

PRESS RELEASE

**Remittance of Tax Deduction at Source for Works Contracts to
Commercial Taxes Department**

As per the provisions of Section 13 of TNVAT Act, 2006, every person entrusting works contracts to contractors should deduct tax at the rate of 2% on civil works or civil maintenance works and at the rate of 5% on all works other than civil works at the time of making payments and remit the tax deducted at source on or before 20th of every succeeding month in the Commercial Tax Offices. Civil or other construction works in Tamil Nadu entrusted by any individual, firm, developer, builder, etc., to any sub-contractor will fall under the ambit of civil works contract. Works "other than civil works" mean contracts such as interior works, annual maintenance contracts, electrical works contracts, machine repairs, house-keeping contractors etc., with a value above one lakh rupees.

Besides individuals, Central and State Government Departments, Public Sector Undertakings, Local Bodies, Companies, Societies, Proprietorship and Partnership firms should deduct tax at the rate of 2% on civil works and at the rate of 5% on all works other than civil works and remit the tax deducted at source in the respective circles. If any person or agency awarding such works contract is not liable to be registered under TNVAT Act, they shall remit tax deducted at source (TDS) from payments to their contractors in the Commercial Tax circle within which they reside or function. In case of Chennai, TDS payments can be made at TDS(East) circle at Greams Road Commercial Taxes Office.

It has been noticed that several private educational institutions have failed to deduct TDS on work contracts entrusted to contractors and pay the same to Government, resulting in permanent loss of revenue. The department has commenced issue of notice to pay Tax Due or TDS deducted based on contract agreements and building approvals list available with

CMDA / DTCP and registration department. Penalties have been imposed in a number of cases.

Persons or organizations who contravene the provisions and fail to deduct and remit the tax, shall pay in addition to the amount required to be deducted and deposited, penalty at 150% on taxes to be collected as TDS and interest at 2% per month on such TDS payable for the entire period of default.

Details of legal provisions of TDS on works contracts are available in the website <https://www.tnvat.gov.in>. Any further queries can be clarified through e-mail id cct@ctd.tn.gov.in or through Toll free : 1800 103 6751.

All persons or organizations awarding such works contracts are requested to cooperate by ensure prompt payment of taxes to enable Government of Tamil Nadu implement public and social welfare schemes successfully.

Issued By: DIPR, Secretariat, Chennai 9