



North Central Railway

Office of the PFA
NCR Headquarters
Subedarganj,
Prayagraj- 211015

No. NCR/A/Cs/HQ/GST Cell/ Procedure/ Pt-II

Dt-23.03.2023.

CCM/FM, CTPM, CESE, CCE
CMM/C, CWE, CSTE/C, CE/G, CHD, CSC/RPF
FA&CAO/C

Sub:- Procedure to be followed by Zonal Railways, Production Units for complying with the provisions relating to flagging of Input tax Credit (ITC) on Goods and services

Ref: Railway Board Circular No. 2016/AC-2/1/06/CRIS dated 22/02/23

- 1) Section 16 of CGST Act stipulates the Eligibility and conditions for taking input tax credit and accordingly it prescribes that registered person shall be **entitled to take credit of input tax** charged on any supply of goods or services or both to him which are used or intended to be used in the course or furtherance of his business **subject to condition that**
 - i. he is in possession of a tax invoice or debit note issued by a supplier
 - ii. he has received the goods or services or both
- 2) Section 17 of CGST Act further stipulates that where the goods or services or both are used by the registered person partly for effecting taxable supplies including export under the Act and partly for effecting exempt supplies, or supplies for non business purpose under the said Acts, the amount of credit shall be restricted to so much of the input tax as is attributable to the said taxable supplies including exports.
- 3) **No ITC shall be available on the procurement of following Goods, services or both-**
 - a. Food and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, membership of a club, health and fitness center;
 - b. Rent-a-cab, life insurance and health insurance except where – (A) the Government notifies the services which are obligatory for an employer to provide to its employees under any law for the time being in force; or
 - c. Travel benefits extended to employees on vacation such as leave or home travel concession;

- d. Works contract services (other than plant and machinery).
- I. **Explanation:** For the purposes of clauses (c) and (d), the expression "construction" includes re-construction, renovation, addition or alterations or repairs, to the extent of capitalization, to the said immovable property;
 - II. **Explanation:** for the purposes of this Chapter VI, the expression "plant and machinery" means apparatus, equipment, and machinery fixed to earth by foundation or structural support that are used for making outward supply of goods or services or both and includes such foundation and structural supports but excludes-
 - (i) Land, building or any other civil structures;
 - (ii) Telecommunication towers; and
 - (iii) Pipelines laid outside the factory premises.
- 4) Further **Rule 42 of CGST** Rules stipulates manner of determination of input tax credit in respect of inputs or input services and reversal thereof.- (1) The input tax credit in respect of inputs or input services, which attract the provisions of sub-section (1) or sub-section (2) of section 17, being partly used for the purposes of business and partly for other purposes, or partly used for effecting taxable supplies including zero rated supplies and partly for effecting exempt supplies, shall be attributed to the purposes of business or for effecting taxable supplies
- 5) In order to avail credit of GST paid on tax invoices, the tax details shall be captured separately for each state at the time of passing the same for payment under IPAS/ other FMIS as detailed below:

The tax paid on supplies received can fall under the following categories:

- I. Where tax credit is not available; and
- II. Where tax credit is available

A. The supplies under (i) above may fall under following categories:

Where ITC not available	<ul style="list-style-type: none"> • Tax paid on non-business supplies of goods and services as covered under section 17 (1) of the GST Act, 2017 (denoted as T1 under ITC rules); • Tax paid for supplies used exclusively for exempt operations e.g., exclusive maintenance contract for non-AC coaches (denoted as T2 under ITC rules);
--------------------------------	--

	<ul style="list-style-type: none"> • Tax paid for supplies for which credits are restricted under GST law (under section 17 (5) of the CGST Act,2017) e.g., works contract relating to construction of bridges (denoted as T3 under ITC rules);
Where ITC is available	<ul style="list-style-type: none"> • Tax paid for supplies used exclusively for taxable operations e.g., maintenance contract for AC coaches (denoted as T4 under ITC rules); • Tax paid for supplies used both for taxable and non-taxable operations to be treated as common credit (denoted as C2 under ITC rules)

- **T1 under ITC Rules** -Tax paid on non-business supplies of goods and services – as covered under section 17(1) of CGST Act.
- **T2 under ITC Rules** -Tax paid for supplies used exclusively for exempt operations- e.g., exclusive maintenance contract for non-AC coaches.
- **T3 under ITC Rules** - Tax paid for supplies for which credits are restricted under GST law (under Section 17(5) of CGST Act); e.g., construction of bridge.

B. The supplies under (ii) above may fall under following categories:

- **T4 under ITC Rules** - Tax paid for supplies used exclusively for taxable operations- e.g., Maintenance contract of services and goods for AC coaches; full credit shall be available in respect of these supplies.
- **C-2 under ITC Rules** - Tax paid for supplies used for both taxable and non-taxable operations shall be treated as common credit e.g. Taxable expenses related to office administration such as communication, professional consultancy charges, AMC contracts etc. will fall under this category of common credits. Tax Credit in proportion of Revenues from Taxable Supplies to total supplies shall be available in these cases.

In respect of the services rendered by Indian Railways for Transportation of Passenger and Goods by rail, ITC is available for GST paid relating to procurement of services only. For supply of Goods, etc ITC is available for both procurement of Goods and Services.

(Refer RBA No. 78/2017, and RBA 142/2017)

1.	Output Services	<ul style="list-style-type: none"> - Transport of goods, - Transport of Passengers, - Maintenance of sidings, - Wharfage, Demurrages & other auxiliary services. - Leasing of Coaches - Catering contracts - Publicity and advertising - Retiring room - Renting of immoveable property - others
2.	Output Goods	<p>Locomotives (Rolling stock)</p> <p>Parts of locomotive/coaches (Rolling stock)</p>

Classification of various goods and Services on which ITC shall be claimed by Indian Railway

Sl. no.	Nature of supply	Classification	Condition
(I)	Goods		
1	Goods(Inputs and Capital goods) used directly and indirectly for supply of goods such of locomotives, Coaches (<i>i.e. Taxable supplies under GST</i>)	T4	Full ITC available to <u>production units only</u> against such taxable supply of locomotives and coaches.
	Goods(Inputs and Capital goods) used directly and indirectly for supply of Services (<i>i.e. Transport of Goods, passengers</i>)	T3	No ITC shall be available if goods or used in providing servicesfor <u>Zonal Railways</u> . (Refer Noti. No. 11/2017)

2	Input and stock procured for supply of spare to private clients (i.e. Taxable Supplies)	T4	ITC available to production units against taxable supply of locomotives and coaches.
3	Input and stock procured for supply of spares to Zonal Railways	T3	ITC not eligible
4	Input used for making taxable supply of to both private clients as well as Zonal Railways	C2	Partially eligible to the extent of Taxable supply.
(II)	Services- Work Contact services		
5	Work Contact Service as Defined under Sec(119 of CGST Act)"Works Contract" means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;		
	(i) works contact service for plant and machinery whether capitalized or not	C2	Partially eligible for <u>Production Units</u> as per rule 42 of 43 CGST Rules 2017
	(ii) works contact service other than plant and machinery which is capitalized	T3	ITC not eligible for Zonal Railways
	Services- Repair and Maintenance services		
1.	Repairs & maintenance service	T3	Not Eligible (Credit

	contract for buildings, roads, colonies etc to the extent capitalized.		restrictions)
2.	Repairs & maintenance service contract for buildings, roads, colonies etc to the extent not capitalized.	T3	Not available because see 17(5) restricted
3.	Repairs & maintenance service contract for Steam, Electrical & Diesel engines Carriages Wagons. (Diesel sheds, Electrical loco shed etc.)	C2	Partially Eligible Repair & maintenance expense works done for Steam, Diesel, Electrical etc. (Diesel sheds, Electrical loco shed etc.) used in taxable operations will be available to Indian Railways.
4.	Repairs and Maintenance service contract for Plant & Equipment of all departments to the extent not capitalized. (Lathe Machine / cranes/ Plasma machine etc.	C2	Partially Eligible Repair & maintenance expense works done for Plant & Equipment used in taxable operations will be available to Indian Railways.
5.	Repairs and Maintenance of 1 st class/ AC coaches, Goods Wagon	T4	ITC available E.g. ITC of Repair & maintenance contracts for first class or air conditioned coaches will be available. E.g. ITC of Repair & maintenance contracts for wagon used in transportation of agriculture products will not be available

6.	Sanitation work, Cleanliness contacts for platforms, Stations.	C2	Partially Eligible
7.	AMC contracts	C2	Partially Eligible
8.	Consultancy contracts, legal fees etc.	C2	Partially eligible unless exclusively used for exempted supply
9..	HSD.- High speed Diesel oil and motor sprit	Non GST item	No ITC available
10.	Electricity supplied by Electricity utility.	Non GST item	No ITC available

This has the approval of competent authority.

hul
AFA/GST
 6/3/3/2023