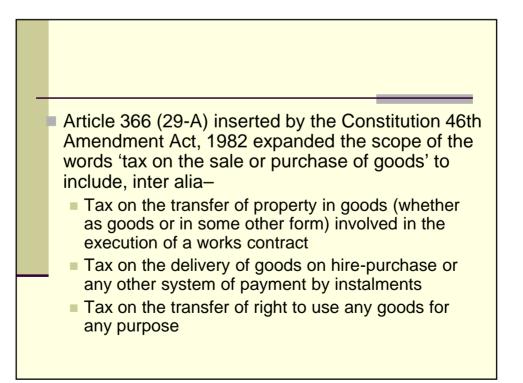
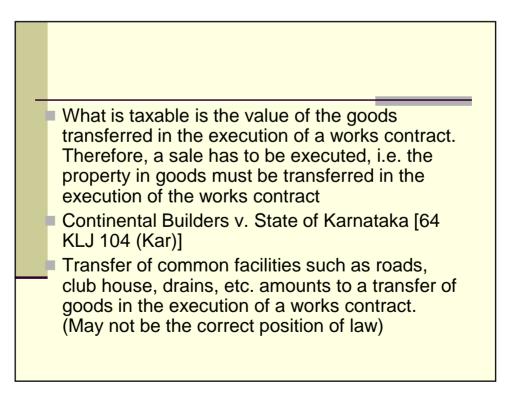
## WORKS CONTRACT, LEASE AND HIRE PURCHASE

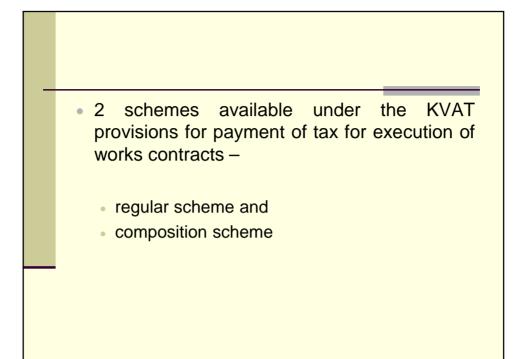
- Sales tax is leviable by the States under Entry 54 of List II of the VII Schedule to the Constitution of India
- Entry 54 "Taxes on the sale or purchases of goods other than newspapers, subject to the provisions of Entry 92-A of List I."
- The essential components of a sale are
  - An agreement to transfer title
  - Supported by consideration
  - An actual transfer of title in the goods

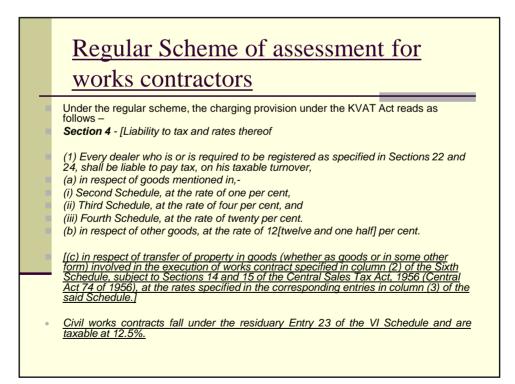


## WORKS CONTRACTS

- Definition under the KVAT Act –
- "Section 2 (37) Works contract includes any agreement for carrying out for cash, deferred payment or other valuable consideration, the building, construction, manufacture, processing, fabrication, erection, installation, fitting out, improvement, modification, repair or commissioning of any movable or immovable property."

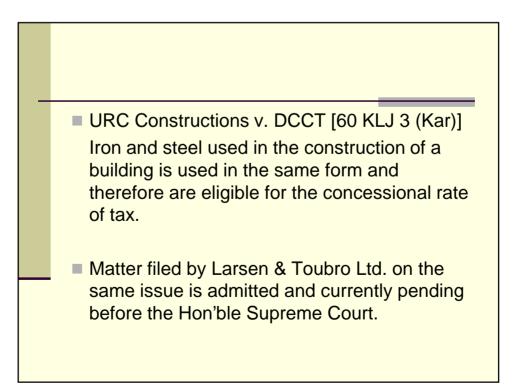


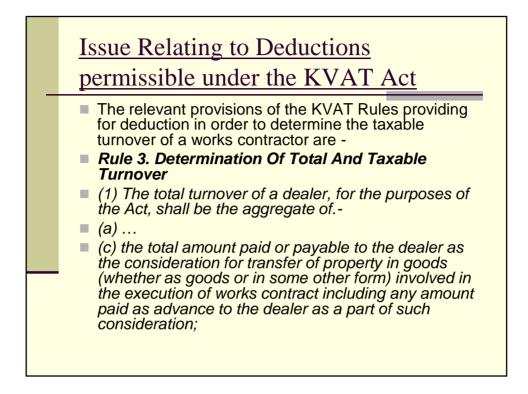


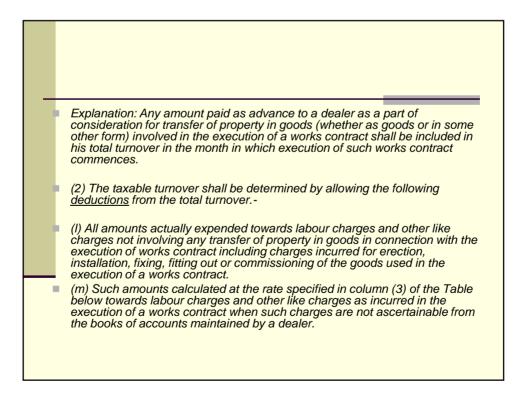


## <u>Issue relating to rate of tax applicable</u> to Iron and Steel

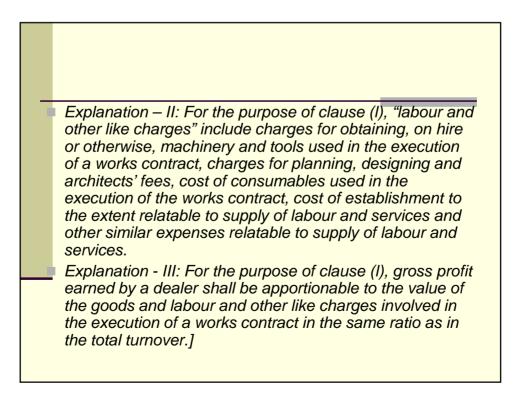
- Section 4 (1) (c) specifically states that the rate of tax applicable to goods transferred in the execution of works contracts is subject to the provisions of Section 14 and 15 of the CST Act.
- Section 14 and 15 of the CST Act declare iron and steel, among others, to be of special importance in inter-state trade and commerce.
- BV Subba Reddy v. DCCT [64 KLJ 204 (Kar)] Iron and steel used in the construction of a bridge is not in the same form and therefore cease to be declared goods and not eligible for the concessional rate of tax.

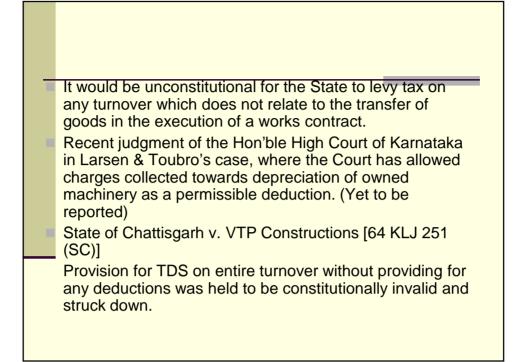


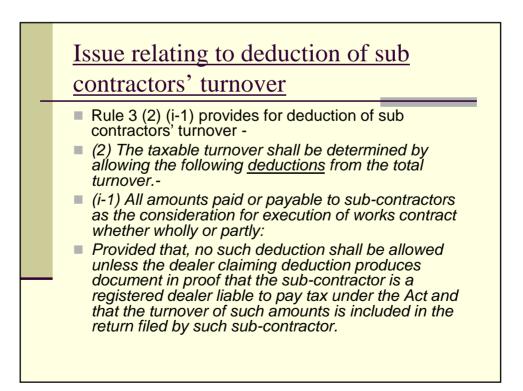


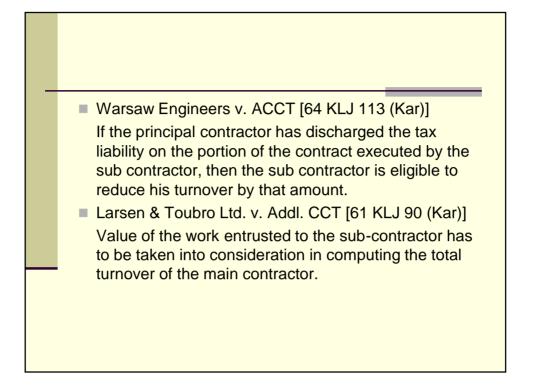


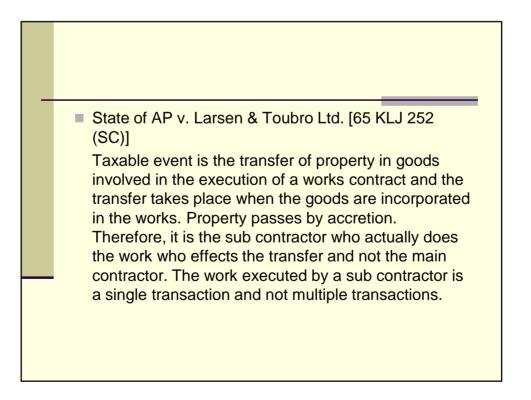
Explanation-I:- In the case of a dealer executing works contract, in determining the taxable turnover during any tax period, the deduction under clause (I) shall be allowed so that <u>such deduction is proportionate to the</u> <u>value of goods</u>, the property in which has been transferred in the execution of works contract in that period, and if the total turnover is not sufficient to cover apart from other deductions, such taxable turnover and such deduction, they shall be determined and allowed proportionately to the extent of the turnover of the dealer in that period, and the balance shall be carried forward to the following tax period or any subsequent tax period to be determined and allowed in the same manner.]

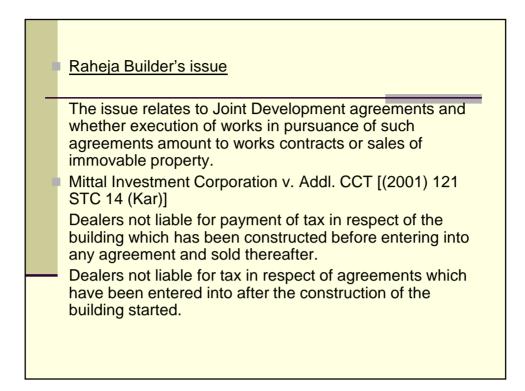


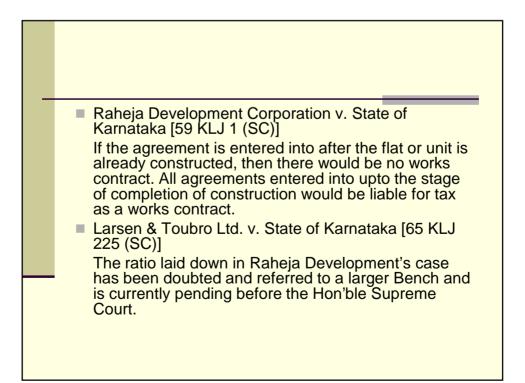


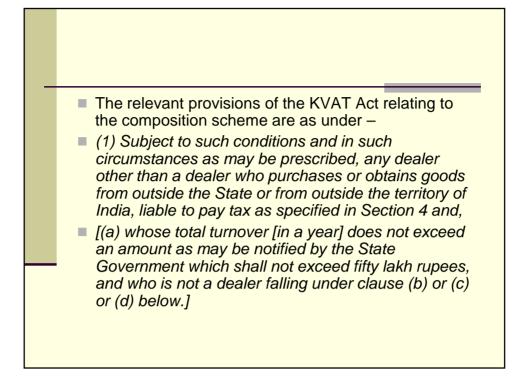


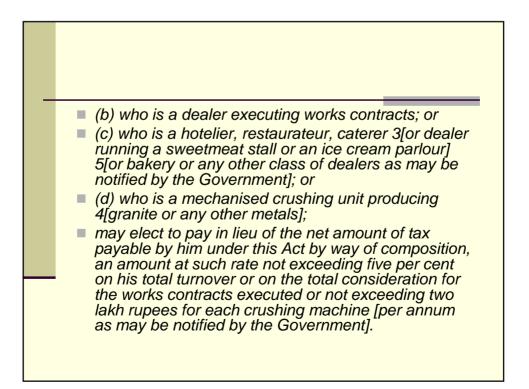


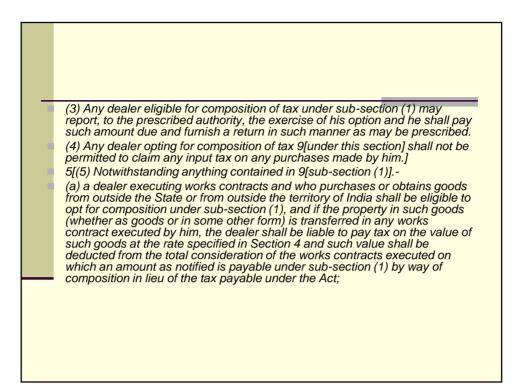












(b) in the case of a dealer executing works contracts and opting for composition of tax under sub-section (1), no tax by way of composition shall be payable on the 6[amounts payable or paid] to a sub-contractor as consideration for execution of works contract whether wholly or partly and such amounts shall be deducted from the total consideration of the works contracts executed on which an amount as notified is payable under sub-section (1) by way of composition in lieu of the tax payable under the Act subject to production of proof that such sub-contractor is a registered dealer liable to tax under the Act and that such amounts are included in the return filed by such subcontractor;

