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Sub: - Guidelines on GST relating to Expenditure Management & Input tax credit (ITC).

Please find enclosed herewith the Guidelines on GST relating to Expenditure Management & Input tax credit (ITC) for your kind information and necessary action.

DA: - 11 Pages

Kumar Uday
(KUMAR UDAY)
Dy.FA&CAO/F&B

Copy to : - Sr.DFM's/ DNR, MGS, SEE, SPJ & DHN for n/a.

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EAST CENTRAL RAILWAY

GST CELL

No. Books/GST/17-18/Pt I

Dt. 19 / 7/17

GUIDELINES ON GST RELATING TO EXPENDITURE MANAGEMENT

Ref: (i) Accounts Dte. Railway Board's Circular RBA 78/2017.

(ii) Civil Engg. (G) Dte. Letter No. 2016/CE-I/12/GST/Pt. I Dt. 29/6/2017

Detailed Guidelines on GST relating to Earnings involving manual transactions have already been issued. Now the Guidelines relating to GST on Expenditure side are being set forth. These may be examined, implemented and in case of doubts/inconsistencies, matter may be referred to HQ at the earliest.

Please note that detailed instructions have been issued by Railway Board vide letter No. 2017/AC-II/1/6 dt. 22/6/2017 (RBA No. 78/2017). These may be adhered to in all aspects related to bill passing under IPAS, accountal and Input Tax Credit for GST. A copy of the letter is enclosed for ready reference.

However, for the purposes of further clarity, certain instructions are being issued, which may be ensured. Further, at the end of the Guidelines, certain regulatory provisions relating to GST have been given, for purposes of clarity.

PART A – INSTRUCTIONS FOR BILL PASSING

1. Rules for deciding which GST is payable:

- i. **IGST** : Payable when address of consignee and address of supplier fall in two different states.
- ii. **CGST and SGST**: Payable when address of consignee address of supplier fall in same state.

Note: Under GST the GSTIN of the Supplier and the consignee has to be mentioned. For the consignee, the GSTIN number is the GSTIN allotted for MoR for the State to the Railway who has taken registration in that State (Bihar- ECR, UP-NCR, Jharkhand-SER, MP- WCR).

The first two digits of the GSTIN represent the State Code. Hence wherever the first two digits of the GSTIN of the Supplier and the GSTIN of the Consignee are different, IGST is payable.

2. Under Expenditure side GST is payable as a Reimbursable expense against production of Tax Invoice. Under the Tax Invoice Rules the Supplier has to give a number of details in the tax invoice, which has been prepared and enclosed at **Annexure A**. Please note that this is in addition to the other documents including the Bill that may be raised under the Contract. **No Payment should be made unless the Tax Invoice has been produced or the Supplier has clarified that GST has to be paid under the Reverse Charge Mechanism and furnishes the Undertaking as specified below at Para 5 (i) below. Even under Reverse Charge the**

Supplier continues to be responsible for submission of all information as at Annexure I except for his GSTIN number.

3. Processing of Bill only on receipt of Tax Invoice:

- i. **Where the Bill is sent to Accounts by the Executive Department-** Supplier should be asked to submit the Tax Invoice along-with one copy of the same. These should be sent to the Bill preparing office who will verify the data mentioned onto the Tax invoice and thence process the bill for payment along-with the tax invoice. The tax invoice in original shall be sent to Accounts while one copy shall be retained by the Executive Department and included in the relevant Contract file.

Wherever there is system to maintain a record of the bills processed for payment the tax invoice number should also be maintained henceforth.

Accounts Department, after passing the Bill shall keep the Tax invoice along-with the other papers for record.

- ii. **Where the Bill is sent directly to Accounts along-with copy of R Note-** Supplier should be asked to submit the Tax Invoice along-with two copies of the same. The invoice should still be sent to the concerned Stores Depot who shall follow the procedure as per Para i above. While one copy of the Tax invoice will be retained by the Depot, one copy should be retained in the Contract file. The R Note along-with original copy of Tax invoice should be sent to Accounts for bill passing.
- iii. No bill/ R Note should be forwarded to Accounts Department unless the above Tax Invoice, complete in all respect have been received and verified by the Executive Department.
- iv. The Bill passing Accounts officer must ensure that all the fields as specified in 1 (c) of Board's Circular RBA 78/2017 are filled in under IPAS. It may be noted that where GST is payable under Reverse Charge the Supplier GSTIN will be blank.
- v. Similarly, under IPAS a provision of classifying the Bills/Tax invoice as per categorisation given on Para 6 (ii) below has been provided and must be entered.

4. Payment of Works Contract Bills: These shall be governed as per Engg. Dte. guidelines issued vide Reference ii above. From the same it also becomes clear that **for Works Contract bills there will be no extra compensation payable on account of GST.**

5. Payment of GST on Reverse Charge- Under the current scheme there is no procedure for payment of GST on Reverse Charge basis on expenditure side.

- i. **GST payment on Reverse Charge shall be payable only where the Supplier/Contractor is falls in the following categories :**

- The Government has specified the GST as payable under **"Reverse Charge"** for specified categories of supply of Goods or Services. The list of such supply/services has been specified and is available at www.CBEC.gov.in.
- The Supplier of Goods or Services is exempt from registration under GST.
- Wherever the Supplier claims GST payable on "Reverse Charge" he must submit duplicate copies of the Undertaking at Annexure III of the Responsibility matrix. One should be retained in the Contract file and the other forwarded to Accounts.



- ii. For all cases of Reverse Charge the concept of Turnover, please refer Para 5 of Part C below.
- iii. For all cases of Works Contract, as per Civil Engg. Dte. letter at reference ii above, the amount of GST payable on Reverse Charge should be deducted from the amount payable to the Contractor.
- iv. Similarly, for all other Contracts where the terms are inclusive of taxes, the amount of GST payable on Reverse Charge should be deducted from the amount payable to the Contractor/ Supplier.
- v. Where the terms of the Contract specified the taxes as a separate component, in case GST is payable on Reverse Charge basis, the basic and other charges, excluding any component of taxes, should be paid to the Contractor.
- vi. Wherever Reverse Charge is warranted, the case must be examined and jointly approved by the Branch officer and Sr. DFM in the Division/ JAG level officer of the Executive and Accounts Department at HQ. The rate of GST should be verified independently.
- vii. Note: Wherever GST is paid under Reverse Charge Mechanism, these may be segregated as per categorisation given subsequent Para 6 (ii) below and booking to be done accordingly as per instructions in Board's circular No. RBA 78/2017. Where for Reverse Charge the Principal Railway for GST is other than ECR, procedure as set forth in Para 10 (v) of Board's Circular RBA 78/2017 should be followed.

6. Creation of Master List of Supply of Goods and Services-

- i. As already specified at Para 7 Part A, Indian Railway has a mix of taxable and exempt services as per details below:

Category of Service	Taxable/ Exempt & Rate	Input Tax Credit permitted on	Remarks
Passenger Services: Sleeper, unreserved, suburban	Exempt	Nil	Input Tax Credit is permitted on for GST paid on Services used for Taxable classes of Service- hence the GST has to be bifurcated between taxable and non-taxable
Passenger- First Class and AC	Taxable @5%	Permitted on GST paid on Service contracts	
Freight & Parcel			
PU & Workshop	Taxable @5% for Rolling Stock	Permitted on GST paid on all supplies- Goods and Services	

- ii. Consequently as per the above and related provisions of GST, the Supply of Goods and Services over IR has to be segregated into the following categories:

- **Section 17 (1) of CGST Act-** Where the Goods and Services are used partly for business and partly for other services, the Credit will be limited to the value of tax paid on the amount of inputs used for business. **Such Other Services should be categorised as T1.**
- **Section 17(2) of CGST Act-** Where the Goods and Services are used for both taxable and exempt services, the Credit will be limited to the value of tax paid on the amount of inputs used for effecting taxable supplies.
 - **Example of input services for non-taxable/exempt categories-** maintenance contract for non AC coaches. **Such Contracts should be categorised as T2.**
 - **Example of input services for taxable categories-** maintenance contract for AC coaches. **Such Contracts should be categorised as T4.**
 - **Examples of Input Services for both taxable and non taxable categories-** Cleaning contracts at stations, general AMC contracts, telephone charges etc. **Such Contracts should be Categorised as C2.**
- **Section 17(5) of CGST Act which restricts Tax Credit on certain services-** There is no Credit for Works Contract Service/Goods and Services received for construction of an immovable property Eg. Construction of a bridge. The term Construction includes re-construction, renovation, additions or alterations or repairs, to the extent of capitalisation, to the said immovable property. **Such Contracts should be denoted as T3.**
- iii. **In order to classify the various Service Contracts as per above categories all Units must prepare a comprehensive list of such Service Contracts, to be furnished to HQ latest by 21/7/2017 for categorization.** This will be essential for passing of bills.
- 7. **Data to be booked under Debit in Misc. Advance – GST on Services falling under the category of T4 and C2.**

Note: Wherever GST is paid under Reverse Charge Mechanism, these may be segregated as per Categorisation at Para 5 above and booking done accordingly, as per instructions in Board's circular No. RBA 98/2017. Where for Reverse Charge the Principal Railway for GST is other than ECR, procedure as set forth in Para 10 (v) of Board's Circular RBA 98/2017 should be followed.

8. PU to be used for GST: Authority- Rly Board Circular No. RBA 52/2017

PU for Revenue Heads		PU for Capital Expenditure	
CGST	72	CGST	63
SGST	73	SGST	64
UTGST	74	UTGST	65
IGST	75	IGST	66

9. Staff must be advised to be very particular about the correct PU to be used while

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booking GST since there is a hierarchy of Credits available, as per norms below:

Downward Hierarchy	IGST Credit	CGST Credit	SGST Credit
Preference 1	Full Credit to be taken against IGST payable	Full Credit to be taken against CGST payable	Full Credit to be taken against SGST payable
Preference 2	If IGST credit still available after adjusting against IGST Payable: Adjust against CGST payable	If CGST credit still available after adjusting against CGST Payable: Adjust against IGST payable	If SGST credit still available after adjusting against SGST Payable: Adjust against IGST payable
Preference 3	If IGST credit still available after adjusting against CGST Payable: Adjust against SGST payable	Credit of CGST against SGST is not permitted	Credit of SGST against CGST is not permitted

10. **Payment of GST liability:** The GST liability is to be paid latest by the 20th of the following month and the monthly return can be filed only thereafter. Incidentally the last date for filing of the monthly return is the 20th of the following month. The payment for Bihar area shall be made by Sr.AFA/Books, ECR, based on GST liability less the Input tax Credit as available under Dr. in Misc Advance.
11. **Checking of Input Tax Credit:** Board has hired a GST Suvidha Provider (GSP) who shall interact with GSTN and furnish GSTR-1 and GSTR-2A, particularly the mismatched entries (GSTR 2A vis a vie IPAS data). This will need to be cross checked for uploading of GSTR 1 by 10th of the following month and GSTR 2A by 15th of the following month. Adequate arrangement should be made in this regard.
12. **Sr.DFMs/Dy.FA&CAOs/WAOs are directed to hold workshops for staff under them, duly linking the provisions of Board's guidelines as referred above and this guideline. Further, for the months of July to September they must personally visit the Bill passing sections to ensure that bill passing under IPAS involving GST is being done properly. The Accounts officer in charge and Supervisors should be present in the section and monitor correct passing of Bills.**



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PART B- INPUT TAX CREDIT RULES FOR GST

1. Section 16 (1) of CGST ACT: Prerequisites for availing Input Tax Credit Rules-

- i. Input Tax Credit for GST paid on supplies/service contracts can be claimed only if one is in possession of a Tax Invoice or a Debit Note. **Hence the need to ensure that before any bill is passed the tax invoice as detailed at Para 2 Part A has been received, complete in all details.**
 - ii. The goods or Service have been received
 - iii. The GST payable by the Supplier has actually been paid.
 - iv. The recipient has furnished the return i.e GSTR-1 and GSTR-2.
2. Input tax Credit can be claimed only on GST paid and not on any interests, penalties, fines etc.
3. Where Input tax Credit has been claimed but payment for the supply not made to the Contractor within a period of 180 days from the date of issue of the invoice, details have to be furnished in the GSTR-2 in the next following month (after completion of 180 days period. In such cases the amount of input tax credit claimed shall be added to the GST liability of the recipient. Addl. interest on the same will also be payable.

4. Method of Calculating Input Tax Credit (Pls refer Para 5 Part A above)-

i. Definitions as per Input Tax Credit Rules-

- **T1-** GST paid on Supplies/Services used for non-business purposes.
- **T2-** GST paid on supplies/services used entirely for exempt supplies (passenger services other than first class and AC)
- **T3-** GST paid on Supplies/Services where no Credit is available as per Section 17(5) of CGST Act
- **T4-** GST paid for supplies/services used exclusively for effecting taxable supplies (Freight, Parcel, First class and AC passenger services)
- **C2-** GST paid on Supplies/Services used for both taxable and exempt supplies.
- **E** - Aggregate value of exempt services in a tax period (preceding month) i.e passenger earnings exempt from GST.
- **F** - Total turnover of the Railway within the State –eg. Earnings of all Railway units falling within Bihar for the preceding month

ii. What will be the Input tax Credit which can be claimed in case of Railways-

- **T4**
 - **C2 - $[(E \div F) \times C2]$** i.e proportion of GST paid under C2 which can be attributed to use for taxable services. It is based on turnover.
- iii. **E = Total Originating Earnings of all Railway Units bearing the GSTIN Number of the State minus Originating Earnings on Freight, Parcel, AC and first class passenger fare(including penalty& EFT) and any Other coaching where GST has been collected. It is hoped that this will be system generated.**
- iv. **Total Input Tax Credit available- $T4 + C2 - [(E \div F) \times C2]$**

PART C- REGULATORY PROVISIONS ON GST

Prior to proceeding with the Guidelines, it is important that certain Regulatory provisions of GST are provided.

1. Items outside the preview of GST-

- i. Alcoholic drinks
- ii. Electricity
- iii. HSD Oil and Petrol

2. Section 2 (98) of CGST Act: "REVERSE CHARGE" means the liability to pay tax by the **recipient** of supply of goods or services or both instead of the supplier of such goods or services or both under sub-section (3) or sub-section (4) of section 9, or under sub-section (3) or subsection (4) of section 5 of the Integrated Goods and Services Tax Act.

3. Section 9 (3) of CGST Act: Government will notify specified classes of services where GST has to be paid on Reverse Charge basis. This has been done and is present under GST Tariff Rules.

4. Section 9 (5) of CGST Act: Where the supply of Goods or services is made by a supplier who is not registered to a registered person, GST has to be paid on **Reverse Charge basis**.

5. Section 22 and 24 of CGST ACT: MANDATORY REGISTRATION:

- i. Wherever the turnover from all sources of business is:
 - Rs 20 lakhs or more for all States
 - Rs. 10 lakhs or more for the states of Arunachal Pradesh, Assam, J&K, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh and Uttarakhand.
- ii. All persons making Inter-State supply, irrespective of value of turnover

6. Timeline for issue of Tax Invoice under Section 31 of CGST Act:

- i. For supply of Goods- Before or at the time of despatch of Goods
- ii. **For supply of services as per Rule 2 of Tax Invoice rules-**
 - For other services- Within 30 days from date of supply of service
 - Services provided by Insurance or banking or non-banking financial company- 45 days from date of supply of service

7. Section 34 (1 & 2) of CGST ACT- CREDIT NOTE- The supplier of the Goods or Service has to issue a credit note:

- i. In case of the following situations:
 - The tax invoice issued and the taxable value or tax charged thereon is found to be in excess of the tax value or tax payable for that supply.
 - Where the goods supplied are returned or the Goods and Services are found to be deficient.
- ii. The details of the Credit Note have to be furnished in the return for the month during which the Credit note was issued but not later than September following the financial year in which the supply was issued.

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8. **Section 34 (3 & 4) of CGST ACT- DEBIT NOTE-** A Debit Note is issued by the Supplier of Goods and Services where:

- i. In the tax invoice issued by the supplier, the taxable value of the tax charged has been shown to be less than actually payable.
- ii. The details of Debit notes issued have to be mentioned in the return for the month in which the Debit note was issued.

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PART D- Examples of Accounting entries under IPAS

1. AMC of Non AC Coach : AMC value is Rs 50000 and GST @12% is Rs. 6000.

Tax to be paid : CGST + SGST

Is the GST permitted for Input Tax Credit- No.

Tax to be denoted under IPAS as : T2

Allocation Head	Dr	Cr
06-510-32	50000	
06-510-72	3000	
06-510-73	3000	
Cheques and bills		56000

2. AMC of AC Coach : AMC value is Rs 50000 and GST @12% is Rs. 6000.

Tax to be paid : CGST + SGST

Is the GST permitted for Input Tax Credit- Yes

Tax to be denoted under IPAS as : T4

Allocation Head	Dr	Cr
06-520-32	50000	
Misc. Advance PU 72	3000	
Misc. Advance PU 73	3000	
Cheques and bills		56000

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ANNEXURE I
FORMAT FOR SUBMISSION OF TAX INVOICE BY SUPPLIER/CONTRACTOR


Part A: Contractual Details			
1. Contract Number & Date	2. Bill/Invoice No and Date	3. Description of Goods and/or services	
4. HSN Code	5. Accounting Code of Service	6. Unit Rate	7. Unit of Measure
8. Quantity	9. Total Value of Supply of Goods	10. Total Value of Supply of Services	11 Grand Total of Bill
Taxable Value of Supply			
12. Rate & Nature of penalty			
13. Amount of penalty			
14. Rate of Rebate/Abatement if any			
15. Amount of Rebate/Abatement if any			
16. Taxable Value(Total Value + Penalty - Rebate)			
Part B: Railway Details			
1. Address of Delivery including State (Consignee)	2. GSTIN Number of the Railway	3. Address of Principal place of business of the Railway for the State	
Part C: Supplier Details			
1. Tax Invoice Number	2. Tax Invoice Date	3. Name of Supplier	
4. Address of Principal place of business of the Supplier	5. GSTIN Number of the Supplier	6. Address of place from where supply made (Location of Supplier)	

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7. If Tax chargeable of Reverse Charge Basis			
		Y/N	
Details of Tax charged			
Tax	Rate	Tax	Amount
IGST		IGST	
CGST		CGST	
SGCT		SGCT	
Cess on IGST		Cess on IGST	
Cess on CGSt		Cess on CGST	
Cess on SGST		Cess on SGST	
TDS			

Note:

HSN Classification/Service Accounting Classification available on CBEC site.


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