

GOVERNMENT OF ANDHRA PRADESH
FINANCE (WORKS & PROJECTS) DEPARTMENT

From:

Sri. G. V. Krishnaiah, B.Sc., AICWA.,
Director of Works Accounts,
M3 Block, 1st Floor,
Monoranjan Complex,
M. J. Raod, HYDERABAD.

To:

The Chief Engineer,
Panchayat Raj Department,
R.w.S Department &P.R.,
NABARD,
Hyderabad.

Lr..No.DOWA/HYD/Sn-II/A.9/2005-06/273

Date:- 17.12.2005

Sub:- A.P. VAT 2005 – Tax deducted at source on supplies to Government Departments – Regarding.

Ref:- 1) Representation of Varalaxmi- Engineering Works Lr. No. VEW/2005-06/CTO/0160, Dt: 14.11.2005.
2) Representation of Balaji Industries & Engineering Corporation's No. BIEC/2005-06/CTO/0192, Dt: 14.11.2005.



Copies of representation received from M/s Varalaxmi Engineering Works and Balaji Industries and Engineering corporation are transmitted herewith. As seen from the reference the rate accepted in the Rate contract prior to 1.4.2005 is exclusive of Sales Tax element. Hence, ST can be added in the bills and the recovery of ST made can be credited to ST head of account. However, the justification for adding Sales Tax element as per provision of VAT and making payment to supplier as additionality of rate without crediting to Government revenue on the ground that the firm is paying VAT on their purchases need to be properly examined and clear conditions are incorporated in the rate contract conditions. Clarifications on the subsisting rate contracts. The clarification of commissioner, commercial tax to Engineer-in-Chief that there is no provision or instructions to deduct tax on direct supplies (sales) of goods under AOVAT act with effect from 1.4.2005 and that TDS is applicable only in respect of works contracts and hence there is no need to make TDS from the firm M/s Balaji industries evidently is not to allow additional payment to the firm. Hence clear orders may be communicated to all officers implementing the rate contract including the PAOs with a copy of this office. Preparation of Estimates, placing orders by Superintending Engineers/Executive Engineers duly concluding Agreements etc., should be in accordance with clarification.

Necessary steps may be taken to ensure incorporation of clear clauses. Copy of instructions, if already issued of Superintending Engineer/Executive Engineer may be communicated to this office.

Encl: Copies of representation as
Mentioned in reference 1 &2

Yours faithfully,
Sd/-
DIRECTOR OF WORKS ACCOUNTS,
M.J. ROAD, HYDERABAD

Copy to the Commissioner, Commercial Tax, Hyderabad with reference to CCT's Ref. No. A. III(3)/248/2005, Dt: 30.08.2005 addressed to Engineer-in-Chief, Panchayat Raj, Hyderabad and Lr. No. A. III(3)/248/2005, Dt: 26.10.2005 addressed to this office. The justification for making additional payment of 4% to the firms may be examined and clarified. Copies of references are enclosed.

Sd/-
DIRECTOR OF WORKS ACCOUNTS,
M. J. ROAD, HYDERABAD.

Copy to all the Joint Director of Works Accounts for information.

JDWA/SRSP/Karimnagar.

DIRECTOR OF WORKS ACCOUTNS,
M. J. ROAD, HYDERABAD.