

Government of West Bengal
Finance Department
Audit Branch, Group T
(File No.53986)

No. 4679 - F(Y)

Dated, 21st November, 2022

MEMORANDUM

Section 51 of the CGST/WBGST Act, 2017 makes provision for deduction of tax at source from the payment made to the supplier of taxable goods or services or both, where the total value of such supply, under a contract, exceeds two lakh and fifty thousand rupees.

Further, Section 24 of the CGST/WBGST Act, 2017 mandates for compulsory registration for the persons who are required to deduct tax under section 51.

Following are the deductors who are liable to deduct tax under section 51:

- (a) a department or establishment of the Central Government or State Government;
- (b) local authority;
- (c) Governmental agencies;
- (d) an authority or a board or any other body,-
 - (i) set up by an Act of Parliament or a State Legislature;
 - (ii) established by any Government, with fifty-one per cent. or more participation by way of equity or control, to carry out any function;
- (e) a society established by the Central Government or the State Government or a Local Authority under the Societies Registration Act, 1860 (21 of 1860);
- (f) public sector undertakings.

The aforesaid provision has been made effective from 01.10.2018. Since then, in all the applicable cases, the deductors are liable to deduct tax @ 2% (CGST @ 1% + SGST @ 1% or IGST @ 2%) while making payment to the supplier and to pay it to the Central/ State Government. The corresponding supplier i.e., the deductee, however, gets credit of the amount of tax so deducted in his electronic cash ledger upon successful furnishing of FORM GSTR-7 by the deductor.

It has come to notice that in a number of cases, taxpayers whose registrations have already been cancelled, are participating in tenders floated by various Government departments declaring their cancelled GSTIN and have also been awarded the contract for supply of goods or services or both.

There are other cases also where contract was awarded at a time when the registration certificate was in force but the same has been cancelled in a subsequent period.

The taxpayers under the second category generally do not bring to the notice of the deductor of such cancellation of registration. In both the scenarios as stated above, the suppliers are found to be collecting tax from the Government departments while issuing invoices but are not paying the taxes so collected by them to the Government exchequer. In such cases, tax deducted at source by the Government departments doesn't flow to the electronic cash ledger of the suppliers as their registrations have already been cancelled. However, as they collect tax @ 12% or 18% in most of the

cases from the Government departments, they can easily ignore the denial of such credit of tax deducted @ 2% from their payment.

In view of above, all the deductors under section 51 of the CGST/WBGST Act, 2017 are hereby advised to follow the guidelines given herein under:

(i) To check the validity of the registration certificate of the supplier on the common portal www.gst.gov.in while awarding any contract and also before making payment to the supplier through the following navigation:

Search Taxpayer --->	Search by GSTIN/UIN --->	Enter GSTIN/UIN of the Taxpayer
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(ii) Where the registration of a supplier is found to have been cancelled on a subsequent period, the deductor, before making payment, may ask the supplier to produce proof of furnishing upto date FORM GSTR-1 and FORM GSTR-3B.

(iii) If the supplier fails to provide the aforesaid documents, the deductor may withhold the payment.

This order shall take immediate effect.



Additional Chief Secretary to the
Government of West Bengal

