

5.10 TAXES, DUTIES, LEVIES

Refer to Clause 2.8.4 of General Conditions of Contract. Notwithstanding anything contained therein, the following provisions shall be applicable for this contract.

5.10.1

The contractor shall pay all (save the specific exclusions as enumerated in this contract) taxes, fees, license charges, deposits, duties, tools, royalty, commissions or other charges which may be levied on the input goods & services consumed and output goods & services delivered in course of his operations in executing the contract. In case BHEL is forced to pay any of such taxes, BHEL shall have the right to recover the same from his bills or otherwise as deemed fit.

However, provisions regarding Service Tax and Value Added Tax (VAT) on output services and goods shall be as per following clauses.

5.10.2 Service Tax & Cess on Service Tax

Service Tax and Cess on Service Tax as applicable on output Services are excluded from contractor's scope; therefore contractor's price/rates shall be **exclusive** of Service Tax and Cess on Output Services. In case, it becomes mandatory for the contractor under provisions of relevant act/law to collect the Service Tax & Cess from BHEL and deposit the same with the concerned tax authorities, such applicable amount will be paid by BHEL.

Contractor shall submit to BHEL documentary evidence of Service Tax registration certificate specifying name of services covered under this contract. Contractor shall submit serially numbered Service Tax and Cess Invoice, signed by him or a person authorized by him in respect of taxable service provided, and shall contain the following, namely,

- I. The name, address and the registration number of the contractor,**
- II. The name and address of the party receiving taxable service,**
- III. Description, classification and value of taxable service provided and,**
- IV. The service tax payable thereon.**

All the four conditions shall be fulfilled in the invoice before release of service tax payment.

Contractor shall obtain prior written consent from BHEL before billing the amount towards such taxes.

With introduction of Cenvat Credit Rules 2004, which came into force w.e.f. 10.09.2004, Excise Duty paid on Input Goods including Capital Goods and Service Tax paid on Input Services that are used for providing the output services can be taken credit of against the Service Tax payable on output services. However BHEL may opt for availing the abatement provision in which case cenvat credit may not be available on input duty.

5.10.3 VAT (Sales Tax /WCT)

As regards Value Added Tax (VAT) on transfer of property in goods involved in Works Contract (previously known as Works Contract Tax) applicable as per local laws, the price quoted by the contractor shall be **exclusive** of the same. Where such taxes are required to be paid by the contractor, this will be reimbursed on production of proof of payment made to the authorities by the Contractor. In any case the Contractor shall register himself with the respective Sales Tax authorities of the state and submit proof of such registration to BHEL along with the first RA bill. The contractor has to take all necessary steps to **minimize tax on input goods** by purchasing the materials from any registered dealer of the concerned state only. In case contractor opts for composition, it will be with the prior express consent of BHEL. Deduction of tax at source shall be made as per the provisions of law unless otherwise found exempted. In case tax is deducted at source as per the provisions of law, this is to be construed as an advance tax paid by the contractor and no reimbursement thereof will be made unless specifically agreed to.

5.10.4 Modalities of Tax Incidence on BHEL

Wherever the relevant tax laws permit more than one option or methodology for discharging the liability of tax/levy/duty, BHEL will have the right to adopt the appropriate one considering the amount of tax liability on BHEL/Client as well as procedural simplicity with regard to assessment of the liability. The option chosen by BHEL shall be binding on the Contractor for discharging the obligation of BHEL in respect of the tax liability to the Contractor.

5.10.5 New Taxes/Levies

In case the Government imposes any new levy/tax on the output service/goods/work after award of the contract, the same shall be reimbursed by BHEL at actual.

In case any new tax/levy/duty etc. becomes applicable after the date of Bidder's offer, the Bidder/Contractor must convey its impact on his price duly substantiated by documentary evidence in support of the same **before opening of Price Bid**. Claim for any such impact after opening the Price Bid will not be considered by BHEL for reimbursement of tax or reassessment of offer.

No reimbursement/recovery on account of increase/reduction in the rate of taxes, levies, duties etc. on input goods/services/work shall be made. Such impact shall be taken care of by the Price Variation/Adjustment Clause (PVC) if any. In case PVC is not applicable for the contract, Bidder has to make his own assessment of the impact of future variation if any, in rates of taxes/duties/ levies etc. in his price bid.