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.

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withdrawn w.e.f. 1st April, 2007 by the Taxation Laws (Amendment) Act, 2007.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 in side 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.