

GOVERNMENT OF ORISSA  
FINANCE DEPARTMENT

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No. CTA-57/10- 48317(230) /F Dated- 23.11.2010

From

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Principal Secretary to Government.

To

All Departments of Government,  
All Heads of Departments

**Sub:- Principles to be observed in making purchases from outside State  
by Government Departments/Government Agencies.**

Finance Department had issued guidelines from time to time regarding principles to be followed in making purchases from outside the State. The said guidelines have been circulated vide F.D. Memorandum No. WF-1-3/89-18860(210)/F Dt. 5.5.89, No. CTA-130/92-1897(225)/F Dt. 13.1.93, No. CTA-147/98-48625(230)/F Dt. 24.11.98 and No. CTA-50/2001-39386(273)/F Dt. 21.8.2002.

2. In the said guidelines, it is stipulated that in comparing the cost of an article, if purchased from within the State with the price of similar article if purchased from outside the State, the amount of Orissa Sales Tax (OST) now VAT should be deducted from the total cost since it accrues back as revenue to the State. If after such deduction, the cost of articles to be purchased within the State is not more than the cost including Central Sales Tax, transport and other charges of similar articles from outside the State, it would be economical to purchase articles within the State.

3. Earlier, Government Departments were entitled to avail concessional rate of CST in case of inter-State purchase of goods by furnishing Form 'D' under the CST Act. This facility of inter-State purchases by Govt. Departments against Form-'D' is no longer available as the same has been withdrawn w.e.f. 1<sup>st</sup> April, 2007 by the Taxation Laws (Amendment) Act, 2007. Accordingly, rate of tax on inter-State purchases (purchase from outside the State) by Govt. Departments can go up from 4% to 12.5%. Hence, purchase of goods from outside the State by Govt. Departments is no longer economical if such goods are available inside the State. Besides, purchase of goods from outside the State erodes the State's consumption base for taxation.

4. It has come to the notice of the Government that these instructions are not being followed by some Departments and sub-ordinate offices. It is, therefore, once again impressed upon all concerned that the above guideline at para-2 should be strictly followed hereafter. It is further advised that if, in any case, after cost comparison of articles available inside the State with that of outside the State, a Government office decides to purchase goods from outside the State, the supplying dealer may be asked to supply the goods through billing by a branch office/a Sales Depot of the manufacture inside the State in order to protect State's consumption base for taxation.