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GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

OFFICE OF THE PRINCIPAL CONTROLLER OF ACCOUNTS (FYS)

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No: ED CELL/I/DPSUs/OFB/16-17

Dated: 08/06/2016

To

1. The Controller of Finance & Accounts (Fys)

2. The Officer-in-charge (Fys)

Subject: Clarification on payment of Excise duties and Service Tax.

This Office is receiving letters from Group Controllers / Br. Accounts Offices seeking clarifications on various points of doubts regarding implementation of Service Tax and payment of Excise duties by ordnance factories. In this regard following clarifications are furnished for your necessary guidelines, please.

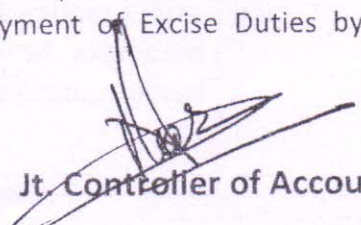
Sl No	Points of Doubt.	Clarifications
1.	As per Sl No. 25(a) of Min. of Finance Notification No. 25/2012-Service Tax dated 20.06.2012, Service Tax is exempted for services ordinarily entrusted to Municipality. Labour contracts in Factories Estate and Hospitals are outsourced that does not necessarily mean to be municipality. Given this circumstances, it may be clarified whether Labour Contracts in Factories Estate and Hospitals will come under the purview of exempted services under Sl. No. 25(a) of Min. of Fin notification dated 20.06.2012.	The Recipient will be paid Service Tax here. But if recipient is Government no Service Tax will have to be paid.

2.	<p>Regarding Payment of Excise Duty Para (5) b of Circular No. 124, it will be extremely difficult to pay the ED on 31st March since there won't be any sufficient time to clear the goods and completion of Target by Ord. Fy. Consequently issue Vouchers will have to be stopped by 29th March by Ordnance Factories.</p>	<p>Issue of goods may be stopped on or before 29th March, so that Tax/Duties may be paid within 31st March. (For March). But it is an internal issue and the issue may be resolved by mutual agreement between Management and LAOs.</p>
3.	<p>Modalities for payment of Excise Duty & Opening of separate account for payment of ED. There is an existing system of remittance of Direct Taxes through operation of <u>Central Revenue Receipt code heads</u> by the Government Deptt. And the feasibility of extending the same facility in respect of indirect taxes i.e. Central Excise may kindly be also be examined / explored.</p> <ul style="list-style-type: none"> (NOTE: the matter has been referred to HQrs office vide DO No. A/II/102/XXV Dt. 16th Oct 2015 by C.of A (fys) to OSD, CGDA. The same has been intimated by this office letter of even no. dated 09.12.15 to AO, AFK). 	<p>Direct Tax is Consolidated Account, but Indirect Tax is not Consolidated. All factories are of separate unit/identities. Here no single Central Revenue Receipt Code head is required, being ED & ST are the indirect taxes.</p>
4.	<p>Fy. Management while issuing the items on Loan prepares the 'N' series of voucher, and paying ED thereon despite repeated requests for stopping the same. The matter has been taken up with Principal Commissioner of Central Excise and Service Tax, Kolkata.</p>	<p>If IFD issue and final product after value addition be the finished product than ED has to be paid and CENVAT credits have to be availed. In case of IFD issue, if it returns, within 180 days than it will be under Challan movement only. For Testing purpose outside the Factory, Tax shall have to pay.</p>

5.	<p>(1) Is reimbursement of Service tax separately applicable for cases where as per Special condition of Contract for e-Proc cases, rate quoted by the contractor is deemed to be inclusive of all Taxes and the same have been incorporated in the TE condition and accepted by the contractors in respective tenders (E-Proc tenders). The same has arisen as the Ordnance Factories have come under ED & Service Tax w.e.f. 01.06.2015 and these bids were received and finalized before this date.</p>	<p>Recipient of Services will pay Service Tax. If recipient is Government no S.Tax will be paid by recipient. If rate is all inclusive than the recipient will have to pay Tax. Tax will be deposited by recipient after deducting the Tax from 'all incl. rate' and balance will be paid to Service provider.</p>
	<p>(2) Whether CENVAT Credit can be availed for Civil Works executed in the Estate area (other than Factory area). Accounting procedure that is to be adopted for availing CENVAT credit for civil works executed in Estate & Factory area.</p>	<p>Service Tax will have to be paid but CENVAT credit will not be allowed in case of works contract even if carried out inside the Factory area.</p>
	<p>(3) Whether service Tax payment proof/ challan is to be collected before releasing of any bill/ payment to the contractor or to ask the contractor to submit the proof/ challan after bill/ challan is released considering the tender terms stating "All rates quoted by vendor are inclusive of all taxes".</p>	<p>Generally not required, But for controlling purpose it may ask to produce the proof. i.e. Bills, Challan etc. Bills/ Challan raised by service provider may quote Service Tax Registration no & Bill should be preprinted.</p>

The instructions/ clarifications as detailed above may be followed while dealing with applicability of Service Tax in Works Contract and payment of Excise Duties by Ordnance factories.

C of A has approved.


Jt. Controller of Accounts (Fys)

CIRCULAR

**OFFICE OF THE PRINCIPAL CONTROLLER OF ACCOUNTS (FYS),
10-A, S.K. BOSE ROAD, KOLKATA- 700 001**

No: ED/1/DPSU/OFB/2014-15

Dated: 04/03/2016

To

The Controller of Finance & Accounts (Fys)

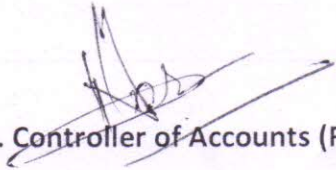
1. Avadi Group of Factories, Heavy Vehicle Factory, Avadi, Chennai-600 054
2. Ambajhari Group of Factories, Ordnance Factory, Ambajhari-440 021.
3. Kirkee Group of Factories, Ammunition Factory, Kirkee-441 003.
4. Bengal Group of Factories, Rifle Factory, ATS Building, Ishapur- 743 144.
5. Jabalpur Group of factories, Vehicle Factory, Jabalpur-482 005.
6. Kanpur Group of Factories, AYUDH UPASKAR BHAVAN, G.T. Road, Kanpur-208013.
7. Ordnance Factory, Yeddumailaram, Medak-502 205.
8. Dehradun Group of Factories, Opto Electronics Factory, Dehradun-248 008.
9. Ordnance Factory, Badmal, Bolangir-767 770.

Subject: Implementation of Service Tax provision – a clarification.

This Office is receiving letters from Group Controllers / Br. Accounts Offices seeking clarifications on following issues regarding implementation of Service Tax on works contract that has been effected from 01/04/2015 vide GOI, Ministry of Finance (Department of Revenue) notification No. 6/2015 dated 01/03/2015:

- (i) Liability of paying Service Tax,
 - (ii) Production of proof by contractor while claiming reimbursement of Service Tax,
 - (iii) Booking of Service Tax in case of recovery of the same from Contractor's Bill.
2. The issues referred at para 1 ante are clarified as under:
- (i) As per GOI Min of Fin (Deptt. Of Revenue) Notification no. 06/2015 of 01-03-2015, service Taxes became leviable on all works contract w.e.f. 01-04-2015, hence the liability of paying Service Tax is on the provider of Services.
 - (ii) Further, for any payment of Service Tax GAR / TR form is required to be submitted as per Rule 4.A. (I) of Service Tax Rule – 1994. For any reimbursement of Service Tax by the Service provider i.e. Contractor also shall be made on the production of proof by the contractor in next due payment in RAR / Final Bill.
 - (iii) In case Service Tax is deductible from the contractor's bill the necessary UCC for booking of the same are laid down in this office Circular No. 120 dated 29.05.2015 and Circular No. 127 dated 17.09.2015.
3. The instructions as detailed above may be followed while dealing applicability of Service Tax in Works Contract.

Controller of Accounts (Fys) has approved.



Jt. Controller of Accounts (Fys)

