

GOVERNMENT OF ARUNACHAL PRADESH
DEPARTMENT OF TAX & EXCISE:
ITANAGAR

NO. TAX - 28/2002/VOL-II

Dated Itanagar, the 21st June, 2010.

CIRCULAR No. - 11

Sub: Clarification on mechanism of opting for new 4% scheme (optional) on Works Contracts and non-admissibility of ITC under it -Tax Deduction at Source (TDS) thereof.

1. Recently, the rate of tax as per 'Simplified Accounting Method for Works Contract' has been reduced to 4% from 10% by a Notification No. TAX-28/2002/VOL-II dated 31st August, 2009 so that the registered dealers of the State who executes works contract can pay at his option, an amount at the rate of 4 paise in every rupee of the total aggregate value of the works contract (not taxable turnover) received or receivable by him, in lieu of the amount of tax payable by him under the provision of the Arunachal Pradesh Goods Tax Act, 2005.
2. It has come to the notice that there is some confusion regarding exercise of option so it is clarified that the option will be exercised by the registered dealers or contractors. The department/organisation executing the work can neither opt for this scheme nor deduct tax @ 4% of their own unless the dealer/contractor opts for this scheme.
3. The dealer/contractor shall elect to opt for this scheme in Form FF-04 as stipulated under rule 11 of the Arunachal Pradesh Goods Tax Rules, 2005. The option shall take effect from the beginning of the next tax period and shall continue to apply for atleast the next 12 months.
4. It has also come to notice that some dealers/contractors are claiming Input Tax Credit (ITC) on earlier tax/entry tax paid while opting for the new 4% scheme at the time of TDS whereas rule 12 (11) of the Arunachal Pradesh Goods Tax (Amendment) Rules, 2009 notified on 31st August, 2009 is loud and clear that tax credit cannot be claimed by the dealers/contractors opting for this scheme.
5. It is further clarified that if a dealer/contractor wants credit/ITC of earlier tax paid/entry tax paid then 12.5% VAT (on taxable turnover) on Works Contract is payable and the dealer/contractor cannot opt for new 4% scheme in this case.

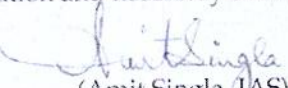
Sd/-
(Amit Singla, IAS)
Secretary (Tax & Excise),
Govt. of Arunachal Pradesh,
Itanagar.

Memo No. TAX - 28/2002/VOL-II

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Copy to:

- 1) The Accountant General, Arunachal Pradesh.
- 2) PS to Hon'ble Minister (Tax & Excise) for information please.
- 3) PS to Chief Secretary for information please.
- 4) All Commissioners/ Secretaries, Govt. of Arunachal Pradesh.
- 5) All Chief Engineers for necessary action.
- 6) All Deputy Commissioners, Arunachal Pradesh for information.
- 7) All Superintendents (T&E), Arunachal Pradesh for necessary action.
- 8) The Director (Accounts & Treasuries), Naharlagun with a request to get it circulated to all DDO's/ Treasury Officer's/ Cheque Drawing DDO's for strict compliance.
- 9) The DIPR, Naharlagun for information and wide circulation.
- 10) All Public Sector Undertakings for information and necessary action.
- 11) Office Copy.


(Amit Singla, IAS)
Secretary (Tax & Excise),
Govt. of Arunachal Pradesh,
Itanagar.