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GOVERNMENT OF ODISHA  
FINANCE DEPARTMENT

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No. 13290 /F., Dt. 02.04.2013  
Codes-27/11(Pt.)

OFFICE MEMORANDUM

**Sub: Supplementary guidelines for procurement of goods from local MSEs - Price Preference System and principles for purchase of goods from outside the State.**

Detailed guidelines have been issued for procurement of goods in Finance Department Office Memorandum No. Codes-27/2011-4939/F., dated 13.2.2012. This OM, inter-alia, vide para-21(ii) provides for payment of only 25% of the prescribed security deposit/earnest money deposit by the local MSEs registered with respective DICs. Khadi, Village, Cottage & Handicraft Industries, OSIC and NSIC, while participating in tenders of Government Departments and Agencies under its control. However, in order to align the procurement procedure with the concessions provided in the MSME Development Policy, 2009 and IPR, 2007 as well as the existing policy for purchase of goods from outside the State for Government Departments and Agencies under its control, the following guidelines are to be followed by all Departments of Government and Agencies under their control.

**2. Price preference system :**

- (i) Local Micro and Small Enterprises and Khadi & Village Industries Units including Coir, Handloom and Handicrafts, competing in the open tender shall be entitled to price preference of 10% vis-a-vis local medium and large industries as well as outside industries.
- (ii) Local Micro and Small Enterprises having ISO or ISI certification for their product shall get an additional price preference of 3% as per the provisions of IPR - 2007.

**3. Registration under Odisha VAT Act & CST Acts for participation in tenders :**

Notice inviting tenders shall stipulate the condition that the participants in the tender must be registered under Odisha VAT Act or CST Act.

**4. Concessional payment of Security/Earnest Money by the local MSEs :**

As provided under para-21(ii) of the Finance Department Office Memorandum No. Codes-27/2011-4939/F., dt. 13.2.12, the local MSEs registered with respective DICs, Khadi, village, Cottage & Handicraft Industries, OSIC and NSIC shall pay only 25% of the

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prescribed security deposit while participating in tenders of Government Departments and Agencies under its control.

**5. Principles to be observed in making purchases from outside the State by Government Departments/Government Agencies for the purpose of preparation of comparative price statement.**

While preparing comparative price statement for evaluation of tender submitted, the VAT payable in Odisha shall be excluded and price comparison shall be made only on the basic price. However, any tax payable outside Odisha shall be added to the basic price for such price comparison. In case of VAT and CST payable for purchase of goods from outside the State, the principles enumerated below shall be followed.

- (i) The guidelines issued by Finance Department from time to time regarding principles to be followed in making purchases from outside the State vide F.D. Memorandum No.WF-1-3/89-18860(210)/F Dt.5.5.89, No.CTA-130/92-1897(225)/F Dt.13.1.93, No.CTA-147/98-48625(230)/F Dt.24.11.98 and No.CTA-50/2001-39386(273)/F Dt.21.8.2002 & Circular No.48317(230)/F., dated 23.11.2010 shall be followed.
- (ii) The said guidelines, inter-alia, stipulates that in comparing the cost of an article, if purchased from within the State with the price of similar article, if purchased from outside the State, the amount of Odisha Sales Tax (OST), now VAT should be deducted from the total cost since it accrues back as revenue to the State. If after such deduction, the cost of articles to be purchased within the State is not more than the cost including Central Sales Tax, transport and other charges of similar articles from outside the State, it would be economical to purchase articles within the State.
- (iii) Earlier, Government Departments were entitled to avail concessional rate of CST in case of inter-State purchase of goods by furnishing from 'D' under CST Act. This facility of inter-State purchases by Government Departments against Form-'D' is no longer available as the same has been withdrawn w.e.f. 1<sup>st</sup> April, 2007 by the Taxation Laws (Amendment) Act, 2007. Accordingly, rate of tax on inter-State purchases (purchase from outside the State) by Government Departments can go up from 4% to 12.5%. Hence, purchase of goods from outside the State by Government Departments is no longer economical if such goods are available inside the State. Besides, purchase of goods from outside the State erodes the State's consumption base for taxation.
- (iv) These instructions are to be strictly followed by the Departments and Sub-ordinate offices. It is further advised that if, in any case, after cost comparison of articles available inside the State with that of outside the State, a

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
Government office decides to purchase goods from outside the State, the supplying dealer may be asked to supply the goods through billing by a branch office/a Sales Depot of the manufacture inside the State in order to protect State's consumption base for taxation.

(v) These instructions will equally apply to statutory bodies, State Public Sector Undertakings and Autonomous Institutions under the administrative control of the State Government.

6. The guidelines issued by the erstwhile Industries Department vide their Notification No.I-SI-143/2009(Pt)/IND-2375, dt.11.2.2010 for constitution of Purchase Committee by inducting representatives of Director of Export Promotion & Marketing read with provisions of Rule-12 of the Delegation of Financial Powers Rules, 1978 shall be followed.

7. These guidelines/instructions enumerated above regarding procurement of goods from local MSEs registered with respective DICs, Khadi, Village, Cottage & Handicraft Industries, OSIC and NSIC shall be deemed to be a part of the Odisha General Financial Rules.

By order of the Governor

  
02/04/13

Additional Chief Secretary to Government