



**GOVERNMENT OF KARNATAKA  
(Commercial Taxes Department)**

**PROCEEDINGS OF THE COMMISSIONER OF COMMERCIAL TAXES,  
(KARNATAKA), BANGALORE – CLARIFICATION UNDER SECTION 59 (4)  
OF THE KARNATAKA VALUE ADDED TAX ACT, 2003.**

Sub: KVAT Act, 2003 – clarification regarding rate of VAT on EMD(Earnest Money Deposit) and FSD(Further Security Deposit) deducted by the department from gross works Contract.

Ref: Application dated 06-10-2011 of Sri K.S.Nagarajaiah, Civil Engineer & Contractor, Kodihalli, Kanakapura Tq. Ramanagar District. TIN-29880128635

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In the application cited above, Sri K.S.Nagarajaiah, Civil Engineer & Class.I PWD Contractor, Kodihalli – 562 119, Kanakapura Taluk, Ramanagar District has sought clarification regarding rate of value added tax on EMD(Earnest Money Deposit) and FSD (Further Security Deposit) deducted by the department from gross works Contract.

2. Section 59(4) of the Karnataka Value Added Tax Act, 2003 empowers the Commissioner of Commercial Taxes to clarify the rate of tax payable under the Act, if he considers it necessary or expedient so to do, for the purpose of maintaining uniformity in the work of assessments and collection of revenue. It is examined and found that the clarification requested by the petitioner is within the scope of the aforesaid provision and it is necessary that the clarification be issued for the purpose of maintaining uniformity in the work of assessments and collection of revenue.

3. Hence, the following clarification is issued.

**CLARIFICATION NO.CLR/CR-140/2011-12, DATED 20-03-2012**

EMD (Earnest Money Deposit) and FSD (Further Security Deposit) are deducted by the contractee out of the amount payable to the contractor executing works contract. They are therefore part of total works contract receipts of the contractor and hence form part of the total and taxable turnover of the contractor.

Tax is payable on the taxable turnover at the rate prescribed in the Sixth Schedule to the KVAT Act, 2003, if the contractor is paying taxes under regular scheme of taxation. On the other hand, if the contractor has opted for composition scheme, tax is payable at 4% on the total consideration for the works contract executed.

(PRADEEP SINGH KHAROLA)  
Commissioner of Commercial Taxes,  
(Karnataka), Bangalore.  
Commissioner of Commercial Taxes  
IL Karnataka, BANGALORE