

GOVERNMENT OF NATIONAL CAPITAL TERRITORY OF DELHI
FINANCE DEPARTMENT
DELHI SECRETARIAT, I.P.ESTATE, NEW DELHI - 110 002.

No. DTT-x020/18/2016-W-113-Olo CTT/ds VI/281

Dated: 29/8/2016

To

All Delhi Government Departments/Directorates/PSUs/
Corporations/Boards/Authorities.

Sub: VAT deduction at source in respect of Works Contracts.


Madam/Sir,

It is to bring to the kind notice of all that Section 36A of the Delhi Value Added Tax Act, 2004 requires every person, other than an individual or HUF, 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.

Under the provisions of the Delhi Value Added Tax Act, 2004 it is the responsibility of every Department in Delhi, assigning the various departmental contracts to the contractor to deduct TDS before the release of the payment to the contractor to whom 'works contract' has been assigned. This is also applicable even in case the work is assigned to specialized government departments in the field of execution of deposit works viz. DTTDC, DSIIDC, PWD etc. Further, the TDS so deducted may be commensurate with the budget allocated and spent under 'Repair & maintenance', 'Capital' head etc. which involves works contract.

In view of the aforesaid mandatory provisions of the DVAT Act, 2004 and the Rules framed thereunder, all Government Departments in Delhi are requested to deduct the TDS before release of the payment in accordance with the provisions of Section 36A of the DVAT Act, 2004 and deposit the same with the Trade & Taxes Department to avoid tax evasion by the executing agencies. Further, as per Section 36A of the DVAT Act, 2004 it is the responsibility of the TAN holder (contractee) for timely deposition of the TDS (VAT). As per Section 36A(8) of the DVAT Act, 2004, if any person fails to make the deduction or, after deducting fails to deposit the amount so deducted as required, such person shall pay, or by way of penalty, a sum not exceeding twice the amount deductible besides tax deductible (TDS VAT). Further, TDS is required to be deposited by 15th of the month following the month in which such deduction is made and file quarterly return by 28th of the next month of the quarter ending i.e. for first quarter - 28th July, for second quarter - 28th October, for third quarter 28th January and for fourth quarter 28th April. Also the agencies/Departments who have not so far obtained TAN number, should immediately apply for registration and obtain the TAN number for complying the provisions of the DVAT Act, 2004.

Yours faithfully,


(S.N. Sahai) 29/8/16

Pr. Secretary (Finance)