To
All Departments of Government
All Heads of Departments

Sub:- Clarification on grant of licence, contract, lease, permits or quota to or purchase from dealers without a valid Value Added Tax clearance certificate prescribed under rule 129 of the Orissa Value Added Tax Rules, 2005.

Instructions were issued in Finance Department Memo No.CTA-37/2005-31716(230)/F., dt. 01.07.2005 reiterating the provisions of section 99 of the Orissa Value Added Tax Act, 2004 read with rule 129 of the Orissa Value Added Tax Rules, 2005 that no dealer shall be entitled to undertake any contract with any Government, local authority or other corporate body unless he obtains a VAT clearance certificate in Form -612 from the Assessing Authority to the effect that he has no liability to pay tax nor he has defaulted under the said Act.

2. Para 4 of the aforesaid memorandum stipulates that in all the tender applications it should be clearly specified that no tender would be considered without a VAT clearance certificate in Form VAT – 612. Further, before placing orders for supply, the purchasing Government department/Agency shall first ensure submission of a VAT clearance certificate in VAT-612 by the supplying dealer under the VAT Act.

3. The aforesaid stipulations were relaxed in Finance Department Memo No.9807/F., Dt. 6.3.2006 for new applicants applying for licenses under P.W.D. Contractors Registration Rules, Sub-soil Exploration & Testing Laboratory Rules, 2001 and Bihar & Orissa Excise Act.

4. Thereafter, certain doubts were entertained in the matter of allowing foreign companies/bidders from outside the State of Orissa without having a valid VAT clearance certificate to participate in the tenders of various works executed through Contractors.
5. Taking into account these factors, it has been clarified in F.D. Memo No.34145 (230)/F., Dt. 17.8.07 that the foreign companies/bidders from outside the State who intend to participate in the tender and who have not been registered under the VAT Act as they have not started any business in the State as yet, may be allowed to participate in the tender without having any VAT clearance certificate subject to condition that they should submit undertakings in the form of an affidavit indicating therein that they are not registered under the VAT Act as they have not started any business in the State and they have no liability under the said Act. But before award of the final contract, such bidders will have to produce the VAT clearance certificate in form VAT 612.

6. In the meanwhile different departments have sent proposals for relaxation of the stipulations at para 5 above, since the suppliers from outside the State do not intend to get themselves registered under Orissa VAT Act and therefore they can not furnish VAT clearance certificate in VAT 612. Further, it is pointed out that in many cases either the goods are not available inside the State or there is no local supplier for the same goods. In such cases, goods have to be procured from dealers outside the State to meet the exigencies.

7. After carefully considering the problems faced by different departments in this regard, it is now decided that when in any tender the bidder is selected from outside the State after observance of the approved tender formalities, he will not be required to furnish VAT clearance certificate in Form VAT 612. However, before award of the contract, the said supplier from outside the State shall furnish an undertaking in form of an affidavit stating that they have no business in Orissa and have no liability under the Orissa VAT Act.