

GOVERNMENT OF NATION CAPITAL TERRITORY OF DELHI
DEPARTMENT OF TRADE AND TAXES
(POLICY BRANCH)
VYAPAR BHAWAN: I.P. ESTATE, NEW DELHI- 110 002

No. F.3(654)/Policy/VAT/2016/ 1800-1802

Dated: 28/3/2016

To

1. All Central Government Ministries/Departments/Directorates/PSUs/ Corporations/ Boards/ Authorities etc.
2. All Delhi Government Departments/Directorates/PSUs/ Corporations/ Boards/ Authorities etc.
3. All other Government Departments/Directorates/PSUs/ Corporations/ Boards/ Authorities etc. having their offices functioning within the National Capital Territory of Delhi

Sub: VAT deduction at source in respect of works contracts.

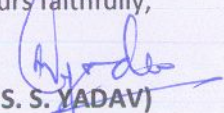
Sir,

It is to bring to kind notice of all that section 36 A of the Delhi Value Added Tax Act, 2004 requires every person, at the time of making payment or credit to a contractor, to deduct TDS @ 4%, if the contractor is a registered dealer or @ 6% in case the contractor is unregistered. The amount so deducted by such person (i.e. the contractee) is required to be deposited to the Delhi Government Treasury within a period of 15 days following the month in which such deduction is made. Failure to deduct TDS entails penalty apart from liability of interest.

It has come to the notice of the Trade & Taxes Department that some of the Government Departments are carrying out the works contract activities by assigning the various departmental contracts to the contractors. Under the provision of DVAT Act 2004, it is the responsibility of such departments to deduct TDS on the payments made to the contractors to whom the works contract has been assigned. Secondly, it has also been noticed that some of the government departments are assigning the works contracts to other government agencies being specialized in the field for execution of deposit works.

In view of above, as deduction of VAT at source being mandatory in respect of works contracts, all the government departments are advised to deduct at source the TDS in accordance with the provisions of Section 36A of DVAT Act, 2004 and deposit the same with the Trade & Taxes Department which is otherwise their duty to do so and the failure would tantamount to attracting the penal provisions under the said Act.

Yours faithfully,


(S. S. YADAV)

Commissioner, Value Added Tax