



भारत सरकार Government Of India  
रेल मंत्रालय Ministry Of Railways  
(रेलवे बोर्ड) (Railway Board)

No. 2017/CE-I/CT/7/GST

New Delhi, dated 27.10.2017

To,  
As per list attached

**Sub: Impact of GST on Existing Works Contracts**

1. Ministry of Railways have received a number of representations from Zonal Railways, railway contractors and contractors' associations with a request that the increased tax liability due to implementation of GST should be borne by railways in works contracts awarded before implementation of GST. The issue was under consideration of Board for some time. It is seen that the impact of GST varies, depending upon the type of work, business model adopted by contractor and also on the state in which these works are being carried out. The impact is much more in labour intensive works like P.Way linking, Earthwork etc.
2. Considering the above, it has been decided to make existing works contracts awarded before implementation of GST, as **GST neutral** after carefully taking into account the input tax credit available to the contractor, on a case to case basis, on production of documentary evidence. This exercise may involve reimbursement to contractors or recovery from contractors depending upon the tax liability of the contractor before GST and after GST including input tax credit available to the contractor after GST.
3. Zonal Railways/Production Units may therefore work out modalities through a procedure order with the approval of General Manager in consultation with Principal Financial Advisor & legal cell. Following should be kept in view while framing the procedure order:
  - 3.1 For dealing with impact of GST in individual contracts, a supplementary agreement is to be entered into with the contractor in consultation with financial advisor in terms of Para 1265 of the Engineering Code.
  - 3.2 A clause is to be added in the supplementary agreement to state that in case there is any further change in the GST tax structure till the date of completion of work or any error is noticed in the calculation of amount payable/ recoverable till the release of Final Bill amount to contractor, the same shall be paid by the Railways or recovered from the contractor's bills/security deposit or any other dues of contractor with the Govt. of India.
  - 3.3 In case while awarding the contracts, the reasonability of rates was justified by Tender committee considering the impact of GST, such compensation would not apply.
  - 3.4 For neutralizing GST impact on the works contracts awarded before implementation of GST; along with documentary evidence, the contractor should submit work sheet of tax liability before GST and after GST duly certified by chartered accountant engaged by him.

*Pr Singh*  
*Prem Sagar*

The tax liability of the contractor before implementation of GST should be worked out taking into account all stipulated taxes in force before GST implementation i.e., Excise duty, VAT including VAT on Excise duty, Entry tax, Octroi duty, prevalent Service tax etc., irrespective of whether the same were actually paid by agency or not.

- 3.5 The rate reasonability and quantities of input materials for which ITC shall be available to the contractor, should be ensured by the executive with due care in consultation with associate finance.
- 3.6 Sample post checks of the compensation made to the contractor may be got undertaken by the GST consultant engaged by the Zonal Railways/Production Units.
- 3.7 Recovery, if any, which is required to be done from the contractors, may be regulated as per Section 171(1) of CGST Act, 2017.
4. This is issued with the approval of Board (ME, FC, CRB).

*Prem Sagar*  
27.10.17  
(प्रेम सागर गुप्ता)

कार्यकारी निदेशक / सिविल इंजी.(जी) / रेलवे बोर्ड  
[Phone: 011-23383379, e-mail address: edceg@rb.railnet.gov.in]

**No. 2017/CE-I/CT/7/GST**

**New Delhi, dated 27.10.2017**

Copy forwarded for information to:

1. The PFAs of all Indian Railways.
2. The Deputy Comptroller and Auditor General of India. (Railways), New Delhi.

*R. Singh*

**For Financial Commissioner/Railways**

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1. Director General, RDSO, Manak Nagar, Lucknow.
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