

**GOVERNMENT OF TRIPURA
DEPARTMENT OF FINANCE
(EXCISE & TAXATION)**

No. F.1-7(6)-TAX/2009 (P)

Dated, Agartala, the 16th November, 201

MEMORANDUM

Sub:- Clarification regarding deduction of VAT @ 6% at source on all types of works contract w.e.f. 21.09.2011.

It is observed that some questions have been raised from different corners on provisional deduction of **VAT at source @ 6% on works contract w.e.f. 21.09.2011** in pursuance of the notification of the Government of Tripura in Finance Department issued vide **No. F.1-7(29)-TAX/2011** dated **21.09.2011**. It is pointed out that prior to 21.09.2011 the rate of provisional deduction of VAT at source was @ 4% of the gross amount of bill of the works contract and accordingly agreements between the State & Central Government Organisations/Government undertakings and Contractors were executed wherein the rate of deduction of VAT was mentioned at the prevailing rate that was @ 4%. But deduction of VAT @ 6% w.e.f. 21.09.2011 on the works contract against the agreements executed prior to issuance of Finance Department Notification dated 21.09.2011 will invite contractual complexities with the agencies as they may resort of legal course.

2. The Tax Department has also gone through some of the NITs and agreements wherein it is found that the rate of provisional deduction of Sales Tax / VAT at source on works contract is specified in figures (e.g. 4%).

3. In view of the above, the clarification is made to overcome the aforesaid problems as follows:-

- (i) For the contract agreement executed prior to 21.09.2011 wherein the rate of provisional deduction of VAT is specified in terms of figure i.e. 4% with no provision for change in those

cases the deduction shall continue to be made @ 4% at source till completion of works for original contract value.

- (ii) For the contract agreement executed prior to 21.09.2011 wherein the rate of provisional deduction of VAT is not specified but it is mentioned that "Deduction of Sales Tax / VAT at source from the bill of the Contractor shall be applicable at the prevailing rate as notified by the Government" or in some other words, the rate of deduction at source shall be 6% of the gross amount of all bills w.c.f. 21.09.2011.
- (iii) In the cases of the contract agreements executed on or after 21.09.2011 the rate of provisional deduction of VAT at source shall be 6%. However, if rate is further changed then deduction shall be at the rate as notified by the Government.

Therefore, all concerned are requested to take necessary action as per the clarification as made above.



(Manoj Kumar)

**Commissioner & Secretary
Government of Tripura**

Copt to:

1. The Chief Engineer, PWD (R & B), Government of Tripura, New Secretariat Building, Capital Complex, Agartala.
2. The Chief Engineer, PWD (DWS), Government of Tripura, Kunjaban, Agartala.
3. The Chief Engineer, PWD (WR), Government of Tripura, Kunjaban, Agartala.
4. The Chief Executive Officer, the Housing & Construction Board, Gurkhabasti, Agartala.
5. The Chief Engineer, Rural Development Department, Government of Tripura, Gurkhabasti, Agartala.