

Government of NCT of Delhi
Office of the Principal Secretary
Department Of Finance
Delhi Secretariat, New Delhi

Dir. of Trg. & Tech. Education
Diary No. 327
21 JAN 2013
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Pitara Pura, Near T.V. Tower
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F.3(11)/Fin(Rev-I)/2012-13/ds/57-68

Dated: 17/1/2013

CIRCULAR

1. Different Government Departments / Organisations of Government of NCT of Delhi (GNCTD) and Local Bodies procure goods/ supply items, etc. for their functional requirements through open tendering or at rate contract of pre-authorised agencies such as DGS&D, ICSIL, NICSI, DSIIDC, Kendriya Bhandar, etc. In many such purchases, the goods are supplied through sale invoices by vendors from their offices/ branches outside Delhi. Result, the Value Added Tax (VAT) accrues to the state from which such goods are exported to Delhi. There is consequent loss of VAT revenue to Delhi. This is against the principles of VAT, a form of sales tax, which is consumption based tax and accordingly the tax revenue should accrue to the consuming state and not to the exporting state. This loss comes at the expense of GNCTD.

2. It has accordingly been decided that in future tenders and contract agreements, and in case of procurement from pre-authorised agencies such as DGS&D, ICSIL, NICSI, Kendriya Bhandar, DSIIDC, etc. or through open tender, the Departments / Organisations of Government of NCT of Delhi and Local Bodies will insert the following condition:

"The goods, including for works contract, shall be supplied by bidder or its authorised distributor in Delhi and against a sale invoice issued from Delhi. The delivery of goods shall also be made from Delhi. The bidder dealer or its authorised distributor, as the case may be, who supplies the goods should be registered with the Delhi VAT Department and carry a valid Tax Identification Number issued by it. The bidder shall, however, be responsible for compliance with all conditions, warranties/ guarantees, irrespective of the fact that the goods are supplied by him directly or through its authorized distributor. Further, the quoted bid price in the tender shall be inclusive of all taxes and duties."

The pre-authorised agencies shall also ensure the following:

"Delivery of goods is made from Delhi and against a sale invoice issued from Delhi. The dealer supplying goods should be registered with the Delhi VAT Department and carry a valid Tax Identification Number issued by it,"

3. There could, however, be cases where the price in Delhi may be more than the price in the exporting state. E.g. a motor car costing ₹ 4.75 lakh in Gurgaon may cost ₹ 4.85 lakh in Delhi (sale to authorized dealer @ 2% CST). If the vehicle is purchased Locally, then Delhi would get ₹ 60,625 (12.5% of ₹ 4.85 lakh) as VAT. Thus, the total sale price would become ₹ 5,45,625 for purchase from Delhi. In case of purchase from Gurgaon, the sale price would be ₹ 5,34,375, 'inclusive of full CST (12.5% of ₹ 4.75

lakh) payable to Haryana Government. Thus, there is increase in salt price for the indenting organization by ₹ 11,250 in case of local purchase but Government of Delhi will be a net gainer by ₹ 49,375 (₹ 60,625 - ₹ 11,250).

4. This arrangement could result in enhancement of expenditure on the part of the Department, but there is a likely net gain to the GNCTD. However, in the unlikely scenario when a net loss to the GNCTD is contemplated if purchases are made against local invoice, prior approval of FD may be sought for such purchase. As regards the extra expenditure by the Department/ Organisation, the Government may compensate the same as Non-Plan grant.


(Shakti Sinha)

Principal Secretary (Finance)

Copy to:

1. Principal Secretary, PWD
2. Principal Secretary, Power
3. Principal Secretary, Development
4. Principal Secretary, Irrigation & Flood Control Department
5. Principal Secretary, TTE/Higher Education
6. Secretary GAD
7. Secretary Health & Family Welfare, Government of NCT of Delhi
8. Secretary, Environment & Forest, Government of NCT Delhi
9. Vice Chairman, Delhi Development Authority
10. Commissioner, Transport, Government of NCT of Delhi
11. Chairperson, New Delhi Municipal Committee
12. Commissioner, South Delhi Municipal Corporation
13. Commissioner, North Delhi Municipal Corporation
14. Commissioner, East Delhi Municipal Corporation
15. CEO, Delhi Jal Board
15. Director Education, Government of NCT of Delhi
17. Director General, Central Public Works Department
18. Managing Director, DSIIDS Ltd.
19. CEO, DUSIB
20. CMD, DTC
21. Managing Director, DT&TDC
22. CMD DTL / DPCL
23. Registrar Cooperative Societies

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