

DIRECTORATE OF LOCAL FUND AUDIT, ODISHA,  
TREASURY & ACCOUNTS BHAWAN, 2<sup>nd</sup> FLOOR,  
UNIT-III, KHARAVEL NAGAR, BHUBANESWAR

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No 7048 /DLFA., Dt. 18/06/2013 /  
DLFA(Prog)-XIV-AUD-13/2012

To

All District Audit Officers,  
Local Fund Audit

Sub: Deduction of TDS on account of VAT from the bills of the suppliers.

Madam/Sir,

It has come to the notice of the undersigned that the Auditors are raising objection on the ground of non-deduction of TDS on account of Value Added Tax(VAT) from the bills of the suppliers by the Local Authorities and recovery is being suggested on this score .

2. It is to be clarified in this context that the Odisha Value Added Tax Act does not have any such provision for deduction of tax from the suppliers. Presently there is provision of TDS only for works contract. Finance Department has also not issued any such circular mandating deduction of TDS from the bills of the suppliers. Such a provision was in vogue during OST regime. Therefore, any objection on this account is not sustainable now. Finance Department Circular only stipulates that the purchases should be effected from registered dealers. However, where the purchase is made from an unregistered dealer, the Audit can not establish liability of the dealer and the Sales Tax Authorities can only decide whether the particular dealer is liable to pay tax or not. Hence, audit should not suggest recovery on this account.

3. In view of the above, any such objection in any audit report may be dropped at your level and the auditors working under you may be impressed upon not to raise such objections in future.

Yours faithfully,

  
18/6/13  
Director