

**OFFICE OF THE COMMISSIONER OF SALES TAX
BIKRI KAR BHAWAN, I.P. ESTATE, NEW DELHI
WORKS CONTRACT CELL**

No. CST/DCM/CC/2000-2001/4602-4613

Dated 29/11/2000

CIRCULAR

Consequent upon the enactment of Delhi Sales Tax on Works Contract Act, 1999 on 1st Dec., 1999, all the contractors carrying out the business of execution of Works Contract came in the ambit of the new Act. Since this Act was introduced for the first time in Delhi, there were certain problems in its implementation. In order to bring about more transparency hassle free compliance and to make it more user friendly, following simplifications are introduced in the implementation of the Delhi Sales Tax Act and Works Contract Act, 1999.

1. That all the contractors doing Govt. contracts including Corporate Bodies, Cooperative Societies etc., shall be treated as a special category of 'Govt. contractors.'
2. All the Govt. Contractors will be allowed the facility of getting their total tax liability of Works Contract Tax deducted at source by giving them option for such deduction. This will be purely optional for the contractors. This will be given in writing to the Contract Awarding Agency.
3. The Govt. Contractors would give a copy of this consent to the Works Contract Cell. This information will entitle the contractors for composition.
4. The contractee in such case would be authorised to deduct 4% as composition amount instead of 2% as TDS from all payments made to the contractor. This tax would be deposited by the Contract Awarding Agency in the nationalised banks in favour of Commissioner, Sales Tax.
5. In all such contracts where any contractor awards or appoints a sub contractor to execute the job, the Principal Contractor will exercise this option and the Contract Awarding Agency would deduct tax at source @ 4% from the payments being made to the Principal Contractor and the Principal Contractor will not deduct tax from the payment made to the sub-contractor. The responsibility in such a case would be of the principal contractor and his sub-contractor would be bound by his option of TDS of 4% at source.
6. Since the sub contractor's liability of tax deposit would be taken care of by the principal contractor they will also be entitled for composition scheme and consequent summary assessment provided they are only taking sub-contracts and are a registered contractor.
7. All the Govt. contractor's who opt for total tax deduction at source would be entitled for the composition scheme and would be exempt from the production of STCC i.e. Sales Tax clearance certificate. The contract awarding agencies will take an affidavit from such Govt. Contractors to this effect that they are only doing Govt. Contracts and have opted for the scheme of composition of tax and total tax deduction at source @ 4% for their works.
8. All such Govt. Contractors going in for the scheme of composition would be considered for summary assessment wherein they will not be required to produce their books of accounts.
9. For such Govt. Contractors who opt for the composition scheme the scheme of filing of annual returns is being contemplated to avoid frequent trips to the departments.

10. During the course of execution of works contract, some of the Govt. Contractees issue certain material to the contractors such as cement, iron and steel etc., for use in Works Contract. Deduction on account of such goods shall be given as per provisions of clause 5(6) of the Act in case the contractor has not taken the value of these goods in his bill. In all such cases where the value of the material issued to the contractors is taken in the bill of the contractor, these deductions would not be allowed and total value of the bill would be taken into consideration for calculating the tax liability under the composition scheme.

Sd/-
(P.K. Tripathi)
Commissioner of Sales Tax

Copy for information:-

1. All Contract Awarding Agencies.
2. Joint Front Contractor Association.
3. Policy Branch.
4. Guard file
5. DC(WC)/AC (WC).
6. All STOs' of Works Contract Branches.