To,

The General Manager, All Indian Railways/PUs, NF(C), CORE
The DG/RDSO/Lucknow & DG/NAIR/Vadodara,
CAOs, DMW/Patiala, WPO/Pathna, COFMOW/NDLS, RCF/RBL/NDLS
CMDs of PSUs, RVNL, KRCL, MRVC, MCF/Bela

Sub: Chapter-86 of GST Tariff-Change in GST Rates-Impact thereof

Ref: (i) Letter no. 2019/AC-II/GST/1(Part) dated 01.10.2019

Please refer to Board’s letter no. 2019/AC-II/GST/1(Part) dated 01.10.2019 issued as RBA No. 92/2019, wherein notifications issued by CBIC for enhancement of GST rates in respect of Goods procured under Chapter-86 from 5% to 12% has been notified to all the Zonal Railways and Production Units. In this regard it is mentioned that there have been cases where, many vendors supplying items under Chapter-86 in the past have been making representation that due to the inverted duty structure, they are not in a position to avail accumulated Input Tax Credit (ITC). Accordingly, this may have been factored in the price quoted by them. With the increase in applicable GST rate, the burden of un-utilised ITC shall significantly reduce (by 7%). Section 171 (1) of the CGST Act, 2017 mandates that “any reduction in the rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices”.

2. In this regard, attention is also invited to RS(G) Directorate’s letter No. 2008/RS(G)/777/1 dated 21.7.2017, vide which guidelines were issued to all Zonal Railways and Production Units and it was advised that the firms shall give a declaration that any additional ITC benefit, if become available to supplier, the same shall be passed on to purchaser without any undue delay. Given this, it is desired that any change in tax structure in contracts under statutory variation clause, needs to be critically examined keeping in view the above issues in mind. Railways may also use the anti profiteering provisions in GST laws, if felt necessary. GST Consultants engaged by Zonal Railways and Production Units may be consulted in this matter.

3. This is issued with the concurrence of Finance Directorate of Railway Board.

(Anurag Grover)
Dy. Dir. Rly. Stores(G)
Railway Board
No. 2017/RS(G)/779/2

1. PFAs, All Indian Railways & Production Units
2. The ADAI(Railways), New Delhi
3. The Directors of Audit, All Indian Railways

Dated: 28.11.2019

For Financial Commissioner/Railways

No. 2017/RS(G)/779/2

Dated: 28.11.2019

Copy for information to:

1. PCMMs, PCEs, CMEs, CEEs, CSTEs, All Indian Railways & PUs, RCF/RBL/NDLS, COFMOW, CORE, WPO and RWP/Bela
2. The Directors–
   a. Indian Railway Institute of Sig. Engg. & Telecom, Secunderabad
   b. Indian Railway Institute of Mech. & Elec. Engg., Jamalpur
   c. Indian Railway Institute of Elect. Engg., Nasik
   d. Sr. Prof. (Material Management), NAIR, Vadodara
   e. Indian Railway Institute of Civil Engg., Pune
   f. Indian Railway Institute of Traffic Management, Lucknow
3. MD, CRIS, Chanakya Puri, New Delhi
4. MD, RITES, RITES Bhavan, Sector-29, Gurugram
5. Director, Iron & Steel, 3, Kolab Ghat Street, Kolkata
6. Executive Director (Stores), RDSO, Lucknow
7. Chief Commissioner, Railway Safety, Lucknow
8. Zonal Railway Training Institute, Sukhadi Circle, Udaipur
9. Director/Transformation Cell, Railway Board

Copy to:

1. The Genl. Secy., AIRF, Room No. 248, & NFIR Room No. 256-C, Rail Bhavan
2. The Secy. Genl., IRPOF, Room No. 268, FROA, Room No. 256-D & AIRPFA, Room No. 256-D Rail Bhavan

Copy to:- Sr. PPSs / PPS / PS to:

1. MR, MoS(R)
2. CRB, FC, ME, MTR, MRS, MS, MT, SECY., DG (RHS), DG (RPF)
3. All AMs, PEDs & Executive Directors of Railway Board

(Anurag Grover)
Dy. Dir. Rly. Stores(G)
Railway Board

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Railway Board