

## **17. THE SPECIAL ZONE(SZ)**

The Special zone has been created to deal with the cases of major dealers who are engaged in the activities of executing work contract and transferring the right to use the goods in specialized manners. The 46th amendments of the Constitution, vide insertion of Article 366(29A) thereto, empowered the states to levy and collect tax on specified categories of deemed sales such as works contracts. The consideration for which the work is contracted to be executed by the works contractor comprises several elements in the nature of both goods & services and the tax is to be payable on the value of goods used in works contract. The VAT is applicable on the material turnover which is defined in the DVAT Act, 2004 and DVAT rules, 2005 as the amount of the value of goods at the time of transfer excluding the amount of labour and services.

The applicable rate of tax in works contract is 12.5% except in the following cases:

- 5% on declared Goods transferred in the same form in which they were purchased by the contractor.
- 5% on printing contracts.