

Office of the CGDA, West Block-V, R.K.Puram, New Delhi-66
Pr. IFA Wing

INSTRUCTION NO. 17 OF 2007

No. PIFA/Army/5/CST

Dated: 4th Oct. 2007

To

All PCsDA/CsDA/IFAs

Subject: Change in structure in Central Sales Tax consequent to notification dated 29.3.2007 effective from 1.4.2007.

Reference: In continuation of this office Instruction No. 15 of 2007 bearing No. even dated 18.9.2007.

In amplification of para 2 of this office circular cited above, the following is further clarified:

(i) The facility of concessional CST against Form "D" has been withdrawn with effect from 1.4.2007. Structure of Tax Rates for inter State sale to Government Departments under the CST Act, 1956 (before and after the Taxation Laws (Amendment) Act 2007) will be as under:

Nature of Transaction	Before enactment of Taxation Laws (Amendment) Act, 2007, i.e. before 01.04.2007	After enactment of Taxation Laws (Amendment) Act, 2007, i.e. w.e.f. 01.04.2007
Inter-State Sale to Govt. Deptts.	4% or the rate of sales tax/VAT on local sale prevailing in the 'appropriate State' (i.e. the state of the selling dealer), whichever is less. [Section 8(1)(a)].	The <u>rate of sales tax/VAT</u> on local sale prevailing in the 'appropriate State' (i.e. the State of the selling dealer) [Section 8(2)]

(ii) Consequently, with effect from 1.4.2007, the inter-state sale to Govt. Departments is taxable at the rate of Sales Tax/VAT on local sale prevailing in the "appropriate state" viz. the State of selling dealer.

(iii) Sales tax being State subject, the States are at present free to levy sales tax and there is no uniform code in this regard. There is no central data bank for the ST/VAT rates and State information systems will have to be accessed for this purpose.

(iv) As the CST has been amended to make it at par with applicable LST/VAT, the implication is that CST has to be necessarily taken into consideration for evaluating/ranking of tenders.

(v) The validity of the Form – “D” issued prior to 1.4.2007 would depend on whether the inter-State sale took place prior to 1.4.2007 or not. If the inter-state sale has taken place prior to 1.4.2007, the validity of Form – D cannot be questioned. However, if inter-state sale has taken place on or after 1.4.2007, Form – D shall not be valid. As per para 10.10.8 of DGS&D Manual, the payment on account of increase in the rate of sales tax will be made by the Controller of Accounts automatically whether the contract was on firm price or on variable price, without formal amendment **where the supplies are made within the original/refixed delivery period.** In view of this provision, increase in CST may be allowed subject to documentary evidence/proof of payment where the supply has taken place within the original/refixed delivery period subject further to the condition that the increase will not be allowed where extension of delivery period has been given with denial clauses i.e. denial of increase in price, taxes, duties, etc. taking place during the extended period.

(vi) Para 10.3.4 of DGS&D Manual provides that tenderers have to specifically state in their offer whether they intend to ask for the duties/taxes as extra over and above the prices being quoted. In the absence of any such stipulation it is to be assumed that the prices quoted include these elements and no claim for the same will be entertained after opening of tenders. In view of this provision, CST at higher rate should not be allowed in cases of existing contracts/supply orders where these have been concluded at an all inclusive price.

Pr.IFA has seen.

sd/-
(Anuradha Prasad)
Jt.CGDA (IFA)

Copy to:

- (i) Jt. CGDA (AT-I)
- (ii) Jt. CGDA (AT-II)
- (iii) Jt. CGDA (AT-III)

} For kind information with reference to above.

sd/-
(Anuradha Prasad)
Jt.CGDA (IFA)