Issues In Case Of Works Contracts under MVAT

On going through the working of a dealer who is registered under MVAT and carrying out activities of work contract activity. I have observed some of the important issues which are relevant for the proper VAT compliance in case of their dealers.

1) It is quite regularly seen that there is always delay or behalf of various Government Employers (PWD, Municipal Corporation, Local Authorities, and Corporations of State Government) is issuing Form 402 (TDS Certificate of WCT). Egg. In case of half yearly returns of Sept. 09 the return is required to be filed by 21st Oct. 2009 however is 90% of cases the Forms 402 will be issued by the department after March 2010. How the dealer will be able to make proper compliance of return file.

2) Many times we see that the material is being supplied by the Employer (PWD, Corporation etc.) to the dealer (Contractor) in the work activity Egg. Cement, Steel etc. Since the work has been awarded to the contractor the value of above material supplied are included in the sale turnover of the Dealer (Contractor). However no input Tax Credit is available in the goods which are supplied by the department. Even though the price of material supplied by the department are recovered from the dealer out of his gross bills. Under such situation the whole tax liability is to be borne by the contractor. In fact if proper invoice is made available to the contractor for the goods supplied by the department the contractor would be in a position to take Input Tax Credit for the same.

3) It has been observed that as seen in the earlier work contract composition scheme (of BST Period) now the number of dealers option for composition scheme have reduced substantially. Some of the important reason as per my opinion is.

1) Current scheme of composition is not simplified.

2) The reduction clause in case of set off is working negatively. The dealer (contractor) is reluctant in purchasing. Goods from registered dealer and paying vat since there were will be reduction of nearly 4% of Input Tax Credit. The purpose of covering new vat dealers in registered category is defeated here. Purchasing from unregistered dealer is more beneficial to the contractor than from registered dealer. I think the retention clause is loss to the revenue if we considered the bigger picture.

Sir, in the issues which I have tried to raise the solution for them is in the problem itself.

1) All the Employers should be asked to submit the TDS Returns in Form 405 and issue TDS Certificates to the dealers in the timely manner.

2) Through this Electronic platform similar to the services available in Income Tax where the Income Tax Assesses can view its TDS online (26 As Facility in Income Tax), such scheme should be arranged on the website where the dealer view its TDS (WCT deducted) online. It should be made compulsory to the Employers to file TDS return (Form 405) electronically. This will save lot of time of the dealer going to offices for collecting Form 402. Even some charges can be levied for providing such online facility. Dealer will not feel other way for paying charges if good service is made available to them.

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