

Compilation of Works Contract Provisions under VAT Laws of Different States



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

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Foreword

Laws and rules relating to indirect taxes have been evolving on account of development in business models, economic growth of the country, global developments, and technological advances and also with reforms in the field of taxation especially, in the area of service tax.

The introduction of value added tax in the year 2005 marked a significant step forward in the reform of domestic trade taxes in India. Introduction of VAT in the States has been a more challenging exercise in a federal country like India, where each State, in terms of Constitutional provision, is sovereign in levying and collecting State taxes. However, now all the States and Union Territories have implemented State-Level VAT.

Though the broad design of the State-level VAT is uniform across the country but every State has its own VAT legislation and procedures differ on many counts from one State to another. It is often found that information in respect of VAT laws of various States is not available readily at one place. I, therefore, congratulate the Indirect Taxes Committee and in particular, CA. Madhukar N Hiregange, Chairman, Indirect Taxes Committee for bringing out a ***“Compilation of Works Contract Provisions under VAT Laws of Different States”***. Compilation of ‘works contract’ assumes significance as taxation of works contract has always been a challenging area for the professionals.

I am sure that members will find this compilation very useful in their day to day practice in respect of State-Level VAT.

Date: 29th January, 2013

Place: New Delhi

CA. Jaydeep Narendra Shah
President

Preface

Works contract taxation is considered to involve a lot of complexities and controversies which in the short term may not get resolved. Since the time when the concept of deemed sale was introduced under sales tax, transactions that would be liable to tax under the guise of works contract have always been a matter of debate and dispute.

Earlier the Courts took a view that in the case of composite contracts involving sale of goods and execution of works, no sales tax could be levied at all - the landmark decision on the issue being the Supreme Court's ruling in the case of *State of Madras vs. Gannon Dunkerley & Co. (Mad) Ltd. [1958] 9 STC 353 (SC)*. However, in order to enable the States to collect the sales tax, the 46th amendment to the Constitution provided for the taxation of transfer of materials used in the execution of a works contract as deemed sale. Clause 29A was added to Article 366 of the Constitution of India to cover 'transfer of property in goods involved in execution of works contract'.

'Works contract' is defined in the Central Sales Tax, 1956 as a contract for carrying out any work which includes assembling, construction, building, altering, manufacturing, processing, fabricating, erection, installation fitting out, improvement, repair or commissioning of any movable or immovable property. Majority of the States have adopted this definition for works contract in their VAT legislations. Though the basic framework of the works contract provisions is broadly the same across the country, the administrative and procedural provisions do vary from State to State depending upon the size and developmental status, the experiences in implementation and monitoring of compliances, the extent of computerization of each State and so on.

Considering the positive feedback of the Committee's publication, "*Compilation of Registration Provisions under VAT Laws of Different States*", the Indirect Taxes Committee of the ICAI decided to prepare a similar compilation of the provisions of works contract under the VAT laws of different States to assist the members of ICAI who practice in different States and are called upon by the businesses operating in multi States. This would, in effect, facilitate the members to practice across geographies thereby

enabling even a small town practitioner to render services in any State with the aid of technology.

This “*Compilation of Provisions of Works Contracts under the VAT Laws of Different States*” will also be of assistance to those experts/ officers working on Goods and Services Tax to understand the process being followed in different States, adopt best practices and achieve uniformity in provisions across all States to facilitate businesses operating in different states.

Information in respect of provisions of Works Contract of twenty-six States has been collated in this compilation. For quick reference and easy understanding, the provisions have been tabulated against a set of common questions for all the States.

I am thankful to CA. Jaydeep Narender Shah, President, ICAI and CA. Subodh Kumar Agrawal, Vice-President, ICAI who have been supporting the initiatives and the members of Committee in particulars by CA. Sanjay M. Dhariwal, CA. Rajiv J. Luthia and CA. Pulak Saha who provided valuable inputs for this publication. Also, I acknowledge with thanks, contribution made by CA. Gaurav Gupta and CA. Brijesh Verma. I must compliment and appreciate the substantial assistance provided by the Indirect Taxes Committee Secretariat in bringing out this publication.

I look forward to feedback for further improvements in this Compilation at idthc@icai.org and queries on www.pdicai.org.

Date: 29th January, 2013
Place : New Delhi.

CA. Madhukar N. Hiregange
Chairman
Indirect Taxes Committee

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INTRODUCTION

The Indian Constitution is considered to be the “*Mother of all Law*”, where the powers have been given to enact laws in the matters enumerated in Seventh Schedule between Central and States. It acts as machinery by which laws are made. One of the important characteristic of the Constitution is ‘**Division of Power**’ between the Union and the State Governments. Article 246 of the Constitution deals with ‘Distribution of Legislative Powers’. The legislative power under the Indian Constitution is subject to the limitation of the rule that a State Legislature cannot legislate extra-territorially, though Parliament does not suffer from this limitation.

According to Article 246, Union has been given exclusive power to make laws in respect of the matters listed in List I [called Union List] of the Seventh Schedule. Simultaneously, States have been given power to make laws in respect of the matters listed in the List II [called State List] of the Seventh Schedule. Further, this article also gives power to Union and States to make laws in respect of matters not included in either Union List or State List but listed in List III [called Concurrent List]. The power given to the States in respect of matters listed in Concurrent List is subject to limitation of Article 254. It means that in the event of any inconsistency between the laws made by Parliament and laws made by the State Legislature, the former will prevail. Overall it is important to note that there is no implied restriction on the States while exercising powers under legislative heads unless expressly provided in the Constitution itself. The works contract i.e., levy of tax on transfer of property in goods is enumerated in Entry 54 of List II under State Legislature. It is well settled that these laws are not free from disputes. This book is intended to highlight the basic provisions pertaining to works contract in 26 States.

The Constitution (Forty Sixth Amendment) Act, 1982, granted powers to State Governments to enact laws for providing the levy of tax on the transfer of property involved in the execution of works contract, which to hitherto was not possible in lieu of Honorable Supreme Court’s decision in the case of *State of Madras Vs. Gannon Dunkerley & Co (Mad) Ltd. [1958] 9 STC 353 (SC)*. Even after the said amendment in the Constitution of India on the subject under context, there still persist disputes between the trade and the tax authorities.

A works contract is a contract which involves labour as well as materials and where the materials are partially transferred. The quantum of materials could vary from contract to contract. The State law has the capability of only charging the

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tax on the goods and is not in a position to tax the service element of the transaction.

As a result of the 46th Amendment to the constitution, the contract which was single and indivisible was altered by a legal fiction into a contract which could be divisible into contract for sale of goods and contract for supply of labour and services. If the legal fiction introduced by Article 366(29A)(b) is carried to its logical end, it follows that even in a single and indivisible works contract there is a deemed sale of the goods which are involved in the execution of a works contract. After the 46th amendment, it has become possible for the States to levy sales tax on the value of goods involved in a works contract in the same way in which the sales tax was leviable on the price of goods and materials.

The difference between a sale and a works contract is that a sale involves transfer of property in the goods whereas in a works contract, there is only a contract to render work on the customer's property whether movable or immovable. Works Contract includes any agreement for carrying out for cash, deferred payment or other valuable consideration, the assembling, construction, building, altering, manufacturing, processing, fabrication, installation, fitting out, improvement, repair or commissioning of any moveable or immovable property. Transfer of goods involved in the execution of works contract is a deemed sale and therefore, works contract can be split into contract for labour and contract for sale. The transfer of property in goods involved in execution of works contract is chargeable to VAT. In arriving at the taxable turnover, various deductions from the contract receipts are allowed. The various deductions are in respect of labour charges, purchases of material from local registered dealers and payments to sub-contractors.

In the case of *Gannon Dunkerley and Co Vs. State of Rajasthan (SC) 88 STC 204*, the Hon'ble Supreme Court held that the measure of levy of the tax contemplated by Article 366(29-A)(b) is the value of goods involved in the execution of works contract. The value of goods for levying tax can be assessed only on the basis of cost of acquisition of the goods by the contractor and not on the basis of the value at the time of incorporation of such goods in the works contract as incorporation of the goods in the works forms part of the contract relating to work and labour which is distinct from the contract for transfer of property in goods. Therefore, the cost of incorporation of goods in the works cannot be made a part of the measure for levy of tax contemplated by Article 366(29A)(b).

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Sale price in relation to transfer of property in goods whether as goods or in some other form is arrived at by deducting from the amount of valuable consideration paid or payable to a person for the execution of the works contract, the amount representing labour charges for such execution. In *Gannon Drunkenly and company and others vs. State of Rajasthan and others* (1993) 88 STC 204 (SC), it was stated that the value of the goods involved in the execution of works contract will have to be determined by taking into account the entire value of the contract and deducting there from the charges towards labour and other services. In other words labour, service and other charges not relatable to transfer of property has to be deducted from the total consideration of works contract. Where such labour and other service charges are not quantifiable, the sale price shall be the cost of acquisition of the goods and the margin of profit on them prevalent in the trade plus the cost of transferring the property in the goods and all other expenses in relation thereto till the property in them, whether as such or in any other form, passes to the Contractee and where the property passes in a different form shall include the cost of conversion. The value of the goods involved in the execution of a works contract will, therefore, have to be determined by taking into account the value of the entire works contract and deducting there from the charges towards labour and services which would cover :

- (i) labour charges for execution of works
- (ii) amount paid to sub-contractor for labour and service
- (iii) charges for obtaining on hire or otherwise machinery and tool used for execution of the works contract
- (iv) charges for planning, designing and architect's fees
- (v) cost of consumables used in the execution of the works contract
- (vi) cost of establishment of the contractor to the extent it is relatable to supply of labour and services
- (vii) other similar expenses relatable to supply of labour and services and
- (viii) profit earned by the contractor to the extent it is relatable to supply of labour and services.

The transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract is sale of the goods. Under the VAT System, tax is to be charged on each sale of taxable goods and tax invoice

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showing the tax element separately is to be issued in respect of every sale of taxable goods in the State by a registered dealer.

If a *contractor-registered dealer* is engaged in the execution of works contract of moveable property of a Contractee in the State and is not availing the composition scheme of paying a lump-sum amount in lieu of tax, then he will charge tax on the value of goods transferred in the works contract and will issue tax invoice to the Contractee. In case the Contractee is a registered dealer under the Act, he would claim input tax credit in respect of such goods received in the works contract from the contractor. The contractor-registered dealer will also be entitled to claim input tax credit in respect of the goods purchased from within the State, which were transferred in the execution of the works contract.

If a *contractor-registered dealer* is engaged in the execution of works contract of immovable property of a Contractee in the State and is not availing the composition scheme of paying a lump-sum amount in lieu of tax, then he will charge tax on the value of goods transferred in the works contract and will issue tax invoice to the Contractee. The Contractee would not be entitled to claim input tax credit in respect of the goods received in the works contract. However, the contractor registered dealer will be entitled to claim input tax credit in respect of the goods purchased in the State, which were transferred in the execution of the works contract.

If a *contractor-registered dealer* is availing composition scheme as applicable under the relevant State VAT Act and is engaged in the execution of works contract of immovable property of a Contractee in the State, then he is not entitled to charge tax in respect of the goods transferred in the works contract. The contractor registered dealer is also not entitled to claim input tax credit in respect of purchase of any goods from within the State, which were transferred in the execution of works contract of the immovable property to the Contractee. The Contractee registered dealer will also be not entitled to claim input tax credit in respect of the goods received by way of transfer in the works contract of immovable property from the contractor -registered dealer.

If a *contractor-registered dealer* is availing composition scheme as applicable under the relevant State VAT Act and is engaged in the execution of works contract of moveable property of a Contractee in the State, then he is not entitled to charge tax in respect of the goods transferred in the works contract and will not issue tax invoice to the Contractee. The contractor- registered dealer is also not entitled to claim input tax credit in respect of purchase of any goods from within the State, which were transferred in the execution of the works contract. The

Introduction

Contractee- registered dealer will also be not entitled to claim input tax credit in respect of the goods received by way of transfer in the works contract of moveable property, from the contractor registered dealer.

The rates of tax applicable to various kinds of works contract are specified in respective schedules. The transaction can be considered to be works contract generally only if there is any accession or accretion to the property of the customer. Purely labour contracts not involving supply of any goods by the contractor to his customer will not attract any VAT or works contract tax.

As a basic feature, tax is chargeable on the transfer of property in goods involved in the execution of works contract at the rates prescribed for the concerned goods in the schedules of the concerned State VAT legislation. Where value of each item of material transferred in the course of execution of works contract is identifiable, tax can be charged on the value of individual items of materials as provided under the schedules to the concerned State VAT Legislation. On inputs, the contractor is entitled to avail Input Tax Credit(ITC).

Most of the State VAT laws provide input tax credit on inputs used for executing Works Contract. Some States however, are not considering consumables at par with inputs. In case of composition schemes some States do not allow any input tax credit while in some States allow partial tax credit.

The following are certain important principles with respect to works contracts:

- There should be transfer of property in goods.
- Pure labour contracts or service contracts are outside the purview of the works contract under the State law. In case if any of the goods are consumed during the execution of works contract and their identity is lost and accordingly there is no transfer of property in goods then in such instance such consumables are not leviable to VAT under the State VAT law.
- There must exist an individual and composite works contract. The divisible contracts are outside the scope of the works contract.
- Transfer of property in goods must pass as goods or in some other form. Form of goods has no relevance.
- In works contract transaction vesting of property must occur not by contract but on the theory of accretion and accession.

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- There must be dominant intention to affect the transfer of property in goods in execution of works contract, passing of the property in goods must not be only incidental to the contract.
- Such transfer of property in goods may be in the form of goods itself or in some other form.
- Such goods, which are being transferred, should be involved in the execution of works contract.

If any of the above said propositions are not fulfilled, then the activity is not covered under the scope of levy under VAT. However, there are numerous decisions in this context under various sales tax laws considering different types of activities independently. Therefore, though the above is only a broad principle, each transaction would be required to be examined in the light of the circumstances and the decided case laws as may be applicable to the goods dealt in with by them. Considering the above factors, it becomes essential to identify whether the activity is covered under the scope of levy in the course of execution of works contract or not. If it is so covered, then the next question would be the quantification of such levy. The quantification of tax levy will be based on the tax rate, which has to be applied on the value to be determined.

1. ANDHRA PRADESH (A.P.)

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes Deemed as sale under the definition of 'sale'	Section 4 (7) is the charging section of the Andhra Pradesh Value Added Tax Act, 2005 (the VAT Act)	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No separate registration.	Section 17 of the VAT Act	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	There is no specific registration for works contractor. It is only registration as a VAT dealer.		
4	Eligible Turnover for registration	₹ 7.5 lakhs	Section 17 (5) (g) of the VAT Act	
5.	What are the deductions that are allowable from turnover?	Deductions towards labour component	Rule 17 (1) (e) of the Andhra Pradesh Value	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
			Added Tax Rules, 2005 (the VAT Rules)	
6.	Whether the WC has the option to claim the labour charges and like on <i>actual</i> basis or <i>adhoc</i> basis?	Till the project is completed he can claim on <i>adhoc</i> basis and once it is completed, the same should be claimed on actual basis.	Second Proviso under Rule 17(1) (e) of the VAT Rules	
7.	How are the labour charges and like defined under the VAT law?	No definition is provided in the Statute		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Statute does not provide for deduction of depreciation but it is being allowed as per case law. There is no distinction between capital goods and other goods in Andhra Pradesh.		
9.	Can deduction be claimed for land value by the composition dealer?	In the case of builder, who opted for composition, tax has to be paid even on the value of the land, while selling flat or villa.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	Generally book profit is adopted for the purpose.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit relatable to labour is deductible.		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	If these are collected as part of sale consideration, then tax is payable on the same.		Generally, these are separately and directly paid by the buyers.
13.	Is contractor liable to tax for free supply of goods by contractee?	The contractor is not liable to pay any tax on the value of goods wherein the contractee supplies goods on free basis.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Tax should be paid on transfer of property in goods i.e., on incorporation of goods into the works.		
15.	Which Section / Schedule prescribes the rate of tax for works contract?	Tax has to be paid on the incorporation value of the goods at the rates mentioned in the Schedules to the Act in respect of the goods enumerated therein.	Section 4 (7) (a) (<i>regular Scheme</i>) and Section 4 (7) (b) & (d) (<i>Composition Scheme</i>) of the VAT Act	Effective from 15.9.2011, the rate of tax under composition scheme is 5%
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	There is no such provision.		Works contractor is liable to pay output tax, no purchase tax need to be paid.
17.	What is the rate of tax for declared goods used in the course of contract?	It is 5%.		
18.	Is standard deduction method available for payment?	Yes, they are available	Rule 17 (1) (g) of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	If yes, what are the various rates prescribed for different types of works contract?	They are vary from 15 % to 40%.		
19.	Whether contractee/ principal is liable to deduct Tax Deducted at Source (TDS) from the amount payable to contractor?	Yes. Contractee is liable to deduct Tax Deducted at Source (TDS)/ Tax Collected at Source (TCS) as the case may be.	Section 22 (3) (TDS) and Section 22(3A) (TCS) of the VAT Act	TCS is made by State Government departments and Local authorities.
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	(a) In respect of road works and canal lining works the rate of TDS is 1.4% and (b) for others it is 2.8%. A dealer can request the assessing authority to reduce the TDS percentage if there are transactions falling under Central Sales Tax Act (CST) Act, 1956.	Rule 18 of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Contractor cannot make TDS from out of the amounts paid to the sub contractor.		
22.	Whether the WC can claim input tax credit on consumables?	There is no prohibition on claiming Input Tax Credit (ITC) on consumables, if they are used for business.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC?	If the sub contractor is a registered VAT dealer, the main contractor can claim deduction on the contract receipts.		
	Does WC have the option to claim input tax credit (ITC) in lieu of deduction from total turnover?	Main contractor is not eligible to claim any ITC in such situation.		
24.	Whether input tax credit is allowable fully in case of works contract?	If the contractor is under composition scheme, ITC is not allowed.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Running Account (RA) bill is the base. Advances are not liable to tax because there is no transfer of property in goods but when advance is adjusted tax is payable.		
27.	Is it compulsory for the sub- contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes. Such condition is there	Section 4 (7) (h) of the VAT Act	
28.	Can sub contractor claim exemption if main contractor pays tax?	If the main contractor opts for composition, then only sub-contractor is not liable to tax.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No such provision. Statute does not prescribe any such undertaking.		
30.	Does the WC have an option to pay tax under composition category?	Yes, If WC wants, he can opt to pay under composition scheme.	Section 4 (7) (a) (Regular Scheme) and Section 4 (7) (b) & (c) (Composition Scheme) of the VAT Act	By default, tax has to be paid under regular scheme in case option for composition is not availed.
31.	Is composition WC allowed to make interstate / import purchases?	WC can make import/ interstate purchase.		
32.	Is composition WC eligible to take sub contractor deductions?	If the sub contractor is paying tax, being a registered VAT dealer, the question of main contractor opting for composition does not arise, as there is no liability on him.		However, if the main contractor opts for composition, then the sub contractor to that extent is not liable to tax.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	Composition can be project-wise and it is permitted.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	A contractor can opt for composition only before he commences the execution of a particular project.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	Not permitted.		
36.	What are the composition rates for different types of contracts?	(a) For all contracts it is only 5%. (b) In the case of builders, it is 1.25% (i.e 5% on 25% of the gross receipts)		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Only intimation in form VAT 250 has to be filed and acknowledgment needs to be obtained.	Rule 17 (2) (3) and (4) of the VAT Rules	Form VAT 250

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
38.	Whether composition dealer can apply for interstate works contract?	There is no connection between composition under VAT Act and inter State works contract. Inter-State works contracts are taxable under CST Act. and there is no composition scheme under CST Act.		
39.	Whether such WC is required to file monthly/ quarterly return? What is the due date of filing the return?	Monthly return It has to be filed by the 20 th of succeeding month.	Section 22 of the VAT Act	
40.	Whether Annual Return is filed by the works contractor?	There is no such annual return.		
41.	What is the time limit for Assessment in case of works contractor?	Scheme is self assessment basis.		However, the department has time for four years to make assessment.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	There is no mandatory audit by either Sales Tax Practitioner (STP) or Chartered Accountant (CA) in Andhra Pradesh. On their own officers conduct audit periodically.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	On the gross consideration received or receivable for the sale of flat/ villa/ complex including land value, the builder is liable to pay tax @ 1.25%	Section 4 (7) (d) of the VAT Act	It is composition scheme.
44.	Is there a requirement to file the copy of contract / agreements with the department?	As and when demanded, it must be filed.		

2. ARUNACHAL PRADESH

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act?	Works contract has been dealt with separately under the Arunachal Pradesh Goods Tax Act, 2005 (the VAT Act) under Section 5(2) of the VAT Act.	Section 2(zq) and 2(zf)(v) of the VAT Act.	
	Is there a deeming provision dealing with works contract?	As per Section 2(zq) of the said Act, “Works Contract” includes any agreement for carrying out for cash or for deferred payment or for valuable consideration, the building construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, repair or commissioning of any movable or immovable property.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Also there is a mention of sale including the transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract under Section 2(zf)(v) of the VAT Act.		
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form of application for registration as works contractor. The works contractor has to apply in the general form of registration i.e., Form RF-01, RF-02, RF-03, RU-01, RN-02 as applicable in different cases. Only for road transporter and warehouse approval separate forms are there viz, Form TR-01 and Form WA-01 respectively.	Section 20, 21, 22 of the VAT Act read with Rule 15, 16, 17, 18, 21, 22 of the Arunachal Pradesh Goods Tax Rules, 2005. (the VAT Rules)	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.		
4.	Eligible Turnover for registration.	₹ 5 lacs is the Taxable Quantum as per VAT Act.	Section 19(2) of the VAT Act	
5.	What are the deductions that are allowable from turnover?	For determination of the taxable turnover, the following deductions are allowed in respect of the amount of the charges towards goods when goods are ascertainable (in case of works contract): (a) the turnover of sales not subject to tax under Section 7 of the VAT Act; (b) charges towards labour, service and other like charges	Section 5, 6 and 7 of the VAT Act and Rule 5 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		prescribed in Rule 5 of the VAT Rules; (c) the turnover of sales of goods declared exempt under Section 6 of the VAT Act.		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis if the amounts of charges towards goods are ascertainable; When works contractor shall pay tax on the sale price after deducting a certain percentage as per Rules.	Section 5(2) of the VAT Act read with Rule 5 of the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	The charges towards labour and services and other like charges shall include: (a) Labour charges for execution of	Rule 5(2) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		works; (b) Charges for planning and architects fees; (c) Charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract; (d) 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 contracts; (e) Cost of establishment of the contractor to the extent it is relatable to supply of labour and services; (f) Other similar expenses relatable		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		to supply of labour and services; (g) Profits earned by the contractor to the extent it is relatable to supply of labour and services subject to furnishing of a profit and loss account of the works sites. Provided where amount of charges towards labour and service are not ascertainable from the accounts of the dealer, the amount of such charges shall be calculated at the percentages as per Rules.		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on	Depreciation on machinery and tools used in the execution of works contract is not allowed as labour and like charges as there is no such inclusion in Rule 5(2).	Rule 5(2) of the VAT Rules; Section 9(1) and Section 3 (imposition of tax) of the VAT Act.	No separate Section defining the tax credit in case of works contract.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	capital goods will be allowable?	However, under Rule 5(2) of the VAT Rules "charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract" are allowed. If a contractor uses his own machinery and tools in the execution of a works contract, which he otherwise could have hired from outside, then depreciation just like hire charges on such machinery and tools should be allowed. As per Section 9(1), every goods imported or purchased which are used directly or indirectly by the dealer for the purpose of making	Section 15 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		sale which are liable to tax under section 3 of the Act; and which are not liable to tax under section 7 are entitled to credit. Hence, input tax credit on capital goods is also allowable. However, Section 15(1), (2), (3) states that in case of treatment of stock brought forward during transition, no input tax credit for finished goods or capital goods is allowed. However, under simplified accounting method no input tax credit is available.		
9.	Can deduction be claimed for land value by the composition dealer?	Deduction for the value of land is allowable in the hands of a simplified accounting method dealer.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		However, it is not written specifically in either the Act or the Rules.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit earned by the contractor to the extent it is relatable to supply of labour and services will be deductible from the turnover subject to furnishing of the profit and loss	Rule 5(2)(g) of the the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	account of the works sites. For determination of tax payable by the dealer following deductions from taxable turnover are allowed under Rule 5 (2) of the VAT Rules: (a) labour charges for execution of works contract; (b) charges for planning, designing and architect's fees; (c) charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract; (d) cost of consumables such as water, electricity, fuel etc. used in the execution of works contract, the property in which is not transferred in the course of execution of the	Rule 5(2) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		works contract; (e) cost of establishment of the contractor to the extent it is relatable to supply of labour and services; and (f) Other similar expenses relatable to supply of labour and services. (g) profits earned by the contractor to the extent it is relatable to supply of labour and services subject to furnishing of a profit and loss account of the works sites; Deductions in respect of stamp duty, registration fee, and service tax are not available from the taxable turnover under the VAT Act and rules.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
13.	Is contractor liable to tax for free supply of goods by contractee?	In the case of free supply, the works contractor is not liable to tax. Further, where material has been supplied by principal and the cost of such goods has been deducted by the principal from the amount payable to the contractor, deduction is not allowed and is taxable.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The net tax of a dealer shall be paid within 28 days of the conclusion of the dealer's tax period. <i>Explanation:</i> The net tax of a dealer shall be paid at the same time as furnishing a return, but the obligation to pay arises by virtue of the above provision and is not dependent on furnishing a return, nor on the issue	Section 3(4) of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
15.	Which Section / Schedule prescribe the rate of tax for works contract?	of a notice of assessment to the dealer. Section 4(1) of the VAT Act deals with the rate of tax under works contract. Section 5(2) of the VAT Act will be applicable for the determination of taxable turnover arising from the execution of the Works Contract. Section 17 of the VAT Act and Rule 12(10) and (11) of the VAT Rules deals with the rate of tax and lays down the conditions regarding simplified accounting methods applicable to works contract.	Section 4, 5 and 17 of the VAT Act; For the works contract method, Rule 12 of the VAT Rules to be referred.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Yes, as no input tax credit is allowable for purchase of goods from unregistered dealer as	Section 9(2) & (7) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		mentioned in Section 9(2) & (7) of the VAT Act. However, in case of purchase of second hand goods from unregistered dealer, the credit will only be allowed if an invoice or receipt signed by such resident seller (who is not registered) is produced. The contents of the invoice are: (a) the nature of the goods; (b) the amount paid for the goods; (c) the name of the seller; (d) the seller's address in Arunachal Pradesh; and (e) The original invoice separately indicating the tax component. [Rule 10]	Rule 10 of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	Rate of tax for declared goods used in the course of contract is 4%.		
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Standard deduction is available for each type of works contract where the dealer does not maintain books of accounts for identification of labour charges which is mentioned in Annexure 8.	Rule 30(2) of the VAT Rules	
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	It is for general information to all concerned that tax deduction at source (TDS) for VAT has been introduced w.e.f. 11 th April 2007 by making an amendment in the Arunachal Pradesh Goods Tax Act, 2005. Any tax deducted shall be paid into the Government account on behalf	Circular No.-07 dated 22 nd September, 2009	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of the person from whose bills and invoice the deduction has been made and same shall be deposited by Challan No FF-08 under Head of Account "0040". The person making any deduction of tax at source and paying it into the Government account shall issue to the payee intimation/ certificate of tax deduction at source and payment.		
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	Not specified in the Arunachal Pradesh Goods Tax Act, 2005 and Arunachal Pradesh Goods Tax Rules, 2005.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Point no. 31		
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law, it is assumed that input tax credit is allowable for consumables. Section 9(1) of the VAT Act gives importance to the use of goods for the purpose of making sale and not the kinds of goods. Further, Section 9(2) of the VAT Act does not include consumables as disallowed.	Section 9(1) & 9(2) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	The works contractor is entitled to claim deduction towards amounts paid to the sub-contractors for execution of the works contract subject to production of proof to the satisfaction of the Commissioner that: (a) the sub-contractor is a registered dealer liable to pay tax under the VAT Act; and (b) deduction can be claimed on the strength of an invoice raised by the sub contractor (c) There is no further transfer of goods in any form by the sub contractor to the works contractor except as shown in the invoice of the sub contractor.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		No specific provision as such given in the Act or Rules. There is no express provision under the VAT Act for allowing input tax credit on payments to sub contractor.		
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full to the extent tax has been paid or payable on purchase of taxable goods from a registered dealer when such goods are purchased for use in the execution of works contract.	Section 9(1) and Section 9(2)(a) of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice	Section 51 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		or bill: A) The tax invoice issued under Section 51(2) shall contain the following particulars on the original as well as copies thereof: (a) the words 'Tax Invoice' in a prominent place; (b) the name, address and registration number of the selling registered dealer; (c) the name and address of the purchaser; (d) an individual pre-printed number and the date on which the tax invoice is issued; (e) description, quantity, volume and value of goods sold and services provided and the		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		amount of tax charged thereon indicated separately; (f) the signature of the selling dealer or his servant, manager or agent, duly authorized by him; and (g) The name and address of the printer and first and last serial number of tax invoices printed and supplied by him to the dealer. A dealer following simplified accounting method, however, shall not be entitled to issue any tax invoice. B) The retail invoice issued under Section 51(4) shall contain the		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		following particulars on the original as well as copies thereof: (a) the words 'Retail Invoice' or 'Cash Memorandum' or 'Bill' in a prominent place; (b) the name, address and registration number of the selling dealer; (c) in case the sale is in the course of inter-state trade or commerce, the name, registration number and address of the purchasing dealer and type of statutory form, if any, against which the sale has been made; (d) an individual serialized number and the date on which the retail invoice is issued;		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(e) description, quantity, volume and value of goods sold and services provided, inclusive of amount of tax charged thereon; and (f) The signature of the selling dealer or his servant, manager or agent, duly authorized by him.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover	As discussed under 23 above, no deduction shall be admissible unless the sub contractor is a registered	Section 9(2) of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	pertaining to main contractor?	dealer under the VAT Act who has filed the return disclosing therein the turnover of sales attributable to the works contractor. This is also clear from Section 9(2) of the Act which states that "no tax credit shall be allowed in the case of the purchase of goods, for goods purchased from a person who is not a registered dealer".		
28.	Can sub contractor claim exemption if main contractor pays tax?	Not specified in the Arunachal Pradesh Goods Tax Act, 2005 and Arunachal Pradesh Goods Tax Rules, 2005.		
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Contractor is liable to pay the tax. However, deduction is available for payments to sub contractor as mentioned in point No. 23.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for “simplified accounting methods” under section 17 of the VAT Act and pay tax subject to certain conditions (only if the contractor fulfills the conditions mentioned in Section 17(3) of the VAT Act and Rule 11(1) of the VAT Rules.). As mentioned in Rule 12 there are namely four simplified accounting methods: sample method, stock purchase method, business norms method and works contract method.	Section 17 of the VAT Act read with Rule 11 and 12 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		<u>Works Contract (Rule 12(10) &(11)) :</u> The net tax of a dealer electing to use the works contract method for a tax period is: $Net\ Tax = tf - tc$ where tf = the output tax determined at a flat rate under sub-rule (11). tc = the total amount of tax credits allowable under this Act for the tax period. A works contractor may determine the output tax at a flat rate of 10% (4% vide Notification No. TAX-28/2002/VOL-II dated 31st August 2009) on the turnover of works contract after deducting therefrom charges towards labour and service		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		and other like charges in accordance with rule 5, irrespective of the goods that may be apportioned in the works contract.		
31.	Is composition WC allowed to make interstate / import purchases?	Yes. Works contract dealer pursuing the simplified accounting method is permitted to import goods from outside the State, provided the WC dealer satisfies the conditions mentioned in Section 17(3) of the VAT Act.	Section 17(3) of the VAT Act.	
32.	Is composition WC eligible to take sub contractor deductions?	There is no composition scheme as per the Act. However, a simplified accounting method may be adopted by the works contractor where deductions of labour and service and other like	Rule 12(10) & (11) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		charges are allowed. Also, tax credits are allowed unlike the composition scheme of other States. [Rule 12(10) & (11)]		
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis. Holding one registration number both options cannot be availed at the same time. Once a simplified accounting method is opted by the WC, he shall continue to apply that same simplified accounting method for at least the next 12 months.	Rule 11(2)(b) of the VAT Rules.	
34.	Is there any procedure to change the scheme from regular to composition works contractor?	A dealer can go for simplified accounting method only when he satisfies the conditions mentioned in Section 17(3) of the VAT Act and	Section 17 of the VAT Act read with Rule 11 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Rule 11(1) & (5) of the VAT Rules. A person who satisfies the conditions may elect to employ any one of the simplified accounting methods. The election shall take effect from the beginning of the next tax period and the dealer shall continue to apply that same Simplified Accounting Method for at least the next 12 months. The making of the election to use a simplified accounting method shall be notified to the Commissioner in FF-04.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	As per Rule 11(4), an election to employ a simplified accounting method shall cease to have effect from the start of the next tax period if the dealer ceases to be eligible to	Rule 11(4) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		use any simplified accounting method or if the dealer elects to cease applying the simplified accounting method by notifying to the commissioner in Form FF-05		
36.	What are the composition rates for different types of contracts?	simplified accounting method rate for works contract is 10% (4% vide Notification No. TAX-28/2002/VOL-II dated 31 st August 2009)	Rule 11 & 12 of the VAT Rules.	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	The works contractor opting for simplified accounting method shall have to notify the Commissioner in Form FF-04.	Rule 11(3) of the VAT Rules.	
38.	Whether composition dealer can apply for interstate works contract?	No.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
39.	Whether such WC is required to file monthly / quarterly return?	As per Rule 34(1), tax period for a dealer whose turnover exceeds ₹ 1 crore, shall be 1 month. Otherwise, it is at the option of the dealer, either 1 month or a quarter in Form FF-01, 02, 03, 06, 07, 08 and 09 as applicable. Similar to the tax period returns are filed viz., monthly or quarterly. <u>Due date for filing the return:</u> i) <u>Dealer's periodic returns:</u> A return in Form FF-01 is due within 28 days from the end of the tax period. [Rule 36(2)] ii) <u>Importers' return-cum-challan:</u> The return in Form FF-07 shall be furnished at the time that the entry	Section 28 of the VAT Act read with Rule 34 of the VAT Rules. Rule 36, 37, 38, 39, 40 of the VAT Rules.	
	What is the due date of filing the return?			

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		tax is due or paid. [Rule 37(2)] iii) <u>Exception returns:</u> As specified, a return in Form FF-02 shall be due within 7 days of the occurrence of the event triggering the obligation to pay the amount due. [Rule 38(2)] iv) <u>Other returns:</u> The return shall be filed within the time specified in the notice, which shall not be earlier than 28 days from the date the notice is served on the person. [Rule 39(3)] v) <u>Revised Return:</u> A revised return in Form FF-03 shall be due from the person within 30 days of his detecting the error. [Rule 40(2)]		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
40.	Whether Annual Return is filed by the works contractor?	Only quarterly/ monthly return has to be filed by the works contractor as applicable.	Section 28 of the Act read with Rule 34, 35 and 36 of the Rules.	
41.	What is the time limit for Assessment in case of works contractor?	Unless the Commissioner has reason to believe that tax was not paid by reason of fraud or evasion on the part of the person, no assessment or re-assessment shall be made by the Commissioner after the expiry of 4 years from (a) the date that the person furnished a return under section 28; or (b) The date on which the Commissioner made an assessment of tax for the tax period or in respect of the import	Section 36 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of goods, whichever is the earlier Further, the commissioner may make an assessment of tax within 1 year after the date of any decision of the Appellate Tribunal or court where the assessment is required to be made in consequence of, or to give effect to, a decision of the appellate tribunal or court which requires the re-assessment of the person.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes VAT audit provisions apply to WC also. If in any particular year, the gross turnover of a dealer exceeds ₹50 lacs or such other amount as	Section 50 of the VAT Act read with Rule 57 of the said VAT Rules. Section 59(1) of the VAT Act	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		may be prescribed, then such dealer shall get his accounts in respect of such year audited by an accountant within 6 months from the end of that year and obtain within that period a report of such audit in Form FF-10 duly signed and verified. Further, as per Section 59, the commissioner may serve on any person, a notice informing him to get his accounts audited.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	Sale of flats by the developer pertaining to the share of developed area in case of construction contracts is a type of works contract and hence, VAT is applicable. But, no specific provision is given in the Act or Rules.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings the said documents may have to be produced on demand by the assessing authority.		

3. ASSAM

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Works contract has been dealt with separately under the Assam Value Added Tax Act, 2003 (the VAT Act) under Section 69 of the said Act. In Assam, "works contract" includes any agreement for carrying out for cash, deferred payment or other payment or other valuable consideration, the building, construction, fabrication, erection, installation, fitting out, improvement, modification, repair or commissioning of any movable or immovable property; [Section 2(57)].	Section 2(57), 69 of the VAT Act read with Rule 10, 39 of the Assam Value Added Tax Rules, 2005 (the VAT Rules)	
2.	Is there any specific form to apply for registration as a works contractor	There is no specific form of application for registration as works	Section 11 read with Rule 10 and Rule 39 of the	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	(WC) under VAT law?	contractor. The works contractor has to apply in the general form of registration i.e., Form 2 along with Part I/II.	said Rules.	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.		
4.	Eligible Turnover for registration.	Who is an importer : Nil Who is engaged in any business : ₹ 2,00,000	Section 11 of the VAT Act read with Rule 10 of the VAT Rules	
5.	What are the deductions that are allowable from turnover?	For the purpose of clause (c) of Section 11, the value of the goods	Rule 10 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		at the time of the transfer of property in the goods (whether as goods or in some other form) involved in the execution of a works contract may be determined by effecting the following deductions from the value of the entire contract, in so far as the amounts relating to the deductions pertain to the said works contract: (a) labour charges for execution of the works; (b) amounts paid by way of price for the entire sub-contract to sub-contractors; (c) charges for planning, designing and architect's fees; (d) charges for obtaining on hire or otherwise, machinery and tools		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		used for the execution of the works contract; (e) 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 the works contract; (f) cost of establishment of the contractor to the extent it is relatable to the supply of labour and services; (g) other similar expenses relatable to the supply of labour and services; and (h) Profit earned by the contractor to the extent it is relatable to the supply of labour and services.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis; otherwise the works contractor shall pay the tax on the basis of the Schedule VI of the Act.	Section 11(c) along with Schedule VI of the VAT Act.	
7.	How are the labour charges and like defined under the VAT law?	Same as point 5 above		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Depreciation on machinery and tools used in the execution of works contract is not allowed as labour and like charges. However, under Schedule VI of the VAT Act different percentages of deductions as regards labour component is given. Input tax credit on purchase of capital goods intended for the purpose of use in manufacture and	Section 14 read with Schedule VII of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		processing of taxable goods other than those specified in the Fourth Schedule is admissible. The input tax credit on capital goods shall commence from the date of commercial production and shall be adjusted against tax payable on output over a period of three years in 36 equal installments. However, no input tax credit is admissible on purchase of capital goods specified in VII Schedule.		
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of a compound dealer. However, in case of a regular dealer such deduction is admissible.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit earned by the contractor to the extent it is relatable to supply of labour and services will be deductible from the contractual transfer price subject to furnishing of the profit and loss account of the works contract.	Rule 10 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	For the purpose of clause (c) of Section 11, the value of the goods at the time of the transfer of property in the goods (whether as goods or in some other form) involved in the execution of a works contract may be determined by effecting the following deductions from the value of the entire contract, in so far as the amounts relating to the deductions pertain to the said works contract: (i) labour charges for execution of the works; (ii) amounts paid by way of price for the entire sub-contract to sub-contractors; (iii) charges for planning, designing and architect's fees;	Rule 10 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(iv) charges for obtaining on hire or otherwise, machinery and tools used for the execution of the works contract; (v) 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 the works contract; (vi) cost of establishment of the contractor to the extent it is relatable to the supply of labour and services; (vii) other similar expenses relatable to the supply of labour and services; and		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(viii) Profit earned by the contractor to the extent it is relatable to the supply of labour and services. The contractor is not liable for free supply of goods by the contractee.		
13.	Is contractor liable to tax for free supply of goods by contractee?			
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	As per section 18(1) the point of sale shall be the earliest of : (a) issue of the tax invoice (b) receipt of payment, in full or in part; (c) Transfer of title or possession of the goods or incorporation of goods in the course of execution of works contract.	Section 18(1) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 10(1)(a) of the VAT Act along with Schedule V of the Act deals with the rate of tax under works contract.	Section 10(1)(a) of the VAT Act along with Schedule V .	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, provided such purchase from unregistered dealers in Assam is used in the execution of works contract.	Section 12 of the VAT Act.	
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for the declared goods is 4%.	Schedule III of the VAT Act.	
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Schedule VI to the Act gives percentage of deduction under section 11(c) of the act for different types of works contract.	Schedule VI to the VAT Act.	
19.	Whether contractee / principal is liable to deduct TDS from the amount	Every person other than an individual, a Hindu Undivided	Section 47 of the VAT Act read with Rule 28 of the	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	payable to contractor?	Family, a firm or a company not under the control of the Government responsible for making any payment or discharging any liability on account of any amount purporting to be the full or part payment of sale price or consideration for the transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract shall, at the time of credit to the account of or payment to the dealer (hereinafter referred to as "contractor") of such amount in cash, by cheque, by adjustment or in any other manner, whatsoever, deduct in the prescribed manner, an	VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		amount calculated at the rate of twelve and half paisa in the rupee of the taxable turnover of such works contract.		
20.	What is the rate of TDS to be deducted in case of works contract?	Every person other than an individual, a Hindu Undivided Family, a firm or a company not under the control of the Government responsible for making any payment or discharging any liability on account of any amount purporting to be the full or part payment of sale price or consideration for the transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract shall, at the time of		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		credit to the account of or payment to the dealer (hereinafter referred to as "contractor") of such amount in cash, by cheque, by adjustment or in any other manner, whatsoever, deduct in the prescribed manner, an amount calculated at the rate of twelve and half paise in the rupee of the taxable turnover of such works contract. As a matter of general principle, no TDS is applicable in case of inter-state transaction		
21.	Whether interstate supplies or import transactions are considered for deducting TDS? Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Same as point 31.		
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		consumables exists under the law, goods purchased for execution of works contract would qualify for input tax credit. A view is held that such goods should also include consumables.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	The works contractor is entitled to claim deduction towards amounts paid to the sub-contractors for execution of the works contract subject to production of proof to the satisfaction of the prescribed authority. There is no express provision under the VAT Act for allowing input tax credit on payments to sub-contractor.	Rule 10 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full to the extent tax has been paid or payable on purchase of taxable goods within the State from a registered dealer when such goods are purchased for use in the execution of works contract.		
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, certain information is compulsorily includible in the invoice or bill as mentioned in rule 32 of the Rules.	Rule 32 of the VAT Rules.	
26.	Can running bill be treated as invoice? Whether advances received including	Yes. Running bill can be treated as invoice. Advance taken prior to		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	mobilization advance will be liable to tax?	commencement of the execution of works contract is not liable to VAT.		
27.	Is it compulsory for the sub- contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Rule 39 of the Rules states that: A contractor shall not be liable to pay tax under sub-section (2) of Section 69, if he produces documentary evidence as to the payment of tax on the taxable turnover of the goods involved in execution of works contract, by the sub-contractor along with a declaration from such sub-contractor to this effect. No express provision as to the registration of sub-contractor is there in law. However, one can conclude by the		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		wordings of Rule 39 of the VAT Rules that such sub-contractor should be registered.		
28.	Can sub contractor claim exemption if main contractor pays tax?	A contractor shall not be liable to pay tax under sub-section (2) of Section 69 of the VAT Act, if he produces documentary evidence as to the payment of tax on the taxable turnover of the goods involved in execution of works contract, by the sub-contractor along with a declaration from such sub-contractor to this effect. A sub-contractor shall not be liable to pay tax under sub-section (3) of Section 69 of the VAT Act, if he produces documentary evidence as to the	Rule 39 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		payment of tax on the taxable turnover of the goods involved in execution of works contract, by the contractor along with a declaration from such main contractor to this effect.		
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Same as point 28 above.		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for composition scheme under section 20 of the VAT Act and pay tax subject to certain conditions mentioned therein.	Section 20 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
31.	Is composition WC allowed to make interstate / import purchases?	As per Section 20(4) of the VAT Act, a dealer in whose case composition is in force, shall not: 1. be entitled to any claim of input tax credit in respect of purchase of any goods by him in the State; and 2. Issue tax invoice to any dealer who has purchased the goods by him.	Section 20(4) of the VAT Act.	
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme, no such deduction is allowed.	Section 20(4) of the VAT Act	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis. However, Section 20 (5) of the Act lays down that the option so	Section 20(5) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		exercised shall be final for that year and shall continue for subsequent years until the dealer becomes ineligible, or withdraws his option in writing.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The dealer has to opt for such a scheme by intimation to the prescribed authority.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no laid down procedure under the VAT Act for switching over from the composition scheme to the regular scheme. Where a dealer under the composition scheme subsequently becomes ineligible say in the middle of the quarter, for failing to file the option or for any other reason, he		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		will be deemed to be a regular dealer.		
36.	What are the composition rates for different types of contracts?	Composition rate is 1%, 5% subject to certain conditions.		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Same as point 31.		
38.	Whether composition dealer can apply for inter-state works contract?	Composition dealer cannot enter into inter-state transaction.	Section 20 of the VAT Act	
39.	Whether such WC is required to file monthly / quarterly return?	Every registered dealer liable to pay tax whose taxable turnover of goods in any assessment year exceeds ₹10 lacs, shall furnish monthly tax returns to the prescribed authority. However, if such turnover is less than ₹10 lacs, a quarterly return has	Rule 17 read with Section 29 of the VAT Act	Form 13

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	What is the due date of filing the return?	to be furnished. Due date for filing the return for a particular month/quarter is next twenty one days of the following month/quarter.		
40.	Whether Annual Return is filed by the works contractor?	There is no specific provision as to works contractor.	Section 29 read with Rule 17 of the VAT Rules.	
41.	What is the time limit for Assessment in case of works contractor?	Except the cases selected for audit assessment under Rule 22, all other cases shall be deemed to have been assessed to tax under Section 35(1). Further under Section 39, no assessment can be made after 5 years.	Rule 21, 22, 23, 24, 25 of the VAT Rules.	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well?	Yes VAT audit provisions apply to WC also.	Section 62 read with Rule 35 of the VAT Rules.	Form 47 and 48.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	If yes, what is the turnover limit for such audit?	Where in any year, the gross turnover of a dealer exceeds ₹40 lacs or such amount as may be notified, such dealer shall get his account, in respect of that year audited by an accountant within 7 months from the end of that year.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	Yes. VAT is applicable only to under construction flats booked during the specified period. It does not apply to ready for possession flats or flats resold during the same period.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings the said documents may have to be		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		produced on demand by the assessing authority.		

4. BIHAR

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Works contract has not been dealt with separately under the Bihar Value Added Tax Act, 2005 (the VAT Act) and has been covered in the definition of "sale" u/s 2(zc)(ii) of the VAT Act. In West Bengal, any transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract is deemed to be a sale of those goods by the person making the transfer for cash or deferred payment or for other valuable consideration.	Section 2(zc) and Section 2(zh) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Section 2(zh) of the VAT Act defines the term "works contract".		
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form of application for registration as works contractor. The works contractor has to apply in the general form of registration i.e., Form A-1.	Section 19 of the VAT Act read with Rule 3 of the Bihar Value Added Tax Rules, 2005 (the VAT Rules).	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes	Section 2(i) of the VAT Act.	
4.	Eligible Turnover for registration.	The taxable quantum : (a) Importer from outside the Bihar- No limits (b) Works contractor and dealer in transfer of right to use any goods- No limits.	Section 3(3)(b) of the VAT Act read with Rule 2A of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(c) All dealers other than 1 and 2 ₹5,00,000		
5.	What are the deductions that are allowable from turnover?	For determination of the taxable turnover, the following deductions are allowed from the gross value of the contract: (a) Labour charges for the execution of the works contract. (b) Amount paid to sub-contractor on account of labour and services. (c) Charges for planning, designing and architect's fees. (d) Charges for obtaining on hire machineries and tools used in the execution of works contract.	Section 35(1)(c) of the VAT Act read with Rule 18(3) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(e) Cost of consumables such as water, electricity, fuels etc. used in the execution of a works contract. (f) Cost of establishment of the contractor to the extent it is relatable to supply of labour and services. (g) Other similar expenses relatable to supply of labour and services. (h) Profit earned by the contractor to the extent it is relatable to supply of labour and services (i) Goods or transactions exempted under Section 6 or Section 7 of the VAT Act.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis only.	Section 35(1)(c) of the VAT Act.	
7.	How are the labour charges and like defined under the VAT law?	For the details of labour and like charges refer point No 5 as above.	Section 35(1)(c) of the VAT Act read with Rule 18(3) of the VAT Rules.	
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	There is no specific provision in the VAT Act or the VAT Rules in respect of this issue. However, depreciation on machinery and tools used in the execution of works contract should not be allowed as labour and like charges. But "charges for obtaining on hire or otherwise machinery and tools used in the execution of the works	Section 2(e) and Section 16(c) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contract, the property, which is not being transferred in the course of a works contract" should be allowed. If a contractor uses his own machinery and tools in the execution of a works contract, which he otherwise could have hired from outside, then as per some court decision depreciation on such machinery and tools should be allowed. Input tax credit is allowable on capital goods as per Section 16(c) of the VAT Act. "Capital goods" is defined under Section 2(e) of the VAT Act.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of a composition dealer. However, in case of a regular dealer, such deduction is admissible.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or	Profit earned by the contractor to the extent it is relatable to supply of	Section 35(1)(c) of the VAT Act read with	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	adhoc labour charges and like?	labour and services will be deductible from the gross value of the contract subject to furnishing of the profit and loss account of the works contract.	Rule 18(3) of the VAT Rules.	
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	For determination of tax payable by the dealer following deductions from the gross value of the contract are allowed under section 35 of the VAT Act: (a) labour charges for the execution of the works contract; (b) amount paid to sub-contractor on account of labour and services; (c) charges for planning, designing and architect's fees;	Section 35(1) (c) of the VAT Act read with Rule 18(3) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(d) charges for obtaining on hire machineries and tools used in the execution of works contract; (e) cost of consumables such as water, electricity, fuels etc. used in the execution of a works contract; (f) cost of establishment of the contractor to the extent it is relatable to supply of labour and services; (g) other similar expenses relatable to supply of labour and services; (h) profit earned by the contractor to the extent it is relatable to supply of labour and services;		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(i) Goods or transactions exempted under Section 6 or Section 7 of the VAT Act. Deductions in respect of stamp duty, registration fee, service tax are not available under the VAT Act.		
13.	Is contractor liable to tax for free supply of goods by contractee?	There is no specific provision in the VAT Act or the VAT Rules in respect of this issue. However, in the case of free supply of goods by contractee, the works contractor should not be liable to tax.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	There is no specific provision in the VAT Act or the VAT Rules in respect of this issue. However, the point of taxation for a works contractor is normally the		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		issue of a tax invoice, invoice or bill or any other document for claiming or receiving payments in respect of the works contract.		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 14(1) of the VAT Act deals with the rate of tax under works contract.	Section 14(1) of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, provided such purchase of goods from unregistered dealers in Bihar is used in the execution of works contract. [Section 4 of the VAT Act] However, the provision is not applicable if the said goods are used as capital assets anytime after such purchase. [Section 5 of the VAT Act]	Section 4 and Section 5 of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax that normally prevails for the declared goods is subject to the maximum of 5%. However, nothing has been specified in respect of the same in the VAT Act/ Rules.		
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	There is no specific provision for standard deduction in respect of payment in the Value Act, 2005 or Value Rules.		
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	The contractee/ principal, responsible for making any payment on account of transfer of property (whether as goods or in some form) vested in the execution of works, is liable to deduct tax from the amount	Section 41(1) of the VAT Act read with Rule 29 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		payable to the works contractor at the time of payment @ 4%. [Section 41(1)]		
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	The rate of TDS for works contract is 4%. TDS is also applicable in case of inter-state transaction.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	As per Rule 29(2) of the VAT Rules, no TDS is deductible from the amount paid to the sub-contractor on account of labour and services.	Rule 29(2) of the VAT Rule	
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law, under Section 16(1)(b) of the VAT Act, consumables in the form of	Section 16(1)(b) of the VAT Act	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		goods purchased for execution of works contract would qualify for input tax credit.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	The works contractor is entitled to claim deduction towards amounts paid to the sub-contractors for execution of the works contract. There is no express provision under the VAT Act for allowing input tax credit on payments to sub-contractor.	Section 35(1)(c) of the VAT read with Rule 18(3) of the VAT Rules.	
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full to the extent tax has been paid or payable on purchase of taxable goods within the State from a registered dealer when such goods are purchased for use in the execution of works contract.	Section 16 of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice or bill: A tax invoice shall be inscribed with the words, "tax invoice" in bold letters at the top or at any prominent place and shall also contain the following details – (a) name, address and registration certificate number of the selling registered dealer; (b) name, address and registration certificate number of the purchasing registered dealer; (c) an individual serialized number and the date on which the tax	Section 53 of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		invoice is issued, (d) Description, quantity, volume and value of the goods sold, amount of discount allowed, if any, and the amount of tax charged thereon indicated separately; (e) Signature of the selling dealer or his manager or any other employee or agent, duly authorised by him. (f) The name and address of the printer, if any, and first and last serial number of tax invoices printed and supplied by him to the dealer. (ii) A composite dealer however, shall not be entitled to issue any tax		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		invoice but can issue a retail invoice. The retail invoice shall contain the following particulars , namely: (a) the words "retail invoice" or "cash memorandum" or "bill" in a prominent place; (b) the name, address and tax payer identification number of the selling dealer, if registered; (c) nature of the purchaser (whether consumer or a dealer not registered under the Act); (d) name and address of the purchaser in case of sale to a dealer; (e) in case the sale is in the course of inter-state trade or commerce, the name,		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		registration number and address of the purchasing dealer and type of any form, under the Central Sales Tax Act, 1956, if any, against which the sale has been made; (f) an individual pre-printed serialised number and the date on which the retail invoice is issued; (g) description, quantity, volume and value of the goods sold, amount of discount allowed, if any, and the amount of tax charged thereon indicated separately; (h) Signature of the selling dealer or his manager or any other		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		employee or agent, duly authorised by him. The Commissioner may, by notification, specify the manner and form in which the particulars of a tax invoice or retail invoice are to be recorded.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	There is no specific provision in the VAT Act or the VAT Rules in respect of this issue. However, as per the general		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		principle of VAT laws, no deduction shall be admissible unless the sub-contractor is a registered dealer under the VAT Act who has filed the return disclosing therein the turnover of sales attributable to the works contractor.		
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes. Deduction on account of payments made to sub-contractor in respect of labour and services is permitted under Section 35(1)(c) of the VAT Act. If the gross turnover of a sub-contractor from the commencement of any accounting year exceeds the taxable quantum (as may be prescribed) at any time during the	Section 35(1)(c) of the VAT Act read with Rule 18(3) of the VAT Rules. Section 3(3)(b) of the VAT Act read with Rule 2A of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		year, he becomes liable to pay this tax with effect from the following day on which the aggregate of gross turnover is so exceeded. [Section 3(3)(b)]. As per the definition of the taxable quantum under Rule 2A of the Bihar Value Added Tax Rules, 2005, taxable quantum in case of sub-contractors is NIL. Hence, the sub-contractor cannot claim any exemption irrespective of the fact that the main contractor pays tax.		
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Contractor is liable to pay the tax. However, deduction is available for payments to sub-contractor. (Refer to point no. 13).		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for composition scheme under section 15 of the VAT Act and pay tax subject to certain conditions.	Section 15 of the VAT Act read with Rule 11 of the VAT rules	
31.	Is composition WC allowed to make interstate / import purchases?	No. As per section 15 of the VAT Act, the option to pay tax under composition scheme is not granted to a manufacturer or a person who imports any goods from any place outside the State of Bihar for the purpose of his business.	Section 15 of the VAT Act.	
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme, no such deduction is allowed.	Section 15(1) of the VAT Act read with Rule 11 of the VAT rules.	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		A works contractor, holding one registration number, cannot avail both options at the same time.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The option of paying tax at the composite rate is not automatic. Option to pay tax at a composite rate under Section 15(1A) has to be exercised by filing Form A-IA electronically or at the counter of the circle in charge within whose jurisdiction the place of business of the dealer is situated. However, option can only be availed after filing of the application to the satisfaction of the department.	Section 19 of the VAT Act read with Rule 3(13) of the VAT Rules.	
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no laid down procedure under the VAT Act for switching over from the composition scheme to the	Rule 11(5) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		regular scheme. If the gross turnover of the dealer paying tax under Section 15(1A) exceeds ₹40 lacs during the course of the year or he imports any goods from outside the State for the purpose of his business or he becomes a manufacturer of goods, his entitlement to pay tax at a composite rate shall cease from the date on which his gross turnover first exceeded ₹40 lacs or, as the case may be, he first sold the goods manufactured by him or imported by him from outside the State.		
36.	What are the composition rates for different types of contracts?	As per Section 15 of the VAT Act, the composite rate of tax under the composition scheme shall be the	Section 15 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		rate specified by the State Government by way of a notification, which shall not exceed 40% of the taxable turnover of the works contractor or a fixed amount in lieu of the tax payable by the works contractor as may be specified in the notification.		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Same as above in point 34.		
38.	Whether composition dealer can apply for interstate works contract?	No.	Rule 11(5) of the VAT Rules.	
39.	Whether such WC is required to file monthly/ quarterly return?	Works contractor under the regular scheme will be required to file a quarterly return in Form RT-I and an	Section 24 of the VAT Act read with Rule 19 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	What is the due date of filing the return?	annual return in Form RT-III in duplicate electronically. Works contractor under the composition scheme under section 15(1) or 15(4) of the VAT Act, will be required to file a quarterly return in Form RT-IV in duplicate electronically. Due date for filing the return in both the above cases is the month following the end of reporting quarter. Works contractor under the composition scheme under Section 15(1A) of the VAT Act, will be required to file an annual statement in Form RT-IV-PART AA for every financial year by 31st July of the year		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
40.	Whether Annual Return is filed by the works contractor?	following the end of reporting year. Works contractor under the composition scheme under Section 15(1A) of the VAT Act will be required to file an annual statement in Form RT-IV-PART AA for every financial year by 31st July of the year following the end of reporting year.	Section 24 of the VAT Act read with Rule 19 of the VAT Rules.	
41.	What is the time limit for Assessment in case of works contractor?	As per Section 37, except for a proceeding under Section 26(2), Section 28, Section 27(1), Section 31(1) and Section 33 of the VAT Act, no proceeding for tax assessment payable by a dealer under this act in respect of any period shall be initiated and	Section 37 of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		completed except before the expiry of 2 years from the expiry of such period.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Every registered dealer being a public or private limited company registered under the Companies Act, 1956 irrespective of its turnover, is required to file within 31 st December of each year, the audited profit and loss account and balance sheet for such year, along with the audit report. Any other registered dealer, other than a company whose gross turnover of sales exceeds ₹1 crore in a year, is also required to file within 31 st December of each year the audited profit and loss account	Section 54 of the VAT Act read with Rule 33(5) of the VAT Rules.	Prescribed form of audit report-Form TAR I, TAR II, TAR III, TAR IV, TAR V.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		and balance sheet for such year along with the audit report.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	On the basis of the decision of the Hon'ble Supreme Court in the case of <i>K. Raheja Development Corporation vs State of Karnataka</i> , works contract tax is imposed on the developer/ promoter in Bihar. According to the legal interpretation by the Hon'ble Supreme Court in the aforesaid case, works contract tax was imposed under the VAT Act in specific circumstances. In view of the above, sale of under construction flats is taxable in the State of Bihar. However, there is no specific provision in the VAT Act or VAT Rules in respect of this issue.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings, the said documents may have to be produced on demand by the assessing authority.		

5. CHHATTISGARH

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	No, works contract has not been dealt separately under the Chhattisgarh Value Added Tax Act, 2003 (VAT Act). There is a deeming provision applicable to works contractor. The definition of sale includes transfer of property in goods whether as goods or in some other form involved in the execution of a works contract.	NA Section 2(s) (ii) of the VAT Act	Only composition scheme has been dealt separately under Section 10 read with Rule 8.
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No specific format for registration for WC.	Section 16 of the VAT Act read with Rule 11 of the Chhattisgarh Value Added Tax Rules, 2006 (the VAT Rules)	Form 10 as applicable to all dealers will also be applicable to WC.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	No specific provision regarding non-resident registration. However, such a provision has been mentioned in Rajasthan VAT Act under Section 13(2).	—	—
4.	Eligible Turnover for registration.	No specific provision for works contract. However, every dealer whose turnover during twelve months immediately preceding the commencement of this Act exceeds ₹ 5 lacs shall get himself registered.	Section 16 read with section 4(1) of the VAT Act	
5.	What are the deductions that are allowable from turnover?	Deductions allowable from turnover are : 1. Sale price of declared goods under Section 15.	Section 2(w) of the VAT Act	Also as per <u>Gannon Dunkerley case 88 STC 204</u> , taxable turnover is total turnover less charges towards labour and

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		2. Sale price of goods[under Section 8(i)]: a) to which deduction is provided b) the amount arrived at by:- $\frac{\text{tax rate under Section 8(i)} \times \text{aggregate of sale prices}}{100 + \text{tax rate under Section 8(i)}}$ 3. Sale price of goods [under Section 8(ii)]:- a) Which are in the nature of tax paid goods. b) to which deduction is provided		services.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		c) amount arrived at by: <i>tax rate under Section 8(ii) x aggregate of sale prices arrived after allowing deduction under para (ii) of sub-clause (2)</i> <i>100+tax rate under Section 8(ii)</i>		
6.	Whether the Works Contract (WC) has the option to claim the labour charges and like on actual basis or adhoc basis?	Yes, there is an option. Either the WC can determine his liability as a normal dealer by claiming labour and like charges on actual basis or the WC can opt for composition scheme	Section 2(w) of the VAT Act Section 10 of the VAT Act read with Rule 8 of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
7.	How are the labour charges and like defined under the VAT law?	Labour and like charges have not been defined under this Act. However, it has been defined under the Karnataka VAT Act.	—	Labour charges and other like include charges for obtaining, on hire or otherwise, machinery and tools used in the execution of a works contract, charges for planning, designing and architects' fees, cost of consumables used in the execution of the works contract, cost of establishment to the extent relatable to supply of labour and services and other similar expenses relatable to supply of labour and services.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Not specified in the act or rule of Chhattisgarh VAT. A registered dealer purchasing any goods specified in Schedule II for manufacturing/ mining of goods specified in Schedule I or II for sale, shall claim input tax rebate.	Gannon Dunkerley case read with L&T case. Section 13(1) (b) of the VAT Act read with Rule 9(2)(a) of the VAT Rules	The Karnataka High Court in the L&T Case (2010 34 VST 53) concluded that claim for depreciation was justified. It went on to state that the extent of usage of the machinery in the execution of the works was to be determined on the facts of the case and the deduction for depreciation computed accordingly. Input tax credit on capital goods is allowed in installments.
9.	Can deduction be claimed for land value by the composition dealer?	Not specified under Chhattisgarh VAT Act or rules. However, the same	----	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		has been specified under Maharashtra VAT Act and Rule under Section 42(3) of the VAT Act.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	Amount receivable for labour & services is not only the sum spent in rendering services. It also includes profit earned on labour & services. For so many reasons, value of labour & services and profit thereon cannot be found from the books of accounts kept by a contractor. Looking into this difficulty, several States have enacted a deeming provision for the purpose of determining value of goods. They have prescribed percentage value of total amount receivable for execution of the contract as percentage value		Under Karnataka VAT Act, gross profit earned by the dealer shall be apportioned to the value of goods and labour and other like charges involved in the execution of works contract in the same ratio as in the total turnover.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of labour & services and profit thereon. Remaining amount of contract is deemed as the value of goods in which property in the execution of works contract passes from contractor to the contractee.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Not specified under Chhattisgarh VAT Act or Rule. However, the same has been specified under UP VAT Act and Rule under Rule 9.	—	On adhoc basis Where accounts maintained by the contractor do not show separately the value of labour and services and amount of profit accrued on such labour and services, or accounts maintained by the dealer are not worthy of credence or if the dealer has not

Chhattisgarh

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				maintained accounts, an amount, representing 20% of gross amount received or receivable, shall be deducted towards labour and services and amount of profit accrued thereon. <u>On actual basis</u> Amount of deduction towards such labour and services and amount of profit accrued thereon shall be computed at the corresponding rate percentages, of the amount received or receivable.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	<i>Taxable Turnover = Value of work contract (-) charges towards labour and services.</i>	Section 2(s), (t), (w) read with Gannon Dunkerley Case	Labour and services includes cost of consumables such as water, electricity, etc.
13.	Is contractor liable to tax for free supply of goods by contractee?	Where the materials are supplied free of cost to be used in the works contract, there will be no sale	ONGC v/s CST U.P. 1996 102 STC 466 (All HC) <i>vide</i> also 1989 75 STC STC 233 (All. HC)	
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Every registered dealer, other than a dealer to whom sub-rule (2) apply, shall pay tax quarterly within 30 days of expiry of the quarter to which the tax to be paid relates.	Rule 35 of the VAT Rules	There is no time of sale as defined under the Act.
15.	Which Section /Schedule prescribes the rate of tax for works contract?	<u>WC not opting Composition Scheme:</u> Tax to be levied on goods specified in Schedule II at their corresponding rate.	Section 8, Schedule II of the VAT Act	Different rate of tax depending upon the type of goods. Rate of tax for works contractor not opting

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		<u>Composition WC:</u> Rate of tax for works contract under composition scheme is specified under Rule 8	Rule 8 of the VAT Act	composition scheme are similar to that applied to general dealers.
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Dealer purchasing goods from -: i. any person other than registered dealer, or ii. a registered dealer in the circumstances not liable to pay tax under Section 8 on such goods except where the goods are tax paid under Section 2(x), Shall be liable to pay purchase tax.	Section 9 of the VAT Act	No specific provisions for Works Contractor. Therefore, provisions of general dealer will be applicable.
17.	What is the rate of tax for declared goods used in the course of contract?	Declared goods shall have the meaning assigned to it in the CST Act, 1956.	Section 2(h) read with Schedule II part II (40) of the VAT Act	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Rate of Tax is 4% in case of used of declared goods in contract. This method has not been defined in the Chhattisgarh VAT Act or Rule. However, in other States VAT Act, standard deduction method is available		As per Andhra Pradesh Value Added Tax Rules, 2005 dealer need to pay tax only on the value of the goods used at the time of incorporation in the execution of the works contract at the rates applicable to those goods. If a VAT dealer executing works contract did not maintain accounts to determine the value of the goods, they are liable to pay tax @12.5% of the total value of the contract

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				reduced by the standard deductions prescribed in respective VAT Rules.
19.	Whether contractee/ principal is liable to deduct TDS from the amount payable to contractor?	Any person letting out a works contract of value exceeding ₹ 3 lacs to a contractor involving sale of any goods in the course of execution works contract shall be liable to deduct TDS.	Section 27(2) of the VAT Act read with Rule 44 of the VAT Rules.	
20.	What is the rate of TDS to be deducted in case of works contract? Whether inter-state supplies or import transactions are considered for deducting TDS?	If the value of works contract exceeds 3 lac, deduction @ 2% from the amount payable to WC. No specific provision for inter-state or import transactions.	Section 27(2) of the VAT Act	
21.	Is the contractor also liable to deduct TDS from the amount payable to the	Any person letting out a works contract of value exceeding	—	No specific mention for sub-contractor.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Sub-Contractor?	₹ 3 Lacs to a contractor in the course of execution thereof by the contractor shall before making the payment of any amount towards the value of such contract to him, deduct at the rate of two percent an amount towards the tax payable by the contractor under this Act.		
22.	Whether the WC can claim input tax credit on consumables?	As per provisions applied to registered dealers, input tax rebate is allowable on consumables.	Section 13(1)(a) of the VAT Act read with Rule 9(2)(b) of the VAT Rules.	Can claim input credit on goods belonging to schedule II. No input tax rebate to registered dealers who opts for composition scheme under Section 10
23.	Whether deduction for sub contractor turnover is permitted from the turnover	Not specified in the act or rules. However, this issue has been	—	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	defined in other states Act like Karnataka VAT Act. Not specified under this Act.		
24.	Whether input tax credit is allowable fully in case of works contract?	Allowed as prescribed by rule. No rebate of tax in case of dealers taking composition scheme.	Section 13(1) of the VAT Act and Rule 9(1) of the VAT Rules. Section 10(2)(c) of the VAT Act	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format of invoice or bill for regular and composition WC.	Section 42 of the VAT Act read with Rule 54 of the VAT Rules.	Every registered dealer is required to issue a bill, invoice or a cash memorandum as specified in Rule 54 signed and dated by such dealer containing prescribed

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				particulars including the amount of tax collected, if collected separately. Provided, such bill, invoice etc. cannot be issued where sale of any goods of value not exceeding ₹500 is made to any person other than registered dealer.
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	<u>Running Bill</u> No specific provision found. However, the same has been mentioned in Madhya Pradesh VAT Rules, 2006 <u>Mobilization advances</u> Not specified in the act or rules ,	Kerala VAT Act, 2003– Clarification u/s. 94	With respect to the tax liability on mobilization

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		however the same issue has been discussed under Kerela VAT Act, Section 94 clarified by: - Abdul Jabbar. V.K, Joint Commissioner (General), O/o. CCT, Tvpm. - T.V. Kamala Bai, Joint Commissioner (Law), O/o. CCT, Tvpm. - S.K. Suchala Kumar, Joint Commissioner (Audit & Inspection), O/o. CCT, Tvpm		advance, in works contract, tax is levied on the transfer value of the materials incorporated in the work, and for compounded dealers tax is levied on contract receipts. So if the amount received represents contract receipts then compounded tax is payable on the same. If the mobilization advance does not form part of contract receipt, the same is not taxable. With respect to the issue of reduction of turnover to the extent tax is included in

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				the turnover, works contract tax is payable on the total contract receipts unless the tax amount is separately shown.
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	No specific provision	NA	As per general provisions of VAT law, it is a general practice that he should be a registered.
28.	Can sub contractor claim exemption if main contractor pays tax?	Contractor and sub-contractor shall be jointly and severally liable to pay tax. However, if contractor proves to the satisfaction of the Commissioner that the tax has been paid by the sub-contractor, the contractor shall not be liable to pay tax again.	Section 6 of the VAT Act read with Rule 7 of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Such an option is not available under the VAT Act or Rule. However, Rajasthan Value Added Tax Rules, 2006 provides such option under exemption fees method.		
30.	Does the WC have an option to pay tax under composition category?	Yes, the works contractor can opt either for composition scheme or regular scheme. WC shall give his option for composition scheme in Form No.5 to the appropriate Commercial Tax Officer or any other officer authorized by the Commissioner within 30 days of execution of Works contract.	Section 10 of the VAT Act read with Rule 8 of VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
31.	Is composition WC allowed to make interstate / import purchases?	A registered dealer purchasing goods specified in Schedule II from another such dealer within State after payment to him tax under section 8(1) may opt for composition scheme.	Section 10 of the VAT Act	Dealer, whose turnover in a year does not ordinarily exceed ₹ 15 Lacs, may opt, in the prescribed form within 1 month of the commencement of the year, composition scheme. No specific mention of composition WC dealer, therefore, applicable to them also as a general dealer.
32.	Is composition WC eligible to take sub contractor deductions?	Not specified in the Act or Rule. However, this issue has been defined in other States Act like Maharashtra VAT Act.	—	Sub-contract value shall be deducted first from the total contract value and thereafter the lump sum

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				deduction allowable as per table shall be made to arrive at the sales price of goods involved in WC.
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	A registered dealer carrying <u>wholly or partly the business of supplying</u> goods in the course of execution of WC may opt for composition scheme.	Section 10(1)(a) of the VAT Act.	With no bounding section so WC can opt for composition scheme for one project and regular for other.
34.	Is there any procedure to change the scheme from regular to composition works contractor?	Every registered dealer may opt for composition scheme in relation to goods supplied in the execution of works contract, shall give his option in Form 5 to the appropriate Commercial Tax Officer.	Section 10 of the VAT Act read with Rule 8 of the VAT Rules.	Option for composition will have to be submitted within 30 days of commencement of execution of works contract.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
35.	Is there any procedure to change the scheme from composition to regular works contractor?	Not specified in the act or rules.	—	—
36.	What are the composition rates for different types of contracts?	1. Civil works like construction of building, bridges, roads, dams, barrages, canals, diversion @ 2% 2. Fabrication and installation of plant and machinery @ 3% 3. Supply and installation of air conditioners, air coolers, air conditioning equipments @10% 4. All other contracts not specified in 1 to 3 above @ 4%	Rule 8 of the VAT Rules.	Civil contracts excludes: (a) Supply and installation of air coolers or air conditioners, air conditioning equipments (b) Supply and fitting of electrical goods and equipments (c) Fabrication and installation of elevators (lifts) and escalators. Air conditioning

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				equipments includes deep freezers, cold storage plant and humidification plants.
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, the work contractor has to take prior permission for opting composition methods.	Section 10 of the VAT Act read with Rule 8 of the VAT Rules.	Works contractor shall give his option to the appropriate commercial tax officer or any other officer authorized by the Commissioner within 1 month of execution of works contract in Form 5.
38.	Whether composition dealer can apply for interstate works contract?	A registered dealer purchasing goods specified in schedule II from another such dealer <u>within the state</u> after payment of tax under clause (1) of Section 8 and/or purchasing goods specified in schedule I, and	Section 10(2) of the VAT Act.	No specific provision for composition WC, therefore, general provision will apply.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		whose turnover in a year does not ordinarily exceed ₹15 lacs may opt, in the prescribed form within 1 month of the commencement of the year		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	WC not opting Composition Scheme:- Every registered dealer shall furnish his return quarterly. Return to be filed within 30 days in Form No. 17.	Section 19(1) of the VAT Act read with Rule 20, 21 of the VAT Rules	Commissioner may fix monthly returns for dealers or class of dealers, to be furnished within 15 days.
40.	Whether Annual Return is filed by the works contractor?	No, WC is not required to file annual return.		
41.	What is the time limit for Assessment in case of works contractor?	Assessment of every registered dealer shall be made separately for every year.	Section 21 of the VAT Act.	Registered dealer claiming refund of input tax rebate under Section 13(4) in his quarterly or yearly return and makes application for that purpose, assessment

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				shall be done within a period of 3 months.
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes, provisions of VAT Audit applies to WC also. Every dealer whose turnover exceeds ₹ 40 Lacs shall get his accounts audited by a Chartered Accountant	Section 41 (2) of the VAT Act read with Rule 53 of the VAT Rules.	.
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	A builder purchase the land, develop it, construct the residential buildings/business complex, and sell the fully constructed premises to the buyers that would be sale of immovable property, no liability under VAT Act would arise as the sales are of immovable property.	Larson and Toubro Ltd. vs. State of Karnataka decided on August 19, 2008 reported in [2008 17 VST 460 S.C] with K. Raheja Development Corporation vs. State of Karnataka	Building, residential house, shop, offices if sale by receiving booking amount and installments from buyer, that would not amounts to agreement for construction of property for buyers. Purchasers have

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
			[2005 NTN (vol.27)-243	clear and only intention to buy a desire immovable property. And that would be the sale of immovable property. No liability under VAT Act would arise.
44.	Is there a requirement to file the copy of contract / agreements with the department?	Not specified under Chhattisgarh VAT Act or Rule. However, the same has been specified under Rajasthan VAT Act and Rule under Rule 40.		

6. DELHI

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act?	Yes , Definition of Sale includes works contract under the Delhi Value Added Tax Act, 2004 (the VAT Act)	Section 2(1)(zc) of the VAT Act.	
	Is there a deeming provision dealing with works contract?	No		
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No, registration form is common for applying for dealer as works contractor.	Rule 19 of the e Delhi Value Added Tax Rules, 2005 (the VAT Rules).	
3.	Whether Non- resident (dealer outside the state) can apply for registration towards works contract?	Yes, as casual dealers		
4.	Eligible Turnover for registration.	Eligible turnover for registration is ₹ 10 Lacs.		

Compilation of Works Contract Provisions under VAT Laws of Different States

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
5.	What are the deductions that are allowable from turnover?	The deductions allowable from turnover are: (i) the charges towards labour, services and other like charges; and (ii) the charges towards cost of land, if any, in civil works contracts; Subject to the dealer's maintaining proper records such as invoice, voucher, challan or any other document evidencing payment of referred charges to the satisfaction of the Commissioner.	Rule 19 of the VAT Rules.	
6.	Whether the WC has the option to claim the labour charges and like on actual basis or <i>adhoc</i> basis?	Either <i>actual</i> basis or <i>adhoc</i> basis	Rule 3 of the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	The charges towards labour, services and other like charges shall include-	Rule 3 of the VAT Rules and Section 5(2) of the	

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
		(i) labour charges for execution of works; (ii) charges for planning and architects 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 of establishment of the contractor including cost of marketing, finance expenses and	VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
		securities deposits to the extent it is relatable to supply of labour and services; (vi) other similar expenses relatable to supply of labour and services; (vii) profits earned by the contractor to the extent it is relatable to supply of labour and services subject to furnishing of a profit and loss account of the works sites		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	No specific inclusion in provision. Depreciation cannot be claimed as labour and like charges. Input tax credit on capital goods is allowable	Rule 3 of the VAT Rules and Section 5(2) of the VAT Act. Section 9 of the VAT Act.	

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
9.	Can deduction be claimed for land value by the composition dealer?	Yes However, no specific exclusion has been provided in the Notification		.
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	No specific provision.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Gross profit is to be added to actual labour and like charges	Rule 3 of the VAT Rules Section 5(2) of the VAT Act.	.
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No, Water, Electricity deposits, stamp duty, registration fee, service tax, etc. does not form part of the works contract	Rule 3 of the VAT Rules Section 5(2) of the	

Compilation of Works Contract Provisions under VAT Laws of Different States

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
		turnover.	VAT Act.	
13.	Is contractor liable to tax for free supply of goods by contractee?	No, the contractor is not liable to tax for free supply of goods by Contractee		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Consideration received or receivable by the dealer for such transfer of property in goods during relevant tax period.	Rule 4 of the VAT Rules.	.
15.	Which Section /Schedule prescribes the rate of tax for works contract?	In respect of the goods involved in the execution of the works contract, at the rate of twelve and a half paise in the rupee; and Provided that tax shall be paid at the rate of five paise in the rupee of the turnover of the dealer pertaining to declared goods, as defined from time to time in the Central Sales Tax Act, 1956 (74 of 1956), involved in the execution of works contract if such goods are transferred	Section 4(1)(d) of the VAT Act.	

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
		from the contractor to the contractee in the same form in which they were purchased by the contractor. Provided further that in respect of the works contracts which are in the nature of printing works, the rate of tax shall be five paise in the rupee.		
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, WC will not be liable to pay unregistered purchase tax in addition to works contract tax	Section 3 of the VAT Act.	.
17.	What is the rate of tax for declared goods used in the course of contract?	Rate of tax for declared goods used in the course of contract is 5%.	Second proviso to Section 4(1)(d) of the VAT Act.	
18.	Is standard deduction method available for payment?	Yes	Rule 3 of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
	If yes, what are the various rates prescribed for different types of works contract?	As per Annexure 'A' enclosed.		
19.	Whether contractee/ principal is liable to deduct TDS from the amount payable to contractor?	Yes, Contractee/ Principal is liable to deduct the TDS from the amount payable to work contractor.	Section 36A of the VAT Act.	
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	The rate of TDS to be deducted in case of works contract is 2%. Interstate supplies or imports transactions should not be considered for deducting TDS.	Section 36A of the VAT Act.	
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes, The contractor is liable to deduct TDS from the amount payable to the Sub-Contractor.	Section 36A of the VAT Act.	

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
22.	Whether the WC can claim input tax credit on consumables?	No	Section 9 of the VAT Act.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	No Yes	Rule 3 of the VAT Rules.	
24.	Whether input tax credit is allowable fully in case of works contract?	Yes, except non creditable goods	Section 9 of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No, there is no specific format.		
26	Can Running bill be treated as Invoice?	No specific provision. However, they should satisfy the		

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S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether advances received including mobilization advance will be liable to tax?	requisites of invoice. No specific provision for advances. However, there is levy of tax on consideration received during a tax period.		
27.	Is it compulsory for the sub- contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes	Section 9 of the VAT Act.	
28.	Can sub contractor claim exemption if main contractor pays tax?	No, except when they have opted for composition scheme	Rule 19 of the VAT Rules read with Notification No. F.3(78)/ Fin.(T&E)/ 2005-06/1508 Kha dated 17.03.2006.	

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Yes		
30.	Does the WC have an option to pay tax under composition category?	Yes, WC have an option to pay tax under composition category.	sub-section (12) of Section 16 of the VAT Act.	Application for registration for composition scheme can be made in Form WC-01
31.	Is composition WC allowed to make interstate / import purchases?	Yes, composition WC dealer is permissible to make interstate/ import purchase but only from a registered dealer.	Section 16 of the VAT Act	
32.	Is composition WC eligible to take sub contractor deductions?	No, composition WC dealer is not eligible to take sub-contractor deductions.	Rule 19 of the VAT Rules	

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S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	No	Notification No. F.3 (78)/ Fin.(T&E)/ 2005-06/1508 Kha dated 17.03.2006	
34.	Is there any procedure to change the scheme from regular to composition works contractor?	A dealer can opt for composition scheme by filing an application in Form WC-01 within a period of 30 days from the first day of the year with effect from which composition is opted.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	Withdrawal from composition scheme is to be informed in Form WC-02 within 30 days from the end of the year for which opted to pay tax under this scheme		
36.	What are the composition rates for different types of contracts?	The composition rates for different types of contracts are: (a) 1% of the entire turnover – For all dealers engaged in trading,	Section 16 of the VAT Act.	

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
		manufacturing, execution of works contracts, leasing, etc., whose turnover does not exceed ₹50 lakhs during the year in which the composition is sought. (b) 2.5% of the entire turnover – For registered dealers engaged exclusively in works contracts of the nature of civil construction and making all the purchases and the sales, during the period for which composition is opted, within Delhi only (c) 3% of the entire turnover on account of works contracts executed in Delhi – For registered dealers engaged exclusively in works contracts of the nature of civil construction and procure goods from or supply goods to		

Compilation of Works Contract Provisions under VAT Laws of Different States

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
		any place outside Delhi		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, it is required for the works contractor opting for composition method to take prior permission/ provide intimation to the department.	Rule 5 of the VAT Rules and Section 16 of the VAT Act.	
38.	Whether composition dealer can apply for interstate works contract?	No, composition dealer cannot apply for interstate works contract.		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Quarterly return is required to file for tax period within 20 days from the end of tax period	Rule 28 of the VAT Rules.	.
40.	Whether Annual Return is filed by the works contractor?	No	Rule 28 of the VAT Rules.	
41.	What is the time limit for Assessment in case of works contractor?	Same as in case of any other assessment under Delhi VAT (a) 6 years- where the commissioner		

S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
		has a reason to believe that tax was not paid by reason of omission or failure to disclose fully material information (b) 4 years – In all cases other than (a) and (c) (c) 1 Year – Remand Assessment.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes, If gross turnover in a year exceeds ₹ 60 Lacs Accounts shall be audited annually by a Chartered Accountant within a period of 9 months from end of year and obtain a report of such audit in the form prescribed.	Section 49 of the VAT Act.	

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S.N	Particulars	Particulars	Relevant Section / Rule	Remarks
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	No specific provision.		
44.	Is there a requirement to file the copy of contract/ agreements with the department?	No, there is no such requirement.		

Annexure A

PERCENTAGES FOR WORKS CONTRACTS

	Type of contract	Labour, service and other like charges are percentage of total value of the contract
1.	Fabrication and installation of plant and machinery.	Twenty five percent
2.	Fabrication and erection of structural works of iron and steel including fabrication, supply and erection of iron trusses, purloins and the like.	Fifteen per cent
3.	Fabrication and installation of cranes and hoists.	Fifteen percent
4.	Fabrication and installation of elevators (lifts) and escalators.	Fifteen percent
5.	Fabrication and installation of rolling shutters and collapsible gates.	Fifteen percent
6.	Civil works.	Twenty five percent*
7.	Installation of doors, doorframes, windows, frames and grills.	Twenty percent
8.	Supply and fixing of tiles, slabs, stones and sheets.	Twenty percent
9.	Supply and installation of air conditioners and air coolers.	Fifteen percent

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	Type of contract	Labour, service and other like charges are percentage of total value of the contract
10.	Supply and installation of air conditioning equipment including deep freezers, cold storage plants, humidification plants and de-humidors.	Fifteen percent
11.	Supply and fitting of electrical goods, supply and installation of electrical equipments including transformers.	Fifteen percent
12.	Supply and fixing of furniture and fixtures, partitions including contracts for interior decoration and false ceiling.	Twenty percent
13.	Construction of Railway coaches and wagons on under carriages supplied by Railway.	Twenty percent
14.	Construction or mounting of bodies of motor vehicle and construction of trailers.	Twenty percent
15.	Sanitary fitting for plumbing and drainage or sewerage.	Twenty five percent
16.	Laying underground surface pipelines, cables or conduits.	Thirty percent
17.	Dyeing and printing of textiles.	Thirty percent
18.	Supply and erection of weighing machines and weighbridges.	Fifteen percent

	Type of contract	Labour, service and other like charges are percentage of total value of the contract
19.	Painting, polishing and white washing.	Thirty percent
20.	All other contracts not specified from Sl. No. 1 to 19 above.	Twenty percent

*Twenty five percent of total value of the contract excluding the cost of land transferred, if any.

(3) (a) In the case of works contract of civil nature where the payment of charges towards the cost of land, if any, is not ascertainable from the books of accounts of the dealer, the amount of such charges shall be calculated @ 30% of the total value of the contract except in the case of construction of commercial buildings or complexes where it shall be calculated @ 50% of the total value of the contract.

(b) In the case of works contract of civil nature where only a part of the total constructed area is being transferred, the charges towards the cost of land shall be calculated on a pro-rata basis by the following formula:-

Proportionate super area X Indexed cost of acquisition of land

Total plot area X Floor area ratio

Explanation. - Proportionate super area for the purpose of this clause means the covered area booked for transfer and the proportionate common constructed area attributable to it.

(c) In the case of work contract of civil nature where only a part of total constructed area is being transferred, the deduction towards labour, services and other like charges mentioned in sub-rule (1) shall be calculated on a pro-rata basis.

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(d) In the case of works contract of civil nature, the tax shall be payable by the contractor during the tax period in which the property in goods is transferred.

Explanation 1 .- For the purpose of this rule, indexed cost of acquisition shall be calculated as per section 48 of the Income Tax Act, 1961 .

Explanation 2.- No tax shall be payable by a contractor on the amount representing the value of the goods supplied by the contractee to the contractor in the execution of works contract in which the ownership of such goods remains with the contractee under the terms of the contract and the amount representing the value of the goods supplied by the contractee to the contractor does not form part of the contract and is not deductible from the amount payable to the contractor by the contractee for the execution of the works contract.

7. GOA

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is Works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contractor?	No Works Contract transactions are deemed as Sale Transactions.	Section 2 (ac) of Goa Value Added Tax Act, 2005 (the VAT Act) Article 366 (29A) of Constitution of India.	
2.	Is there any specific form to apply for registration for works contractor (WC) under VAT law?	Yes Form VAT-XIII for the below mentioned dealers: • For Reselling • For Running Hotel including Bar & Restaurant. • Executing Works contracts within the state.	Section 7 of the VAT Act, Rule 6(1) Goa Value Added Tax Rules, 2005 (the VAT Rules)	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
3.	Whether Non- resident (dealer outside the state) can apply for registration towards works contract?	No	Rule 6 of the VAT Rules.	
4.	Eligible Turnover for registration.	When Turnover exceeds following limits: a) ₹10,000 in case of non-resident dealer and casual trader. b) ₹100,000 in case of importer/manufacturers. c) ₹ 500,000 in any other case.	Section 3 of the VAT Act.	
5.	What are the deductions that are allowable from turnover?	• turnover of sales of goods on which no tax is leviable under the Act; • turnover of sales of goods which has been exempted from tax, • inter- state sales, import of	sub section (1) of Section 3 of the VAT Act and Rule 4 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		the goods into or export of the goods out of the Territory of India - the sale price of the goods returned to the dealer by the purchaser within a period of six months from the date of delivery thereof; - sales made outside the State of goods stock transferred / consigned to other States, - sales through local agents (registered dealer) on behalf of the principal.		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Yes	Rule 4(A) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
7.	How are the labour charges and like defined under the VAT law?	Not defined	Not Applicable	
8.	Whether depreciation can be claimed as labour charges and like? If yes then whether input tax credit on capital goods will be allowable?	No No input tax credit under sub-section (1) of Section 9 shall be claimed or be allowed to a registered dealer: - in respect of capital goods, covered under Schedule 'B' of the Act, if said goods are utilized for the purposes other than those covered in the prescribed declaration - in respect of capital goods: (a) purchased or paid prior to appointed day; (b) capital expenditure incurred	Section 9 and Schedule E of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		prior to the date of registration under this Act; (c) capital goods not connected with the business of the dealer; (d) capital goods used in the manufacture of goods or providing services which are not liable to tax under this Act; (e) capital goods used in generation of energy/power including captive power; (f) motor cars, its accessories and spare parts.		
9.	Can deduction be claimed for land value by the composition dealer?	No Such provision for developers in the Act.		
10.	How is the estimated gross profit computed in case of work contract?	There is no such method prescribed for calculating the estimated gross		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Also, what is the ratio to apportion the gross profit between material and labour?	profit. There is no such method prescribed for calculating the estimated gross profit..		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Yes		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No Such provision for developers in the Act. For rest of the dealers who opt for composition, limits are mentioned in answer to point no. 15.	Section 7, Schedule E of the VAT Act and Notification No.4/5/2005-Fin(R&C)(93)	
13.	Is contractor liable to tax for free supply of goods by contractee?	Depends on the terms of contract. • Tax is on Contract Value		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	• As and when the property in goods is transferred. Invoice should be raised accordingly. • Whether it is Table or reduction		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		method, the contractors would not be able to quote the exact amount of tax they will charge to their customers. In large contracts running over several months or several years, it may be very difficult for the contractors to collect correct amount of tax from their customers and much more difficult to discharge their exact tax liability on periodic basis. • A dealer is required to file periodic returns, which may be monthly, quarterly or six monthly. All such returns are required to be filed correct and complete in all respect. An		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		incomplete or incorrect return may lead to stringent penalties and even prosecution.		
15.	Which section / schedule prescribes the rate of tax for works contract?	<i>For Dealer other than Dealer of liquor in packed bottles, dealer effecting sale by transfer of right to use any goods and importer:</i> • If total Turnover in previous year does not exceed ₹100 lacs then rate of composition is 0.5%. <i>For Reseller of liquor in packed bottles other than importer:</i> • If total turnover in previous year does not exceed ₹100 lacs then rate of composition is 1%.	Section 7 of the VAT Act, Schedule E and Notification No.4/5/2005-Fin(R&C)(93)	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		<i>For Eating house, Restaurant, Hotel, Refreshment Room or Boarding Establishment serving food and non alcoholic drinks:</i> • If total Turnover in previous year does not exceed ₹100 lacs then rate of composition is 5%. <i>For Eating house, Restaurant, Hotel, Refreshment Room or Boarding Establishment other than starred category of hotel serving food and alcoholic drinks:</i> • If total Turnover in previous year does not exceed ₹100 lacs then rate of composition is 8%. <i>For Works Contractor:</i> • If total Turnover in previous year does not exceed		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		₹100 lacs then rate of composition is 3%. <i>For Sale of cooked food and non-alcoholic beverages by shacks allotted by Tourism Department.</i> If total Turnover in previous year does not exceed ₹20 lacs then tax will be ₹15,000 per year.		
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No		
17.	What is the rate of tax for declared goods used in the course of contract?	Rate of Tax prevailing in the state.		
18.	Is standard deduction method available for payment? If yes, what are the various rates	No		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	prescribed for different types of works contract?			
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes	Section 28 of the VAT Act and Rule 25 of the VAT Rules.	
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	Rate of tax deduction is 2%. No such deduction shall be made where the amount or the aggregate of the amount payable to a dealer by such employer is less than ₹1 Lacs during a year or when the cost of material used in execution of the works contract is less than 10% of the contract value.	Section 28 of the VAT Act and. Rule 25 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	No.		
22.	Whether WC can claim input tax credit on consumables?	Yes, Subject to Rules and Notifications.	Section 9 and Schedule E of the VAT Act.	Various conditions have been laid down for claiming Set-off by the dealer using composition scheme viz Set-off can be claimed on goods purchased for use in execution of works contract.
23.	Whether deduction for sub contractor turnover is permitted? Does WC have the option to claim input tax credit in lieu of deduction	Yes Subject to Rules The works contractor has option to claim input tax credit subject to conditions viz. he shall not be	Section 7 (1) of the VAT Act and Rule 6 and Rule 7 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	from total turnover?	permitted to claim any input tax credit on purchases and on stock held on the appointed day or on the day from which he is held liable to pay tax under this Act or on the day on which his Registration Certificate is made valid.		
24.	Whether input tax credit is allowable fully in case of works contract?	No, subject to conditions.		
25.	Is there any specific format of invoice or bill for regular and composition WC?	No Works contract dealers under composition are not allowed to collect tax separately in the invoice.		
26	Can running bill be treated as invoice?	Yes		
	Whether advances received including mobilization advance will be liable to	Running Bill can be treated as invoice for discharging VAT liability.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	tax?	Advances received are not liable to tax.		
27.	Is it compulsory for the sub- contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes		
28.	Can sub contractor claim exemption if main contractor pays tax?	No such provision.		
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Yes		
30.	Does the WC have an option to pay tax under composition category?	Yes, the works contractor can opt for either composition schemes as per Schedule E, if eligible, or can go for regular scheme.	Section 7 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
31.	Is composition WC allowed to make interstate / import purchases?	Yes. However, no set-off of Central Sales Tax Act, 1956 is allowed to claim.		
32.	Is composition WC eligible to take sub contractor deductions?	No , there is no such provision.		
33.	Whether the WC can opt for regular scheme for one project and composition scheme for other project?	Yes.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	Application has to be made to Commissioner of Sales Tax (Registration) in Form VAT XIII.	Section 7 (1) of the VAT Act.	Form VAT XIII
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no procedure prescribed. The dealer has to file an application in any time during the year, by making self declaration that his turnover of sales during the said year will not exceed the limit specified in		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
36.	What are the composition rates for different types of contracts?	the said Schedule 'E'. <i>For Dealer other than Dealer of liquor in packed bottles, dealer effecting sale by transfer of right to use any goods and importer –</i> - If total Turnover in previous year does not exceed ₹100 lacs then rate of composition is 0.5%. <i>For Reseller of liquor in packed bottles other than importer -</i> - If total Turnover in previous year does not exceed ₹100 lacs then rate of composition is 1%. <i>For Eating house, Restaurant, Hotel, Refreshment Room or Boarding</i>	Section 7, Schedule E of the VAT Act, and Notification No.4/5/2005-Fin(R&C)(93)	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		<i>Establishment serving food and non alcoholic drinks –</i> 1. <i>If total Turnover in previous year does not exceed ₹ 100 lacs then rate of composition is 5%.</i> <i>For Eating house, Restaurant, Hotel, Refreshment Room or Boarding Establishment other than starred category of hotel serving food and alcoholic drinks –</i> • <i>If total Turnover in previous year does not exceed ₹100 lacs then rate of composition is 8%.</i> <i>For Works Contractor–</i> • <i>If total Turnover in previous</i>		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		year does not exceed ₹100 lacs then rate of composition is 3%. <i>For Sale of cooked food and non-alcoholic beverages by shacks allotted by Tourism Department.</i> <i>If total Turnover in previous year does not exceed ₹20 lacs then tax will be ₹ 15,000 per year.</i>		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	- Yes - Either at the time of making application of registration or time specified in the notification. - Separate Forms are prescribed		
38.	Whether composition dealer can apply for interstate works contract?	No	Rule 6 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
39.	Whether such WC is required to file monthly/ quarterly return? What is the due date of filing the return?	Quarterly Return The dealer, who is eligible for composition, shall file return of his sales for every quarter in Form VAT-IV, within 30 days from the end of the quarter along with a copy of challan (i.e Form VAT – XVIII) acknowledging receipt of tax. Payment has to be made monthly within 25 days from the end of the month.	Section 24 of the VAT Act and Rule 6 (7) and Rule 23 of the VAT Rules.	Form VAT-IV
40.	Whether Annual Return is filed by the works contractor?	No	Section 24 of the VAT Act and Rule 23 of the VAT Rules.	Quarterly or Monthly returns to be filed, as the case may be.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
41.	What is the time limit for Assessment in case of works contractor?	- the returns submitted by the dealer shall be accepted as self-assessed: - the Commissioner shall select upto twenty percent of the total number of such dealers or such percentage for detailed assessment: - when any dealer applies for cancellation of his registration certificate his last assessment shall be finalized on the basis of books of accounts and other records maintained by him after giving him an opportunity of being heard. - Where – (a) a person fails to file a	Section 29 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		return or (b) the Commissioner has reason to believe that the returns filed by a person are not correct and complete; or (c) the Commissioner has reasonable grounds to believe that a person will become liable to pay tax under this Act but is unlikely to pay the amount due, the Commissioner may make an assessment of the amount of tax payable by the person to the best of his judgement after giving him an opportunity of being		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		heard. No assessment under this section for any year shall be made after a period of three years from the end of the year to which the return is submitted by a dealer. - The Commissioner shall make an assessment of the amount that in his opinion, is the amount of tax payable under this Act, after making necessary enquiries and upon issue of notice on proposed assessment. - The Commissioner shall serve a notice of the proposed assessment in the prescribed manner on the person to be		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		assessed, which shall state (a) either the tax payable or the net tax payable in the case of registered dealer and any refund that may be eligible to be claimed; (b) the time, place, and manner of objecting to the proposed assessment; and (c) reasons for the assessment to be made. The Commissioner shall serve a notice on completion of assessment under this section and the dealer shall pay the balance of tax in accordance with the terms of that notice.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		- No assessment or other proceedings purporting to be made, issued or executed under this Act, shall be (a) quashed or deemed to be void or voidable for want of form; or (b) affected by reason of mistake, defect or omission therein, if it is in substance and effect, in conformity with this Act or the rules made thereunder and the person assessed, or intended to be assessed or affected by the document is designated.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes. If Turnover of Sales exceeds ₹ 1 Crore or If the amount of Input Tax Credit claimed by dealer in any year exceeds ₹10 lacs	sub section (1) of Section 70 of the VAT Act.	
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	No. such provisions for tax on developers have come in the Act.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	No, There is no such requirement. Unless, the department calls for the records in assessments.		

8. GUJARAT

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes.	Section 2(10)(f), Section 2 (13), Section 2 (18)(b), Section 2 (23)(b) and Section 14 of Gujarat Value Added Tax Act, 2003 (the VAT Act)	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No.	Section 2(30)(c) of the VAT Act.	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.		
4.	Eligible Turnover for registration.	₹ 5 Lacs (Sales or Purchases) which includes taxable turnover of minimum ₹ 10,000/-.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
5.	What are the deductions that are allowable from turnover?	- For regular dealer deductions are allowed as per Rule 18AA or as per the notification. - For dealer opting for lump sum no deductions are allowed.	Rule 18(AA) of the VAT Rules.	
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	- A works contractor who has not opted for lump sum can claim the labour and like charges by following provisions of Rule 18AA. - A dealer who has opted for lump sum cannot claim any deduction.	Rule 18(AA) of the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	There is no definition of labour and like charges is given under the VAT Act.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	N.A Tax credits shall not be allowed for purchase of capital goods used in transfer of property in goods involved in execution of works contract	Section 11(5)(mm) of the VAT Act.	
9.	Can deduction be claimed for land value by the composition dealer?	Yes.	Section 2(13) of the VAT Act.	As land is not covered in definition of goods being an immovable property, the dealer should mention land value and development charges in bill of sale (bana khat) and in final sale deed.
10.	How is the estimated gross profit computed in case of work contract?	There are no provisions for bifurcate the gross profit between material and labour.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Also, what is the ratio to apportion the gross profit between material and labour?			
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Yes.		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No, If all charges are collected as agent and amount is equal to the amount paid to the concern authority.		
13.	Is contractor liable to tax for free supply of goods by contractee?	No.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	- In case of regular works contractor whenever invoice raised. - For a dealer opted for lump	Section 2(33) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		sum, receipt or invoice (RA bill) whichever is earlier.		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	- For a works contractor having a regular scheme, rate of tax are as per schedule. - For a works contractor opted for lump sum has to pay tax as per notification.	Notification No. (GHN-88)VAT-2006-S.14A(4)-TH dated 17-08-2006 Notification No. (GHN-106) VAT-2006-S.14A(5)-TH dated 11-10-2006	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Yes	Section 9(1) and Section 14(4) of the VAT Act.	
17.	What is the rate of tax for declared goods used in the course of contract?	For a regular dealer rate of tax on declared goods is 4 % + 1% = 5%. Lump sum dealer has to pay tax at the applicable rate for lump sum.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Yes, standard deduction method is available to a dealer who has not opted for lump sum. He may take benefit of standard deduction or if he wants excess deduction from the contract he has to prove on records and assessing authority should be satisfied.	Rule 18 (AA) of the VAT Rules	
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	• Yes. • A contract value is above ₹1 crore.	Section 59B(3)(a)	
20.	What is the rate of TDS to be deducted in case of works contract?	Any person responsible for paying specified sale amount exceeding ₹1 crore to the contractor or sub-contractor is liable to deduct Tax at Source at following rates. (a) For Civil Construction .06% of	Notification No. GHA 14-VAT-2008-S59B(3) (1)-TH. Date 01/04/2008 , Section 14C and Section 59A(c) of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether interstate supplies or import transactions are considered for deducting TDS?	Contract Value (b) For others, the rate is 2%. No, as per Section 59A(c) interstate supplies or imports transactions should not be considered for deducting TDS.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes, Contractor should deduct TDS from the payment made to a subcontractor if contract value is ₹1 crore or above.	Section 59 (B) of the VAT Act.	
22.	Whether the WC can claim input tax credit on consumables?	• Input tax credit is available to only regular dealer. • A Works contractor having a lump sum option not allowed of any input tax credit.	Section 11(5)(c) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	Yes, deduction allowed. Only deduction is allowed.	-	
24.	Whether input tax credit is allowable fully in case of works contract?	Yes, if a works contractor has not opted a lump sum option.		
25.	Is there any specific format of invoice or bill for regular and composition WC?	As per rule tax invoice and retail invoice format are applicable.	Section 60 of the VAT Act and Rule 42 of the VAT Rules.	
26.	Can running bill be treated as invoice?	A dealer has not opted a lump sum should raised an invoice Running Account (RA), bill is not sufficient. A dealer opted for lump sum RA bill		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether advances received including mobilization advance will be liable to tax?	is acceptable and such dealer is liable to pay tax on receipt or invoice whichever is earlier. No		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	To avail the benefit of deduction a subcontractor must be a registered dealer.		
28.	Can sub contractor claim exemption if main contractor pays tax?	No, sub contractor cannot claim exemption	Rule 28(8)(c) of the VAT Rules.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire	Yes.		If a subcontractor is registered under GVAT and if he discharges his liability of GVAT, in that

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	consideration?			case work done by the subcontractor is exempted from VAT liability for the contractor.
30.	Does the WC have an option to pay tax under composition category?	Yes.	Section 14(A) of the VAT Act.	
31.	Is composition WC allowed to make inter-state / import purchases?	Not allowed.	Section 14(1)(a)(ii) of the VAT Act.	
32.	Is composition WC eligible to take sub contractor deductions?	Yes.		
33.	Whether the WC can opt for regular scheme for one project and composition scheme for other project?	Yes.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	(a) For single contract application should be made in Form 214 within 30 days of contract.	Section 14A of the VAT Act and Rule 28 (8) (BB) (iii) & (iv) of the VAT	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(b) Permission for all the contracts during the year and for subsequent year should be filed in Form 214-A : - new registered dealer within 90 days from the effective date of registration - within 30 days before the commencement of the year for a regular dealer who has not opted for lump sum.	Rules.	
35.	Is there any procedure to change the scheme from composition to regular works contractor?	A dealer has to intimate the department in writing that he doesn't want to continue with the lump sum option.	Rule 28 (7), 28(8)(g) of the VAT Rules.	
36.	What are the composition rates for different types of contracts?	As per Annexure-A	Notification No. (GHN-88)VAT-2006 S.14A(4)-	As per annexure-A

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
			TH dated 17-08-2006 Notification No. (GHN-106) VAT-2006-S.14A(5)-TH dated 11-10-2006	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, a dealer wants to opt lump sum permission has to apply for permission. 1. For single contract application should be made in Form 214 within 30 days of contract. 2. Permission for all the contracts during the year and for subsequent year should be filed in Form 214-A. (a) New registered dealer	Section 14 A of the VAT Act and Rule 28 (BB) (iii) & (iv) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		within 90 days from the effect date of registration. (b) Within 30 days before the commencement of the year for a regular dealer who has not opted for lump sum.		
38.	Whether composition dealer can apply for interstate works contract?	No	Section 14(a)(1) of the VAT Act.	
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	If a works contractor has opted for lump sum has to file quarterly return. For a regular scheme works contractor has to file return monthly or quarterly as per Rule 19	Rule 19(3)(i) of the VAT Rules. Rule 19 of the VAT Rules.	
40.	Whether Annual Return is filed by the works contractor?	Yes.	Rule 20(2) & (3) of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
41.	What is the time limit for Assessment in case of works contractor?	Under VAT Act, assessments are raised randomly; officer can issue a notice for assessment within 3 years after end of financial year	Section 33 of the VAT Act.	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes, as per the VAT Act VAT Audit is compulsory for a dealer whose turnover is ₹1 crore or above.	Section 63 of the VAT Act. Rule 44 of the VAT Rules.	
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	Yes.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	No		

Compilation of Works Contract Provisions under VAT Laws of Different States

Annexure-A

Sr. No.	Description of works contract	Rate of lump sum tax
1.	Processing of Polyester Textile Fabrics including bleaching, dyeing and printing thereof.	one half per cent of total value of the works contract.
2.	(i) Works of roads of all kinds including work of paving, mixing, metalling, asphaltting and earth work. (ii) Works of building construction including Reinforced Cement Concrete and masonry work but excluding air conditioning, firefighting, interior works and electrical work; if its total value exceeds ten per cent of total value of works contract. (iii) Works of cross drainage structure and bridges. (iv) Works of digging and laying of pipelines of all kinds. (v) Works of dams, check dams, weirs, protection walls, canals and head works. (vi) Works of excavation and mining. (vii) Works of construction of jetty, port and break water. (viii) Works of construction of airport runways and landing strips.	Zero point six per cent (0.6%) of total value of the works contract."

Gujarat

Sr. No.	Description of works contract	Rate of lump sum tax
	(ix) Works of water storage structures including underground and overhead storage tanks.	
3	All kinds of works contract other than those specified in any of the following entries.	two percent (2%) of total value of the works contract.

9. HARYANA

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes	Section 2(1)(k) of the Haryana Value Added Tax Act, 20013 (the VAT Act)	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No	Section 11 of the VAT Act. Rule 25 of the Haryana Value Added Tax Rules, 2003 (the VAT Rules) and Section 2(1)(zg) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	No, Non- resident (dealer outside the state) cannot apply for registration towards works contract.		
4.	Eligible Turnover for registration.	Eligible Turnover for registration is ₹ 5 lacs.	Section 11 of the VAT Act.	
5.	What are the deductions that are allowable from turnover?	The deductions allowable from turnover are: (a) turnover of sale of goods outside the State (b) turnover of sale of goods in the course of inter-state trade and commerce (c) turnover of sale of goods in the course of the import of the goods into the territory of India (d) turnover of sale of goods in the course of the export of the goods	Rule 25 of the VAT Rules. Section 2(1)(zg) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		into the territory of India (e) turnover of export of goods out of State (f) turnover of disposal of goods otherwise than by sale (g) turnover of sale of exempted goods in the State (h) turnover of sale of goods to such foreign diplomatic missions/consulates and their diplomats, and agencies and organisations of the United Nations and their diplomats as may be prescribed; and (i) turnover of sale of goods returned to him, subject to such restrictions and conditions as may be		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		prescribed, and to the remainder shall be added the purchases taxable under sub-section (3) of section 3, if any.		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Either actual basis or adhoc basis	Section 2(1)(zg) and Section 5(g) of the VAT Act.	
7.	How are the labour charges and like defined under the VAT law?	Labour charges and the like could be as follows: 1. Labour charges for execution of work 2. Charges for planning and architect's fees 3. Charges for obtaining on hire or otherwise machinery and tools used for execution of contract 4. Cost of consumables such as	Section 2(1)(zg) and Section 5(g) of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		water, electricity, fuel, etc., used in execution of contract, property in which is not transferred 5. Cost of establishment relating to supply of labour and services 6. Other similar expenses relating to supply of labour and services 7. Profit earned by contractor relating to supply of labour and services		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	No, Depreciation cannot be claimed as labour and like charges. Yes	Section 2(1)(zg) and Section 5(g) of the VAT Act. Section 8 of the VAT Act.	
9	Can deduction be claimed for land value by the composition dealer?	No land value deduction can be claimed by the composition dealer.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
10	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	No specific provision No specific provision		
11	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Gross profit is to be added to actual labour and like charges.	Section 2(1)(zg) and Section 5(g) of the VAT Act.	.
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No, Water, Electricity deposits, stamp duty, registration fee, service tax, etc do not form part of the works contract turnover.	Section 2(1)(zg) and Section 5(g) of the VAT Act.	
13.	Is contractor liable to tax for free supply of goods by contractee?	No, contractor is not liable to tax for free supply of goods by Contractee.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The time of sale for works contractor is generally at the time goods are incorporated in work.	Section 3 of the VAT Act.	
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 7 contains the rate of tax for works contract.	Section 7 of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, WC will not be liable to pay unregistered purchase tax in addition to works contract tax.	Section 3 of the VAT Act.	
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for declared goods used in the course of contract is 5%	Section 7 of the VAT Act.	
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Yes As per Annexure - 'A' enclosed		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes, contractee / principal is liable to deduct the TDS from the amount payable to contractor.	Section 24(1),(2) of the VAT Act.	
20.	What is the rate of TDS to be deducted in case of works contract? Whether inter-state supplies or import transactions are considered for deducting TDS?	The rate of TDS to be deducted in case of works contract is 4% of amount being paid/ credited. No specific exclusion	Rule 33(2) of the VAT Rules and Section 24(1) of the VAT Act.	
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	No	Section 24(1), (2) of the VAT Act.	No, the contractor is not liable to deduct TDS from the amount payable to the Sub-Contractor.

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
22.	Whether the WC can claim input tax credit on consumables?	No	Rule 40 of the VAT Rules and Section 8 of the VAT Act.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	Yes, in line with the provision provided hereunder. If the contractor proves to the satisfaction of the Assessing Authority that the tax has been paid by the sub-contractor on the sale of the goods involved in the execution of the works contract by the sub-contractor and the assessment of such tax has become final, the contractor shall not be liable to pay tax on the sale of such goods but he shall be entitled to claim input	Section 42(2) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		tax, if any, in respect of them if the same has not been availed of by the sub-contractor.		
24.	Whether input tax credit is allowable fully in case of works contract?	Yes	Rule 40 of the VAT Rules and Section 8 of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No, there is no specific format.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes, if they contain requisite details		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	No, there is no such condition.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes,	Section 42(2) of the VAT Act.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No, there is no such option.		
30.	Does the WC have an option to pay tax under composition category?	Yes, WC have an option to pay tax under composition category.	Section 9 of the VAT Act.	
31.	Is composition WC allowed to make interstate / import purchases?	Yes, composition WC is eligible to make inter-state purchases against Form C.	Section 9 of the VAT Act and Rule 49 of the VAT Rules.	
32.	Is composition WC eligible to take sub contractor deductions?	No, composition WC dealer is not eligible to take sub-contractor deductions.	Rule 25 of the VAT Rules.	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	No, A lump sum contractor shall have to pay lump sum in respect of every works contract awarded to him after	Rule 49 of the VAT Rules and Section 9 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		the award of the contract in respect of which he first elected to pay lump sum and he shall continue to pay tax in respect of contracts awarded before as if he is not a lump sum contractor.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	There is no such procedure specified. composition scheme can be opted within 30 days of the award of the contract.	Rule 49 of the VAT Rules.	
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no such procedure specified.		
36.	What are the composition rates for different types of contracts?	4% of the aggregate amount received or receivable.	Rule 49(1) of the VAT Rules and Section 9 of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, it is required for the works contractor opting for composition method to take prior permission/ provide intimation to the department.	Section 9 of the VAT Act and Rule 49 of the VAT Rules.	
38.	Whether composition dealer can apply for interstate works contract?	No, composition dealer cannot apply for interstate works contract.		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Quarterly return Quarterly return within a month from end of quarter along with the proof of payment.	Rule 49(4) of the VAT Rules and Section 9 of the VAT Act.	
40.	Whether Annual Return is filed by the works contractor?	Yes, annual return is to be filed by the works contractor	Section 9 of the VAT Act.	
41.	What is the time limit for Assessment in case of works contractor?	No separate time limit specified		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	VAT Audit provisions are not applicable in the state.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	No specific provision		
44.	Is there a requirement to file the copy of contract / agreements with the department?	Yes	Rule 49 of the VAT Rules.	

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Annexure – ‘A’

Percentages for Works Contracts or Job Works

	Type of contract	Labour, service and other like charges as percentage of total value of the contract
1.	Fabrication and installation of plant and machinery	Twenty five percent
2.	Fabrication and erection of structural works of iron and steel including fabrication, supply and erection of iron trusses, purlins and the like.	Fifteen per cent
3.	Fabrication and installation of cranes and hoists.	Fifteen percent
4.	Fabrication and installation of elevators (lifts) and escalators.	Fifteen percent
5.	Fabrication and installation of rolling shutters and collapsible gates.	Fifteen percent
6.	Civil works like construction of buildings, bridges, roads, dams, barrages, canals and diversions.	Twenty five percent
7.	Installation of doors, doorframes, windows, frames and grills.	Fifteen percent
8.	Supply and fixing of tiles, slabs, stones and sheets.	Twenty percent

	Type of contract	Labour, service and other like charges as percentage of total value of the contract
9.	Supply and installation of air conditioners and air coolers.	Fifteen percent
10.	Supply and installation of air conditioning equipment including deep freezers, cold storage Plants, humidification plants and de-humidors.	Fifteen percent
11.	Supply and fitting of electrical goods, supply and installation of electrical equipments including transformers.	Fifteen percent
12.	Supply and fixing of furniture and fixtures, partitions including contracts for interior decoration and false ceiling.	Fifteen percent
13.	Construction of Railway coaches and wagons on under carriages supplied by Railway.	Twenty percent
14.	Construction or mounting of bodies of motor vehicle and construction of trailers.	Twenty percent
15.	Sanitary fitting for plumbing and drainage or sewerage.	Twenty five percent
16.	Laying underground surface pipelines, cables or conduits.	Thirty percent

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	Type of contract	Labour, service and other like charges as percentage of total value of the contract
17.	Dyeing and printing of textiles.	Thirty percent
18.	Supply and erection of weighing machines and weighbridges.	Fifteen percent
19.	Painting, polishing and white washing.	Thirty percent
20.	Tyre retreading	Forty percent
21.	Photography and Printing Contracts	Thirty percent
22.	Electroplating, Electro Galvanizing and Anodizing and the like	Forty percent
23.	All other contracts not specified from Sr. No. 1 to 22 above.	Twenty percent

Provided further that where the dealer claims deduction on account of labour, services and other like charges exceeding the percentages of valuable consideration (of total contract value) specified in the above Table, the assessing authority will have to record reasons in writing for accepting the claim of the dealer.

10. HIMACHAL PRADESH

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes	Section 2(v) of the Himachal Pradesh Value Added Tax Act, 2005.(the VAT Act)	
2.	Is here any specific form to apply for registration as a works contractor (WC) under VAT law?	No	Rule 3 and Rule 17 of the Himachal Pradesh Value Added Tax Rules, 2005 (the VAT Rules) and Section 14 of the VAT Act	
3.	Whether Non-resident (dealer outside the state) can apply for registration as works contractor?	No		Non-resident (dealer outside the state) cannot apply for registration towards works contract.
4	Eligible Turnover for registration	Eligible turnover for registration: (a) For manufacturing—₹ 4 lacs		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(b) For Hotel, Bakery, Restaurant, etc. – ₹ 4 lacs (c) For Importer – ₹ 1 (d) For Exporter – ₹ 1 (e) For any other dealer – ₹ 6 lacs		
5.	What are the deductions that are allowable from turnover?	The kinds of deductions allowable from turnover are: (i) turnover of sales of goods declared tax free under section 9 of the Act; (ii) turnover of sales of goods made; (a) outside the State; (b) in the course of inter-state trade or commerce; (c) in the course of import of goods into India; and	Rule 17 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(d) export of goods out of the territory of India under section 58 of the Act; (iii) amount charged separately as interest in the case of a hire-purchase transaction or the amount charged as interest under any system of payment by installments; (iv) sale price of taxable goods where such sale was cancelled: Provided that the deduction under this clause shall be claimed only if the person is in possession of all copies of tax invoice or retail invoice, as the case may be;		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(v) sale price, in respect of any goods returned within a period of six months: Provided that the dealer shall claim the deduction under this clause only on the basis of debit note issued by the purchaser for the goods returned; (vi) amount allowed as cash discount provided such discount is in accordance with regular trade practice; (vii) turnover of sales of goods to the following for their bonafide use subject to the production of certificate by appending the same with the return in Form		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		VAT-XV: (a) United Nations Organisation and its constituent agencies like UNDP, UNESCO, UNFPA, UNHCR, UNICEF, WFAO, WHO, ILO. (b) Diplomatic Missions.		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Actual basis	Rule 17 of the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	Labour and like charges, as follows: 1. labour charges for execution of work; 2. charges for planning and architect's fees;	Rule 17 of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		3. charges for obtaining on hire or otherwise machinery and tools used for execution of contract; 4. cost of consumables such as water, electricity, fuel, etc., used in execution of contract, property in which is not transferred; 5. cost of establishment relating to supply of labour and services; 6. other similar expenses relating to supply of labour and services; 7. Profit earned by contractor relating to supply of labour and services.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Depreciation cannot be claimed as labour and like charges.	Rule 17 of the VAT Rules.	
9.	Can deduction be claimed for land value by the composition dealer?	Land value deduction cannot be claimed by composition dealer.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	No specific provision		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Gross profit is to be added to actual labour and like charges.	Rule 17 of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	Water, Electricity deposits, stamp duty, registration fee, service tax, etc does not form part of the works contract turnover.	Rule 17 of the VAT Rules.	
13.	Is contractor liable to tax for free supply of goods by contractee?	No		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The time of sale for works contractor is generally, at the time goods are incorporated in work.		
15.	Which Section/Schedule prescribes the rate of tax for works contract?	Section 6 contains the rate of tax for works contract.	Section 6 of the VAT Act.	.
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, WC will not be liable to pay unregistered purchase tax in addition to works contract tax.	Section 4 and Section 6 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for declared goods used in the course of contract is 4%.	Section 6 of the VAT Act.	
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	No specific provision		
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes, contractee/principal is liable to deduct the TDS from the amount payable to contractor.	Rule 38 of the VAT Rules and Section 17 of the VAT Act.	
20.	What is the rate of TDS to be deducted in case of works contract?	The rate of TDS to be deducted in case of works contract: • 2% of amount being paid upto 05.08.2012 • 2% from payments to A & B	Rule 38 of the VAT Rules. And Section 17 of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether inter-state supplies or import transactions are considered for deducting TDS?	class and 3% from payments to C & D class of contractors respectively- w.e.f 06.08.2012 No		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	No, the contractor is not liable to deduct TDS from the amount payable to the sub-contractor.	Rule 38 of the VAT Rules and Section 17 of the VAT Act.	
22.	Whether the WC can claim input tax credit on consumables?	No, WC cannot claim input tax credit on consumables.	Section 2(m) of the VAT Act.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC?	Yes	Rule 17 of the VAT Rules.	
	Does WC have the option to claim	No, WC does not have any such		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	input tax credit in lieu of deduction from total turnover?	option.		
24.	Whether input tax credit is allowable fully in case of works contract?	Yes, input tax credit is allowable fully in case of works contract.	Section 2(m) of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	There is no specific format.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	No		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	There is no such condition.	Rule 17 of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	No, sub-contractor cannot claim exemption.	Rule 17 of the VAT Rules.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No, there is no such option available.		
30.	Does the WC have an option to pay tax under composition category?	Yes, WC has an option to pay tax under composition category.		
31.	Is composition WC allowed to make interstate / import purchases?	Composition WC dealer is not permissible to make interstate/Import purchases.		
32.	Is composition WC eligible to take sub contractor deductions?	Composition WC dealer is not eligible to take sub-contractor deductions.	Rule 17 of the VAT Rules.	
33.	Whether WC can opt for regular scheme for one project and	No specific provision.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	composition scheme for other project?			
34.	Is there any procedure to change the scheme from regular to composition works contractor?	There is no such procedure specified.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no such procedure specified.		
36.	What are the composition rates for different types of contracts?	4% of the aggregate amount received or receivable.		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, it is required for the works contractor opting for composition method to take prior permission/ provide intimation to the department.	Rule 45 and Rule 48 of the VAT Rules.	Rule 48 omitted w.e.f. 06.08.2012
38.	Whether composition dealer can apply for interstate works contract?	No, composition dealer cannot apply for interstate works contract.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Quarterly return Quarterly return within a month from end of quarter with proof of payment	Rule 45 of the VAT Rules and Section 16(2) of the VAT Act.	
40.	Whether Annual Return is filed by the works contractor?	Yes	Section 16(2) of the VAT Act.	
41.	What is the time limit for Assessment in case of works contractor?	No time limit specified for assessment.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	No specific provision		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	No		
44.	Is there a requirement to file the copy of contract / agreements with the department?	No, there is no such requirement.		

11. JHARKHAND

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act?	Works contract has not been dealt separately and is covered under the Jharkhand Value Added Tax Act, 2005 (the VAT Act). Section 2 (xlvii) of the VAT Act defines sale that includes transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract. Section 2(lxiii) of the VAT Act defines the works contract.	Section 2(xlvii) and Section 2 (lxiii) of the VAT Act.	
2.	Is there any specific provision dealing with works contract?	There is no specific form of application for registration as works contractor. The works contractor has to apply in the general form of registration i.e. Form JVAT 100.	Rule 3 of the Jharkhand Value Added Tax Rules, 2006 (the VAT Rules) read with Section 8(5)(d) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.	Section 2(xiii) of the VAT Act.	
4.	Eligible Turnover for registration.	If the gross turnover of a works contractor from the commencement of any accounting year exceeds ₹25,000/- at any time during the year, he becomes liable to pay this tax with effect from the following day on which the aggregate of gross turnover is so exceeded. [Section 8(5)(d)]		
5.	What are the deductions that are allowable from turnover?	For determination of the taxable turnover, the following deductions are allowed- (a) labour charges for execution of the works contract;	Rule 22 of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(b) charges for planning, designing and architect fees; (c) charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract; (d) 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; (e) cost establishment of the contractor to the extent it is relatable to supply of labour and services; (f) other similar expenses		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		relatable to supply of labour and services; (g) Profit earned by the contractor to the extent it is relatable to supply of labour and services.		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis; otherwise the works contractor shall pay the tax on the basis of the table appended to Rule 22 of the VAT Rules.		
7.	How are the labour charges and like defined under the VAT law?	Refer Point 5 as above.		
8.	Whether depreciation can be claimed as labour charges and like?	Depreciation on machinery and tools used in the execution of works contract is not allowed as labour and	Rule 22 of the VAT Rules and Section 2(x) of the VAT Act	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		like charges as the same has not been defined in the law. However, charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract shall be allowed as deduction. According to the definition of capital goods under Section 2(x) of the VAT Act, input tax credit on capital goods other than those mentioned in negative list as in appendix-1 will be allowable in the hands of the works contractor		
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of composition dealer.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit earned by the contractor to the extent it is relatable to supply of labour and services will be deductible separately from the value of goods involved in the execution of works contract.	Rule 22 of the VAT Rules	
12.	Whether water, electricity deposits, stamp duty, registration fee, service	Cost of consumables such as water, electricity, fuel etc. used in the	Rule 22 of the VAT Rules	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	tax, etc form part of the works contract turnover?	execution of the works contract, the property in which is not transferred in the course of execution of a works contract shall not form part of the works contract turnover.		
13.	Is contractor liable to tax for free supply of goods by contractee?	Free supply of goods by contractee is not taxable		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The point of taxation for a works contractor is normally the issue of a tax invoice, invoice or bill or any other document for claiming or receiving payments in respect of the works contract. However, nothing has been specified in this regard in the Act/ Rules.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 13 of the VAT Act deals with the rate of tax under works contract.	Section 13 of the VAT Act;	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, provided such purchase from unregistered dealers in Jharkhand is used in the execution of works contract.	Section 10 of the VAT Act	
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax that normally prevails for the declared goods is subject to the maximum of 4%. However, nothing has been specified in respect of the same in the Act/ Rules.		
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Standard deduction is available for each type of works contract where the dealer does not maintain books of accounts for identification of labour charges.	Appendix to Rule 22 of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	The contractee /principal is liable to deduct tax from the amount payable to the works contractor at the time of credit of such amount to the account of the contractor or at the time of payment thereof in cash or by cheque or draft or any other mode @ 2% of the bills or invoices raised by the works contractor.	Section 44 of the VAT Act. Notification S.O.208, dated 31.03.2006	
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	The rate of TDS for works contract is 2% of the bills or invoices raised by the works contractor. No TDS is applicable in case of inter-state transaction.	Notification S.O. 211	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes, contractor is also liable to deduct TDS from the amount payable to the sub-contractor	Section 44 of the VAT Act	
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law, under Section 18 of the VAT Act, goods purchased for execution of works contract would qualify for input tax credit. A view is held that such goods should also include consumables.	Section 18 of the VAT Act	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim	The works contractor is entitled to claim deduction towards amounts paid to the sub-contractors for execution of the works contract taking into consideration the general principle of VAT law that where once		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	input tax credit in lieu of deduction from total turnover?	the tax has been paid on any amount, the same shall not be considered again for payment of tax. However, nothing has been defined in the Act in regard to the amount of deduction on payment to sub-contractor. There is no express provision under the VAT Act for allowing input tax credit on payments to sub-contractor.		
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full to the extent tax has been paid or payable on purchase of taxable goods within the State from a registered dealer when such goods	Section 18 of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		are purchased for use in the execution of works contract.		
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice or bill:- A tax invoice shall be inscribed with the words, "tax invoice" in bold letters in a prominent place and shall also contain the following details – (a) commercial name, address, place of business and TIN of the selling VAT dealer; (b) commercial name, address, place of business and TIN of the purchasing VAT dealer;	Section 58 and Section 60 of the VAT Act read with Rule 28 of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(c) The serial number of the invoice (printed or computer generated) and the date on which the invoice is issued. (d) the date of the delivery of the goods; (e) the description of the goods supplied; (f) the quantity or volume of the goods sold; (g) in the circumstances, goods being sold under the notification issued under sub-section(2) of Section 9; the tax invoice shall contain, the total value of the goods sold, including the value of goods supplied free under any		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		marketing scheme, and tax calculated and payable on MRP of such goods; (h) the rate of tax for each category of goods and amount of tax charged therein; (i) the name and address of the printer, if any, and first and last serial number of tax invoices printed and supplied by him to the dealer; (j) signature of the selling dealer or the person authorized by the dealer in this behalf; (k) vehicle number (where the goods are carried in a vehicle) (l) name of the person carrying the goods (where the goods		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		are carried in a vehicle) A composite dealer shall not be allowed to issue tax invoice.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Taking into consideration the general principle of VAT law, such sub-contractor should be a registered dealer and have filed the return. However, nothing has been defined in regard to the same in the Act/ Rules.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes. Deduction on account of payments made to sub-contractor is generally permissible. However, nothing has been specified in respect of the same under the VAT Act. The sub-contractor can claim exemption only if he is a dealer having turnover not exceeding ₹25,000/-.		
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Contractor is liable to pay the tax. However, deduction is available for payments to sub-contractor. Refer point no.23 as above.		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for	Section 58 of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		composition scheme under Section 58 of the VAT Act.		
31.	Is composition WC allowed to make interstate / import purchases?	No, a composition WC dealer is not permissible to make inter-state/ import purchases.	Section 58 (1)(c) of the VAT Act	
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme, no such deduction is allowed.	Section 58 of the VAT Act	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The option of paying tax at the compound rate is not automatic. Option has to be exercised by making an application to the registering authority in Form JVAT 103 for permission to do so, within 60 days from the beginning of the	Rule 4(iii) of the VAT Rules.	Form JVAT 103

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		year in respect of which the option is exercised or within 30 days from the date of becoming liable for payment of tax under the Act.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	The registered dealer when opts to withdraw from composition, shall furnish an application before the registering authority in Form JVAT 119.	Rule 60(5) of the VAT Rules.	Form JVAT 119.
36.	What are the composition rates for different types of contracts?	The compound rate of tax under the composition scheme shall be 2% of the total value of consideration in execution of works contractors.	Section 58 of the VAT Act and Notification S.O. 211	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, an application in Form JVAT 103 is to be made to the registering authority.	Rule 4(iii) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
38.	Whether composition dealer can apply for interstate works contract?	No.	Rule 60 of the VAT Rules	
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Works contractor under the regular scheme and composition scheme will be required to file monthly return in Form JVAT 200 and JVAT 211 respectively electronically. Due date for filing the return is the 25 days from the date of expiry of the reporting month. However, besides, the dealer opting for composition scheme shall also file annual return in Form JVAT 212 by 31 st July of the following year.	Rule 14 of the VAT Rules.	Form JVAT200, JVAT211, JVAT212
40.	Whether Annual Return is filed by the works contractor?	Annual return shall also be filed by the regular and composite works contractor in Form JVAT204 and Form JVAT212 respectively.	Rule 14 of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
41.	What is the time limit for Assessment in case of works contractor?	No Assessment under Section 37 or 38 shall be made after the expiry of 5 years from the end of the tax period to which the assessment relates. Provided that in case of offence under this Act for which proceeding for prosecution has been initiated, the limitation as specified shall not apply.	Section 39 of the VAT Act	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Every dealer whose gross turnover in a year exceeds ₹40 Lacs or any other amount as the prescribed authority may specify by notification in the Official Gazette, is required to get his accounts audited in respect of that year within 9 months from the end of that year.	Section 63 of the VAT Act	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	On the basis of the decision of the Hon'ble Supreme Court in the case of <i>K. Raheja Development Corporation vs State of Karnataka</i> , works contract tax was imposed on the developer/ promoter in Jharkhand. According to the legal interpretation by the Hon'ble Supreme Court in the aforesaid case works contract tax was imposed under the VAT Act in specific circumstances. In view of the above, sale of under construction flats is taxable in the State of Jharkhand. However, nothing has been specified in this regard in the Act/ Rules.		
44.	Is there a requirement to file the copy of contract / agreements with the	There is no requirement to file with the department copy of contract/		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	department?	agreement. However, during the assessment proceedings the said documents may have to be produced on demand by the assessing authority.		

12. KARNATAKA

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	No, the works contract is not dealt separately under the Karnataka Value Added Tax Act, 2003 (the VAT Act) There is a deeming provisions which are covered under the definition of sale	Section 2(29) define 'sale' of the VAT Act.	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form meant for the works contractor separately. The general Form VAT 1 is applicable for works contractor under VAT law.	Section 22(9-A) of the VAT Act (<i>Liability to register</i>)	Form VAT 1
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Every casual trader and every non-resident dealer or his agent shall be liable to register before the commencement of his business irrespective of the value of the	Section 22(9) of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		taxable goods sold and shall report such liability forthwith.		
4.	Eligible Turnover for registration.	There is no taxable quantum for the works contractor. The VAT law states that every dealer engaged in the execution of works contract shall be liable to register and shall report such liability after the end of the month in which execution of any works contract is undertaken. Therefore there is no turnover limit specified for works contractors for registration.	Section 22(9-A) of the VAT Act, states that every dealer engaged in the execution of works contract shall be liable to register and shall report such liability after the end of the month in which execution of any works contract is undertaken.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
5.	What are the deductions that are allowable from turnover?	The works contractor can avail the deductions towards tax collected, sales return, labour and like charges, payment to sub contractor, etc.	Rule 3(2) of the Karnataka Value Added Tax Rules 2005 (the VAT Rules) (<i>Determination of total and taxable turnover</i>)	
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Rule 3(2)(m) of the VAT Rules, states that the works contractor can claim the labour and like charges on adhoc basis when such charges are not ascertainable from the books of accounts maintained by a dealer. Therefore, the works contractor should ascertain the labour and like on actual basis as per Rule 3(2)(i) of the VAT Rules and if not	Rule 3(2) of the VAT Rules (<i>Determination of total and taxable turnover</i>).	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		ascertainable then it has to be calculated as per Rule 3(2)(m) of the VAT Rules.		
7.	How are the labour charges and like defined under the VAT law?	Rule 3(2)(l) of the VAT Rules defines deduction towards labour and like charges as all amount actually expended towards labour charges and other like charges not involving any transfer of property in goods in connection with the execution of works contract including charges incurred for erection, installation, fixing, fitting out or commissioning of the goods used in the execution of a works contract. The explanation to Rule 3(2)(m) defines deduction towards labour and like charges include charges for	Rule 3(2) of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		obtaining, on hire or otherwise machinery and tools used in the execution of a works contract, charges for planning, designing and architect fees, cost of consumables used in the execution of the works contract, cost of establishment to the extent relatable to supply of labour and services and other similar expenses relatable to supply of labour and services.		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Based on judicial pronouncements the depreciation on plant and machinery can be claimed as labour and like charges. Therefore as per recent amendment in the VAT Act the input tax credit on capital goods will not be allowable if	L&T vs. State of Karnataka (HC) (STRP 8/2006)/(2.9.2009)	Section 11(C) (II) states that input tax shall not be deducted by any dealer executing a works contract in respect of amount actually expended towards labour and other like

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		it is claimed as labour and like charges as deduction.		charges not involving any transfer of property in goods in connection with the execution of works contract that is claimed as deduction.
9.	Can deduction be claimed for land value by the composition dealer?	Composition tax scheme: Where a builder or developer has opted for payment of tax on his turnover relating to transfer of property in goods involved in execution of works contract under the composition scheme as provided under section 17 of the KST Act, 1957 or Section 15 of the VAT Act, 2003, the total consideration on which such dealer is liable to tax would not include the amount received from the customers	Circular 11/2009	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		towards their undivided share in land. However, as explained earlier, in the case of joint development projects, this exclusion would not be applicable.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	The estimated gross profit should be computed based on previous year track record or the budgeted statements of the works contractor. The explanation III states that gross profit earned by a dealer shall be apportionable to the value of the goods and labour and other like charges involved in the execution of a works contract in the same ratio as in the total turnover.	Rule 3(2)(l) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	The gross profit should be added to actual labour and like charges.	Rule 3(2)(l) of the VAT Rules.	
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	Most of the builders and developers collect amounts from customers towards BWSSB and KPTCL deposits, stamp duty, registration fee, service tax, etc. These amounts collected cannot be taken as part of the total turnover or total consideration relating to transfer of property in goods involved in the execution of civil works contracts by the builder or developer. Hence, these amounts should be kept out of total turnover or total consideration of any builder or developer.	Circular 11/2009	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
13.	Is contractor liable to tax for free supply of goods by contractee?	No, the contractor is not liable to tax for the free supply of goods by contractee and in case if any margin is added to the cost of free supply then in that instance the contractor can charge the output tax and can claim the input tax credit on free supply of goods by contractee.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Section 7 deals with time of sale of goods which states that the sale of goods shall be deemed to have taken place at the time of transfer of title or possession or incorporation of the goods in the course of execution of any works contract whether or not there is receipt of payment. The tax period is one month under the VAT law and tax should be	Section 7 of the VAT Act. (<i>Time of sale of goods</i>)	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		offered to the department within 20 days from the end of the tax period.		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 4(1)(c) states that in respect of transfer of property in goods (whether as goods or in some other form) involved in the execution of work contract specified in column(2) of the sixth schedule subject to sections 14 and 15 of the CST Act 1956 at the rates specified in the corresponding entries in column(3) of the said schedule.	Section 4 and Sixth Schedule (<i>Liability to tax and rates thereof</i>).	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	The tax shall also be levied, and paid by every registered dealer or a dealer liable to be registered on the sale of taxable goods to him for use in the course of his business, by a	Section 3(2) of the VAT Act	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		person who is not registered under this Act.		
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for declared goods as specified in section 14 of the CST Act 1956 at the maximum rate specified for such goods under section 15 of the said Act. Therefore, the rate of tax for declared goods in Karnataka is 5%.	Section 4 of the VAT Act. (Liability to tax and rates thereof)	
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Yes, the standard deduction method is available for claiming labour and like charges if the actual labour and like charges are not ascertainable from books of accounts. The various rates prescribed for different types of works contract are specified in table in Rule 3(2)(m) of VAT Rules 2005	Rule 3(2)(m) of the VAT Rules	Annexure II

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
19.	Whether Contractee/ Principal is liable to deduct the TDS from the amount payable to contractor? If yes what is the provision?	The contractee/ principal is liable to deduct the TDS from the amount payable to the contractor only if the contractee/ principal is the Government undertaking or Government organization. Section 9-A of the VAT Act, states that notwithstanding anything contained in this Act, the Central Government or any State Government or an industrial, commercial or trading undertaking of the Central Government or of any State or any such undertaking in joint sector or any other industrial, commercial or trading undertaking or any other person or body as may be notified by the Commissioner from	Section 9-A of the VAT Act (<i>Deduction of tax at source in case of works contract</i>)	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		time to time or a local authority or a statutory body shall deduct out of the amounts payable by them to a dealer in respect of any works contract executed for them in the State an amount equivalent to the tax payable by such dealer under the Act.		
20.	What is the rate of TDS to be deducted in case of works contract?	There is no rate of TDS as specified under VAT in law in case of works contract. Section 9-A of the VAT Act, states the tax should be deducted to the extent of an amount equivalent to the tax payable by such dealer under the Act.		
	Whether interstate supplies or import transactions are considered for	Section 9-A(2) of the VAT Act, states that no such deduction shall be made under sub section(1) if the		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	deducting TDS?	amounts payable by them are in respect of sales of any goods in the course of inter-state trade or commerce or in the course of export out of the territory of India or import into the territory of India or outside the State.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	No, there is no provision for deduction of TDS from the amount payable to the sub contractor.		
22.	Whether the WC can claim input tax credit on consumables?	The works contractor can claim input tax credit on consumables if the dealer has not claimed the same as deduction towards labour and like charges. The VAT law states that input tax shall not be deducted by any dealer executing a works contract in respect of the amount	Section 11(c) of the VAT Act. <i>(Input tax restrictions)</i>	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		actually expended towards labour and like charges not involving any transfer of property in goods in connection with the execution of works contract that is claimed as deduction.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	The deduction is allowed towards all amounts paid or payable to sub contractors as the consideration for execution of works contract whether wholly or partly, provided that no such deduction shall be allowed unless the dealer claiming deduction produces document in proof that the sub contractor is a registered dealer liable to pay tax under the Act and that the turnover of such amounts is included in the return filed by such	Rule 3(2) of the VAT Rules (<i>Determination of total and taxable turnover</i>) and Section 11(c) of the VAT Act (<i>Input tax restrictions</i>)	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		sub contractor. Provided further that no such deduction shall be made where deduction of input tax is claimed in respect of tax paid to any sub contractor.		
24.	Whether input tax credit is allowable fully in case of works contract?	In case if the developer pays the output VAT on the whole construction contracts pertaining to developer share also then in such instance input tax credit is allowable fully in case of works contract.	Circular 12/2009	
25.	Is there any specific format of invoice or bill for regular and composition WC?	Yes, there is a specific format for tax invoice under regular scheme and bill of sale under composition scheme for civil works contractor; otherwise it is regular invoice or bill of sale as applicable.	Rule 29(2) and Rule 30(2) of the VAT Rules: Particulars of tax invoice or particulars of bill of sale	Annexure

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	If the running bill satisfies the contents of tax invoice or bill of sale as the case may be then it will be treated as invoice. Based on Nagarajuna construction case, the advances received prior to the execution of the works contract is not liable to tax.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	There is a condition that to claim sub contractor deduction, the sub contractor should be registered dealer and should have filed the return declaring the turnover pertaining to main contractor.	Rule 3(2)(i-1) of the VAT Rules (<i>Determination of total and taxable turnover</i>)	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes, the sub contractor turnover is permitted as deduction from main works contract turnover if the sub contractor is registered dealer and has offered the tax to the department. No, the sub contractor cannot claim exemption if main contractor pays tax.	Rule 3(2)(i-a) of the VAT Rules and Section 15(2) of the VAT Act.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	There is no such option as specified under the law for exemptions to either contractor or sub contractor in case anyone undertakes to discharge VAT liability on the entire consideration.		
30.	Does the WC have an option to pay tax under composition category?	Yes, the works contractor can apply for regular scheme or composition scheme. But they cannot follow different schemes for different	Section 3 (Levy of tax) and Section 15 (Composition of tax) of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		projects. Either they have to follow regular scheme for all the projects or the composition scheme for all the projects.		
31.	Is composition WC allowed to make interstate / import purchases?	Yes, the composition works contractor dealer is permissible to make inter-state purchases or imports. The general condition is that the composition dealer is not eligible to make inter-state purchases or imports but section 15(5)(a) of the VAT Act, states that notwithstanding anything contained in other section, the dealer executing works contract and who purchases or obtains goods from outside the state or from outside the territory of India shall be	Section 15(5)(a) of VAT Act (<i>Composition of tax</i>)	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		eligible to opt for composition under sub section (1), and if the property in such goods(whether as goods or in some other form) is transferred in any works contract executed by him, the dealer shall be liable to pay tax on the value of such goods at the rate specified in section 4, and such value shall be deducted from the total consideration of the works contract executed on which an amount as notified is payable under sub section(1) by way of composition in lieu of the tax payable under the Act.		
32.	Is composition WC eligible to take sub contractor deductions?	Yes, the composition WC dealer is eligible to take sub contractor deductions. The VAT law states that	Section 15(5)(b) of VAT Act (<i>Composition of tax</i>)	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		in the case of a dealer executing works contracts and opting for composition of tax under sub section(1), no tax by way of composition shall be payable on the amount payable or paid to a sub contractor as consideration for execution of works contract whether wholly or partly and such amounts shall be deducted from the total consideration of the works contract executed on which an amount as notified is payable under sub section(1) by way of composition in lieu of the tax payable under the Act subject to production of proof that such sub contractor is a registered dealer liable to tax under the Act and		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		that such amounts are included in the return filed by such sub contractor.		
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	No, under the VAT law the WC cannot opt for regular scheme for one project and composition scheme for other project.	Section 15 of VAT Act (Composition of tax)	
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The dealer should fulfill the conditions as specified for composition scheme. The relevant condition is that WC should have paid tax under section 3 for a period of not less than 12 months. He should report his option in Form VAT 1 to the jurisdictional local VAT officer or VAT sub officer.	Rule 135 (Conditions of scheme) and Rule 136 (Reporting option and furnishing returns) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
35.	Is there any procedure to change the scheme from composition to regular works contractor?	WC shall report to the jurisdictional officer by furnishing final return in form VAT 120 of previous tax periods (Four quarters) accompanied with full payment of taxes. He should be under regular scheme for 12 months. He should surrender his certificate in Form VAT 8. He will be liable to pay regular tax from the month succeeding the month in which he withdrew his option.	Rule 143 (Voluntary withdrawal from scheme) of the VAT Rules	
36.	What are the composition rates for different types of contracts?	The notification state that in respect of a dealer executing works contract at the rate of 4% on the total consideration for the works contract executed by him. Therefore, the rate	Notification reference: No FD 116 CSL 2006(13), Bangalore dated 31.3.2006	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of tax for composition works contractor is 4%.		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, the works contractor opting for composition method should intimate the department through Form VAT 1 and change the scheme accordingly. Therefore, he should take prior permission or provide intimation to the department before opting for composition scheme respectively.		
38.	Whether composition dealer can apply for interstate works contract?	No, the composition scheme is not applicable for the dealer executing inter-state works contract.		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	WC is required to file monthly return : a) Form VAT-100 shall be filed by 20 th of the following month and	Section 35 of the VAT Act (Returns)/ Rule 38 of the VAT Rules (Submission of monthly	Form VAT 100 under regular scheme and Form VAT 120 under

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		b) Form VAT-120 should be filed by 15 th of the following month by the works contractor.	Rule 139 of the VAT Rules (<i>Duties of dealer executing a works contract and hotelier under scheme</i>)	composition scheme.
40.	Whether Annual Return is filed by the works contractor?	No, there is no requirement to file annual return by the works contractor		
41.	What is the time limit for Assessment in case of works contractor?	There is no time limit specified for assessment in case of works contractor. The self assessment mechanism is applicable to works contractor also.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well?	The VAT Audit provisions are applicable to works contractor also. The total turnover limit for VAT Audit	Section 31(4) of the VAT Act (<i>Accounts</i>)	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	If yes, what is the turnover limit for such audit?	from the financial year 2011-2012 is ₹1 crore		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	Based on Raheja case if the agreement is entered before the completion of construction then in that instance VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts. There is a dispute regarding the taxability of transactions pertaining to landlord share considering the transactions between the landlord and developer as exchange and not liable to tax. There are certain Judicial pronouncements and circular stating	K. Raheja Development corporation vs. State of Karnataka(2005) STT 178	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		that such developer is liable to tax pertaining to the share of landlord share.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file the copy of contract or agreements with the department on its own by the dealer unless as specified in notice.		

13. KERALA

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act?	Yes, the works contract is dealt separately under the Kerala Value Added Tax Act, 2003 (the VAT Act) Section 6(1)(e) levies tax on transfer of property in goods in execution of WCT is in the form of goods. The tax is leviable at the scheduled rates or at the rate of 12.5% (general rate) as applicable for goods transferred in the works contract.	Section 6 (1) and Section 6(1)(e) and Section 15 (2) of the VAT Act.	
	Is there a deeming provision dealing with works contract?			

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form. The application shall be made in Form 1.	Section 6 of the VAT Act. Rule 17 (7) of the Kerala Value Added Tax Rules, 2005, (the VAT Rules)	Form 1.
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes, every non-resident dealer shall submit the application for registration to the commissioner or any officer authorized by him in this behalf.	Rule 17(6) of the VAT Rules.	
4.	Eligible Turnover for registration.	There is No taxable limit has been defined under the law. Every WC has to register himself with nil turnover.		
5.	What are the deductions that are allowable from turnover?	Amount of sale of goods, paid to sub-contractors, labour charges	Rule 9 and 10 of the VAT Rules.	
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Actual charges if it is ascertainable, if not as per table prescribed under Rule 10(2)(b) of the VAT Rules	Rule 10 (2) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
7.	How are the labour charges and like defined under the VAT law?	Labour charges for the execution of work, planning & designing charges, charges for obtaining on hire or otherwise, machinery and tools, interest paid on any loan taken for the purchase of the machinery, cost of consumables, cost of establishment and overhead charges of the dealer to the extent it is relatable to the supply of labour and profit earned on the above.	Rule 10(2)(a) of the VAT Rules.	
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Yes. Either depreciation is allowed or Input Tax Credit on capital goods is allowed.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
9.	Can deduction be claimed for land value by the composition dealer?	Yes. The value of land should not be included in total turnover.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	No such provision exist under the law		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Gross profit is to be added to actual labour and like charges. However, there is no specific provision as whether the GP is to be added to <i>adhoc</i> labour charges.	Rule 10(2)(a)(vi) of the VAT Rules.	
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No, it doesn't form part of turnover as there is no transfer of property in goods in the execution of works contract.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
13.	Is contractor liable to tax for free supply of goods by contractee?	Subject to the terms and conditions with the contractor and contractee, the free supply of goods by contractee shall be treated as sales and it will be considered as purchase in the books of contractor. Therefore, in such case contractor is liable to tax for free supply of goods by contractee.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	There is no specific provision. The dealer shall compulsorily issue a bill or an invoice or cash memorandum in respect of every sale of goods liable to tax under this Act.	Section 40A of the VAT Act.	
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Transfer of property in the form of goods @ normal rates specified in	Section 6 (a) or (d) read with (e) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		schedules. Transfer of property in goods not in the form of goods then 12.5%	Section 6(f) of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Yes, every dealer who purchases taxable goods from any person other than a registered dealer shall pay tax on the purchase turnover of goods at the rates specified for such goods under the act.	Section 6(2)(a) of the VAT Act.	
17.	What is the rate of tax for declared goods used in the course of contract?	The tax is payable under Section 6(f) [levy of tax on execution of WCT], in respect of transfer of declared goods not in the form of goods but in some other form, shall be at the rate prescribed under the respective schedules and not at general rate of 12.5%.	Proviso to Section 6(f) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Yes, standard deduction towards labour and other charges is available at the rates prescribed in the table stated below Rule 10(2)(b). There are 13 specific items of contracts and 1 Misc item is prescribed under the table for which standard deduction is allowable at the corresponding rates specified.	Rule 10(2)(b) of the VAT Rules.	
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes, every awarder of contract shall deduct from every payment, including advance payment, made by him to any works contractor liable to pay tax under section 6 (Payment of tax under regular scheme).	Section 10 (1) of the VAT Act.	
20.	What is the rate of TDS to be deducted in case of works contract?	The amount of TDS to be deducted should be the value of tax payable under section 6 of the Vat Act, by the	Section 10 (2A) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether interstate supplies or import transactions are considered for deducting TDS?	WC. If he obtains a liability certificate from the prescribed authority and produces to the Contractee then : a) Government department contractee shall deduct @ 4%. b) Others shall deduct @ 8% if WCTr is RD under the Act and @ 10% if WCTr is URD under the Act		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes, TDS needs to be deducted. There is no separate provision in this regard.		
22.	Whether the WC can claim input tax credit on consumables?	A specified deduction from turnover for "Cost of consumables" as specified in Rule 10(2)(a)(iv) is allowed. Hence, ITC should not be availed and deduction from turnover	Section 11 of the VAT Act. Rule 10(2)(a)(iv) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		should be availed. However, if the Input tax credit is availed for tax paid on purchase of consumables then deduction from turnover should not be availed.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	There is no specific deduction allowed under rules to regular WCT for amounts paid to sub-contractors. The ITC can be availed for tax paid on works executed by such Sub-contractor. Explanation 1 to Section 8(a)(ii) specifies in respect of composition dealers that the "whole contract amount" on which compounded tax is payable shall not include the amount paid to sub-contractors for	Rule 10(2)(a) of the VAT Rules & Explanation 1 to Section 8(a)(ii) of the VAT Act. Section 8(a)(i) levies tax on "Whole amount of Works Contract" for the contractors who are dealers not doing Interstate or Import purchases. Section 8(a)(ii) levies tax on the value of "Works Contract" for dealers engaged in Interstate or imports purchases. Explanation 1 to Section 8(a)(ii)	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		execution of the portion of works contract provided such sub-contractor pays tax under regular scheme and not composition scheme.		specifies in respect of composition dealers the "Whole Contract Amount" on which compounded tax is payable shall not include the amount paid to sub-contractors for execution of the portion of works contract provided such sub-contractor pays tax under regular scheme and not under the composition scheme.
24.	Whether input tax credit is allowable fully in case of works contract?	Yes, input tax credit is allowable to a regular WC dealer subject to the conditions specified in Section 11.	Section 11 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
25.	Is there any specific format of invoice or bill for regular and composition WC?	The regular WC shall issue a bill or invoice or cash memorandum on every sale in Form No. 8C. In case of WC being a composition dealer he shall issue an Invoice/bill etc. in Form No. 8CA.	Rule 58 (10) (iii) & (iv) of the VAT Rules.	Form No. 8C. and Form No. 8CA.
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	The invoice prescribed in Form 8C and Form 8CA specifies that it shall be issued on final/part/full payment. Hence, a running bill being similar to the prescribed format can be treated as invoice.	Rule 58(10) of the VAT Rules.	
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes, such sub-contractor should be a registered dealer and should pay tax on regular scheme and not composition scheme	Explanation 1 to Section 8(a)(ii) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	There is no specific deduction allowed under rules to regular WCT for amounts paid to sub-contractors. The ITC can be availed for tax paid on works executed by such sub-contractor. There is no specific provision where it states that the sub-contractor is not liable to pay tax if main contractor pays tax.	Rule 10(2)(a) of the VAT Rules & Explanation 1 to Section 8(a)(ii) of the VAT Act.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No such exemption is prescribed under the law.		
30.	Does the WC have an option to pay tax under composition category?	A works contractor can opt for both regular and composition scheme .	Proviso to Section 8(a)(ii) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
31.	Is composition WC allowed to make interstate / import purchases?	Yes, the composition WC dealer is permissible to make interstate/ import purchases. Such dealer should pay local tax in lieu of composition tax on stock transfer inwards / interstate / imports purchase		
32.	Is composition WC eligible to take sub contractor deductions?	Yes, he is eligible to take sub contractor deduction	Explanation 1 to Section 8(a)(ii) of the VAT Act.	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	Yes, WC can opt for regular scheme for one project and composition scheme for other project. For that application should be made in Form 1DA	Proviso to Rule 11 (1) of the VAT Rules.	Form 1DA

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
34.	Is there any procedure to change the scheme from regular to composition works contractor?	Application in Form No. 1DA shall be made initially or before 30th April of every year or within 30 days of WCT is concluded. In case of builder of flats, the application should be made each project wise and the dealer shall not be entitled for payment of tax in a different stream for individual flats or villas.	Rule 11 (1) of the VAT Rules and its provisos	Form No. 1DA.
35.	Is there any procedure to change the scheme from composition to regular works contractor?	It is implied on reading of the above rule that the application is valid for 1 year and has to be re-applied every year. and in case of construction of flats/ villas the application is valid only for that specific project for which an application is made.	Rule 11 (1) of the VAT Rules and its provisos	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
36.	What are the composition rates for different types of contracts?	For all kind of works contract @ 3%. However, if the contract is awarded by Government of Kerala, Kerala Water Authorities and local authorities, the compounded tax payable shall be @ 4% of the whole contract amount.	Proviso to Section 8(a)(ii) of the VAT Act.	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes. Prior intimation is necessary. Application in Form No. 1DA shall be made within 30 days of WCT is concluded. In case of builder of flats, the application should be made each project wise and the such dealer shall not be entitled for payment of tax in a different stream for individual flats or villas	Rule 11 (1) of the VAT Rules and its provisos	Form No. 1DA.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
38.	Whether composition dealer can apply for interstate works contract?	No, the composition dealer cannot execute inter-state works contract.	Section 8(a)(ii) of the VAT Act.	
39.	Whether such WC is required to file monthly/ quarterly return? What is the due date of filing the return?	A works contractor either being a regular or composition dealer is liable to file quarterly returns in form 10, 10A, 10D or 10F for each quarter ending 30 th June, 30 th Sept, 31 st Dec and 31 st March respectively. The due date being 15 days from the end of respective quarter. If WCT is making transfer of property not in the form of goods in the execution of WCT, then the turnover in relation to such sales shall be declared on monthly basis in Form 10B as per Rule 22 of the VAT Rules.	Rule 24 (1), Rule 24 (1A) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
40.	Whether Annual Return is filed by the works contractor?	Annual return for a year to be filed within 30 th April of succeeding year in Form No. 10. If the amounts in annual returns and monthly returns vary, a reconciliation statement should be filed.	Rule 22(2) of the VAT Rules.	Form No. 10.
41.	What is the time limit for Assessment in case of works contractor?	The return filed in prescribed manner shall be deemed self-assessment subject to Section 22, 24 & 25 of the VAT Act.	Section 21 of the VAT Act & Rule 36 of the VAT Rules	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes, the audit of books of accounts shall be carried out by a Chartered Accountant or Cost Accountant. The turnover limit for audit is ₹60 Lacs. The form of certificate shall be in Form 13. The due date for filing of Form 13 in case of	Section 42(1) of the VAT Act. Rule 60 of the VAT Rules.	The certificate shall be accompanied by audited statement of accounts for the year and a statement in Form No.13A.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		companies is 31 st Dec, and in any other case it is 31 st October.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	The law is not clear on that issue and VAT is applicable if there is transfer of property in the execution of works contract.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	The composition dealers are required to submit along with the application for registration, the copies of contract agreements entered into with main contractor/awarder/ buyers and also with sub-contractor.	Rule 11(1A) of the VAT Rules.	

14. MADHYA PRADESH

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	No, works contract has not been dealt separately under Madhya Pradesh Value Added Tax Act, 2002 (the VAT Act). Only composition scheme has been dealt separately under Section 11A of the VAT Act read with Rule 8A of the Madhya Pradesh Value Added Tax Rules, 2006 (the VAT Rules).	NA	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No specific format for registration for works contractor. Form No. 6 as applicable to all dealers will also be applicable to works contractor.	Section 17 of the VAT Act read with Rule 11(1) of the VAT Rules[for Registration] Section 2(x) of the VAT Act [for calculating taxable quantum].	Form No. 6.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	No specific provision regarding non-resident registration. However, such a provision has been mentioned in Rajasthan VAT Act under Section 13(2).		
4.	Eligible Turnover for registration.	No specific provision for works contract. However, every dealer whose turnover during twelve months immediately preceding the commencement of this Act exceeds ₹ 5 lacs shall get himself registered.	Section 17 of the VAT Act.	
5.	What are the deductions that are allowable from turnover?	Deductions allowable from turnover are :- I. Sale price of declared goods under Section 16 of the VAT Act II. Sale price of goods which are in	Section 2(x) of the VAT Act.	Also as per <u>Gannon Dunkerley case</u> 88 STC 204, taxable turnover is total turnover less charges towards labour and services.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		the nature of tax paid goods. III. Amount of tax collected under Section 9 or amt. arrived at by:- (rate of tax * aggregate sale prices)/100+rate of tax		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Yes, there is an option. Either the WC can determine his liability as a normal dealer by claiming labour and like charges on actual basis. Or the WC can opt for composition scheme	Section 2(x) of the VAT Act. Section 11A of the VAT Act read with Rule 8A of the VAT Rules	
7.	How are the labour charges and like defined under the VAT law?	Labour and like charges have not been defined under this Act. However, it has been defined under the Karnataka VAT Act.	--	Labour charges and other like include charges for obtaining, on hire or otherwise, machinery and tools used in the execution of a works contract.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				charges for planning, designing and architects' fees, cost of consumables used in the execution of the works contract, cost of establishment to the extent relatable to supply of labour and services and other similar expenses relatable to supply of labour and services.
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Not specified in the act or rule of VAT.	Gannon Dunkerley case read with L&T case.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
9.	Can deduction be claimed for land value by the composition dealer?	Not specified under VAT Act or Rule. However, the same has been specified under Maharashtra VAT Act and Rule under Section 42(3).	----	
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	Amount receivable for labour & services is not only the sum spent in rendering services. It also includes profit earned on labour & services. For so many reasons, value of labour & services and profit thereon cannot be determined from the books of accounts kept by a contractor. Looking into this difficulty, several States have enacted a deeming provision for the purpose of determining value of goods. They have prescribed percentage value of total amount receivable for execution		Under VAT Act, gross profit earned by the dealer shall be apportioned to the value of goods and labour and other like charges involved in the execution of works contract in the same ratio as in the total turnover.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of the contract as percentage value of labour & services and profit thereon. Remaining amount of contract is deemed as the value of goods in which property in the execution of works contract passes from contractor to the contractee.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Not specified under VAT Act or Rule. However, the same has been specified under UP VAT Act and Rule under Rule 9.	—	<u>On adhoc basis</u> Where accounts maintained by the contractor do not show separately the value of labour and services and amount of profit accrued on such labour and services, or accounts maintained by the dealer are not worthy of credence

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				or if the dealer has not maintained accounts, an amount, representing twenty percent of gross amount received or receivable, shall be deducted towards labour and services and amount of profit accrued thereon. <u>On actual basis</u> Amount of deduction towards such labour and services and amount of profit accrued thereon shall be computed at the corresponding rate percentages, given in

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				Table, of the amount received or receivable.
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	Taxable turnover = Value of work contract (-) charges towards labour and services.	Section 2(u), (v), (x) of the VAT Act read with Gannon Dunkerley Case.	Labour and services includes cost of consumables such as water, electricity, etc
13.	Is contractor liable to tax for free supply of goods by contractee?	Where the materials are supplied free of cost to be used in the works contract, there will be no sale	ONGC vs. CST U.P. 1996 102 STC 466 (All HC) vide also 1989 75 STC STC 233 (All. HC)	
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Not specified in the Act. However, Every registered dealer, other than a dealer to whom sub-rule(2) apply, shall pay tax quarterly within 30 days of expiry of the quarter to which the tax to be paid relates.	Rule 36 of the VAT Act.	There is no time of sale as defined under the Act.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
15.	Which Section /Schedule prescribes the rate of tax for works contract?	<u>WC not opting Composition Scheme</u>:-Tax to be levied on goods specified in Schedule II at their corresponding rate. No tax if such goods are sold by any one of the public sector oil companies. <u>Composition WC</u>:- Rate of tax for works contract under composition scheme is specified under Rule 8A.	Section 9 of the VAT Act read with Schedule II Rule 8A of the VAT Rules.	Rate of tax for works contractor not opting composition scheme are similar to that applied to general dealers.
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Dealer purchasing goods from :- i. Any person other than registered dealer, or ii. A registered dealer who has opted for composition under Section 11, or iii. A registered dealer who is liable	Section 10 read with Section 9 of the VAT Act.	No specific provisions for works contractor. Therefore, provisions of general dealer will be applicable.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		to pay tax under Section 9 shall be liable to pay purchase tax.		
17.	What is the rate of tax for declared goods used in the course of contract?	Declared goods shall have the meaning assigned to it in the CST Act, 1956	Section 2(j) of the VAT Act.	Schedule II specifies the goods and their corresponding rate of tax.
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	This method has not been defined in the MP VAT Act or Rule. However, in other States VAT Act, standard deduction method is available.		As per AP VAT Rules, dealer need to pay tax only on the value of the goods used at the time of incorporation in the execution of the works contract at the rates applicable to those goods. If a VAT dealer executing works contract did not maintain accounts to determine the value of the

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				goods, they are liable to pay tax @12.5% of the total value of the contract reduced by the standard deductions prescribed in respective VAT Rules.
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Any person letting out a works contract of value exceeding ₹ 3 Lacs to a contractor shall deduct TDS @ 2% in respect of the contractor who has opted for composition under Section 11A.	Section 26(2) of the VAT Act. read with Rule 45 of the VAT Rules.	
20.	What is the rate of TDS to be deducted in case of works contract? Whether inter-state supplies or import transactions are considered for	If value of contract exceeds ₹3 Lacs, then 2% and 1% if labour value involved is more than 50%, under composition scheme. Where not opted for composition scheme and value of labour is more than 50%.	Section 26(2) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	deducting TDS?	TDS @ 1%. No TDS in respect of any sale or purchase taking place outside MP or in the course of inter-state or in the course of import of goods.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	If opted for composition scheme then no deduction of TDS from the payment made to sub-contractor. Any person letting out works contract of value exceeding ₹3 lacs involving sale of any goods shall deduct TDS @ 2% i.r.o contractor opting composition scheme under Section 11A. Provided if value of labour involved is more than 50% then rate of TDS will be 1%.	Section 26(2) of the VAT Act read with Proviso to Section 26(2) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Provided if value of labour is more than 50% and contractor has not opted for composition scheme then TDS will be @ 1%		
22.	Whether the WC can claim input tax credit on consumables?	As per provisions applied to registered dealers, input tax rebate is allowable on consumables. No input tax rebate to registered dealers who opts for composition scheme u/s 14(6) (iv) of the VAT Act.	Section 14(1) of the VAT Act.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	Not specified in the act or rule. However, this issue has been defined in other States Act like Karnataka VAT Act. Not specified under this Act.	—	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
24.	Whether input tax credit is allowable fully in case of works contract?	No input tax rebate shall be claimed or allowed to registered dealer who opts for composition u/s 11A of the VAT Act	Section 14(6)(iv) of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format of invoice or bill for regular and composition WC. Every registered dealer is required to issue a bill, invoice or a cash memorandum as specified in Rule 55(1). Whereas, a registered dealer who opts for composition under Section 11 shall not show the lump-sum element separately in the bills or invoice as per Rule 55(2).	Section 40 of the VAT Act read with Rule 55 of the VAT Rules.	
26.	Can running bill be treated as invoice?	<u>Running bill</u> A composition WC can on the basis of running bill make payment to the	Rule 8A of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether advances received including mobilization advance will be liable to tax?	Government. <u>Mobilization advances</u> Not specified in the Act or Rule., however, the same issue has been discussed under Karnataka VAT Act which can be referred for guidance purposes only., Section 94 clarified by: - Abdul Jabbar.V.K, Joint Commissioner (General), O/o. CCT, Tvpm. 2 T.V. Kamala Bai, Joint Commissioner (Law), O/o. CCT, Tvpm. - S.K. Suchala Kumar, Joint Commissioner (Audit & Inspection), O/o. CCT, Tvpm	Karnataka VAT Act, 2003– Clarification under Section 94	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes, the sub-contractor is required to file declaration in Form No. 3 / 3A.	Section 7 of the VAT Act read with Rule 7 of the VAT Rule.	Form No. 3 / 3A.
28.	Can sub contractor claim exemption if main contractor pays tax?	Contractor and sub-contractor shall be jointly and severally liable to pay tax. If the sub-contractor proves to the satisfaction of the Commissioner that contractor has opted for composition i.r.o the works contract being executed by the sub-contractor, the sub-contractor shall not be liable to pay tax on the turnover.	Section 7 of the VAT Act read with Rule 7 of the VAT Rules.	If contractor proves to the satisfaction of the Commissioner that the tax has been paid by the sub-contractor, the contractor shall not be liable to pay tax again.
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Such an option is not available under the MP VAT Act or Rule. However, Rajasthan VAT Rules, 2006 provides such option under		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		exemption fees method.		
30.	Does the WC have an option to pay tax under composition category?	Yes, the works contractor can opt for composition scheme or regular scheme. Works contractor shall give his option for composition scheme in Form No.4A to the appropriate Commercial Tax Officer or any other officer authorized by the Commissioner within 1 month of execution of WC.	Section 11A of the VAT Act read with Rule 8A of VAT Rules.	
31.	Is composition WC allowed to make interstate / import purchases?	A registered dealer purchasing goods specified in Schedule II from another such dealer within State after payment to him tax under Section 9 may opt for composition scheme.	Section 11 read with Section 11A of the VAT Act.	No specific mention of composition WC dealer, therefore, Section 11 will apply to WC under Section 11A.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
32.	Is composition WC eligible to take sub contractor deductions?	Not specified in the act or rule. However, this issue has been defined in other States Act like Maharashtra VAT Act.	—	Sub-contract value shall be deducted first from the total contract value and thereafter the lump sum deduction allowable as per table shall be made to arrive at the sales price of goods involved in WC.
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	A registered dealer carrying <u>wholly</u> or partly the business of supplying goods in the course of execution of WC may opt for composition scheme.	Section 11A of the VAT Act.	With no bounding provision, WC can opt for composition scheme for one project and regular for other.
34.	Is there any procedure to change the scheme from regular to composition works contractor?	Every registered dealer may opt for composition scheme in relation to goods supplied in the execution of works contract, shall give his option	Section 11A of the VAT Act read with Rule 8A of the VAT Rules.	Option for composition will have to be submitted within 60 days of commencement of

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		in Form 4-A to the appropriate Commercial Tax Officer or any other officer authorized by the Commissioner in this behalf		execution of works contract.
35.	Is there any procedure to change the scheme from composition to regular works contractor?	Not specified in the act or rule.		
36.	What are the composition rates for different types of contracts?	1. Registered dealer supplies wholly goods specified in Schedule II purchased from another such dealer within State after payment to him of tax under Section 9 and/ or goods specified in Schedule I, in the course of execution of WC entered into by him @ 1% 2. Otherwise @ 5%	Rule 8A of the VAT Rules.	Provided that in case of a works contract in which a registered dealer supplies goods specified in Schedule II purchased from an unregistered dealer to the extent of ₹1 Lac, the amount to be paid in lump sum by way of composition shall be

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				determined at the rate of 1%
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, the work contractor has to take prior permission for opting composition methods. Works contractor shall give his option to the appropriate Commercial Tax Officer or any other officer authorized by the commissioner within 1 month of execution of works contract.	Section 11A of the VAT Act read with Rule 8A of the VAT Rules in Form 4 A.	
38.	Whether composition dealer can apply for interstate works contract?	No, composition dealer can execute works contract within the state only.	Section 11 of the VAT Act.	A registered dealer purchasing goods specified in schedule II from another dealer within state can opt for composition scheme.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	<u>WC not opting Composition Scheme</u> :- YES, WC is required to file quarterly return. Every registered dealer other than a registered dealer, who opts for composition scheme, shall furnish his return quarterly. Composition WC:- Every such registered dealer shall within 30 days from the date of expiry of the quarter of a year, furnish return for each quarter. Quarterly return to be filed within 30 days in Form No. 10.	Section 18 of the VAT Act read with Rule 21 & 22 of the VAT Rules.	Commissioner may fix monthly returns for dealers or class of dealers, to be furnished within 15 days.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
40.	Whether Annual Return is filed by the works contractor?	Every dealer is required to file annual return, provided if exempted by the Commissioner.	Section 18 of the VAT Act read with Rule 21 of the VAT Rules.	Form No. 10
41.	What is the time limit for Assessment in case of works contractor?	Assessment of every registered dealer shall be made separately for every year. Registered dealer claiming refund of input tax rebate under Section 14(4) in his quarterly or yearly return and makes application for that purpose, assessment shall be done within a period of 3 months.	Section 20 of the VAT Act.	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for	Yes, VAT Audit provisions applies to WC also. Every dealer whose turnover	Section 39(2) of the VAT Act read with Rule 54 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	such audit?	exceeds ₹60 Lacs shall get his accounts audited by a Chartered Accountant.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	A builder purchase the land, develop it, construct the residential buildings /business complex, and sell the fully constructed premises to the buyers that would be sale of immovable property, no liability under VAT Act would arise as the sales are of immovable property.	Larson and Toubro Ltd. vs. State of Karnataka decided on August 19, 2008 reported in (2008 17 VST 460 S.C.) read with K. Raheja Development Corporation vs. State of Karnataka [2005 NTN (vol.27)-243	Building, residential house, shop, offices if sold by receiving booking amount and installments from buyer, that would not amounts to agreement for construction of property for buyers. Purchasers have clear and only intention to buy a desire immovable property. And that would be the sale of immovable property. No liability under VAT Act would arise.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	Not specified under MP VAT Act or Rule. However, the same has been specified under Rajasthan VAT Act and Rule under Rule 40.		

15. MAHARASHTRA

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	No Works contract transactions are deemed as sale transactions.	- Explanation (b) (i) to Section 2 of Maharashtra Value Added Tax Act, 2005 (the VAT Act) - Article 366 (29A) of Constitution of India.	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	Yes.	<i>Notification No. VAT-1505/CR-105/Taxation dated 1st April 2005</i>	Various forms prescribed are as follows: - for restaurants, eating house, refreshment room, boarding establishment, factory canteen, clubs and hotels – Form 1 - for caterers – Form 2

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				• for bakers – Form 3 • for retailers – Form 4 • for dealers in second hand motor vehicles – Form 5
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes		
4.	Eligible Turnover for registration.	a) ₹100,000 in case of a dealer who is importer b) ₹ 500,000 in any other case In both the above cases the value of taxable goods sold or purchased during the year should not be less than ₹ 10,000.	Section 3 (4) of the VAT Act.	
5.	What are the deductions that are allowable from turnover?	• labor and service charges; • amounts paid by way of price	Rule 58 (1) of the Maharashtra Value Added	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		for sub-contract; • charges for planning, designing and architect's fees; • charges for obtaining on hire any machinery and tools; • cost of consumables such as water, electricity, fuel; • cost of establishment of the contractor to the extent to which it is relatable to supply of the said labor and service; • Similar expenses relatable to the said supply; Profit earned by the contractor to the extent it is relatable to the supply of said labor and services.	Tax Rules, 2005 (the VAT Rules).	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis	Yes	Rule 58 (1) and Proviso to Rule 58 (1) of the VAT Rules.	Works contractor can claim on actual basis or on adhoc basis as per the table provided in Rule 58 (1).
7.	How are the labour charges and like defined under the VAT law?	Not defined	Not applicable	
8.	Whether depreciation can be claimed as labor and like charges? If yes then whether input tax credit on capital goods will be allowable?	No Input credit on capital goods is allowed subject to the input credit rules: Rule 53 (7A) of the VAT Rules – credit allowed after reduction of 3% of purchase price of capital asset.	Rule 52, 53 (4), (7A), and 54 of the VAT Rules read with Notification No.VAT-1505/CR-105/Taxation dated 1 st April 2005, Notification VAT-1510/CR-65/Taxation dated 9 th July, 2010	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		No credit is allowed on purchase of the following: • Rule 54 (a) of the VAT Rules – purchase of motor vehicle • Rule 54 (f) of the VAT Rules – purchase of incorporeal or intangible assets • Rule 54 (g) of the VAT Rules – construction of immovable property by employer • Rule 54 (h) of the VAT Rules – erection of immovable property. • Rule 54 (j) of the VAT Rules – purchases of mandap, pandal, shamiana etc. • Rule 54 (k) of the VAT Rules – purchase by hotelier which are		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		capitalized and which do not pertain to the supply by way of service. Builders and Developers opting for Composition under Section 42 (3A) are not eligible for set-off of any of the purchases made.		
9.	Can deduction be claimed for land value by the composition dealer?	No	Rule 58 (1) [1(A)] of the VAT Rules.	It can be claimed only by dealer following regular scheme as per rule 58 (1)
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no such method prescribed for calculating the estimated gross profit.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Yes	Rule 58 (1) of the VAT Rules.	
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	Various rates and methods are prescribed: • for <i>contractors</i> - VAT is to be levied on contract value under composition scheme. However, service tax will form part of sale price. • for <i>developers</i> – VAT is to be levied on higher of total agreement value or value considered for stamp duty. • for retailers, hoteliers, bakers, and second hand motor vehicles	Section 42, Section 2 (25) of the VAT Act and DDQ -11-2007/ADM-3/16/B-1 dated January 20, 2012	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		dealers no exclusion is given. water, electricity charges are to be excluded if dealer follows regular scheme as per Rule 58 (1) of the VAT Rules.		
13.	Is contractor liable to tax for free supply of goods by contractee?	Depends on the terms of contract.	Section 42 (3) of the VAT Act.	Tax is on contract value
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	(a) As and when the property in goods is transferred. Invoice should be raised accordingly. (b) Whether it is Table or reduction method, the contractors would not be able to quote the exact amount of tax they will charge to their customers. In large contracts running over several months or several years, it may		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		be very difficult for the contractors to collect correct amount of tax from their customers and much more difficult to discharge their exact tax liability on periodic basis. A dealer is required to file periodic returns, which may be monthly, quarterly or six monthly. All such returns are required to be filed correct and complete in all respect. An incomplete or incorrect return may lead to stringent penalties and even prosecution.		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Various rates are prescribed for composition schemes. <i>For retailers –</i> • at the rate of 5 % for the	Subject to various conditions laid down in Section 42 (1) of the VAT Act and r. w. serial no. 2	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		retailers whose aggregate of the turnover of sales of goods, covered by Schedule A (tax free goods) and goods taxable at the rate of 5%, if any, is more than 50% of the total turnover of sales; excluding the turnovers of liquor, drugs and motor spirits. - at the rate of 6% for the retailers whose at least 3/4th of the turnover of sales of goods is of drugs covered by the entries C-29 and C-29A appended to the Act. - at the rate of 8% in any other case.	of Notification No.VAT-1505/CR-105/Taxation dated 1st April 2005 and Rule 85. Subject to various conditions laid down in Section 42 (2) of the VAT Act, r. w. Serial No. 1 of Notification No.VAT-1505/CR-105/Taxation dated 1st April 2005.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		<i>For eating house, restaurant, hotel, refreshment room or boarding establishment –</i> 5% of the turnover of sales in the case of a registered dealer and 10% of the turnover of sales in the case of an unregistered dealer. – sales of alcoholic drinks will not be compounded. <i>For bakers –</i> 4% of the first ₹50 Lacs of the total turnover of sales of goods and goods imported from out of Maharashtra State, if any, including bread in loaf, rolls, or in slices, toasted or otherwise, in the case of a registered	Subject to various conditions laid down in Section 42 (2) of the VAT Act, r. w. Serial No. 3 of Notification No.VAT-1505/CR-105/Taxation dated 1st April 2005. Subject to various conditions laid down in Section 42 (2) of the VAT Act, r. w. Serial No. 4 of Notification No.VAT-1505/CR-105/Taxation dated 1st April 2005.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		dealer and 6% of the first ₹50Lacs of the total turnover of sales of goods and goods imported from out of Maharashtra State, if any including bread in loaf, rolls, or in slices, toasted or otherwise, in the case of an unregistered dealer. <i>For dealers in second-hand motor vehicles –</i> - The composition amount shall be calculated @ 12.5% on 15% of the sale price of the vehicle. <i>For works contractors –</i> 5% of the total contract value of the works contract in the case	Subject to various conditions laid down in Section 42 (3) r. w. Notification VAT-1506/CR-134/Taxation Dated 30th November, 2006 Subject to various conditions laid down in Section 42 (3A) r. w. Notification VAT-1510/CR-65/Taxation Dated 9th July, 2010 Section 42 (4) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of a construction contract 8% of the total contract value of the works contract in any other case. <i>For builders and developers –</i> 1% of the higher of total agreement value or value considered for stamp duty. <i>For mandap keepers or tarpaulin –</i> 1.5 % of the turnover of sales affected by such dealers. <i>For liquor dealers –</i> - at various rates	At various rates subject to conditions specified in Section 41 (5) of the VAT Act, r. w. Notification No. VAT 1511/CR-57/Taxation dated 30th April, 2011 and Trader Circular 8T of 2011 dated May 04, 2011.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Purchase tax has to be paid on purchases of cotton or oil seeds subject to various conditions laid in the relevant sections.	Section 6A and 6B of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	Rate of tax prevailing in the state.		
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Yes, As per Annexure-A	Proviso to Rule 58 (1) of the VAT Rules.	As per Annexure-A
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes.	Section 31 of the VAT Act and Rule 40 of the VAT Rules.	
20.	What is the rate of TDS to be deducted in case of works contract?	If the contractor is a - - Registered dealer then rate of TDS is 2%. - Unregistered dealer then rate of TDS is 5%.	Section 31 of the VAT Act and Rule 40 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether interstate supplies or import transactions are considered for deducting TDS?	TDS is not applicable on inter-state works contract.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	No	2 nd Proviso to Section 31 (1) (b) (i) of the VAT Act	
22.	Whether the WC can claim input tax credit on consumables?	Yes, Subject to Rules and Notifications.	Rule 53 (4) of the VAT Rules Notification No. VAT-1505/CR-105/Taxation dated 1 st April 2005, Notification VAT-1510/CR-65/Taxation dated 9 th July, 2010,	Various conditions have been laid down in the notifications and Rule 53 (4) for claiming Set-off by the dealer using composition scheme.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
			Notification No. VAT 1511/CR-57/Taxation dated 30 th April, 2011 Trade Circular 8T of 2011 dated May 04, 2011	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	Yes. Where any sale has been effected by way of transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract and the contractor has executed the works contract awarded to him, through a sub-contractor, directly or otherwise, then notwithstanding anything contained in any law or agreement	Section 45 (4) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		to the contrary, the relationship between the contractor and the person who has actually executed the works contract or part of it as a sub-contractor shall be deemed to be that of the principal and agent and accordingly,— (a) where such principal assigns the whole or part of the execution of the works contract to different such agents resulting into the distribution of the turnover of the said sales amongst the principal and the agents or wholly amongst the agents whereby the principal escapes the liability to pay tax on the whole or part of the		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		turnover of sales, then, having regard to the total turnover of sales, including the total turnover of sales in respect of execution of such contract, of the principal in the year of assessment being such that the principal would have been liable to pay tax under this Act if such works contract had been executed by himself alone the liability to pay tax on such total turnover of sales shall be that of the principal ; (b) where such agent executes such works contract on behalf of the principal and each or either of them is liable to pay		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		tax, then notwithstanding anything contained in any other law or any contract to the contrary, the principal and the agent shall be jointly and severally liable to pay tax in respect of the transfer of property in goods involved in the execution of such works contract; (c) if the principal shows to the satisfaction of the Commissioner that tax has actually been paid by the agent on the turnover of sales, the principal shall not be liable to pay tax again in respect of the same turnover of sales on		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		which the agent has paid tax; (d) if the agent shows to the satisfaction of the Commissioner that the tax has been actually paid by his principal on the turnover of sales on which he is liable to pay tax under this Act, then the agent shall not be liable to pay tax again on the same turnover of sales on which the principal has paid tax; (e) no deduction from payment of tax under the preceding clauses shall be given to the principal or to the agent, unless a duly signed certificate in the prescribed form is produced;		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(f) a contractor assigning execution of a works contract (either in whole or in part) to a sub-contractor registered under this Act, may deduct from his total contract value or, as the case may be, the turnover of sales, the value or the turnover of sales in respect of works contract executed through the said sub-contractor provided a declaration in the prescribed form signed by such sub-contractor is produced; (g) a sub-contractor who has been assigned execution of works contract (either in whole or in part) by a contractor may		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		deduct from his total contract value or, as the case may be, the turnover of sales, the value or the turnover of sales in respect of such works contract executed by him provided a declaration in the prescribed form signed by such contractor is produced.		
24.	Whether input tax credit is allowable fully in case of works contract?	No a) For contractors under composition– If tax rate is 5% under composition then set-off is allowed after reduction of 4% on purchase price. (capital goods and goods in which property is not transferred, are not to be	Section 42 (3) and 42 (3A) Rule 53 (4), 58 (1) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		considered) - If tax rate is 8% under composition then set-off is allowed multiplying the vat paid amount with 16 and dividing by 25 (i.e. 64% of VAT paid is allowed as set-off) b) For builders & developers under composition – - No set-off on purchase of goods is allowed to builders and developers who are paying VAT at composite rate of 1%. c) For contractors, builders and developers who are not composition– - Where liability is calculated and paid as per Rule 58, then full	Notification VAT-1510/CR-65/Taxation dated 9th July, 2010	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		set-off of purchase of goods is allowed.		
25.	Is there any specific format of invoice or bill for regular and composition WC?	No	<i>Notification No. VAT-1505/CR-105/Taxation dated 1st April 2005</i>	Certain works contract dealers are not allowed to collect tax separately in the invoice.
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes, running bill can be treated as invoice for discharging VAT liability. Advances received are not liable to tax.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes. The sub-contractor should be a registered dealer. The contractor should obtain declaration and certificate in Form 407 and 408 from the sub-contractor.	Section 45 (4) of the VAT Act.	Form 407 and 408

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes	Section 45 (4) of the VAT Act. and Rule 58 (1) of the VAT Rules.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Yes, Same as given in Q.23	Section 45 (4) of the VAT Act.	Form 406, 407, 408 and 409
30.	Does the WC have an option to pay tax under composition category?	Yes, The works contractor can opt for either composition schemes or regular scheme.f	Section 42, of the VAT Act and Rule 58 (1) of the VAT Rules.	
31.	Is composition WC allowed to make interstate / import purchases?	Yes. However, builders and developers opting for composition scheme under section 42 (3A) of the VAT Act, are not permissible to make interstate purchases against Form 'C'.	Notification VAT-1510/CR-65/Taxation dated 9 th July, 2010	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
32.	Is composition WC eligible to take sub contractor deductions?	There is no such provision.		
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	Yes.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	Various forms prescribed are as follows: • for restaurants, eating house, refreshment room, boarding establishment, factory canteen, clubs and hotels – Form 1 • for caterers – Form 2 • for bakers – Form 3 • for retailers – Form 4 • for dealers in second hand motor vehicles – Form 5	Notification No. VAT-1505/CR-105/Taxation dated 1st April 2005	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Application has to be made to Joint Commissioner of Sales Tax (Registration).		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no procedure prescribed. The dealer has to file a letter with the Joint Commissioner (Registration) for withdrawal from the scheme.		
36.	What are the composition rates for different types of contracts?	<i>For Retailers –</i> 1. at the rate of 5% for the retailers whose aggregate of the turnover of sales of goods, covered by Schedule A (tax free goods) and goods taxable at the rate of 5%, if any, is more than 50% of the total turnover of sales; excluding the turnovers of liquor, drugs and motor spirits.	Subject to various conditions laid down in Section 42 (1) of the VAT Act, read with Serial No. 2 of Notification No.VAT-1505/CR-105/Taxation dated 1st April 2005 and Rule 85.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		2. at the rate of 6% for the retailers whose at least 3/4th of the turnover of sales of goods is of drugs covered by the entries C-29 and C-29A appended to the Act. at the rate of 8% in any other case. For Eating house, Restaurant, Hotel, Refreshment Room or Boarding Establishment – 1. 5 % of the turnover of sales in the case of a registered dealer and 10% of the turnover of sales in the case of an unregistered dealer. – sales of alcoholic drinks will not be compounded.	Subject to various conditions laid down in Section 42 (2) of the VAT Act, read with Serial No. 1 of Notification No.VAT-1505/CR-105/Taxation dated 1st April 2005. Subject to various conditions laid down in Section 42 (2) read with Serial No. 3 of Notification No.VAT-1505/CR-105/Taxation dated 1st April 2005.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		<i>For Bakers –</i> 4% of the first ₹50 Lacs of the total turnover of sales of goods and goods imported from out of Maharashtra State, if any, including bread in loaf, rolls, or in slices, toasted or otherwise, in the case of a registered dealer and 6% of the first ₹50 Lacs of the total turnover of sales of goods and goods imported from out of Maharashtra State, if any including bread in loaf, rolls, or in slices, toasted or otherwise, in the case of an unregistered dealer.	Subject to various conditions laid down in Section 42 (2) of the VAT Act read with Serial No. 4 of Notification No.VAT-1505/CR105/ Taxation dated 1st April 2005. Subject to various conditions laid down in Section 42 (3) of the VAT Act, read with Notification	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		<i>For Dealers in Second-hand Motor Vehicles –</i> 1. The composition amount shall be calculated @ 12.5% on 15% of the sale price of the vehicle. <i>For Works Contractors –</i> 1. 5 % of the total contract value of the works contract in the case of a construction contract 2. 8 % of the total contract value of the works contract in any other case. <i>For Builders and Developers –</i> 1. 1 % of the higher of total agreement value or value	VAT-1506/CR-134/Taxation Dated 30th November, 2006 Subject to various conditions laid down in Section 42 (3A) of the VAT Act, read with Notification VAT-1510/CR-65/Taxation Dated 9th July, 2010 Section 42 (4) of the VAT Act. At various rates subject to conditions specified in	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		considered for stamp duty. <i>For mandap keepers or tarpaulin –</i> 1. 1.5 % of the turnover of sales affected by such dealers. <i>For Liquor dealers –</i> At Various rates	Section 41 (5) of the VAT Act, read with Notification No. VAT 1511/CR-57/Taxation dated 30th April, 2011 and Trader Circular 8T of 2011 dated May 04, 2011	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	• Yes • Either at the time of making application of registration or time specified in the notification. • Separate forms are prescribed for various schemes of composition.	Notification VAT-1505/CR-105/Taxation Dated 1st June, 2005	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
38.	Whether composition dealer can apply for interstate works contract?	Yes		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Depending on the periodicity and composition scheme. For retailers under composition – six monthly. For other dealers under composition : a) Six monthly: If tax liability < or = ₹100,000 or refund < or = ₹1,000,000 b) Monthly: If tax liability > ₹1,000,000 or refund > ₹10,000,000 c) Quarterly – for others.	Rule 17 (4) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
40.	Whether Annual Return is filed by the works contractor?	No	Rule 17 (4) of the VAT Rules.	six monthly, quarterly or monthly returns to be filed, as the case may be as above.
41.	What is the time limit for Assessment in case of works contractor?	Where return is not filed – • Within 3 years, without serving notice, from the end of the year containing the said period. • Within 5 years, with serving notice, from the end of the year containing the said period. Where return is filed – • Within 4 years from the end of the year containing the said period.	Section 23 (1) of the VAT Act. Section 23 (3) of the VAT Act. Section 23 (2) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Where application for registration is not made – • Within 8 years from the end of the year containing the said period. Where correct turnover of sales or purchases are not disclosed – • Within 6 years from the end of the year containing the said period.	Section 23 (4) of the VAT Act. Section 23 (6) of the VAT Act.	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes If turnover of sales or purchases exceeds ₹60,00,000	Section 61 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	VAT is applicable on agreements registered while the construction of the flat is going on. Once the construction is completed, VAT is not to be levied on agreements registered thereafter. However, unlike in service tax, the VAT law is silent on when the construction is said to have been completed (whether on occupation certificate or completion certificate)	Section 42 (3A) read with Notification VAT-1510/CR-65/Taxation dated 9 th July, 2010	
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no such requirement. Unless, the department calls for the records in assessments.		

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Annexure-A

S. No.	Type of Works contract	*Amount to be deducted from the contract price (expressed as a percentage of the contract price)
1	Installation of plant and machinery	Fifteen percent
2	Installation of air conditioner and air coolers	Ten percent
3	Installation of elevators (lifts) and escalators	Fifteen percent
4	Fixing of marble slabs polished granite stones and files (other than mosaic tiles)	Twenty Five percent
5	Civil works like construction of buildings, bridges, roads, etc.	Thirty percent
6	Construction of railway coaches on under carriages supplied by railways	Thirty percent
7	Ship and boat building including construction of barges ,ferries tugs, trawlers and dragger	Twenty percent
8	Fixing of sanitary fitting for plumbing, drainage and the like	Fifteen percent

Maharashtra

S. No.	Type of Works contract	*Amount to be deducted from the contract price (expressed as a percentage of the contract price)
9	Painting and polishing	Twenty percent
10	Construction of bodies of motor vehicles and construction of trucks	Twenty percent
11	Laying of pipes	Twenty percent
12	Tyre re-treading	Forty percent
13	Dyeing and printing of textiles	Forty percent
14	Annual Maintenance contracts	Forty percent
15	And any other works contracts	Twenty five percent

16. MANIPUR

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes, works contract has been dealt with separately under the Manipur Value Added Tax Act, 2004 (the VAT Act) under Section 2(xxxv) of the said Act. In Manipur, any transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract is deemed to be a sale of those goods by the person making the transfer and a purchase of those goods by the person to whom such transfer is made. Section 2(xxv)(b) of the VAT Act. As defined, “work contract”	Section 2(xxv)(b) & (xxxv) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		includes any agreement for carrying out for cash, deferred payment or other payment or other valuable consideration, the building construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, repairing or commissioning of any movable or immovable property.		
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form of application for registration as works contractor. The works contractor has to apply in the general form of registration i.e., Form 5.	Section 24 of the VAT Act read with Rule 16(1) of the Manipur Value Added Tax Rules, 2005 (the VAT Rules).	
3.	Whether Non-resident (dealer outside the state) can apply for registration as works contractor?	Yes.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
4.	Eligible Turnover for registration.	Section 8(5)(d) of the VAT Act specifies the taxable limit in relation to a dealer involved in the execution of a works contract which is ₹50,000/- The tax payable by a works contractor liable to pay tax shall be levied on his taxable turnover of sales. [Section 9(1)] In case of turnover of sales in relation to work contract, the charges towards labour, services and other like charges and subject to such conditions as may be prescribed:	Section 8 & 9 of the VAT Act read with Rule 8 of the VAT Rules	
5.	What are the deductions that are allowable from turnover?	For determination of the taxable turnover the following deductions	Section 9(2) of the VAT Act read with Rule 8 of	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		are allowed- (a) sales of goods specified as exempt from tax in Schedule 'II'. (b) sales of goods which are shown to the satisfaction of the Commissioner to have taken place- (i) in the course of inter-State trade or commerce, or (ii) outside Manipur, (iii) in the course of the import of the goods into or export of the goods out of the territory of India. (c) in case of turnover of sales in relation to work contract, the charges towards labour,	the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		services and other like charges and subject to such conditions as may be prescribed: Provided that in the cases where the amount of charges towards labour, services and other like charges in such contract are not ascertainable from the terms and conditions of the contract, the amount of such charges shall be calculated at the prescribed percentage. (d) such other sales on such conditions and restrictions as may be prescribed.		
6.	Whether the WC has the option to claim the labour charges and like on	Works contractor can claim the deduction for labour and like	Section 9(2) of the VAT Act read with Rule 9 of	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	actual basis or adhoc basis?	charges on actual basis; otherwise the works contractor shall pay the tax on the basis of the Table appended to Rule 9(2) of the VAT Rules.	the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	(a) where under the contract, the transfer of property takes place in the form of finished goods or the contractor is required to build, construct, manufacture, process, fabricate or otherwise procure or supply any finished goods - (i) the charge for freight and delivery of finished goods; and (ii) any amount charged for in respect of any works not	Rule 9(1) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		involving any transfer of property; (b) Where under the contract, the transfer of property does not take place in form of goods but takes place in some other form, such sum towards labour and other charges actually incurred in connection with the execution of the works contract.		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Depreciation on machinery and tools used in the execution of works contract is not allowed as labour and like charges. However, under Rule 9(1) of the VAT Rules "such sum towards labour and other charges actually incurred in connection with the execution of the	Rule 9(1) of the VAT Rules, Section 17(4), 17(7) and 17(10)(iii) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		works contract” are allowed. If a contractor uses his own machinery and tools in the execution of a works contract, which he otherwise could have hired from outside, then according to some High Court decision depreciation on such machinery and tools should be allowed. According to Section 17(4)(b) of the VAT Act, input tax credit shall be allowed for purchase of goods made within the State of Manipur from a registered dealer holding a valid certificate of registration and which are intended for the purpose of use as raw material or as capital goods in the manufacturing and processing		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of goods other than those exempt from tax under this Act intended for sale in the State of Manipur. Further, according to Section 17(7) of the VAT Act, input tax credit on capital goods shall be limited to plant and machinery directly connected with the manufacturing or processing of the finished products and input tax credit as admissible under this section shall commence from the date of commencement of commercial production and shall be adjusted against tax payable on output over a period of three years. Section 17(10)(iii) of the VAT Act, further confirms that no input tax credit shall be claimed or be allowed		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		to a registered dealer in respect of capital goods other than those directly used for manufacturing or processing of goods for sale.		
9.	Can deduction be claimed for land value by the composition dealer?	Not specified in the act or rules as to whether land value deduction is allowable.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit earned by the contractor to the extent it is relatable to supply of labour and services will be deductible from the taxable turnover subject to furnishing of the profit and loss account of the works contract.		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	For determination of tax payable by the dealer following deductions from contractual transfer price charges are allowed under Rule 9 of the VAT Rules: Subject to the provisions of Section 2 (xxvi) and section 9 of the VAT Act, in determining the taxable turnover of a works contract, the amount specified in the following clauses shall be deducted from	Rule 9 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		gross turnover- (a) where under the contract, the transfer of property takes place in the form of finished goods or the contractor is required to build, construct, manufacture, process, fabricate or otherwise procure or supply any finished goods - (i) the charge for freight and delivery of finished goods; and (ii) any amount charged for in respect of any works not involving any transfer of property; (b) Where under the contract, the transfer of property does not		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		take place in form of goods but takes place in some other form, such sum towards labour and other charges actually incurred in connection with the execution of the works contract. Deductions in respect of water, electricity deposits, stamp duty, registration fee, and service tax are not available from the taxable turnover under the VAT Act.		
13.	Is contractor liable to tax for free supply of goods by contractee?	In the case of free supply, the works contractor is not liable to tax.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The point of taxation for a works contractor is normally the issue of a tax invoice, invoice or bill or any other document for claiming or		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		receiving payments in respect of the works contract.		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 12 of the VAT Act read with Rule 9 of the VAT Rules deals with the rate of tax under works contract. Section 9(2)(c) of the VAT Act read with Rule 9(1) of the VAT Rules will be applicable for the determination of taxable turnover where the dealer maintains proper books of accounts relating to works contract Section 9(2)(c) of the VAT Act read with Rule 9(2) of the VAT Rules will be applicable for the determination of taxable turnover where proper books of account is not maintained. Section 21 of the VAT Act and Rule 15 of the VAT Rules deals with	Section 12, 9, 21 of the VAT Act; For rate of tax Table appended to Rule 9(2) of the VAT Rules to be referred.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		the rate of tax and lays down the conditions regarding presumption tax applicable to registered dealers.		
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Not clearly mentioned in the Act.		
17.	What is the rate of tax for declared goods used in the course of contract?	There has been an enhancement of the VAT rate of 4% to 5% for sale or purchase of goods of special importance (commonly known as declared goods) as prescribed in Serial No.4 of Schedule-I of the said Act	Vide Notification No.5/6/2002-FD(TAX)Pt.1/16th June 2012	
18.	Is standard deduction method available for payment? If yes, what are the various rates	Standard deduction is available for each type of works contract where the dealer does not maintain books of accounts for identification of	Schedule appended in Rule 9 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	prescribed for different types of works contract?	labour charges.		
19.	Whether contractee/ principal is liable to deduct TDS from the amount payable to contractor?	The contractee/ principal is liable to deduct the amount of tax payable to the works contractor at the rate of 8% after allowing deduction of labour, services and other like charges as prescribed in the Schedule under Rule 9 of the VAT Rules.	<i>Vide Notification No. 5/45/2006-FD (TAX) dated 3rd September, 2009 with reference to Rule 9 of the VAT Rules.</i>	
20.	What is the rate of TDS to be deducted in case of works contract?	The principal is liable to deduct the amount of tax payable to the works contractor at the rate of 8% after allowing deduction of labour, services and other like charges as prescribed in the schedule under Rule 9 of the VAT Rules.	<i>Vide Notification No. 5/45/2006-FD (TAX) dated 3rd September, 2009 with reference to Rule 9 of the VAT Rules.</i>	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether inter-state supplies or import transactions are considered for deducting TDS?	No TDS is applicable in case of inter-state transaction.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes as above in point 20.		
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law, goods purchased for execution of works contract would qualify for input tax credit. A view is held that such goods should also include consumables.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC?	The works contractor is entitled to claim deduction towards amounts paid to the sub-contractors for		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	execution of the works contract subject to production of proof to the satisfaction of the Commissioner that— (a) the sub-contractor is a registered dealer liable to pay tax under the VAT Act; and (b) deduction can be claimed on the strength of an invoice raised by the sub contractor (c) There is no further transfer of goods in any form by the sub-contractor to the works contractor except as shown in the invoice of the sub contractor. No specific provision as such given in the Act or Rules.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		There is no express provision under the VAT Act for allowing input tax credit on payments to sub contractor.		
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full subject to the conditions of Section 17 of the VAT Act.	Section 17 of the VAT Act	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice or bill: The tax invoice in Form 24 issued shall contain the following particulars on the original as well as copies thereof - (a) the words 'tax invoice' in bold	Section 55 of the VAT Act read with Rule 36 & 37 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		letter at the top of any prominent place; (b) the name, address and registration certificate number of the selling registered dealer; (c) the name, address and registration certificate number of the purchasing registered dealer; (d) an individual serialised number and the date on which the tax invoice is issued; (e) description, quantity, volume and value of goods sold and amount of tax charged thereon indicated separately; (f) signature of the selling dealer or his manager or agent, duly		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		authorised by him; (g) The name and address of the printer, and first and last serial number of tax invoices printed and supplied by him to the dealer. The retail invoice in Form 24A against a sale exceeding ₹200/- shall contain the following particulars on the original as well as copies thereof - (a) the words "Retail Invoice" in bold letters at the top of a prominent place; (b) the name, address and registration certificate number of the selling registered dealer;		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(c) in case the sale in course of export out of the territory of India, the name, address and registration number, if any, of the purchasing dealer/foreign buyer and the type of statutory form, if any, against which the sale has been made; (d) an individual serialised number and the date on which the retail invoice is issued; (e) description, quantity, volume and value of goods sold inclusive of tax charged thereon; (f) signature of the selling dealer or his manager or agent, duly authorised by him;		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(g) The name and address of the printer and first and last serial number of retail invoices printed and supplied by him to the dealer.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	As discussed under 13 above, no deduction shall be admissible unless the sub-contractor is a registered dealer under the VAT Act who has filed the return disclosing therein the turnover of sales attributable to the works contractor.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	Not specified in the Manipur Value Added Tax Act, 2004 and Manipur Value Added Tax Rules, 2005.		
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No express provision mentioned in the Act or Rules. Refer point No.23		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for presumption tax under section 21 of the VAT Act and pay tax @ 4% on entire taxable turnover subject to the condition that gross turnover of sales of such registered dealer does not exceed ₹2,00,000/-.	Section 21 of the VAT Act read with Rule 15 of the VAT rules.	
31.	Is composition WC allowed to make interstate / import purchases?	No. Section 21 specifically states that "payment of tax under this	Section 21 of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		section shall not apply to a registered retail dealer who imports goods from outside the State for the purpose of carrying out his business".		
32.	Is composition WC eligible to take sub contractor deductions?	Not specified in the Manipur Value Added Tax Act, 2004 and Manipur Value Added Tax Rules, 2005.		
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	A registered retail dealer who intends to exercise his option to pay tax as specified under Section 9 or Section 10 in lieu of the provisions of Section 21 of the VAT Act, shall	Rule 15 of the VAT Rules and Section 21 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		make an application to the tax authority for permission to do so within 30 days from the beginning of the year in respect of which the option is intended to be exercised giving the following particulars : (1) Name (2) Address..... (3) Tax Identification Number (TIN) (4) Trade name (5) Gross turnover during the preceding year (6) Whether imported any goods from outside Manipur during the preceding year		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no laid down procedure under the VAT Act for switching over from the composition scheme to the regular scheme. Where a dealer under the composition scheme subsequently becomes ineligible to the conditions required in section 21, he will be deemed to be a regular dealer.	Section 21 of the VAT Act.	
36.	What are the composition rates for different types of contracts?	A presumptive tax at 4% of the entire taxable turnover of such sales and purchases subject to the condition that no input tax credit shall be available to such dealers.	Rule 21 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Point No.31		
38.	Whether composition dealer can apply for interstate works contract?	No.		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	The return to be submitted under Section 28 shall be in the following manner covering the tax period shown against each : (a) all registered dealers and dealers liable to pay tax with total turnover exceeding ₹3 lacs but not exceeding ₹10 lacs within 20 days from the close of a quarter (i.e. June, September, December, March)	Section 28 of the VAT Act read with Rule 24 of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of the year; (b) all registered dealers and dealers liable to pay tax with total turnover exceeding ₹10 lacs within 20 days from the end of a month of the year; (c) all casual dealers, all non-resident dealers or agent/agents of the non-resident dealers within 20 days from the end of a month of the year.		
40.	Whether Annual Return is filed by the works contractor?	Only quarterly/ monthly return as applicable has to be filed by the works contractor.		
41.	What is the time limit for Assessment in case of works contractor?	No assessment under Section 35 (Provisional assessment) & Section	Section 38(1) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		36 (Audit assessment) shall be made after the expiry of 5 years from the end of the tax period to which the assessment relates: Provided that in case of offence under this Act for which proceeding for prosecution has been initiated, the limitation as specified in this sub-section shall not apply.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Where in any particular year, the gross turnover of a dealer exceeds ₹20,00,000/- or such other amount as the Commissioner may, by a notification in the Official Gazette specify, then such dealer shall get his accounts, in respect of that year audited by an accountant within six months from the end of	Section 58(1) of the VAT Act read with Rule 39 of the VAT Rules.	Prescribed form of audit report-Form 25

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		that year and obtain a report of such audit in Form 25 duly signed and verified by such accountant and setting forth such particulars as may be prescribed.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	Not specified anywhere in the Act. Section 2(xxxv) states, "work contract" includes any agreement for carrying out for cash, deferred payment or other payment or other valuable consideration, the building construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, repairing or commissioning of any movable or immovable property.	Section 2(xxxv) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings the said documents may have to be produced on demand by the assessing authority.		

17. NAGALAND

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Works contract has been not been dealt with separately under the Nagaland Value Added Tax Act, 2005 (the VAT Act). However, the same has been included in the definition of "sale" under section 2(xxvi)(b) of the VAT Act. In Nagaland, any transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract is included in the definition of sale of those goods by the person making the transfer and a purchase of those goods by the person to whom such	Section 2 (xxvi) (b) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		transfer is made. Section 2(xxvi)(b) of the VAT Act.		
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form of application for registration as works contractor. The works contractor would have to apply in the general form of registration i.e., Form VAT- 1.	Section 2(ix) and Section 8(5) of the VAT Act and	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	No.		
4.	Eligible Turnover for registration.	If the gross turnover of sales or purchase exceeds ₹ 3,00,000/- at any time during the year, he becomes liable to pay this tax with effect from the following day on which the aggregate of gross	Rule 7 and Rule 29 of the Nagaland Value Added Tax Rules, 2005 (the VAT Rules).	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		turnover of sale or purchase is so exceeded. [Section 8(5)]		
5.	What are the deductions that are allowable from turnover?	For determination of the turnover of sales in respect of works contract the following deductions are allowed: (a) such percentage of the turnover towards labour and other charges as may be prescribed; and (b) such other amount as may be prescribed;	Section 2(xxii)(1A) of the VAT Act inserted vide The Nagaland Value Added Tax (Amendment) Act, 2008	
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis subject to a maximum of 40% of the total value of works contract	Schedule referred in Section 12(5) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
7.	How are the labour charges and like defined under the VAT law?	The Act is silent as far as the definition of "Labour and like charges" is concerned. As per schedule referred in Section 12(5) of the act, works contractor can claim the deduction for labour and like charges on actual basis subject to a maximum of 40% of the total value of works contract.	Schedule referred in Section 12(5) of the VAT Act.	
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	There is no specific mention of depreciation to be claimed as deduction. Schedule to Section 12(5) of the VAT Act mentions that labour and like charges on actual basis can be claimed subject to a maximum of 40% of the total value of works contract. Section 17(8) excludes certain	Schedule referred in section 12(5) of the said VAT Act. Section 17(8) (xi) of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		activities from the ambit of input tax credit. Clause (xi) has been inserted vide The Nagaland Value Added Tax (Amendment) Act, 2008 which excludes works contract from the ambit of input tax credit.		
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of a compound dealer.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	There is no specific mention of profit on such charges.		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	For determination of tax payable by the dealer following deductions from the turnover of sales are allowed under Section 2 (xxxii)(1A) of the VAT Act: (a) such percentage of the turnover towards labour and other charges as may be prescribed; and (b) Such other charges as may be prescribed. Schedule further referred in	Section 2(xxxii)(1A) and Section 12 of the VAT Act	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Section 12 of the VAT Act limits such percentage to 40% Hence, deductions in respect of stamp duty, registration fee, service tax has not been specifically mentioned but may be claimed if it falls within 40% of the sales price.		
13.	Is contractor liable to tax for free supply of goods by contractee?	According to Section 2(xxvii) the explanation to definition of sale price includes the market value of any goods supplied by the contractee for use in works contract on the day they were so supplied. Further, no provision for deduction of such value has been provided in the Act. However, such amount may be excluded from gross value of turnover as under the definition of	Section 2(xxvii) and Section 2(xxii) (1A) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		turnover under Section 2(xxxii)(1A) inserted vide the Nagaland Value Added Tax (Amendment) Act, 2008. According to such definition “any amount refunded or refundable by the contractor or withheld from any payment made to him by way of discount, rebate, penalty, and damages or otherwise in respect of such contract” may be excluded from the gross value of turnover.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The point of taxation for a works contractor would be the same as a dealer. According to Section 8 of the VAT Act liability of tax arises when the gross turnover exceeds the taxable quantum of ₹300,000/- or when the	Section 8 of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		dealer becomes liable to pay tax under the Central Sales Tax Act, 1956.		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 12(5) of the VAT Act deals with the rate of tax under works contract. Schedule referred in Section 12(5) of the VAT Act lays down the rates at which tax is leviable.	Section 12(5) of the VAT Act; For rate of tax schedule referred in Section 12(5) of the VAT Act to be referred.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	There is no separate mention of the term "works contract tax" in the said act. Hence, the works contractor would be liable to pay purchase tax as per Section 10(ii) of the VAT Act.	Section 10(ii) of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for the declared goods is 4%.	Section 12 of the VAT Act	
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	There is no standard deduction method available for payment. However, as per schedule to Section 12(5) of the VAT Act mentions that labour and like charges on actual basis can be claimed subject to a maximum of 40% of the total value of works contract	Schedule to Section 12(5) of the VAT Act	
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	The contractee /principal is liable to deduct tax from the amount payable to the works contractor at the time of payment to such contractor at the rate of 4% on the full amount of works or @ 12.5% with permissible deductions for labour and service	Section 92(3) of the VAT Act and Notification No. FIN/REV-4/GEN-9/09 dated 12.05.2009	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		charges as the case may be under Notification No. FIN/REV-4/GEN-9109 dated 12.05.2009 Such deduction may be forgone if the prescribed conditions under section 92(3)(ii)(a) of the VAT Act is fulfilled.		
20.	What is the rate of TDS to be deducted in case of works contract?	The contractee /principal is liable to deduct tax from the amount payable to the works contractor at the time of payment to such contractor at the rate of 4% on the full amount of works or @ 12.5% with permissible deductions for labour and service charges as the case may be under Notification No. FIN/REV-4/GEN-9109 dated 12.05.2009	Section 92(3) of the VAT Act and Notification No. FIN/REV-4/GEN-9109 dated 12.05.2009	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether interstate supplies or import transactions are considered for deducting TDS?	No TDS is applicable in case of inter-state transaction.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes. Point no.31		
22.	Whether the WC can claim input tax credit on consumables?	Section 17(8) of the VAT Act, excludes certain activities from the ambit of input tax credit. Clause (xi) has been inserted vide The Nagaland Value Added Tax (Amendment) Act. 2008 which excludes works contract from the ambit of input tax credit.	Section 17(8) (xi) of the VAT Act.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC?	There is no specific provision regarding the allowance of claim of deduction of amount payable to a	Section 2(ix), Section 2(xxxii) and Section 17(8)(xi) of the VAT	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	sub-contractor in the said act. However, a works contractor is included in the definition of a dealer under Section 2(ix) and according to the Explanation 3(c) to the definition of "turnover" under Section 2(xxxii) a dealer shall not include the amount paid to another dealer for goods purchased from him while accommodating a particular customer in his turnover. Hence, a works contractor may claim amount payable to a sub-contractor as deduction while calculating his turnover. No input tax credit shall be claimed in lieu of such deduction as the same has been disallowed under	Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Section 17(8)(xi) inserted vide The Nagaland Value Added Tax (Amendment) Act, 2008.		
24.	Whether input tax credit is allowable fully in case of works contract?	Section 17(8) excludes certain activities from the ambit of input tax credit. Clause (xi) has been inserted vide The Nagaland Value Added Tax (Amendment) Act. 2008 which excludes works contract from the ambit of input tax credit.	Section 17(8)(xi) of the VAT Act	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice or bill:- (a) The word 'tax invoice' in bold letter at the top or any prominent place;	Section 55 of the VAT Act	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(b) The name, address and registration certificate number of the selling registered dealer; (c) The name, address and registration certificate number of the purchasing registered dealer; (d) An individual serialized number and the date on which the tax invoice is issued; (e) Description, quantity, volume and value of goods sold and amount of tax charged thereon indicated separately; (f) Signature of the selling dealer or his servant, manager or agent, duly authorized by him; (g) The name and address of the		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		printer, and first and last serial number of tax invoices printed and supplied by him to the dealer.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken in the execution of works contract shall be liable to VAT as the same has been included in the definition of "turnover" under Section 2(xxxii)(1A) of the VAT Act.	Section 2(xxxii)(1A) of the VAT Act.	
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	As discussed under 13 above, there is no specific mention of a sub-contractor in the VAT Act. However, a sub-contractor should be registered as a dealer and should file the required returns as a dealer.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes. Refer answer to question no. 23. The sub contractor can claim exemption only if he is an unregistered dealer having turnover not exceeding ₹300,000/-.	Section 2(x), Section 2(xxxii) and Section 8 of the VAT Act	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Contractor is liable to pay the tax.		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for a composition scheme under section 53 sub section 4 inserted vide the Nagaland Value Added Tax (Amendment) Act, 2008 on 24.10.2008.	Section 53 sub section 4 inserted vide the Nagaland Value Added Tax (Amendment) Act, 2008 on 24.10.2008.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		According to the said section, an amount by way of composition at a rate as may be specified by notification but not exceeding 4% of the total contract value of works contract may be paid under the composition scheme. However, no deductions shall be taken in order to avail of such composition scheme whatsoever.		
31.	Is composition WC allowed to make interstate / import purchases?	A composition works contractor dealer is included in the definition of a dealer. According to Rule 54(7) of the VAT Rules, a composition dealer is not permitted to inter-state/ import purchases. Hence, a composition works	Rule 54(7) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contractor dealer would not be permitted to interstate/ import purchases.		
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme no such deduction is allowed.	Schedule referred in Section 12(5) of the VAT Act.	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis. Holding one registration number both options cannot be availed at the same time.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	As per Rule 54(6) of the VAT Rules, A dealer may be permitted under section 53 of the VAT Act to compound the amount of tax payable by him for the following year a lump	Section 53 of the VAT Act read with Rule 54(6) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		sum in lieu thereof- a. if his business is on a small scale and its nature is such that proper maintenance of account is not practicable, or b. on any other sufficient ground Further, a dealer may register under composition scheme by filing Form VAT - 4, if his taxable turnover during the last year does not exceed ₹10 Lacs.	Rule 54(8) of the VAT Rules.	
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no procedure under the VAT Act for switching over from the composition scheme to the regular scheme. As per rule 54(3) of the said rules, option to pay lump sum once exercised shall not be withdrawn	Rule 54(3) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		until the rate(s) of lump sum is/are revised, and the lump sum dealer makes an application within 15 days of the date of the publication of the notification(s) issued in this behalf that he does not wish to pay lump sum at the revised rate(s) or continue under the lump sum scheme, as the case may be.		
36.	What are the composition rates for different types of contracts?	composition rate is 1%	Section 53(4) of the VAT Act read with Notification No. FIN/REV-3/VAT-2001 dated 23.11.2011	
37.	Whether WC opting for composition method is required to take prior	Works Contractor is required to take prior permission in FORM VAT-A /		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	permission/ provide intimation to the department?	VAT-B for payment of tax under composition scheme.		
38.	Whether composition dealer can apply for interstate works contract?	No.		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Filing return for a works contractor would be same as a dealer. The works contractor will be required to file quarterly return in Form VAT 4. Due date for quarterly return would be by the end of the month following the respective quarter.	Section 28 of the VAT Act read with Rule 25 of the VAT Rules.	In case the appropriate assessing authority, for reasons rendered in writing, fixes a monthly "return period" for a registered dealer, the monthly return shall be furnished to it by the 30 th day of the month following.
40.	Whether Annual Return is filed by the works contractor?	A works contractor is included in the definition of dealer under Section 2(ix) of the VAT Act.	Section 2(ix) of the VAT Act and Rule 28 of the VAT Rules	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		A registered dealer is required to file an annual return under Rule 28 of the VAT Rules. Hence, a works contractor would be required to file annual return.		
41.	What is the time limit for Assessment in case of works contractor?	No assessment shall be made after the expiry of 5 years from the end of the tax period to which the assessment relates	Section 38 of the VAT Act.	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes, VAT audit provisions applies to WC also. Where in any particular year, the gross turnover of a dealer exceeds ₹40 lacs or such other amount as notified in official gazette, then such	Section 58(1) & 58(2) of the VAT Act read with Rule 51 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		dealer needs to get his accounts audited in respect of that year by an accountant within 6 months from the end of that year and obtain a report of such audit in the prescribed form duly signed and verified by such accountant. A true copy of such report needs to be furnished by the dealer to the commissioner.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	On the basis of the decision of the Hon'ble Supreme Court in the case of <i>K. Raheja Development Corporation vs State of Karnataka</i> , works contract tax was imposed on the developer/ promoter. According to the legal interpretation by the Hon'ble Supreme Court in the		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		aforesaid case works contract tax was imposed under the VAT Act in specific circumstances. In view of the above, sale of under construction flats is taxable in the State of Nagaland. However, nothing has been specified in this regard in the VAT Act / Rules.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	Yes. Any person entering into any contract with any contractor for transfer of property in goods involved in the execution of works contract shall furnish within 15 days from the date of signing of the contractor such information as may be prescribed under whose	Section 92(3)(iii) as inserted vide The Nagaland Value Added Tax (Amendment) Act, 2008	

Nagaland

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		jurisdiction the contractor's place of business is situated.		

18. ORISSA

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Works contract has not been dealt separately and is covered under the Orissa Value Added Tax Act, 2004 (the VAT Act) under Section 11(4)(a) of the said Act. In Orissa, the sale of goods shall be deemed to have taken place when the goods are incorporated in the course of the execution of the works contract, whether or not there is receipt of payment for such sale. Section 2(63) of the VAT Act defines the works contract.	Section 2(63), 11(4)(a) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form of application for registration as works contractor. The works contractor has to apply in the general form of registration i.e. Form VAT-101.	Section 10(4)(b) of VAT Act read with Rule 15 of the Orissa Value Added Tax Rules, 2005 (the VAT Rules)	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.		
4.	Eligible Turnover for registration.	If the taxable turnover of a works contractor from the commencement of any accounting year exceeds ₹50,000/- at any time during the year, he becomes liable to pay this tax with effect from the following day on which the aggregate of	Section 10(4)(b) the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contractual transfer price is so exceeded.		
5.	What are the deductions that are allowable from turnover?	For determination of the taxable turnover, the deductions are allowed for charges towards labour, service and other like charges as may be prescribed;	Rule 6 of the VAT Rules	
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis; otherwise the works contractor shall pay the tax on the basis of the table appended to Rule 6 of the VAT Rules.		
7.	How are the labour charges and like defined under the VAT law?	Nothing has been defined specifically in respect of labour and like charges under the VAT law.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Depreciation on machinery and tools used in the execution of works contract is not allowed as labour and like charges as the same has not been defined in the law. According to the definition of capital goods under Section 2(8) of the VAT Act, input tax credit on capital goods will not be allowable in the hands of the works contractor.	Section 2(8) of the VAT Act	
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of a compound dealer. However, in case of a regular dealer such deduction is admissible.		
10.	How is the estimated gross profit computed in case of work contract?	There is no specific rule for estimation of gross profit in case of		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Also, what is the ratio to apportion the gross profit between material and labour?	works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit earned by the contractor to the extent it is relatable to supply of labour and services will be deductible from the contractual transfer price subject to furnishing of the profit and loss account of the works contract.		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract	For determination of the taxable turnover, the deductions are allowed for charges towards labour, service	Rule 6 of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	turnover?	and other like charges as may be prescribed;		
13.	Is contractor liable to tax for free supply of goods by contractee?	Free supply of goods by contractee is not taxable.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The point of taxation for a works contractor is normally the issue of a tax invoice, invoice or bill or any other document for claiming or receiving payments in respect of the works contract.	Section 11(4)(c) of the VAT Act	
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 14(1) of the VAT Act deals with the rate of tax under works contract. The tax payable shall be levied on the taxable turnover in respect of goods utilised in execution of works contract, at the rate applicable on such goods as	Section 14(1) of the VAT Act; For rate of tax, Table appended to Rule 6 of the VAT Rules to be referred.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		specified in Schedule B and Schedule C		
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, provided such purchase from unregistered dealers in Orissa is used in the execution of works contract.	Section 12 of the VAT Act	
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax that normally prevails for the declared goods is subject to the maximum of 4%. However, nothing has been specified in respect of the same in the act/ rules.		
18.	Is standard deduction method available for payment?	Standard deduction is available for each type of works contract where the dealer does not maintain books	Appendix to Rule 6 of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	If yes, what are the various rates prescribed for different types of works contract?	of accounts for identification of labour charges.		
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	The contractee/ principal is liable to deduct tax from the amount payable to the works contractor at the time of credit of such amount to the account of the contractor or at the time of payment thereof in cash or by cheque or draft or any other mode, whichever is earlier, subject to the certificate, if any, produced by the contractor @ 4% of the said amount, if the value of works contract exceeds ₹50,000.	Section 54 of the VAT Act	
20.	What is the rate of TDS to be deducted in case of works contract?	The rate of TDS for works contract is 4% of the sum payable in respect of the works contract.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Whether interstate supplies or import transactions are considered for deducting TDS?	No TDS is applicable in case of inter-state transaction.		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes, contractor is also liable to deduct TDS from the amount payable to the sub-contractor	Section 54 of the VAT Act	
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law, under Section 20(3) of the VAT Act, goods purchased for execution of works contract would qualify for input tax credit. A view is held that such goods should also include consumables.	Section 20(3) of the VAT Act	
23.	Whether deduction for sub contractor turnover is permitted from the turnover	The works contractor is entitled to claim deduction towards amounts		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	of WC?	paid to the sub-contractors for execution of the works contract taking into consideration the general principle of law that where once the tax has been paid on any amount, the same shall not be considered again for payment of tax. However, nothing has been defined in the act in regard to the amount of deduction on payment to sub-contractor. Does WC have the option to claim input tax credit in lieu of deduction from total turnover?		
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full to the extent tax has been paid or payable on purchase of taxable goods within the State from a contractor.	Section 20(3) of the VAT Act	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		registered dealer when such goods are purchased for use in the execution of works contract.		
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice or bill:- A tax invoice shall be inscribed with the words, "tax invoice" in bold letters at the top and shall also contain the following details – (a) name, address and registration certificate number of the selling registered dealer; (b) name, address and registration certificate number	Rule 68 of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of the purchasing registered dealer; (c) in case, the sale is in course of export out of the territory of India, the name, address and registration certificate number, if any, of the purchasing dealer or foreign buyer and the type of statutory form, if any, against which the sale has been made, (d) an individual serialized number and the date on which the tax invoice is issued, (e) description, quantity , volume and value of the goods sold, amount of discount allowed, if any, and the amount of tax		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		charged thereon indicated separately; (f) signature of the selling dealer or his manager or any other employee or agent, duly authorised by him. (g) the name and address of the printer, if any, and first and last serial number of tax invoices printed and supplied by him to the dealer.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Nothing has been defined in regard to the same in the act.		
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes. Deduction on account of payments made to sub-contractor is generally permissible. However, nothing has been specified in respect of the same under the VAT Act. The sub-contractor can claim exemption only if he is an unregistered dealer having turnover not exceeding ₹50,000/-.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Contractor is liable to pay the tax. However, deduction is available for payments to sub-contractor. Point No.23		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for composition scheme under section 11(3) of the VAT Act and pay tax in such manner as set out in the rules.	Section 11(3) of the VAT Act read with Rule 8 of the VAT Rules.	
31.	Is composition WC allowed to make interstate / import purchases?	No, a composition WC dealer is not permissible to make inter-state/ import purchases	Rule 8 of the VAT Rules.	
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme no such deduction is allowed.	Rule 6 of the VAT Rules	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The option of paying tax at the compound rate is not automatic. Option has to be exercised by making an application in Form VAT-601 within 30 days from the commencement of the year in respect of which such application is made. The application shall be accompanied with the details of works executed, gross value of the works so executed, TDS and the tax assessed, if any, for the preceding year. On being satisfied, that the application is correct and complete and that the dealer fulfils the eligibility criteria and after conducting such enquiry as he deems necessary, the registering authority	Rule 8(2) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		receiving the said application shall grant the permission to the dealer for payment of tax by way of composition from such date and in such manner, as may be mentioned in the order in Form VAT-602.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no laid down procedure under the VAT Act for switching over from the composition scheme to the regular scheme. Where a dealer under the composition scheme subsequently becomes ineligible on non-fulfilment of the any of the prescribed condition, the facility of composition scheme shall be allowed till the end of that year.	Rule 8(2) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
36.	What are the composition rates for different types of contracts?	The compound rate of tax under the composition scheme is 4% on 60% of the gross value received or receivable towards execution of works for any year by the works contractor.	Rule 8 of the VAT Rules.	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Yes, an application in Form VAT-601 is to be made to the registering authority having jurisdiction		
38.	Whether composition dealer can apply for interstate works contract?	No.		
39.	Whether such WC is required to file monthly / quarterly return?	Works contractor both under the regular as well as the composition scheme will be required to file monthly return in Form VAT-201 electronically.	Rule 34 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	What is the due date of filing the return?	Due date for filing the return is the 21 days from the date of expiry of the reporting month.		
40.	Whether Annual Return is filed by the works contractor?	Only monthly return has to be filed by the works contractor.		
41.	What is the time limit for Assessment in case of works contractor?	Where an audit is taken up by the Commissioner under Section 41, he shall also specify the period(s) for audit, not being a period which has ended 5 years previous to the year during which the audit is to be taken up.	Section 41 of the VAT Act read with Rule 41 of the VAT Rules	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for	Yes, VAT audit provision applies to WC also. Every registered dealer whose gross	Section 65 of the VAT Act read with Rule 73 of the VAT Rules.	Prescribed Form of Certificate

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	such audit?	turnover exceeds ₹40Lacs or any other amount as the Commissioner may specify by notification in the commercial tax Gazette, is required to file within 30th September of each year, the audited profit and loss account and balance sheet for such year, along with the form of certificate as prescribed under Rule 73 of the VAT Rules.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	On the basis of the decision of the Hon'ble Supreme Court in the case of <i>K. Raheja Development Corporation vs State of Karnataka</i> , works contract tax was imposed on the developer/ promoter in Orissa. According to the legal interpretation by the Hon'ble Supreme Court in the		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		aforesaid case works contract tax was imposed under the VAT Act in specific circumstances. In view of the above, sale of under construction flats is taxable in the State of Orissa. However, nothing has been specified in this regard in the act/ rules.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings the said documents may have to be produced on demand by the assessing authority.		

19. PUNJAB

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes	Section 2(zf) of the Punjab Value Added Tax Act, 2005 (the VAT Act)	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	Yes	Rule 3 and Rule 15 of the Punjab Value Added Tax Rules, 2005 (the VAT Rules)	Form VAT-1, VAT-2
3.	Eligible Turnover for registration.	For registration as a taxable person for VAT: (i) in relation to any person, who imports taxable goods for sale or use in manufacturing or processing any goods in the		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		State, ₹ 1; (ii) in relation to a person, who receives goods on consignment/branch transfer basis from within or outside the State on which no tax has been paid under this Act, ₹ 1; (iii) in relation to a person, liable to pay purchase tax under section 19, ₹ 1; (iv) in relation to a person, who is a manufacturer, ₹ 1 lac; (v) in relation to a person, who is running a hotel/restaurant, ₹ 5 lacs; (vi) in relation to a person, who is running a bakery, ₹ 10 lacs;		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(vii) in relation to voluntary registration, ₹ 5 Lacs; and (viii) in relation to any other person, ₹ 50 Lacs.		
4.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes , as casual trader		
5.	What are the deductions that are allowable from turnover?	To determine the taxable turnover of sales, a person, shall deduct from his gross turnover of sales, the following: (a) turnover of sales of goods, declared tax free under section 16 of the VAT Act; (b) turnover of sales of goods, made outside the State or in the course of inter-state trade or commerce or in the course of import of	Rule 15 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		goods into or export of goods out of the territory of India under section 84 of the VAT Act; (c) turnover of goods, sent on consignment basis or branch transfers; (d) amount, charged separately as interest in the case of a hire-purchase transaction or any system of payment by installments; (e) amount, allowed as cash discount and trade discount, provided such discount is in accordance with the regular trade practice; (f) sale price of taxable goods		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		where such sale was cancelled: Provided that the deduction shall be claimed only, if the person is in possession of all copies of VAT invoice or retail invoice. (g) sale price, in respect of any goods, returned within a period of six months: Provided that a taxable person shall claim the deduction only on the basis of debit note, issued by the purchaser for the goods returned; and (h) A sum, to be calculated by applying a tax fraction in case, gross turnover includes retail sales.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Either	Rule 15 of the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	The labour and like charges includes: (a) labour charges for execution of the works; (b) amount paid to a sub-contractor for labour and services; (c) charges for planning, designing and architects fees; (d) charges for obtaining for hire, machinery and tools used for the execution of the works contract; (e) cost of consumables, such as, water, electricity and fuel, used in the execution of the works contract, the property, which is	Rule 15 of the VAT Rules.	.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		not transferred in the course of execution of a works contract; (f) cost of establishment of the contractor to the extent, it is relatable to the supply of labour and services; (g) other similar expenses relatable to supply of labour and services and; (h) Profit earned by the contractor to the extent, it is relatable to the supply of labour and services		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	No	Rule 15(4) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
9.	Can deduction be claimed for land value by the composition dealer?	Land value deduction cannot be claimed by composition dealer.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	No specific provision		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Gross profit is to be added to actual labour and like charges.	Rule 15(4) of the VAT Rules.	
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No, water, electricity deposits, stamp duty, registration fee, service tax, etc does not form part of the works contract turnover.	Rule 15(4) of the VAT Rules.	
13.	Is contractor liable to tax for free supply of goods by contractee?	No provision specified.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The time of sale for works contractor is at the time goods are incorporated in work.	Section 8 of the VAT Act.	
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 8 contains the rate of tax for works contract.	Section 8 of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Yes	Section 19, 20 of the VAT Act.	
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for declared goods used in the course of contract is 5%.	Section 8 of the VAT Act.	
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Yes As per Annexure - 'A' enclosed.	Rule 15(4) of the VAT Rules. Section 8 of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes		No provision specified.
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	The rate of TDS to be deducted in case of works contract: 5% of amount being paid w.e.f 1st November, 2011.	Section 27(1) & (2) of the VAT Act.	
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	No, the contractor is not liable to deduct TDS from the amount payable to the Sub-Contractor.		
22.	Whether the WC can claim input tax credit on consumables?	No	Section 13 of the VAT Act.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC?	Yes, only to the extent of labour charges	Rule 15(4) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	Yes		
24.	Whether input tax credit is allowable fully in case of works contract?	No	Section 13 of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No, there is no specific format.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	No specific provision		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
28.	Can sub contractor claim exemption if main contractor pays tax?	Only to the extent of labour charges	Rule 15(4) of the VAT Rules.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No, there is no such option.		
30.	Does the WC have an option to pay tax under composition category?	Yes, WC has an option to pay tax under composition category.		
31.	Is composition WC allowed to make interstate / import purchases?	Not applicable		
32.	Is composition WC eligible to take sub contractor deductions?	Not applicable		
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	Not applicable		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
34.	Is there any procedure to change the scheme from regular to composition works contractor?	There is no such procedure specified		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no such procedure specified.		
36.	What are the composition rates for different types of contracts?	Not applicable	Section 9 of the VAT Act.	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Not applicable		
38.	Whether composition dealer can apply for interstate works contract?	No provision		
39.	Whether such WC is required to file monthly / quarterly return?	Monthly Return if turnover exceeds ₹ 1 crore		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	What is the due date of filing the return?	Quarterly return if turnover less than ₹ 1 crore 20th or 30th of every month / quarter ending month based on mode of payments of taxes.		
40.	Whether Annual Return is filed by the works contractor?	Annual statement has to be filed in Form VAT - 20 or Form VAT - 21, as the case may be, by giving therein the final liability of tax for the year by the 20 th day of November in case of a taxable person and by the 20 th day of August in case of a registered person.	Rule 40 of the VAT Rules.	Form VAT - 20 or Form VAT - 21
41.	What is the time limit for Assessment in case of works contractor?	No specific time limit is specified for assessment in case of works contractor.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes, VAT Audit provisions are applies to WC as well. If total turnover in a year exceeds ₹50 lacs, accounts shall be audited annually by a Chartered Accountant or a person entitled to be appointed as auditor under section 226(2) of the companies Act, 1956 and copy of audited statement of accounts and Certificate shall be furnished by 20th November.	Rule 40, 41 of the VAT Rules. Section 43 of the VAT Act.	
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	No specific provision		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no such requirement.		

Annexure - 'A'

Serial No.	Type of contract	Percentage of the total value eligible for deduction
1	(a) Electrical Contracts:-	
	(i) H.T Transmission lines;	Twenty percent
	(ii) Sub-station equipment;	Fifteen percent
	(iii) Power house equipment and extensions;	Fifteen percent
	(iv) 11 and 22 KV and L.T distribution lines 12+5; and	Seventeen percent
	(v) All other electrical contracts.	Twenty five percent
	(b) All structural contracts.	Thirty five percent
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

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Serial No.	Type of contract	Percentage of the total value eligible for deduction
6	Fabrication and erection of structural works of iron and steel including fabrication, supply and erection of Iron trusses and the like.	Fifteen percent
7	Fabrication and installation of cranes and hoists.	Fifteen percent
8	Fabrication and installation of elevators (lifts) and escalators.	Fifteen percent
9	Fabrication and installation of rolling shutters and collapsible gates.	Fifteen percent
10	Installation of doors, door frames, window frames and grills.	Twenty percent
11	Supply and installation of air conditioners and air coolers.	Fifteen percent
12	Supply and installation of air conditioning equipments including deep freezers, cold storage plants, humidification plants and dehumidres.	Fifteen percent
13	Supply and fixing of furniture and fixtures, partitions including contracts for interior decorators and false ceiling.	Twenty percent
14	Construction of Railway coaches and wagons on under carriages supplied by Railways.	Thirty percent

Serial No.	Type of contract	Percentage of the total value eligible for deduction
15	Construction of mounting of bodies of motor vehicles and construction of trailers.	Twenty percent
16	Supply and erection of weighing machines and weigh bridges.	Fifteen percent
17	Painting, Polishing and White Washing.	Twenty five percent
18	Laying of pipes.	Twenty percent
19	Tyre retreading	Forty percent
20	Dyeing and printing of textiles	Forty percent
21	Printing of reading material, cards, pamphlets, posters and office stationery.	Forty percent
22	All other contracts.	Thirty percent

20. PUDUCHERRY

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Works contract has not been dealt with separately under the Puducherry Value Added Tax Act, 2007 (the VAT Act). In Puducherry, any transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract is deemed to be a sale of those goods by the person making the transfer for cash or deferred payment or for other valuable consideration. Section 2(zp) of the VAT Act defines the term "works contract" and Section 15 of the VAT Act deals with the tax liability of works contract.	Section 15, Section 2(zp) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form of application for registration for the works contractor. The works contractor, has to apply in the general form of registration i.e. Form-A accompanied by the proof of payment of fees and a tax return of estimated turnover for twelve months.	Section 4 of the VAT Act read with Rule 3 of the Puducherry Value Added Tax Rules, 2005 (the VAT Rules)	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.		
4.	Eligible Turnover for registration.	If the total turnover of sales of a works contractor from the commencement of any accounting year exceeds ₹ 10,00,000/- at any time during the year, he becomes liable to pay this tax with effect from	Section 14(1) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		the following day on which the gross turnover of sales is so exceeded.		
5.	What are the deductions that are allowable from turnover?	For determination of the taxable turnover, the following deductions are allowed: (a) labour charges for the execution of the works contract; (b) amount paid to sub-contractor on account of labour and services; (c) charges for planning, designing and architect's fees; (d) charges for obtaining on hire machineries and tools used in the execution of works contract; (e) cost of consumables such as water, electricity, fuels etc. used	Rule 25(3) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		in the execution of a works contract; (f) cost of establishment of the contractor to the extent it is relatable to supply of labour and services; (g) other similar expenses relatable to supply of labour and services; (h) profit earned by the contractor to the extent it is relatable to supply of labour and services; (i) goods or transactions exempted from tax under the VAT Act; (j) Value of goods involved in the execution of works contract in the course of export of the		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		goods out of the territory of India or in the course of import of goods into the territory of India or in the course of inter-state trade or commerce. (h) All amounts, including the tax collected from the contractee, refunded to the contractee or adjusted towards any amount payable by the contractee, in respect of unexecuted portion of works contract based on the corrections on account of measurements or check measurements, subject to certain conditions.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis. However, if the charges are not ascertainable from the books of accounts maintained and produced before the assessing authority, the works contractor shall claim deduction as a percentage value of the works contract on the basis of the table appended to Rule 25(3)(e) of the VAT Rules.	Rule 25(3)(e) of the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	For determination of tax payable by the dealer following deductions in respect of "labour and like charges" from the total turnover are allowed: (a) labour charges for execution of works contract;	Rule 25(3)(d) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(b) charges for planning, designing and architect's fees; (c) charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract; (d) cost of consumables such as water, electricity, fuel etc. used in the execution of works contract, the property in which is not transferred in the course of execution of the works contract; (e) cost of establishment of the contractor to the extent it is relatable to supply of labour and services; and (f) Other similar expenses		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		relatable to supply of labour and services.		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	There is no specific provision in the VAT Act, or VAT Rules, in respect of this issue. However, depreciation on machinery and tools used in the execution of works contract should not be allowed as labour and like charges. But "charges for obtaining on hire or otherwise machinery and tools used in the execution of the works contract, the property, which is not being transferred in the course of a works contract" should be allowed. If a contractor uses his own machinery and tools in the execution of a works contract, which he	Section 16 of the VAT Act read with Rule 17 of the VAT Rules. Section 2(j) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		otherwise could have hired from outside, then as per some court decision depreciation on such machinery and tools should be allowed. Input tax credit is allowable on capital goods as per Section 16 of the VAT Act. "Capital goods" is defined under Section 2(j) of the VAT Act.		
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of a compound dealer. However, in case of a regular dealer such deduction is admissible.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit earned by the contractor to the extent it is relatable to supply of labour and services will be deductible from the gross value of the contract subject to furnishing of the profit and loss account of the works contract.	Rule 25(3)(d) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	For determination of tax payable by the dealer, following deductions from the total turnover are allowed under Rule 25(3)(d) of the VAT Rules: (a) labour charges for execution of works contract; (b) charges for planning, designing and architect's fees; (c) charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract; (d) cost of consumables such as water, electricity, fuel etc. used in the execution of works contract, the property in which is not transferred in the course	Rule 25(3)(d) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		of execution of the works contract; (e) cost of establishment of the contractor to the extent it is relatable to supply of labour and services; and (f) Other similar expenses relatable to supply of labour and services. Deductions in respect of stamp duty, registration fee, service tax are not available under the VAT Act.		
13.	Is contractor liable to tax for free supply of goods by contractee?	There is no specific provision in the VAT Act, or VAT Rules in respect of this issue. However, in the case of free supply of goods by contractee, the works contractor should not be liable to tax.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The point of taxation for a works contractor is normally the issue of a tax invoice, invoice or bill or any other document for claiming or receiving payments in respect of the works contract.		
15.	Which Section / Schedule prescribes the rate of tax for works contract?	Section 15(1) of the VAT Act deals with the rate of tax under works contract. Section 15(2) of the VAT Act deals with the rate of tax and lays down the conditions regarding composition scheme applicable to works contract.	Section 15 of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	There is no specific provision in the VAT Act or the VAT Rule in respect of this issue.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax that normally prevails for the declared goods is subject to the maximum of 5%. However, nothing has been specified in respect of the same in the VAT Act/ Rules.		
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Standard deduction is available for each type of works contract where the dealer does not maintain books of accounts for identification of labour charges. If the charges are not ascertainable from the books of accounts maintained and produced before the assessing authority, the works contractor shall claim deduction as a percentage value of the works contract on the basis of the table appended to Rule 25(3)(e)	Rule 25(3)(e) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	of the VAT Rules. The contractee/ principal is liable to deduct an amount of tax, as applicable to the goods under Section 15 of the VAT Act, from the amount payable to the works contractor on account of intra-state execution of a works contract at the time of payment or at the time of crediting such sum to the account of the dealer, whichever is earlier. However, no such deduction shall be made if the aggregate of the amount paid or credited or likely to be paid or credited, during the year, by the contractee/ principal to the dealer for execution of works	Section 15(3) of the VAT Act read with Rules 30 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contract including civil works contract does not, exceed ₹ 1 lacs.		
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	The contractee/ principal is liable to deduct an amount of tax, as applicable to the goods under Section 15, from the amount payable to the works contractor on account of intra-state execution of a works contract at the time of payment or at the time of crediting such sum to the account of the dealer, whichever is earlier. As per Section 15(3)(i)(b) of the VAT Act, no TDS is to be deducted in case of execution of works contract in the course of inter-state trade or commerce or in the course of import.	Section 15(3) of the VAT Act read with Rules 30 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes. Refer to Point 20 as above.		
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law, under Section 16(1)(ii) of the VAT Act, consumables in the form of goods purchased for execution of works contract would qualify for input tax credit.	Section 16(1)(ii) of the VAT Act	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim	The works contractor is entitled to claim deduction towards amounts paid to the sub-contractors for execution of the works contract subject to following conditions as are specified in Rule 25(3)(c) of the	Rule 25(3)(c) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	input tax credit in lieu of deduction from total turnover?	VAT Rules: (a) the sub-contractor is a registered dealer liable to pay tax under the VAT Act; and (b) the turnover is included in the VAT return of the sub-contractor ; There is no express provision under the VAT Act for allowing input tax credit in lieu of deductions from total turnover on account of payments to sub-contractor.		
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full to the extent tax has been paid or payable on purchase of taxable goods within the State from a registered dealer when such goods are purchased for use in the	Section 16 of the VAT Act read with Rule 17 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
25.	Is there any specific format of invoice or bill for regular and composition WC?	execution of works contract. No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice or bill: A tax invoice shall be inscribed with the words, "tax invoice" in bold letters at the top or at any prominent place and shall also contain the following details – (a) name and address of the seller; (b) registration certificate number of the selling dealer; (c) the date of sale and date of despatch, if different from the date of sale;	Rule 49 of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(d) the quantity, rate, value, amount of tax charged and sufficient details of the goods sold; (e) name, full postal address, and registration certificate number of the purchasing dealer; and (f) Signature of the selling dealer or his duly authorised regular employee. Every works contractor liable to pay tax under Section 15(1) i.e., under regular scheme shall issue tax invoice with suitable modifications depending upon the nature of the works contract. A composite dealer however, shall		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		not be entitled to issue any tax invoice. Every works contractor liable to pay tax under Section 15(2) i.e. under composite scheme shall issue invoice in the manner specified above with suitable modifications depending upon the nature of the works contract.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover	As discussed under Q. No 23 above, no deduction shall be admissible unless the sub-contractor	Rule 25(3)(c) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	pertaining to main contractor?	is a registered dealer under the VAT Act who has filed the return disclosing therein the turnover of sales attributable to the works contractor.		
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes. Deduction on account of payments made to sub-contractor is permitted under Rule 25(3)(c) of the VAT Rules subject to fulfilment of certain conditions. The sub-contractor can claim exemption only if he is an unregistered dealer having turnover not exceeding ₹ 10,00,000/-.	Section 25(3)(c) of the VAT Act.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Contractor is liable to pay the tax. However, deduction is available for payments to sub-contractor. Refer to		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		answer to Q. No 23.		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for composition scheme under Section 15(2) of the VAT Act and pay tax subject to certain conditions. Such option shall be in force for a period of not less than three years.	Section 15(2) of the VAT Act.	
31.	Is composition WC allowed to make interstate / import purchases?	In the absence of any specific provision in respect of this issue in the VAT Act or the VAT Rules, the works contractor opting to pay tax under the composition scheme should be permitted to make interstate / import purchases.		
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme, no such deduction is allowed.	Section 15(2) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis. A works contractor, holding one registration number, can not avail both options at the same time.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The option of paying tax at the compound rate is not automatic. As per Rule 18 of the VAT Rules, a dealer who is eligible and intends to pay tax at a compounded rate under Section 15(2) of the VAT Act shall submit a separate application in writing to the assessing authority, on or before 30 th April, seeking permission for the same.	Rule 18 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
35.	Is there any procedure to change the scheme from composition to regular works contractor?	As per Rule 18(5) of the VAT Rules, the option to pay tax at a compounded rate may be cancelled at any time by the assessing authority for good and sufficient reasons. Before passing an order, the dealer shall be given an opportunity of being heard. The dealer shall then be assessed as a regular dealer. As per Rule 18(6) of the VAT Rules, a dealer paying tax at compounded rate, at the commencement of the year, inspite of his eligibility may opt to pay tax at regular rates by giving intimation in writing to the assessing authority not later than 30th April.	Rule 18(5), Rule 18(6) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
36.	What are the composition rates for different types of contracts?	The compound rate of tax under the composition scheme is 4% on 70% of the value of the consideration received or receivable by the works contractor.	Section 15(2) of the VAT Act.	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Refer to answer to Q. no 34.		
38.	Whether composition dealer can apply for interstate works contract?	Refer to answer to Q. No 31		
39.	Whether such WC is required to file monthly / quarterly return?	Works contractor both under the regular as well as the composition scheme will be required to file monthly return in Form I and Form L respectively electronically. Due date for filing the return is 15 th	Section 24(1) of the VAT Act read with Rule 19 of the VAT Rules.	Form I and Form L

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	What is the due date of filing the return?	day of the month following the end of reporting month.		
40.	Whether Annual Return is filed by the works contractor?	Only monthly return has to be filed by the works contractor.		
41.	What is the time limit for Assessment in case of works contractor?	Normally an assessment has to be completed within a period of three years from the end of the financial year to which the return under this Act relates.	Section 24 of the VAT Act.	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Every registered dealer whose total turnover in a year exceeds ₹50 Lacs shall get his accounts audited by Chartered Accountants or Cost Accountants and shall submit a copy of the audited statement of accounts and a certificate in Form-CC to the assessing authority on or before 30 th	Section 54 of the VAT Act read with Rule 52 of the VAT Rules.	Prescribed form of audit report-Form CC

Puducherry

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		September of the year succeeding to which it relates .		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	On the basis of the decision of the Hon'ble Supreme Court in the case of <i>K. Raheja Development Corporation vs State of Karnataka</i> , works contract tax is imposed on the developer/promoter in Puducherry. According to the legal interpretation by the Hon'ble Supreme Court in the aforesaid case works contract tax was imposed under the VAT Act in specific circumstances. In view of the above, sale of under construction flats is taxable in the Union Territory of Puducherry. However, there is no specific provision in the Puducherry Value Added Tax Act, 2007 or		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Puducherry Value Added Tax Rules, 2007 in respect of this issue.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings the said documents may have to be produced on demand by the assessing authority.		

21. RAJASTHAN

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	No, works contract has not been dealt separately under the Rajasthan Value Added Sales Tax Act, 2003 (the VAT Act) There is a deeming provision applicable to works contractor. The definition of sale includes transfer of property in goods whether as goods or in some other form involved in the execution of a works contract.	NA Section 2 (35) (ii) of the VAT Act	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No specific format for registration for WC.	Section 11 read with Rule 12 of Rajasthan Value Added Tax Rules, 2006 (the VAT Rules).	Form No. VAT-01

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Form No. VAT-01 as applicable to all dealers will also be applicable to works contractor.	Section 4(1) of the VAT Act read with Rule 22 the VAT Rules	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	An officer not below the rank of Assistant Commercial Taxes Officer authorized by the Commissioner shall be the authority competent to grant registration and such authority either on the application of such non-resident dealer or otherwise, shall grant him a certificate of registration from such date and with such terms and conditions, as may be specified therein.	Section 13(2) of the VAT Act	
4.	Eligible Turnover for registration.	No specific provision. However, dealer having annual turnover above ₹10 lacs shall get himself registered.	Section 11 read with Section 3 of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
5.	What are the deductions that are allowable from turnover?	A) The following amounts shall be deducted from turnover:- 1. on which no tax is leviable under the Act; 2. which has been exempted from tax; and 3. the sale price of the goods returned to the dealer by the purchaser within a period of 6 months from the date of VAT invoice thereof. B) In case of a works contract, while determining the taxable turnover apart from the deductions provided under sub-rule (1), the amount of labor shall also be deducted from the total value of the contract.	Section 2(40), 2(41) of the VAT Act read with Rule 22 of the VAT Rules	Also as per <u>Gannon Dunkerley case 88 STC 204</u> , taxable turnover is total turnover less charges towards labour and services.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Yes, there is an option. Either the WC can determine his liability as a normal dealer by claiming labour and like charges on actual basis at the rates given in Table of Rule 22 of the VAT Rules. Or the WC can opt for composition scheme under Section 5 of the VAT Act	Table as given in explanation of Rule 22 of the VAT Rules	
7.	How are the labour charges and like defined under the VAT law?	Labour and like charges have not been defined under this Act. However, it has been defined under other States VAT Act like the Karnataka VAT Act.	----	Labour charges and other like include charges for obtaining, on hire or otherwise, machinery and tools used in the execution of a works contract, charges for planning, designing and architects'

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				fees, cost of consumables used in the execution of the works contract, cost of establishment to the extent relatable to supply of labour and services and other similar expenses relatable to supply of labour and services.
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Not specified in the VAT Act or Vat Rule. Yes, ITC is available on capital goods	Gannon Dunkerley case read with L&T case. Section 18(1)(g) read with Rule 18(2)	The Karnataka High Court in the L&T case (2010 34 VST 53) concluded that claim for depreciation was justified. It went on to state that the extent of usage of the machinery in the execution of the works was to be determined on the

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				facts of the case and the deduction for depreciation computed accordingly. Registered dealers, other than the dealers covered by sub-section (2) of section 3 or section 5, in respect of purchase of any taxable goods made within the State from a registered dealer to the for the purpose of:- "being used in the State as capital goods in manufacture of goods other than exempted goods on VAT invoice by an existing unit in 12 equal

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
9.	Can deduction be claimed for land value by the composition dealer?	Not specified under MP VAT Act or Rule. However, the same has been specified under Maharashtra VAT Act and Rule under Section 42(3).	----	monthly installments. Under MVAT composition scheme, developer has to pay 5% tax on the agreement value. Land deduction is not available. Input tax credit is available subject to the reduction of 4%.
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	Amount receivable for labour & services is not only the sum spent in rendering services. It also includes profit earned on labour & services. For so many reasons, value of labour & services and profit thereon cannot be found from the books of accounts kept by a contractor. Looking into this difficulty, several	—	Under Karnataka VAT Act, gross profit earned by the dealer shall be apportioned to the value of goods and labour and other like charges involved in the execution of works contract in the same ratio as in the total turnover.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		States have enacted a deeming provision for the purpose of determining value of goods. They have prescribed percentage value of total amount receivable for execution of the contract as percentage value of labour & services and profit thereon. Remaining amount of contract is deemed as the value of goods in which property in the execution of works contract passes from contractor to the contractee.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Not specified under Rajasthan VAT Act or Rule. However, the same has been specified under UP VAT Act and Rule under Rule 9.	—	On adhoc basis Where accounts maintained by the contractor do not show separately the value of labour and services and

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				amount of profit accrued on such labour and services, or accounts maintained by the dealer are not worthy of credence or if the dealer has not maintained accounts, an amount, representing twenty percent of gross amount received or receivable, shall be deducted towards labour and services and amount of profit accrued thereon. <u>On actual basis</u> Amount of deduction towards such labour and services and amount of

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				profit accrued thereon shall be computed at the corresponding rate percentages, given in Table, of the amount received or receivable.
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	Yes, as Taxable Turnover = Value of Works Contract - Charges towards Labour and Services	Section 2(35), (36), (40), (41) of the VAT Act read with Rule 22 of the VAT Rules	Taking the reference of <u>Gannon Dunkerley and Company Vs State of Rajasthan and Larsen & Turbo Vs Union of India and Others (1993)</u> , Labour and services include consumables such as water, electricity, etc
13.	Is contractor liable to tax for free supply of goods by contractee?	Not specified Where the materials are supplied free of cost to be used in the works	v/s CST U.P. 1996 102 STC 466 (All HC) vide also 1989 75 STC 233	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	contract, there will be no sale As per general provisions: The proposed time frame for payment of tax by a dealer is as under: a) Dealers with annual gross turnover of ₹ 10 crore and above in the year proceeding to the current year. b) By 20th day of the month in respect of tax charged or collected up to 15th day of the month and for the tax charged or collected from 16th day of the month to the end of the month, shall be deposited within seven days from the close of the month.	(All. HC) Rule 11 of the VAT Rules (Point of taxation rules applicable)	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		c) Dealers whose annual gross turnover was less than ₹ 10 crores : Monthly- within 14 days from the close of each month d) Dealers who had obtained new registration : Monthly- within 14 days from the close of each month e) Dealers dealing in all kinds of stone in all their forms, whether used as building material or otherwise, including marble, granite etc. Immediately on completion of transaction of sale or purchase where such goods pass through check post established under Section 76 of the Act or otherwise.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		f) Dealers not covered by clauses (a), (b), (c) and (d) above : Quarterly – within 14 days from the close of each quarter		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Tax to be levied on the taxable turnover of sale of goods specified in Schedule III to VI at the rates mentioned against them. Registered dealer engaged in the execution of works contract are exempted from tax payment under Section 8(3) of the VAT Act.	Section 4, Schedule III to VI of the VAT Act Section 8(3) read with Schedule II(14) of the VAT Act	Dealer covered by Section 3(2) shall be liable to pay tax at the rate not exceeding 2%, as may be notified by the State Government.
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Not specified	NA	As per Section 8(3) read with Schedule II(14), registered WC are exempted from tax on sale or purchase made by them.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	NA	On the basis of general provisions and reference from the Act	Can not be put to more than 4% tax by the local Governments. They can be subject to multiple levies (with effect from 11 th May 2002) but they cannot be taxed beyond 4%. When such declared goods are used in the execution of the works contract as it is, then the sale value of the declared goods used in the works contract cannot be put to tax beyond 4%.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	This method has not been defined in the VAT Act or Rule. However, in other States VAT Act, standard deduction method is available.		As per AP VAT Rules, dealer need to pay tax only on the value of the goods used at the time of incorporation in the execution of the works contract at the rates applicable to those goods. If a VAT dealer executing works contract did not maintain accounts to determine the value of the goods, they are liable to pay tax @12.5% of the total value of the contract reduced by the standard deductions prescribed in respective VAT Rules.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Not specified	---	As per general provisions:- If awardee is Government Department, a corporation, a public undertaking, a co-operative society, a local body, a statutory body, an autonomous body, a trust or a private or public limited company, then the awardee shall at the time of credit of any sum to the account of the contractor or at the time of making payment of the same, deduct an amount as notified by the State Government in lieu of tax. The awardee shall issue

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				certificate of deduction of tax at source in Form VAT-41.
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	In the case of works contract, an amount in lieu of tax shall be deducted by the awardee at such rate as notified by the State Government not exceeding 6% of the total value of the contract Whether interstate/ Imports should be taken into account is still in question.		The State Government vide Notification No. F.12 (63)/ Tax/2005-81 dated 11-08-2006 have notified a rate of 3% to be deducted from contractor in case of works contract. However, If contractor submits the exemption certificate under Notification No. F.12 (63)/FD/Tax/2005-80 dated 11-08-2006, then the rate of TDS will be equal to the rate of exemption fees mentioned

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	The amount of TDS is to be deducted by the awardee from the amount payable to contractor.		in said certificate.
22.	Whether the WC can claim input tax credit on consumables?	As per provisions applied to registered dealers, input tax rebate is allowable on consumables. As Input Tax Credit (ITC) definition clearly states that trading on goods that are used for the purpose of:- • being used as packing material of the goods, other than exempted goods, for sale; or • being used as raw material, "except those as may be notified by the SG," in the manufacture of goods other than exempted	Section 18(1)(e), (f), (g) of the VAT Act	No specific mention for sub-contractor.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		goods, for sale within the State or in the course of inter-State trade or commerce; or "being used as packing material of goods or as raw material in manufacture of goods for sale" in the course of export outside the territory of India.		
23.	Whether the WC can claim the deductions towards amount payable to sub contractors? Does he have the option to claim input tax credit in lieu of deductions from total turnover?	Not specified in the act or rule. However, this issue has been defined in other States act like Karnataka VAT Act. Such an option has Not been specified in the Act.	—	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
24.	Whether input tax credit is allowable fully in case of works contract?	Not mentioned specifically. Referring to the said section, it can be drawn that ITC is fully allowable if the goods are purchased for the purposes mentioned in sub sections (a) to (g) of Section 18 of the VAT Act	Section 18 of the VAT Act	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format of invoice or bill for regular and composition Works Contract (WC).	Rule 38 of the VAT Rules.	A registered dealer, other than registered dealer who opts for payment of tax under Section 3(2) or 5 of the VAT Act, making a taxable sale shall issue a VAT invoice marked as original to the purchaser for each such sales made

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
				by him and shall retain a copy thereof.
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	<u>Running bill</u> No specific provision found. However, the same has been mentioned in MP VAT Rules, 2006 <u>Mobilization advances</u> Not specified in the Act or Rule., however the same issue has been discussed under Karnataka VAT Act, Section 94 clarified by: - Abdul Jabbar: V.K, Joint Commissioner (General), O/o. CCT, Tvpm. 2 T.V. Kamala Bai, Joint Commissioner (Law), O/o. CCT, Tvpm.	VAT Act- Clarification Under Section 94	With respect to the tax liability on mobilization advance in works contract, tax is levied on the transfer value of the materials incorporated in the work, and for Compounded dealers, tax is levied on contract receipts. So if the amount received

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		S.K. Suchala Kumar, Joint Commissioner (Audit & Inspection), O/o. CCT, Tvpam		represents contract receipts then compounded tax is payable on the same. If the mobilization advance does not form part of contract receipt, the same is not taxable. With respect to the issue of reduction of turnover to the extent tax is included in the turnover, works contract tax is payable on the total contract receipts unless the tax amount is separately shown.
27.	Is it compulsory for the sub-contractor to be a registered dealer and file	No specific provision	NA	As per general provisions of VAT law, it is a general

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	returns declaring the turnover pertaining to main contractor?			practice that he should be registered.
28.	Can sub contractor claim exemption if main contractor pays tax?	If the main contractor has opted for exemption fees under <i>Notification No. F.12 (63)/ Tax/2005-81 dated 11-08-2006</i> , then the sub contractor who is performing the work of main contractor need not again opt for this scheme as the turnover of such contract will not be included in the taxable turnover of the contractor	Rule 22(2A) of the VAT Rules.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	If the main contractor has opted for exemption fees under <i>Notification No. F.12 (63)/ Tax/2005-81 dated 11-08-2006</i> , then the sub contractor who is performing the work of main contractor need not again opt for this scheme as the turnover of such	Rule 22(2A) of the VAT Rules	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contract will not be included in the taxable turnover of the contractor		
30.	Does the WC have an option to pay tax under composition category?	Not specified in the act or rule of Rajasthan VAT.	Section 5	In absence of restricting provision under Section 5, provisions of payment of lump sum in lieu of tax for general dealers, will apply to works contractor too.
31.	Is composition WC allowed to make interstate / import purchases?	Not specified in the Act. As per proviso to Section 4(7), where a dealer has purchased any goods- a) from importer or manufacturer upon payment of tax on the MRP; or b) from another registered dealer where tax on MRP of such	—	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		goods was paid in the State earlier, the purchasing dealer, whether registered or not, while making resale , be entitled to recover from buyer the amount of tax paid by him.		
32.	Is composition WC eligible to take sub contractor deductions?	Not specified in the Act or Rule. However, this issue has been defined in other States Act like Maharashtra VAT Act.	—	Sub-contract value shall be deducted first from the total contract value and thereafter the lump sum deduction allowable as per table shall be made to arrive at the sales price of goods involved in WC.
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	Not specified	—	As per general provisions, WC can opt regular scheme for one project and composition for other.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
34.	Is there any procedure to change the scheme from regular to composition works contractor?	Not specified in the Act or Rule	---	---
35.	Is there any procedure to change the scheme from composition to regular works contractor?	Not specified in the Act or Rule	---	---
36.	What are the composition rates for different types of contracts?	Not specified. However, rate of tax for composition WC have been provided under other States VAT Act or Rules like in MP VAT Rules, 2006 or Chhattisgarh VAT Rules, 2006.		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	No specific mention. State Government may provide an option for payment of tax in lump sum.	Section 5	Provisions of general dealers will apply to WC.

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
38.	Whether composition dealer can apply for interstate works contract?	Not Specified in the Act or Rule of Rajasthan VAT. However, such a provision has been specified in MP and Chhattisgarh VAT Act.	—	—
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	<u>WC not opting composition scheme:-</u> Every dealer other than a dealer, who opts for payment of tax under Section 3(2) or 5, shall furnish his return quarterly within 30 days of the end of the quarter. <u>Composition WC:-</u> Every dealer shall file the yearly return within 90 days of the end of the year. Return shall be submitted along with treasury receipt/ bank challan(s) as a	Section 21 of the VAT Act read with Rule 19 and Rule 20 of the VAT Rules.	Quarterly return to be filed within 30 days of the end of the quarter

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		proof of deposit of tax.		
40.	Whether Annual Return is filed by the works contractor?	Not specified in the Act.	Section 21 of the VAT Act read with Rule 19 of the VAT Rules.	Since no specific provision has been given for WC, therefore general provisions will apply.
41.	What is the time limit for Assessment in case of works contractor?	Every return furnished by registered dealer shall be subject to scrutiny by the Commissioner annually. A dealer may also opt for quarterly assessment.	Section 23 & 24 of the VAT Act.	Since no specific provision has been given for WC, therefore general provisions will apply.
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well?	Yes Every registered dealer, other than the dealer who has opted for payment of tax under sub-section (2) of section 3 or under section 5 (i.e., composition WC) or the dealer or class of dealers as may be notified	Section 73 of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	If yes, what is the turnover limit for such audit?	by the State Government. If turnover of WC "exceeds ₹100 Lacs" in any year, shall get his accounts in respect of such year audited by an CA/ CWA in the prescribed form duly signed and verified by such accountant setting forth such particulars and certificates as may be prescribed.		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	A builder purchase the land, develop it, construct the residential buildings /business complex, and sale the fully constructed premises to the buyers that would be sale of immovable property, no liability under VAT Act would arise as the sales are of immovable property.	Larson and Toubro Ltd. v/s. State of Karnataka decided on August 19, 2008 reported in (2008 17 VST 460 S.C.) with K. Raheja Development Corporation vs. State of Karnataka [2005 NTN	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	Where any contractor enters into a contract and gross value exceeds ₹5 Lacs, the awardee shall furnish the particulars of contract to the Assistant Commissioner or Commercial Tax Officer.	(vol.27)-243 Rule 40 of the VAT Rules.	Particulars to be furnished in Form VAT-40 within 1 month from the date of contract.

22. TAMIL NADU

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes, It is dealt separately. There is a deeming provision applicable to works contractor. The definition of sale includes transfer of property in goods whether as goods or in some other form involved in the execution of a works contract.	Section 5 of the Tamil Nadu Value Added Tax Act, 2006 (the VAT Act)	Section 5 deals with levy of tax on transfer of goods involved in works contract
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No, there is no specific form to apply for registration. The Form A should be applied for registration.	Section 38, of the VAT Act Rule 4 of the Tamil Nadu Value Added Rules, 2007 (the VAT Rules)	Form A
3.	Whether Non- resident (dealer outside the state) can apply for	Yes. Where a dealer resides outside the state and has no fixed place of	Rule 4(5) of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	registration as works contractor?	business within the State, sales supplies or distributes the goods, such dealer shall file an application for registration to CCT or any other officer authorized within 24 hours of his arrival in the State.		
4.	Eligible Turnover for registration.	The taxable quantum for registration is ₹10 Lacs for dealers who make local transactions and ₹5 lacs for dealers making both local and inter-state transactions		
5.	What are the deductions that are allowable from turnover?	a. Export works contract b. Sale of exempted goods c. Paid to registered sub-contractors. d. Labour and other like charges (actual or adhoc)	Rule 8 (5) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		e. Tax collected f. Amount refunded to the customers subject to conditions.		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	The works contractor should claim actual labour and like charges and if it is not ascertainable from the books of accounts, then the labour and like charges can be claimed on adhoc basis as per the percentage specified in table of Rule 8(5)(d) of the VAT Rules.	Rule 8 (5)(d) of the VAT Rules.	All amount towards labour and like charges not involving any transfer of property in goods actually incurred in connection with the execution of works contract or such amounts calculated at the rate specified in the table.
7.	How are the labour charges and like defined under the VAT law?	Not specifically defined.		
8.	Whether depreciation can be claimed as labour charges and like?	Yes.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	If yes, then whether input tax credit on capital goods will be allowable?	Either depreciation is allowed or Input Tax Credit on capital goods is allowed.		
9.	Can deduction be claimed for land value by the composition dealer?	Yes. The value of land should not be included in total turnover.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	No such provision exists under the law.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	No such provision exists under the law.		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No, it doesn't form part of turnover as there is no transfer of property in goods in the execution of works contract.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
13.	Is contractor liable to tax for free supply of goods by contractee?	Subject to the terms and conditions with the contractor and contractee, the free supply of goods by contractee shall be treated as sales and it will be considered as purchase in the books of contractor. Therefore, in such cases contractor is liable to tax for free supply of goods by contractee.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Section 5 of the VAT Act, states that every dealer shall pay tax for each year on its taxable turnover relating to the business of transfer of property in goods involved in the execution of works contract either in the same form or some other form which may be arrived in such manner as may be prescribed.	Section 5 of the VAT Act	There is no time of sale as defined under the Act.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
15.	Which Section /Schedule prescribes the rate of tax for works contract?	For regular works contractor the taxable turnover shall be arrived in the manner as prescribed under the Rules and the tax shall be levied as specified in First schedule	Section 5(1) of the VAT Act with reference to First schedule	Explanation to section 5(1) states that where in a works contract where more than one item of work is involved tax shall be determined separately for each such item.
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Yes, he will be liable to pay unregistered purchase tax.	Section 12 of the VAT Act	
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for declared goods used in the course of works contract is 5%	First schedule Part B serial no 41	
18.	Is standard deduction method available for payment? If yes, what are the various rates	Yes, the standard deduction method available for payment of VAT. The various rates prescribed for	Rule 8(5)(d) of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	prescribed for different types of works contract?	different types of works contract are as under : a) Electrical / Structural contracts- 15% b) Sanitary contracts- 25% c) Watch and/or clock repairs contracts / Dyeing Contracts- 50% d) All other contracts- 30%		
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	The persons as defined in explanation to section 13 are liable to deduct TDS. However, TDS is not required to be deducted if the works contractor produces the certificate in such form as may be prescribed obtained from the assessing authority that he has	Section 13 of the VAT Act	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		no liability to pay or has paid the tax under section 5		
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	The persons as defined in explanation to section 13 are liable to deduct TDS to the dealer executing works contract at the rate of 2% for civil works contract and civil maintenance contract and any other contract at the rate of 5%. Provided that no deduction shall be made where transfer of property in goods or in some other form involved in the execution of works contract in the course of inter-state trade or commerce or imports.	Section 13 of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	If the contractor is the persons as specified like Central or a State Government, a local authority, a corporation or body established by or under the central or state Act, company incorporated under the companies Act 1956, a society, educational institutions or trust then they are liable to deduct the TDS at the percentage specified.	Section 13 (1) of the VAT Act	
22.	Whether the WC can claim input tax credit on consumables?	Yes, if not claimed as deductions in form of labour and like charges.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC?	The works contractor can claim the deductions towards amount payable to the sub contractor. Provided that the no deduction shall be allowed unless the proof that sub contractor is a registered dealer	Rule 8 (5) (c) of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	liable to pay tax and such turnover is included in the returns filed by him. There is no option as specified under the law to claim input tax credit in lieu of deductions from total turnover.		
24.	Whether input tax credit is allowable fully in case of works contract?	The works contractor shall be entitled to input tax credit on goods purchased by him in the state as specified in First schedule.	Section 5(2) of the VAT Act	
25.	Is there any specific format of Invoice or Bill for Regular and Composition WC	There is no specific format of invoice or bill for regular and composition works contractor	Rule 6(4) of the VAT Rules	
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Every registered dealer shall issue bill or invoice for each sale in triplicate showing the particulars of goods and quantity of the goods sold with its value. The invoice shall		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contain rate and tax charged, TIN of the seller and buyer if buyer is registered dealer. Therefore, if the running bill contains the above details then it can be treated as invoice.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes. All amounts paid to the sub contractor as consideration for execution of works contract provided that the no deduction shall be allowed unless the proof that sub contractor is a registered dealer liable to pay tax and such turnover is included in the returns filed by him.	Rule 8 (5) (c) of the VAT Rules.	
28.	Can sub contractor claim exemption if main contractor pays tax?	No such provisions exist in the law		
29.	Whether contractor or sub-contractor are exempted in case any one of the	No such provision exist under the law		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	two undertakes to discharge VAT liability on the entire consideration?			
30.	Does the WC have an option to pay tax under composition category?	Yes, works contractor can either opt for regular scheme or composition scheme.	Section 5/ Section 6 of the VAT Act	
31.	Is composition WC allowed to make interstate / import purchases?	No, the composition works contractor is not permissible to make inter-state or import purchase as stated in section 6(1) of the VAT Act	Section 6 of the VAT Act	
32.	Is composition WC eligible to take sub contractor deductions?	No such deduction is specified under section 6 of the VAT Act		
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	No such provision specified for works contractor to opt for regular scheme for one project and composition scheme for other project.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
34.	Is there any procedure to change the scheme from regular to composition works contractor?	Any dealer who executes works contract may apply to assessing authority along with the first monthly return for the financial year or in first monthly return after commencement of works contract, his option to pay tax under sub section 6(1).	Section 6(2) and Section 6(3) of the VAT Act	The option exercised under section 6(1) shall be final for the respective financial year.
35.	Is there any procedure to change the scheme from composition to regular works contractor?	Same as above of Q.33	Section 6(2) and Section 6(3)	
36.	What are the composition rates for different types of contracts?	a) Civil works contract @ 2% b) Civil maintenance WC @ 2% c) Other works contract @ 4%	Section 6 of the VAT Act	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Any dealer who executes works contract may apply to assessing authority along with the first monthly return for the financial year or in first	Section 6 (2) of the VAT Act	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		monthly return after commencement of works contract, his option to pay tax under sub section 6(1).		
38.	Whether composition dealer can apply for interstate works contract?	No, the composition dealer cannot apply for inter-state works contract.	Section 6 of the VAT Act	
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Quarterly- In case of Govt. WC Monthly-In case of other WC In case of Govt. WC Quarterly – within 20 days from end of quarter. In case of others WC Within 20 days from end of Month.	Rule 7 of the VAT Rules Filing of returns	Form I – Regular dealer Form L – Composition WC Form M – Govt. WC
40.	Whether Annual Return is filed by the works contractor?	No, WC is not required to file annual return.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
41.	What is the time limit for Assessment in case of works contractor?	The time limit for assessment for the year shall be 31 st October of succeeding year. Further, if there is any escaped turnover or income then the assessment can be concluded within 6 years from the date of assessment.	Section 22(2) and Section 27(1)(a) of the VAT Act	
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes, VAT Audit applies to WC also. If WC turnover limit is ₹100 lacs or more (applicable from F.Y 2012-13)	Section 63-A of the VAT Act	
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	The law is not clear on that issue and VAT is applicable if there is transfer of property in the execution of works contract.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	No there is no requirement to file the copy of contract/ agreements with the department		

23. TRIPURA

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Works contract has been dealt with separately under the Tripura Value Added Tax Act, 2004 (the VAT Act) under Section 4 of the said Act. In Tripura, "works contract" means any agreement for carrying out for cash or deferred payment or other valuable consideration (i) the construction, fitting out, improvement or repair of any building, road, bridge or other immovable property, or (ii) the installation or repair of any machinery affixed to a building or other immovable property, or	Section 2(36), 4 read with Rule 3 of the Tripura Value Added Tax Rules, 2005 (the VAT Rules)	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(iii) the overhaul or repair of (a) any motor vehicle, (b) any vessel propelled by internal combustion engine or by any other mechanical means, (c) any aircraft, (d) any component or accessory or part of any of the items mentioned in paragraph (a) to (c) above, (iv) The altering, ornamenting, finishing, improving or otherwise processing or adopting of any goods.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	There is no specific form of application for registration as works contractor. The works contractor has to apply in the general form of registration i.e., Form I under Section 19 of the VAT Act.	Section 19 of the VAT Act read with Rule 3, 10, 11 and 12 of the VAT Rules.	Form I
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.		
4.	Eligible Turnover for registration	For importer- Nil For manufacturer- Nil For reseller- ₹3,00,000 For execution of works contract- Nil For purchaser of schedule VIII goods- Nil	Section 3(3) of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
5.	What are the deductions that are allowable from turnover?	As per Section 5(2)(c) of the VAT Act, in case of turnover of sales in relation to works contract, the charges towards labour, services and other like charges and subject to such conditions as may be prescribed shall be available for deduction; Provided that in cases where the amount of charges towards labour, services and other like charges in such contract are not ascertainable from the terms and conditions of the contract, the amount of such charges shall be calculated at the prescribed percentage.	Rule 3 of the VAT Rules and Section 5(2) (c) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis; otherwise the works contractor shall pay the tax on the basis of the Rule 7A of the VAT Rules w.e.f. 1/8/2012.	Section 5(2)(c) of the VAT Act read with Rule 7A of the Rules.	
7.	How are the labour charges and like defined under the VAT law?	same as point 7 above		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Depreciation on machinery and tools used in the execution of works contract is not allowed as labour and like charges. However, under Rule 7A of the VAT Rules different percentages of deductions as regards labour component is given. Schedule IV to the Act gives a	Section 10 of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		negative list of items of capital goods for input tax credit.		
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of a compound dealer. However, in case of a regular dealer such deduction is admissible.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. Such estimation may be made on the basis of cost incurred for various components and the value of the works contract to be executed.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	No specific provision exists. However, profit earned by the contractor to the extent it is relatable to supply of labour and services should be allowed to be deducted from the contractual transfer price subject to furnishing of the profit and loss account of the works contract.		
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	Section 5(2)(c) of the Act provides for deduction of labour and like charges. No specific provision in this regards is contained in the law.	Section 5(2)(c) of the VAT Act	
13.	Is contractor liable to tax for free supply of goods by contractee?	The amounts representing the value of such goods, involved in the	Rule 3 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		execution of such works contract as were supplied to the contractor by the contractee himself, provided the property in such goods remains under the terms of the contract throughout with the contractee and the contractor is bound to return the unused goods to the contractee. Provided no value of such goods is realised or realiseable in any way by the contractee from the contractor.		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Under Section 4 of the VAT Act, any transfer of property in goods (whether as goods or in some other form) involved in the execution of a works contract shall be deemed to be a sale of those goods by the person	Section 4 of the VAT Act.	

Tripura

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		making the transfer and shall liable to be taxed at the rate specified in the schedule, provided that in respect of any such transfer, only so much value of the goods involved in the works contract which has actually been paid to the dealer during the period, shall be taken into account for determining the turnover for the period.		
15.	Which Section / Schedule prescribes the rate of tax for works contract?	Section 5 & 7 of the VAT deals with the rate of tax under works contract.	Section 5 & 7 of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, provided such purchase from unregistered dealers in Tripura is used in the execution of works contract.	Section 3 and Section 5A of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for the declared goods is 5%.		
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Rule 7A of the rules provides for the same.	Rule 7A of the VAT Rules.	
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Every person responsible for paying any sum to any person on account of works contract and right to use any goods for any purpose, shall at the time of credit of such sum to account of the person or at the time of payment thereof in cash or by issue of a cheque or draft or any other mode, deduct such amount towards sales tax (not	Section 4 of the VAT Act read with Rule 7 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		being more than the total tax payable by the dealer) as may be prescribed. Rate is 6% in case of transfer in property of goods in execution of works contract.		
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	Same as above in Point 19		
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Same as above in Point 19		
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law,		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		goods purchased for execution of works contract would qualify for input tax credit. A view is held that such goods should also include consumables.		
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	There is no express provision under the law for the works contractor to claim deduction towards amounts paid to the sub-contractors for execution of the works contract. However, the same may be eligible under the prevailing practice. There is no express provision under the VAT Act for allowing input tax credit on payments to sub-contractor.		
24.	Whether input tax credit is allowable	Input tax credit is allowable in full to the extent tax has been paid or		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	fully in case of works contract?	payable on purchase of taxable goods within the State from a registered dealer when such goods are purchased for use in the execution of works contract		
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, certain information is compulsorily included in the invoice or bill as mentioned in section 50 of the VAT Act.	Section 50 of the VAT Act.	
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	No express provision as to the registration of sub-contractor is there in law.		
28.	Can sub contractor claim exemption if main contractor pays tax?	No specific provision in this regard is envisaged in the law.		
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No specific provision in this regard is envisaged in the law.		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for composition scheme under section 15 of the VAT Act and pay tax subject to certain conditions mentioned therein.	Section 15 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
31.	Is composition WC allowed to make interstate / import purchases?	No. Rule 4 deals with the provisions where input credit may not be admissible in general.	Section 15 of the VAT Act.	
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme, no such deduction is allowed.		
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis. However, general rule of law lays down that the option so exercised shall be final for that year and shall continue for subsequent years until the dealer becomes ineligible, or withdraws his option in writing.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The dealer has to opt for such a scheme by intimation to the prescribed authority.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no laid down procedure under the VAT Act for switching over from the composition scheme to the regular scheme. Where a dealer under the composition scheme subsequently becomes ineligible say in the middle of the quarter, for failing to file the option or for any other reason, he will be deemed to be a regular dealer.		
36.	What are the composition rates for different types of contracts?	The compound rate of tax under the composition scheme is 5% of the aggregate amount received or receivable by the works contractor.		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the	Prior permission to be obtained in Form XXXIX	Rule 8(1) of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	department?			
38.	Whether composition dealer can apply for interstate works contract?	Composition dealer cannot enter into inter-state transaction.	1st provision of Section 15(1) of the VAT Act	
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Every registered dealer liable to pay tax shall furnish quarterly tax returns to the prescribed authority in Form X. Due date for filing the return for a particular quarter is 1 month from the expiry of each quarter.	Rule 18 of the VAT Rules read with Section 24 of the VAT Act	Form X
40.	Whether Annual Return is filed by the works contractor?	There is no specific provision as to works contractor.		
41.	What is the time limit for Assessment in case of works contractor?	Section 29 deals with self assessment. under section 31 if the commissioner has reasons to believe that a scrutiny is required he may order such scrutiny. However, no	Section 29, 30, 31 and 33 of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		assessment under Section 31 shall be made after the expiry of five years from the end of the tax period to which the assessment relates.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Where in any year, the gross turnover of a dealer exceeds ₹40 lacs or such amount as may be notified; such dealer shall get his account, in respect of that year audited by an accountant within 6 months from the end of that year.	Section 53 of the VAT Act.	
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	Yes. VAT is applicable only to under construction flats booked during the specified period. It does not apply to ready for possession flats or flats resold during the same period.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings the said documents may have to be produced on demand by the assessing authority.		

24. UTTARAKHAND

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes	Section 2(55) of the Uttarakhand Value Added Tax Act, 2005 (the VAT Act)	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No	Section 15 of the VAT Act Rule 14 of the Uttarakhand Value Added Tax Rules, 2005 (the VAT Rules).	
3.	Whether Non- resident (dealer outside the state) can apply for registration towards works contract?	Non- resident (dealer outside the state) cannot apply for registration towards works contract.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
4.	Eligible Turnover for registration.	Eligible turnover for registration is ₹ 5 lacs.		
5.	What are the deductions that are allowable from turnover?	The following amounts shall be deducted from the turnover of the works contractor :- (a) Sale value of the goods covered by section 3, section 4 and section 5 of the CST Act, 1956; (b) The value of goods exempted under any provision of the Act; (c) The value of goods on the sale of purchase where tax has been levied or leviable under the Act at some earlier stage; (d) The value of goods supplied to the contractor by the	Rule 14(2) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contractee, but the ownership of such goods remains with the contractee; (e) The amount representing labour charges for the execution of works contract; (f) The amount paid to sub contractors as the consideration of execution of works contract; (g) The amount representing the charges for planning, designing, and architects fees; (h) The amount representing the charges for obtaining on hire or otherwise machinery and tools;		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(i) The amount representing the cost of consumables.		
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Actual basis	Rule 14(2) of the VAT Rules.	
7.	How are the labour charges and like defined under the VAT law?	Labour and like charges includes: (a) Labour charges for execution of the works; (b) Charges for planning, designing and architect fees; (c) Charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract; (d) Cost of consumables such as water, electricity, fuel, etc., used in the execution of the	Rule 14(2) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		works contract, the property in which is not transferred in the course of execution of a works contract; (e) Cost establishment of the contractor to the extent it is relatable to supply of labour and services; (f) Other similar expenses relatable to supply of labour and services; (g) Profit earned by the contractor to the extent it is relatable to supply of labour and services.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	No, Depreciation cannot be claimed as labour and like charges.	Rule 14(2) of the VAT Rules.	
9.	Can deduction be claimed for land value by the composition dealer?	No specific provision allowing the same		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	No specific provision No specific provision		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Gross profit is to be added to actual labour and like charges.	Rule 14(2) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	No, these contract does form a part of the works contractor turnover.	Rule 14 of the VAT Rules.	
13.	Is contractor liable to tax for free supply of goods by contractee?	The value of goods is allowed as deduction from taxable turnover	Rule 14(2) of the VAT Rules.	
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	Generally, at the time goods are incorporated in work.		
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 3 is applicable to know the rate of tax for works contract.	Section 3 of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No separate provision. However, certain specified purchases are exigible to VAT in the state.		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
17.	What is the rate of tax for declared goods used in the course of contract?	No specific provision		
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	No separate rates for different types of works contract		
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes, Contractee/Principal is liable to deduct the TDS from the amount payable to contractor.	Section 35 of the VAT Act.	
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered	Rate of TDS Deduction is 4%. No	Rule 21 of the VAT Rules. Section 35 of the VAT Act.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	for deducting TDS?			
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes, the contractor is liable to deduct TDS from the amount payable to the sub contractor.		
22.	Whether the WC can claim input tax credit on consumables?	Input tax credit is allowed on consumables as consumables are excluded from the value of net turnover for the purpose of works contract.	Section 6 of the VAT Act read with Rule 14 of the VAT Rules.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction from total turnover?	Yes When such turnover does not form part of taxable turnover, credit of such turnover shall not be allowed.	Rule 14(2) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
24.	Whether input tax credit is allowable fully in case of works contract?	No	Section 4 and 6 of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No		
26	Can Running bill be treated as Invoice? Whether advances received including mobilization advance will be liable to tax?	Yes No specific provision for advances.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	Yes For the purpose of claiming deduction, the sub contractor should be a registered dealer and should have filed the return	Rule 14(2) of the VAT Rules.	

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		declaring the turnover pertaining to main contractor.		
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes	Rule 14(2) of the VAT Rules.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No, there is no such option available.		
30.	Does the WC have an option to pay tax under composition category?	Yes WC have an option to pay tax under Composition Category	Section 7 of the VAT Act.	
31.	Is composition WC allowed to make interstate / import purchases?	Yes Registered dealers engaged exclusively in works contracts in the nature of civil construction or electrical work and procuring goods with their worth exceeding		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		5% from outside Uttarakhand [composition scheme (01.04.2012 to 31.03.2015)]		
32.	Is composition WC eligible to take sub contractor deductions?	Yes, composition WC dealer is eligible to take sub contractor deductions.	Rule 14(2) of the VAT Rules.	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	No		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	There is no such procedure specified in the act.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no such procedure specified in the act.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
36.	What are the composition rates for different types of contracts?	N.A.		
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	No, it is not required to provide intimation to department.		
38.	Whether composition dealer can apply for interstate works contract?	No, he cannot apply for interstate works contract.		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Quarterly return 25 th of the first month of the next quarter.	Rule 11 of the VAT Rules.	
40.	Whether Annual Return is filed by the works contractor?	Yes, the work contractor has to file an Annual return in Form IV(B)	Rule 11 of the VAT Rules.	Form IV(B)

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
41.	What is the time limit for Assessment in case of works contractor?	No time limit specified.		
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Yes VAT Audit Provisions applies to WC also. If total turnover in a year exceeds ₹40 Lacs Accounts shall be audited annually by a Chartered Accountant or Cost Accountant or person specified in Section 226(2) of Companies Act, 1956 and copy of audited statement of accounts and report shall be obtained before 31st October and furnished within 2 months from end of 31st October	Section 62 of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	No specific provision		
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no such requirement.		

25. UTTAR PRADESH

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Yes	Section 2(a) of the Uttar Pradesh Value Added Act, 2007 (the VAT Act)	
2.	Is there any specific form to apply for registration as a works contractor (WC) under VAT law?	No	Rule 32 of the Uttar Pradesh Value Added Tax Rules, 2007 (the VAT Rules) Section 17 of the VAT Act	
3.	Whether Non- resident (dealer outside the state) can apply for registration towards works contract?	Non- resident (dealer outside the state) cannot apply for registration towards works contract.		
4.	Eligible Turnover for registration.	Eligible turnover for registration is ₹ 5 lacs.		

Compilation of Works Contract Provisions under VAT Laws of Different States

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
5.	What are the deductions that are allowable from turnover?	The deductions allowable from the turnover are :- The value of labour and services and the amount of profit accrued under works contacts from the total amount received or receivable where the contractor does not show separately the value of labour and services and the amount of profit accrued thereon and accounts are not worthy of credence, are to be made @20% except for some items.	Rule 9 of the VAT Rules.	
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Either	Rule 9 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
7.	How are the labour charges and like defined under the VAT law?	Labour and like charges includes: (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	Rule 9 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		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.		
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	No, Depreciation cannot be claimed as Labour and like charges. Yes, in three annual installments	Rule 9 of the VAT Rules.	
9	Can land value deduction be claimed by composition dealer?	No		
10	How the estimated gross profit to be computed in case of work contract? Also what is the ratio to apportion	No specific provision No specific provision		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	the gross profit between material and labour?			
11	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Gross profit is to be added to adhoc labour and like charges.	Rule 9 of the VAT Rules.	
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	These items does not form a part of works contractor turnover.	Rule 9 of the VAT Rules.	
13.	Is contractor liable to tax for free supply of goods by contractee?	No		
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department? L	At the time of transfer of title or possession of goods or when they are incorporated in work.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 6 is applicable to know the rate of tax for works contracts.	Section 6 of the VAT Act.	
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	Yes, WC will be liable to pay Unregistered purchase tax in addition to works contract tax.	Section 5 of the VAT Act.	
17.	What is the rate of tax for declared goods used in the course of contract?	As specified in Schedule-II, IIA, IIB, III, IV & V.	Section 4 of the VAT Act.	
18	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works contract?	Standard deduction method is available for payment in Uttar Pradesh. As per Annexure-A		
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	Yes, contractee/Principal is liable to deduct the TDS from the amount payable to contractor.	Section 34 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	Rate of TDS Deduction is 4%. No	Section 34 of the VAT Act.	
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes, the contractor is liable to deduct TDS from the amount payable to the sub contractor.	Section 34 of the VAT Act.	
22.	Whether the WC can claim input tax credit on consumables?	Input tax credit cannot be claimed on consumables.	Rule 21 of the VAT Rules and Section 6 & 13 of the VAT Act.	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of deduction	No he does not have any such option. No, he does not have any such option.	Rule 9 of the VAT Rules.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	from total turnover?			
24.	Whether input tax credit is allowable fully in case of works contract?	Yes, input tax credit is allowable fully in case of works contract.	Rule 21 of the VAT Rules and Section 13 of the VAT Act.	
25.	Is there any specific format of invoice or bill for regular and composition WC?	No		
26.	Can Running bill be treated as Invoice? Whether advances received including mobilization advance will be liable to tax?	No No specific provision for advances.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main	Yes, there a condition that such sub-contractor should be registered dealer and should have filed the return declaring the	Rule 9 of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	contractor?	turnover pertaining to main contractor.		
28.	Can sub contractor claim exemption if main contractor pays tax?	No	Rule 9 of the VAT Rules.	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	No, there is no such option available.		
30.	Does the WC have an option to pay tax under composition category?	Yes WC have an option to pay tax under composition category	Section 6 of the VAT Act.	
31.	Is composition WC allowed to make interstate / import purchases?	Yes, In case goods imported from outside the state are only up to 5% of total value of the contract then the composition amount is 4% of the total amount received.	Section 6 of the VAT Act.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
32.	Is composition WC eligible to take sub contractor deductions?	Composition WC dealer is not eligible to take sub-contractor deductions.	Rule 9 of the VAT Rules.	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	No		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	There is no such procedure specified.		
35.	Is there any procedure to change the scheme from composition to regular works contractor?	There is no such procedure specified.		
36.	What are the composition rates for different types of contracts?	No rate specified. It would be as agreed by the authority from time to time	Section 6 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	No, it is not required to provide intimation to department.		
38.	Whether composition dealer can apply for interstate works contract?	No, he cannot apply for interstate works contract.		
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Quarterly return Within 20 days from the end of the last day of the previous quarter.	Rule 45(1) of the VAT Rules. Section 6 of the VAT Act.	
40.	Whether Annual Return is filed by the works contractor?	No Annual return is to be filed by the works contractor.		
41.	What is the time limit for Assessment in case of works contractor?	No time limit is mentioned specifically for works contractors.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	No		
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	No specific provision		
44.	Is there a requirement to file the copy of contract / agreements with the department?	No, there is no requirement to file the copy of contract/ Agreements with the department.		

Annexure-A

Sl. no.	Description of works contracts	Rate
1	Fabrication and installation of plant and machinery	10%
2	Fabrication and erection of structural works including fabrication, supply and erection of iron trusses, purline.	10%
3	Fabrication and installation of cranes and hoists	10%
4	Fabrication and installation of elevator(lifts) and escalators	10%
5	Supply and installation of air conditioning equipment including deep freezers, cold storage plants, humidification plants and dehumidifier	10%
6	Supply and installation of air conditioners and air coolers	10%
7	Supply and fitting of electrical goods, Supply and installation of electrical equipment including transformers	10%
8	Supply and fixing of furnitures and fixtures, partitions, including contracts of interior decorations	10%

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Sl. no.	Description of works contracts	Rate
9	Construction of railway coaches and wagons on under carriages supplied by railways	10%
10	Construction of bodies of motor vehicle and construction of trailers	10%
11	Fabrication and installation of rolling shutters and collapsible gates	30%
12	Civil works like construction of building, bridge, roads, dams, barrages, spillways and diversions, sewages and drainage system	30%
13	Installation of doors, doors frames, windows, window frames and grills	30%
14	Supply and fixing of tiles, slabs, stone and sheets	30%
15	Sanitary fitting for plumbing, for drainage or sewerage system	30%
16	Whitewashing, painting, and polishing	40%

26. WEST BENGAL

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
1.	Is works contract dealt separately under the VAT Act? Is there a deeming provision dealing with works contract?	Works contract has been dealt with separately under the West Bengal Value Added Tax Act, 2003 (the VAT Act) under section 18(1) of the said Act. In West Bengal, any transfer of property in goods (whether as goods or in some other form) involved in the execution of works contract is deemed to be a sale of those goods by the person making the transfer and a purchase of those goods by the person to whom such transfer is made. Section 2(57) of the VAT Act.	Section 2(57), 14(1), 18(1) read of the VAT Act with Rule 30 of the West Bengal Value Added Tax Rules, 2005 (the VAT Rules)	
2.	Is there any specific form to apply for	There is no specific form of	Section 24,	Form 1.

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	registration as a works contractor (WC) under VAT law?	application for registration as works contractor. The works contractor has to apply in the general form of registration i.e. Form 1.	Section 14(4) of the VAT Act Rule 4,5 of the VAT Rules.	
3.	Whether Non- resident (dealer outside the state) can apply for registration as works contractor?	Yes.		
4.	Eligible Turnover for registration.	If the contractual transfer price of a works contractor from the commencement of any accounting year exceeds ₹5,00,000/- at any time during the year, he becomes liable to pay this tax with effect from the following day on which the		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		aggregate of contractual transfer price is so exceeded.[Section 14(4)]		
5.	What are the deductions that are allowable from turnover?	For determination of the taxable contractual transfer price, the following deductions are allowed- (a) contractual transfer of goods, sales of which are declared tax-free under Section 21 of the VAT Act; (b) charges towards labour, service and other like charges as may be prescribed; (c) All amounts paid to the sub-contractors for execution of the works contract either in part or full.	Section 18(2) of the VAT Act	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
6.	Whether the WC has the option to claim the labour charges and like on actual basis or adhoc basis?	Works contractor can claim the deduction for labour and like charges on actual basis; otherwise the works contractor shall pay the tax on the basis of the Table appended to Rule 30(2) of the VAT Rules.		
7.	How are the labour charges and like defined under the VAT law?	For determination of tax payable by the dealer following deductions from contractual transfer price charges are allowed: (a) labour charges for execution of works contract; (b) charges for planning, designing and architect's fees; (c) charges for obtaining on hire or otherwise machinery and tools	Rule 30 (1) of the VAT Rules.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		used for the execution of the works contract; (d) cost of consumables such as water, electricity, fuel etc. used in the execution of works contract, the property in which is not transferred in the course of execution of the works contract; (e) cost of establishment of the contractor to the extent it is relatable to supply of labour and services; and (f) Other similar expenses relatable to supply of labour and services.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
8.	Whether depreciation can be claimed as labour charges and like? If yes, then whether input tax credit on capital goods will be allowable?	Depreciation on machinery and tools used in the execution of works contract is not allowed as labour and like charges. However, under Rule 30(1) of the VAT Rules “charges for obtaining on hire or otherwise machinery and tools used in the execution of the works contract, the property, which is not being transferred in the course of a works contract” are allowed. If a contractor uses his own machinery and tools in the execution of a works contract, which he otherwise could have hired from outside, then according to some High Court decision, depreciation on such machinery and tools should be	Rule 30(1) of the VAT Rules, Section 2(6) of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		allowed. According to the definition of capital goods under Section 2(6) of the VAT Act, input tax credit on capital goods will not be allowable in the hands of the works contractor.		
9.	Can deduction be claimed for land value by the composition dealer?	No deduction for the value of land is allowable in the hands of a compound dealer. However, in case of a regular dealer, such deduction is admissible.		
10.	How is the estimated gross profit computed in case of work contract? Also, what is the ratio to apportion the gross profit between material and labour?	There is no specific rule for estimation of gross profit in case of works contract or for determination of the ratio of apportionment of gross profit between material and labour. such estimation may be made on the basis of cost incurred		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		for various components and the value of the works contract to be executed.		
11.	Whether gross profits are to be added to actual labour charges and like or adhoc labour charges and like?	Profit earned by the contractor to the extent it is relatable to supply of labour and services will be deductible from the contractual transfer price subject to furnishing of the profit and loss account of the works contract.	Rule 30(1)(g) of the VAT Rules	
12.	Whether water, electricity deposits, stamp duty, registration fee, service tax, etc form part of the works contract turnover?	For determination of tax payable by the dealer following deductions from contractual transfer price charges are allowed under section 30 (1) of the VAT Act: (a) labour charges for execution of works contract;	Section 30 (1) of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(b) charges for planning, designing and architect's fees; (c) charges for obtaining on hire or otherwise machinery and tools used for the execution of the works contract; (d) cost of consumables such as water, electricity, fuel etc. used in the execution of works contract, the property in which is not transferred in the course of execution of the works contract; (e) cost of establishment of the contractor to the extent it is relatable to supply of labour and services; and		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		(f) Other similar expenses relatable to supply of labour and services. Deductions in respect of stamp duty, registration fee, and service tax are not available from the contractual transfer price under the VAT Act.		
13.	Is contractor liable to tax for free supply of goods by contractee?	In the case of free supply, the works contractor is not liable to tax. Further, where material has been supplied by principal and the cost of such goods has been deducted by the principal from the amount payable to the contractor, deduction is allowed provided such goods have been purchased within West Bengal.	Rule 30B of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
14.	What is the time of sale for works contractor and at what point of time the tax should be offered to the department?	The point of taxation for a works contractor is normally the issue of a tax invoice, invoice or bill or any other document for claiming or receiving payments in respect of the works contract.	Rule 30(3) of the VAT Rules	
15.	Which Section /Schedule prescribes the rate of tax for works contract?	Section 18(1) of the VAT Act deals with the rate of tax under works contract. Section 18(2) of the VAT Act will be applicable for the determination of taxable turnover where the dealer maintains proper books of accounts relating to works contract Section 18(3) of the VAT Act will be applicable for the determination of taxable turnover where a proper book of account is not maintained.	Section 18 of the VAT Act; For rate of tax, Table appended to Rule 30(2) of the VAT Rules to be referred.	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Section 18(4) of the VAT Act deals with the rate of tax and lays down the conditions regarding composition scheme applicable to works contract.		
16.	Whether WC will be liable to pay unregistered purchase tax in addition to works contract tax?	No, provided such purchase from unregistered dealers in West Bengal is used in the execution of works contract.	Section 12 and Section 17 of the VAT Act	
17.	What is the rate of tax for declared goods used in the course of contract?	The rate of tax for the declared goods is 4%.	Section 18(1)(a) of the VAT Act	
18.	Is standard deduction method available for payment? If yes, what are the various rates prescribed for different types of works	Standard deduction is available for each type of works contract where the dealer does not maintain books of accounts for identification of labour charges. As per 'Annexure - A'	Rule 30(2) of the VAT Rules	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	contract?			
19.	Whether contractee / principal is liable to deduct TDS from the amount payable to contractor?	The contractee / principal is liable to deduct tax from the amount payable to the works contractor at the time of payment on account of intra state execution of a works contract as referred to in Section 40 of the VAT Act.	Section 40 of the VAT Act read with Rules 46XA, 46-49 of the VAT Rules.	
20.	What is the rate of TDS to be deducted in case of works contract? Whether interstate supplies or import transactions are considered for deducting TDS?	The rate of TDS for works contract is as under: a. 2% deductible from registered dealer b. 4% deductible from unregistered dealer No TDS is applicable in case of inter-state transaction.		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
21.	Is the contractor also liable to deduct TDS from the amount payable to the Sub-Contractor?	Yes. Same as above in point 20.		
22.	Whether the WC can claim input tax credit on consumables?	Although no specific provision for allowing input tax credit on consumables exists under the law, under Section 22(4) (f) of the VAT Act, goods purchased for execution of works contract would qualify for input tax credit. A view is held that such goods should also include consumables.	Section 22(4)(f) of the VAT Act	
23.	Whether deduction for sub contractor turnover is permitted from the turnover of WC? Does WC have the option to claim input tax credit in lieu of	The works contractor is entitled to claim deduction towards amounts paid to the sub-contractors for execution of the works contract	Section 18 and Section 40(1) of the the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	deduction from total turnover?	subject to production of proof to the satisfaction of the Commissioner that— (a) the sub-contractor is a registered dealer liable to pay tax under the VAT Act; and (b) the transaction is included in the VAT return of the sub-contractor as referred to in Section 32 of the VAT Act; and (c) deduction can be claimed on the strength of an invoice raised by the sub contractor (d) There is no further transfer of goods in any form by the sub-contractor to the works contractor except as shown in the invoice of the sub-		

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		contractor. That for availing the deduction, the works contract tax has to be deducted and deposited by the contractor under the first proviso to Section 40(1) of the VAT Act. There is no express provision under the VAT Act for allowing input tax credit on payments to sub-contractor.		
24.	Whether input tax credit is allowable fully in case of works contract?	Input tax credit is allowable in full to the extent tax has been paid or payable on purchase of taxable goods within the State from a registered dealer when such goods are purchased for use in the execution of works contract.	Section 22(4)(f) of the VAT Act	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
25.	Is there any specific format of invoice or bill for regular and composition WC?	No specific format has been prescribed for invoice or bill. However, following information is compulsorily includible in the invoice or bill:- A tax invoice shall be inscribed with the words, "tax invoice" in bold letters at the top or at any prominent place and shall also contain the following details – (a) date of sale; (b) date of challan or despatch as the case may be; (c) name and full postal address of the selling dealer; (d) telephone number, e-mail address, fax number, if any, of	Rule 91 of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		the selling dealer; (e) registration certificate number of the selling dealer; (f) name, full postal address, and registration certificate number of the purchasing dealer; (g) full description of the goods sold; (h) quantity or number, as the case may be of the goods sold; (i) value of the goods sold; (j) rate and amount of tax charged in respect of taxable goods; (k) total amount of the invoice taking into consideration all the amount payable under different		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		heads; and (l) Signature of the selling dealer or his duly authorised regular employee. A composite dealer however, shall not be entitled to issue any tax invoice.		
26.	Can running bill be treated as invoice? Whether advances received including mobilization advance will be liable to tax?	Yes. Running bill can be treated as invoice. Advance taken prior to commencement of the execution of works contract is not liable to VAT.		
27.	Is it compulsory for the sub-contractor to be a registered dealer and file returns declaring the turnover pertaining to main contractor?	As discussed under 13 above, no deduction shall be admissible unless the sub-contractor is a registered dealer under the VAT Act who has	Section 18 of the VAT Act	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		filed the return disclosing therein the turnover of sales attributable to the works contractor.		
28.	Can sub contractor claim exemption if main contractor pays tax?	Yes. Deduction on account of payments made to sub-contractor is permitted under Section 18(2)(c) of the VAT Act. The sub contractor can claim exemption only if he is an unregistered dealer having turnover not exceeding ₹5,00,000/-.	Section 18(2)(c) of the VAT Act	
29.	Whether contractor or sub-contractor are exempted in case any one of the two undertakes to discharge VAT liability on the entire consideration?	Contractor is liable to pay the tax. However, deduction is available for payments to sub-contractor as describe under point 23.		
30.	Does the WC have an option to pay tax under composition category?	Apart from the regular scheme, a works contractor may opt for	Section 18(4) of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		composition scheme under section 18(4) of the VAT Act and pay tax subject to certain conditions.		
31.	Is composition WC allowed to make interstate / import purchases?	Yes. composition works contract dealer is permitted to import only sand and stone chips from outside the State, provided the contractual transfer price during the year does not exceed ₹20 lacs.	Rule 39 of the VAT Rules.	
32.	Is composition WC eligible to take sub contractor deductions?	Under the composition scheme no such deduction is allowed.	Rule 39 of the VAT Rules.	
33.	Whether WC can opt for regular scheme for one project and composition scheme for other project?	There is no enabling provision in the VAT Act for exercising such option on project to project basis.		
34.	Is there any procedure to change the scheme from regular to composition works contractor?	The option of paying tax at the compound rate is not automatic. Option has to be exercised by filing	Section 18(4) of the VAT Act read with Rule 39(4)(6) of the VAT	Form No.16

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		Form No.16 electronically within 90 days from the commencement of the year in respect of which such option is exercised. However, option can only be availed after filing of the application to the satisfaction of the department. It is also important to note that if the dealer exercising the option fails to pay tax for any 2 consecutive quarters in a year, such dealer shall be deemed to have withdrawn his option so exercised from the first day of the quarter following the quarter or quarters for which he has failed to pay tax.	Rules. Rule 39(8) of the VAT Rules.	
35.	Is there any procedure to change the scheme from composition to regular	There is no laid down procedure under the VAT Act for switching over	Section 18(4) of the VAT Act read with	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
	works contractor?	from the composition scheme to the regular Scheme. Where a dealer under the composition scheme subsequently becomes ineligible say in the middle of the quarter, for failing to file the option or for any other reason, he will be deemed to be a regular dealer.	Rule 39 of the VAT Rules.	
36.	What are the composition rates for different types of contracts?	composition rate is 2%	Rule 39(3) of the VAT Rules	
37.	Whether WC opting for composition method is required to take prior permission/ provide intimation to the department?	Refer Point 31		
38.	Whether composition dealer can apply for interstate works contract?	No.	Rule 39(3) of the VAT Rules	

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
39.	Whether such WC is required to file monthly / quarterly return? What is the due date of filing the return?	Works contractor both under the regular as well as the composition scheme will be required to file quarterly return in Form 14 and Form 15 respectively electronically. Due date for filing the return is the month following the end of reporting quarter.	Section 32 of the VAT Act read with Rule 34 of the VAT Rules.	
40.	Whether Annual Return is filed by the works contractor?	Only quarterly return has to be filed by the works contractor.		
41.	What is the time limit for Assessment in case of works contractor?	Normally an assessment has to be completed within two years from the end of the financial year in respect of which or part of which the assessment is to be made.	Section 46 of the VAT Act.	

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
42.	Whether VAT Audit provisions, if applicable under the State VAT law, apply to WC as well? If yes, what is the turnover limit for such audit?	Every registered dealer being a public or private limited company registered under the Companies Act, 1956 irrespective of its turnover, is required to file within 31 st December of each year, the audited profit and loss account and balance sheet for such year, along with the audit report in Form 88. Any other registered dealer, other than a company whose turnover of sales or contractual transfer price or both exceeds ₹3 crore in a year (w.e.f.01/04/2011), is also required to file within 31 st December of each year the audited profit and loss account and balance sheet for such year along with the audit report in Form 88.	Section 30E of the VAT Act read with Rule 44 of the VAT Rules.	Prescribed form of audit report-Form 88

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Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
43.	Whether VAT is applicable on sale of flats by the developer pertaining to the share of developed area in case of construction contracts?	On the basis of the decision of the Hon'ble Supreme Court in the case of <i>K. Raheja Development Corporation vs State of Karnataka</i> , works contract tax was imposed on the developer/ promoter in West Bengal vide <i>Trade Circular No.3/2006 dated 3rd May, 2006</i> . According to the said trade circular and the legal interpretation by the Hon'ble Supreme Court in the aforesaid case, works contract tax was imposed under the VAT Act in specific circumstances. However, after representation was made to the department by the trade forum and conceding that the matter involved points of law, the said circular dated		

Sl. No.	Particulars	Particulars	Relevant Section / Rule	Remarks
		3 rd May, 2006 has been kept in abeyance till date vide the <i>Trade Circular no.5/2006 dated 20th June, 2006</i> . In view of the above, sale of under construction flats is not taxable in the State of West Bengal.		
44.	Is there a requirement to file the copy of contract / agreements with the department?	There is no requirement to file with the department copy of contract/ agreement. However, during the assessment proceedings the said documents may have to be produced on demand by the assessing authority.		

Table under rule 30(2) of the West Bengal Value Added Tax Rules, 2005

Sl. No.	Nature of job	Deduction	4%	13.5%
1.	Fabrication and installation of plant and machinery	25	50	25
2.	Fabrication and erection of structural works of iron and steel including Fabrication, supply and erection of iron trusses, purloins and the like.	20	50	30
3.	Fabrication and installation of cranes and hoists.	15	25	60
4.	xxxxxxx	0	0	0
5.	Fabrication and installation of rolling shutters and collapsible gates.	15	45	40
6.	Civil works like construction of buildings, bridges, roads, dams, barrages, canals and diversions.	25	40	35
7.	Installation of doors, door frames, windows, frames and grills.	20	10	70

West Bengal

Sl. No.	Nature of job	Deduction	4%	13.5%
8.	Supply and fixing of tiles, slabs, stones and sheets.	20	Nil	80
9.	Supply and installation of air conditioners and air coolers.	15	5	80
10.	Supply and installation of air conditioning equipment including deep freezers, cold storage plants, humidification plants and de-humidors	15	5	80
11.	Supply and fitting of electrical goods, supply and installation of electrical equipments including transformers.	20	50	30
12.	Supply and fixing of furniture and fixtures, partitions including contracts for interior decorators and false ceiling.	20	5	75
13.	Construction of railway coaches and wagons.	20	50	30
14.	Construction or mounting of bodies of motor vehicle and construction of trailers.	20	50	30
15.	Sanitary fitting for plumbing drainage or sewerage.	25	15	60
16.	Laying underground surface pipeline, cables and conduits.	30	30	40

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Sl. No.	Nature of job	Deduction	4%	13.5%
17.	Dying and printing of textiles.	60	40	Nil
18.	Supply and erection of weighing machines and weigh bridges.	15	30	55
19.	Painting, polishing and white washing.	30	Nil	70
20.	Printing other than those mentioned elsewhere in the Table	20	80	Nil
21.	All other contracts not specified	20	30	50