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Dt: 23-7-16

To

**JCCTs in-charge of Ranges
DCCT / ACCT in-charge of Circles**

Sub: In the matter of issue of No Deduction Certificate (NDC) in favor of Works Contractors

Madam / Sir,

It has come to the notice of the undersigned that while issuing No Deduction Certificate (NDC) to Works Contractors u/s 54 of the OVAT Act, no uniform approach is being followed by Assessing Authorities. While some Assessing Authorities are issuing NDC on the basis of the Appendix of Rule 6(e) of OVAT Rules, others are issuing NDC on the basis of the terms and conditions of contract furnished by the Works Contractors.

The proviso to Rule 6(e) of the OVAT Rules reads as follows.

"Provided that where a dealer executing works contract fails to produce evidence in support of expenses towards labour and service as referred to above or such expenses are not ascertainable from the terms and conditions of the contract or the books of accounts maintained for the purpose, expenses on account of labour and service shall be determined at the rate specified in the Appendix."

Therefore, while issuing NDC, you are required to assess the amount of expenses on account of labour, service and like charges to be deducted from the gross turnover by adhering to the following step by step procedure:

Step-1: To honour acceptable evidence produced by the Works Contractor in support of such expenses such as Terms and Conditions of the Contract or Bill of Quantity (BOQ) or Estimate of the contract awarded or Books of Account maintained for the purpose, etc.

Step-2: In case the Works Contractor fails to produce any of the above-mentioned evidences or the evidences produced by the Works Contractor are not acceptable to you, then you may follow the norm prescribed in the Appendix to Rule 6(e).

Compendium of Circulars

It is also extremely important that before you decide anything to the disagreement of the dealer, you must allow the dealer reasonable opportunity of being heard. Reasonableness in issue of NDC will not only avoid harassment to Works Contractors, but will also result in lesser litigation.

Yours faithfully,



**Commissioner of Commercial Taxes
Odisha, Cuttack**