



**PUNJAB STATE TRANSMISSION CORPORATION LIMITED**  
(Regd. Office: PSEB, Head Office, The Mall, Patiala-147001, Punjab, India)  
Corporate Identity Number - U40109PB2010SGC033814,  
Office of CFO, AO/Taxation, Shakti Sadan, Patiala  
E-mail: [ao-taxation@pstcl.org](mailto:ao-taxation@pstcl.org), Tel/Fax No. 0175-2203637

To

Taxation Circular: 3/2016

1. Engineer-In-Chief/TS, PSTCL, Patiala.
2. Chief Engineer/SLDC, PSTCL, Patiala.
3. Chief Engineer/P&M PSTCL Ludhiana.
4. Chief Engineer/HR, S&D and IT PSTCL, Patiala

Memo No: -1098-1101/CFO/Taxation/10

Dated: - 12/05/2016

**Subject: - Deduction of WCT from bills of contractors as per Punjab VAT Act, 2005.**

**Reference: - A letter from the office of Engineer-in-Chief/TS, PSTCL vide memo no. 1033 dated 15/03/2016.**

Engineer-in-Chief/TS sought necessary instructions for deduction of WCT from the bills of contractor as per Punjab VAT Act, 2005 on the basis of instructions issued by Chief Engineer/MM, PSPCL, Patiala vide memo no.172-197 on dated 03/02/2016 to concerned officers/officials of PSPCL for the implementation of the provisions of Punjab VAT Act, 2005 regarding deduction of WCT from the bills of contractor on the basis of expert advice taken by PSPCL from Advocate Sh. R.K. Malhotra.

The matter was examined and it has been decided that the similar instructions may be followed by PSTCL also regarding deduction of WCTDS from the bills of contractor as per expert advice of Advocate Sh. R.K. Malhotra taken by Chief Engineer/MM, PSPCL. Copy of the instructions issued by Chief Engineer/MM, PSPCL, Patiala is enclosed herewith.

Therefore you are requested to pass necessary instructions to the concerned officers/officials under your organization for the implementation of the provisions of Punjab VAT Act, 2005 regarding deduction of WCT from the bills of contractor.

This issues with the approval of CMD, PSTCL, Patiala.

DA/as above

*Vijay K. Goyal*  
Accounts Officer/ Taxation  
PSTCL, Patiala.

Dated: - 12/05/2016

Endst No: - 1102-1109/CFO/Taxation/10

Copy of the above is forwarded to the following for information please.

1. Financial Advisor PSTCL Patiala.
2. Company Secretary, PSTCL.
3. Chief Auditor, PSTCL, Patiala.
4. SE/IT, PSTCL, Patiala for placing the circular on website of PSTCL.

*Vijay K. Goyal*  
Accounts Officer/Taxation  
PSTCL, Patiala.

CC:

1. Sr. PS to CMD, PSTCL, Patiala for kind information of CMD, please.
2. Sr. PS to Director/F&C, PSTCL, Patiala for kind information of Director, please.
3. Dy. Secy. to Director/Tech., PSTCL, Patiala for kind information of Director, please.
4. Sr. PS to Director/Admn., PSTCL, Patiala for kind information of Director, please.

Regd. Office: PSEB Head Office, The Mall, Patiala-147001  
Corporate ID No: U40109PB2010SGC033813. Website www.pspcl.in  
O/O:- Chief Engineer/MM, Ph. no: 0175-2213047, Fax: 0175-2225024

To

1. Er.-in-Chief/ DS(West), PSPCL, Bathinda
2. Er.-In-Chief / IT, PSPCL, Patiala
3. Er.-In-Chief / O&M, GHTP, PSPCL, Lehra Mohabbat.
4. Er-In-Chief/ DS(Central), Mini Secretariat, PSPCL, Ludhiana
5. Er-In-Chief/Hydel Projects,Patiala.
6. CE/ DS (North), Shakti Sadan, PSPCL, Jalandhar.
7. CE/ DS(South), Shakti Vihar, PSPCL Patiala.
8. CE/ DS(Border), Shakti Sadan, PSPCL, Amritsar
9. CE / O&M, GGSSTP, PSPCL, Ropar
10. CE/ O&M, GNDTP, PSPCL, Bathinda
11. CE/ Metering, PSPCL, Patiala
12. CE/ Thermal Design, Shakti Vihar, PSPCL, Patiala.
13. CE/ Civil Design & Const, Shakti Vihar, PSPCL, Patiala
14. CE/ RE & APDRP, Shakti Vihar, PSPCL, Patiala
15. CE/ Store and Workshop, Mini Secretariat, PSPCL, Ludhiana
16. CE/ TS, PSPCL, Patiala.
17. Chief Administration, PSPCL, Patiala
18. Chief Accounts Officer, PSPCL, Patiala
19. Financial Advisor, PSPCL, Patiala.
20. Accounts Officer/CPC (MM), PSPCL, Patiala.

Memo no. 178/197 / Date: 08/02/16

Sub: Deduction of WCT from the Bills of Contractors as per PVAT Act, 2005.

It has come to the notice of this office that some offices under PSPCL are not deducting WCT as per PVAT Act,2005 from the payment made to the contractors .The matter was referred to expert (Advocate Sh. R.K.Malhotra) for clarifications as under :-

How WCT is to be deducted in the following cases?

1. The Contractor's bill in which only Labour is provided.
2. The Contractor's bill in which Labour and material are required to be provided and both are specified separately.
3. The Contractor's bill in which Labour and material are required to be provided but not specified.

After examining the issue the Advocate Opined as under:

**“Query no. 1, where only labour is provided by the contractor:**

*In my considered opinion, the provisions of section 27 of the Punjab Value Added Tax Act, 2005, are not applicable to the cases where only labour/manpower is provided by the contractor, as has been mentioned in Query no. 1, and there is no transfer of property in goods at any stage. The company is not under any legal obligation to deduct tax at source as has been held by Hon'ble Punjab & Haryana High Court in the case of Sh. Jarnail Singh vs Bharat Sanchar Nigam Limited and Others-[2010]30 VST 146(P & H)*

**Query no. 2 and 3, where both labour and material are provided by the contractor:**

*As and when the contractor is providing both labour and materials of his own in the execution of a contract, such transactions attract WCTDS under section 27 of the Punjab VAT Act, 2005. However, the company is under obligation the tax only towards*

*the value of materials used by the contractor and to the exclusion of value of labour. This view finds support from the judgement of Hon'ble Punjab and Haryana High Court in the case of Larsen and Toubro Limited vs State of Haryana and Others-[2011] 37 VST 428( P & H)*

- a) *Therefore, in the cases as per Query no. 2, where the value of materials and labour has been seperately specified in the Bills raised by the contractor, the WCTDS is deductible only against the value of materials.*
- b) *There are cases as per Query No. 3, where the value of materials and labour has not been seperately specified in the Bills raised by the Contractor. Yet the WCTDS is deductible only against the value of materials. In such cases the company will be able to deduct tax at source if the contractor provides a declaration to the company wherein the value of materials, which he will offer for taxation to the department, is declared. In its absence, the company will have to deduct tax against the entire amount to be paid to the contractor. The mechanism for getting the declaration has been allowed by the Hon'ble Punjab and Haryana High Court in the case of M/s Larsen and Toubro (supra). "*

You are requested to pass necessary instructions to the concerned Officers/Officials under your organization for the implementation of the provisions of PVAT Act, 2005 regarding deduction of WCTDS from the Contactor's Bills to avoid legal complications at later stage.

Chief Engineer/MM.  
PSPCL, Patiala