

**GOVERNMENT OF ODISHA
FINANCE DEPARTMENT**

Memo No. 19943 /F,
FIN-CT1-TAX-0020-2017

D. 30.06.2017

To

**All Departments of Government,
All Heads of Department.**

Sub: Deduction of Tax at source from payment made to works contractors under the Odisha Value Added Tax Act, 2004.

As per section 54 of Odisha Value Added Tax Act, 2004 and rules made thereunder, the deducting authorities were authorized to deduct tax equal to four per centum of the amount in respect of works contract while making payment to any works contractor if the value of works contract exceeds rupees fifty thousand. In the mean while the provision of deduction of tax at source from payment made to works contractors as provided under section 54 has been omitted by the Odisha VAT (Amendment) Act, 2017.

2. Consequent upon enforcement of Odisha VAT (Amendment) Act, 2017 in the State with effect from 1st July, 2017 there is no provision for deduction of tax at source in respect of payment made to works contractor, the Finance Department Memo No. 31712/F dt. 01.07.2005 and all other instructions issued in this respect stands superseded with effect from 01.07.2017. It is therefore requested that deduction of VAT at source from payment made to works contractors shall not be made by the deducting authorities with effect from the date of commencement of the Odisha VAT (Amendment) Act, 2017 i.e. 1st day of July, 2017.

3. All sub-ordinate offices under the control of respective Departments of Government may accordingly be instructed for strict compliance of statutory provision of law failing which the deducting authorities making deduction of VAT from payment to works contractors shall be held personally liable to penal action.

4. Further, Odisha Goods and Services Tax Act, 2017 will come into force w.e.f. 1st July, 2017 except section 51 and 52. Thus, the provisions relating to tax deduction at source as mentioned under section 51 of OGST Act, 2017 has been deferred.

Sd/-

Special Secretary to Government.