



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 hire charges / transportation charges paid to construction
equipments, machineries & vehicles engaged in works
contract – reg.

Ref: Application dated 04-10-2011 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 income tax deducted at source from gross value of the contract.

4. 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.

5. Hence, the following clarification is issued.

CLARIFICATION NO.CLR/CR-138/2011-12, DATED: 28-03-2012

It is clarified that when goods are taken on lease, tax is payable by the lessor. However, if lessor is an unregistered dealer, then the person taking on lease (lessee) is liable to pay tax under section 3(2) as purchase of those goods.

2. For earthmoving machinery, rate of VAT is at 5% as per entry 20 of Third Schedule of the KVAT Act, 2003 read with notification No.FD.316 CSL 2005(1), dated 05-08-2005.


(PRADEEP SINGH KHAROLA)
Commissioner of Commercial Taxes,

(Karnataka) Bangalore
Commissioner of Commercial Taxes
in Karnataka, BANGALORE