| 1. Value of bill | Rs. 1000.00 |
| 2. VAT to be deducted @ 4% of total | Rs. 40/- |
| Value as per terms of agreement | |
| 3. Amount to be credited to CT head (1.4%) | Rs. 14/- |

4. Amount to be credited to Work Rs. 26/-

Eg:- (ii) Structure & Composite works

1. Value of bill	Rs. 1000.00
2. VAT to be deducted @ 4% of total	Rs. 40/-
Value as per terms of agreement	
3. Amount to be credited to CT head (2.8%)	Rs. 14/-
4. Amount to be credited to Work	Rs. 26/-

3. In respect of works for which agreements were concluded prior to 1.4.2005 (i.e. before VAT came into force) and are going on as on date, instructions were given to credit 4% on total value to CT head duly recovering the amount as per agreement provisions from the contractor and charging the balance amount to the work. Now this becomes no longer necessary and recovery from 1.9.2006 may again be regulated as per terms of agreement only as the same provisions as were prevalent prior to VAT Act are now restored through the said amendment. In such cases while regularizing VAT recoveries w.e. from 1.9.2006 according to the amended provisions, any excess amount passed on to CT Department may be adjusted in future recoveries.

4. In the estimates to be sanctioned now onwards, provision for TDS may be made according to G.O. 88 only. In this context, the instructions already issued in Govt. memo. No. 3705/F.8(I)/2000-1, Dt. 25-7-2000 have to be followed. Further, such TDS provision may be made as an LS provision in part II of the estimate, without loading this into data of individual items of the contract.

5. In respect of all works in which value of material component is less than Rs. 10.00 lakhs, no TDS need be made and accordingly no provision shall be made in the data of items.

N. Ramesh Kumar,
Principal Secretary to Government.

To

The Director of Works Accounts, Hyderabad

(for necessary action and to communicated to all the JDWAs, PAOs/APAOs and also to concerned officers of the Departments and Corporations under the control of PAO)

All the HODs of I&CAD Department.

All the HODs of R&B Department.

All the HODs of Public Health Department.

All the HODs of Panchayath Raj Engineering Department.

The Prl. Chief Conservator of Forest, Hyderabad.

Copy to:

The P.S. to Prl. Secy. To Govt. TR&B Dept.

The P.S. to Prl. Secy. To govt., Forest Dept.

The P.S. to Prl. Secy. To Govt., I&CAD Dept.

The P.S. to Prl. Secy. To Govt. MA&UD Dept.
The P.S. to Prl. Secy., (W&P)
The Addl. Secy. To Govt. (V.U) for information.

//Forwarded by Order
Sd/-
Section Officer.

Endt. No. JDWA/K/ITC/U.I/06-07/236

Dt. 20-3-2007.

- 1) Copy communicated to all the PAOs/APAOs of this organization for information and necessary action.
- 2) Copy to Supdt. Co-Ordn. Sn for information.
- 3) Copy to JDWAs table.

To
All the PAOs/APAOs for this organization.

Sd/-
JDWA, KNR.

