



**PROCEEDINGS OF THE AUTHORITY FOR CLARIFICATION AND ADVANCE RULINGS UNDER SECTION 60 OF THE KARNATAKA VALUE ADDED TAX ACT, 2003 READ WITH RULE 165 OF THE KARNATAKA VALUE ADDED TAX RULES, 2005**

PRESENT : (1) M.D.Jain  
Additional Commissioner of Commercial Taxes (Head Quarters-I), Bangalore and Chairman.  
(2) H.D.Arunkumar,  
Additional Commissioner of Commercial Taxes (Policy & Law), Bangalore and Member.  
(3) R.Jagadeesh Prasad,  
Additional Commissioner of Commercial Taxes (Goods and Service Tax), Bangalore and Member.

NAME AND ADDRESS OF THE APPLICANT : M/s.CADD CENTRE INDIA PVT LTD.,  
Shreerakshe Complex, #668, (New No.95),  
Division #2, III Block, 12<sup>th</sup> Main,  
Rajajinagar, Bangalore-560 010  
(Represented by Sri V.R. Chidambaram,  
Assistant Manager, Accounts and duly authorized representative)

TIN : 29740338911

JURISDICTIONAL ASSESSING AUTHORITY : ACCT, LVO-140

**ORDER NO.AR.CLR.CR.3/2013-14, DATED 22.8.2013.**

The applicant is a dealer registered under the KVAT Act, 2003 and is engaged in the business of sale of printers, plotters, copiers, scanners and its spares and consumables such as printing ink, toners and cartridges after importing them from various foreign countries. In addition to the above, the applicant also undertakes repair and maintenance services of the machines under Annual Maintenance Contract (AMC) / Cost Per Running Meter (CPRM) and supplies spares, inks, toners and other consumables to customers under AMC / CPRM. The applicant submits that these contracts are covered under rule 3(2)(m) of the KVAT Rules, 2005 and

hence after bifurcating the contract value into supply / sale of materials and labour charges, he is charging sales tax on 75% of the contract value and service tax on 70% of the contract value (as he is unable to maintain classified account). The applicant seeks clarification as to whether payment of tax by him on 75% of the contract value is correct and also the rate of tax applicable on the transaction.

2. Sri V.R.Chidambaram, Assistant Manager, Accounts and duly authorized by the applicant appeared before the Authority and is heard. He reiterated the facts stated in the application.

3. The Joint Commissioner of Commercial Taxes (Administration), VAT Division-2, Bangalore, whose opinion was called for on the issue raised by the applicant, in his letter dated 10.5.2013 has opined that when labour charges are not ascertainable, then the percentage of labour charges fixed under rule 3(2)(m) of the KVAT Rules, 2005 can be adopted and that the formula adopted by the applicant and the rate of tax (of 14.5%) applied on 75% of the contract value is in accordance with law.

4. Matter is examined.

- (i) It is not in dispute that the applicant is executing works contract of service and maintenance of printers, plotters, copiers and scanners and in the course of execution of such works contract transferring property in goods like parts, inks, toners and other commodities. Such works contract falls under serial No.23 of Sixth Schedule to the KVAT Act, 2003 and the taxable turnover relating to goods so transferred is liable to tax at 14.5% under Section 4(1)(c) of the KVAT Act, 2003.
- (ii) Further, it is also not in dispute that the labour and like charges incurred in the execution of the above works contract are not ascertainable from the books of account maintained by the applicant. In such a case, as prescribed in serial No.14 of the Table in Rule 3(2)(m) of the KVAT Rules, 2005, such charges are to be calculated at 25% of the value of the contract and allowed

