

**Office of the Commissioner of Commercial Taxes**  
**Andhra Pradesh, Hyderabad**

CCT's Ref.Enft.No. 864/AC.III/2007

Dated: 11-07-2007

**Smt. Ranjeev R. Acharya, I.A.S.,** Commissioner of Commercial Taxes

**CIRCULAR**

Sub:- AP VAT Act, 2005 – Audits on Works Contractors – Certain inconsistencies found – Communicated – Regarding.

Attention of all the Deputy Commissioners in the State is invited to the subject cited. It is to inform that the business premises of certain Works Contractors were inspected by the Enforcement Wing and during the course of verification of their books of accounts, the following issues were observed;

3. Certain building Contractors, who have opted for composition scheme under Section 4(7)(d) of APVAT Act, 2005.
  - a. have not reported full turnovers as per “agreement of sale” but reported the value of sale deed only which was registered in Sub Registrar Office and tax paid @ 1%. As per clause (d) of Section 4(7) of APVAT Act, 2005, total consideration received or receivable is liable for tax. Hence it is felt that the “agreement of sale” value which is inclusive of land cost, construction cost, is liable to tax.
  - b. have claimed exemption on the portion of land value, which is not in line with Section 4(7)(d) of APVAT Act, 2005.
  - c. have not reported the receipts pertaining to Service Tax and other charges which are liable to tax under Section 4(7)(d) of APVAT Act, 2005.
  - d. have not declared the incorporation value of the goods purchased from non VAT dealers, i.e. TOT dealers, unregistered dealers and purchases from outside the State, which are liable to tax under Section 4(7)(e) of APVAT Act, 2005.
4. Certain Contractors who have not opted for Composition and liable to tax under Section 4(7)(a) of APVAT Act, 2005.
  - a. claimed input tax credit fully instead of restricting it to 90%.
  - b. Claimed input tax credit on negative list items such as spare parts, lubricants, etc., for Automobiles and Earth moving equipments.
  - c. Have claimed exemption as their main contractor is under composition. In view of Act No.5 of 2007 w.e.f. 01-09-2006 they are not eligible to claim the exemption and liable to tax.

In view of the above, it is requested to examine the cases of Contractors in the light of the above, observations and the result of verification may be submitted by 16-08-2007 positively.

Smt. RANJEEV R. ACHARYA  
Commissioner of Commercial Taxes