

## Works Contract: Tax Deduction at Source

Applicable Section under Maharashtra Value added Tax Act, 2002: Sec 31 & Sec 40

Applicable Notification: Notification no 6-T of 2005 & JC(HQ)1/VAT/2005-97 dated 29/08/2005

Applicable Forms: Form No 210, Form No 401/402/404/405(e-424)

### Applicability of WCT-TDS:

- TDS is applicable for Works Contract Transactions.
- Employer employing Contractor for Work Contract is required to comply with requirement of TDS.

### What is covered under work Contract::

1. Construction Contract includes contraction of buildings, roads, water purification plant, Bridge, etc.
2. Other Contracts, which includes installation of Plant and machinery, air conditions, painting & polishing, laying pipes, etc..

### Rate of deduction of TDS:

Sr No	Category of Employer	Rate of Deduction
1	Central Government and State Government	i) 2% in case of Registered Dealer ii) 5% in other cases
2	All industrial, commercial, Trading undertaking, corporation, companies of Central Govt. and State Government	i) 2% in case of Registered Dealer ii) 5% in other cases
3	Local Authority, Municipal Corporation, Cantonment Board, ZP, etc..	i) 2% in case of Registered Dealer ii) 5% in other cases
4	Company, Co-Operative Societies, Registered Dealer, Banks etc	i) 2% in case of Registered Dealer ii) 5% in other cases

- The TDS is not to be made when the payment or aggregate of payment to the contractor in a year is less than Rs.5 lakhs. In other words it will apply when the payments are exceeding Rs.5 lakhs.
- The TDS is to be deducted from net amount and no TDS is required to be deducted from sales tax/VAT separately charged or service tax charged separately by the contractor.
- TDS should not exceed the tax payable by such contractor.
- TDS should not apply to contracts taking place in course of inter-state trade or in course of import/ exports.
- No TDS is required when principal contractor is making payment to sub-contractor.
- In relation to advance payment, the TDS will apply as and when the advance payment is adjusted towards the actual amount payable to the contractor.

**Procedural Part of WCT-TDS:**

- Employer to obtain registration / Tax deduction number in Form No 401 within 3 months from the day he become liable to deduct the tax.
- Remittance of tax to Government Treasure in Form No 210 within 21 days from the expiry of the month.
- Furnish the Certificate to the Contractor in Form No 402 immediately after deduction of TDS .
- Employer shall maintain the record of amount of tax deduction, furnishing of TDS certificate and payment of deduction to Government treasure in Form No 404.
- Employer is required to file annual TDS return in Form No 405/ (e-424) with Joint Commissioner of Sales Tax.