

CIRCULAR No.20/08

Sub:- KVAT Act 2003 – Works Contract – Interstate purchase of goods –
-Eligibility for C Form – instructions-issued

Section 8(4) of Central Sales Tax Act, 1957 read with Rule 12(1) of the Central Sales Tax Rules [R & T], 1957 provides for issue of C Forms for availing the concessional rate of tax as contemplated in section 8(1) of the said Act.

Now a doubt has been raised from some quarters as to the entitlement to C Forms for the purpose of interstate purchase of goods to be used for the execution/in connection with the execution of works contract.

Evidently C Forms can be issued by registered dealers for the interstate purchase of goods for

- resale,
- use in the manufacture/processing of goods for sale,
- use in mining,
- use in generation/distribution of power, packing of goods for sale/resale.

It is a well settled position that transfer of goods involved in the execution of works contract is treated as 'deemed sale' which brings with it all privileges of a 'sale' transaction. So interstate purchase of goods for use in the execution of works contract is entitled to be covered under C Forms.

Obviously most of goods involved in the execution of works contracts are transferred 'not in the form of goods, but in some other form'. So the original goods should undergo some processing, if not manufacturing, before it being transferred. Factual position being so, materials directly used for such processing are also entitled to be purchased under cover of C Forms.

But purchases which are not directly connected with the processing of the goods in question involved in the execution of the works contract shall not be entitled for purchase under cover of C Forms.

All officers shall note the above statutory position and take action accordingly.

Commissioner