

**भारत सरकार/GOVERNMENT OF INDIA**  
**रेल मंत्रालय/MINISTRY OF RAILWAYS**  
**(रेलवे बोर्ड)/(RAILWAY BOARD)**

सं/No. 2020/Track-I(P)/GST

दिनांक/Date: 22.03.2021

**PCEs & PFAs,  
All Zonal Railways.**

**CAOs/Con.,  
All Zonal Railways.**

**विषय/Sub: Accounting process of IRFC Infrastructure Leasing  
Contracts under EBR-S source.**

- संदर्भ/Ref:-**
1. Board's letter No. 2018/AC-II/1/57 dated 15.01.2021.
  2. SAIL's letter to PFA/SER dated 16.02.2021.
  3. SAIL's letter dated 03.03.2021.
  4. Board's letter No. Track/21/98/05/7/ Vol-IV dated 01.06.2020.

The issue raised by SAIL pertains to GST, invoicing and booking of expenditure in reference to Board's letter under Ref.-1. Scenario 2 of Board's letter dated 15.01.2021 has provision for clearing bill of rails prepared by SAIL without changing GSTIN and bills may be passed accordingly.

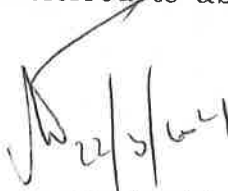
In this regard it is advised that, if there are any invoices issued prior to 31.12.2020 and the invoices are in the names of Railways, then action has to be taken as per Board's letter under Ref.-4.


An illustrative example of Accounting Entry at the time of payment of bills dated to prior 31.12.2020, as raised by SAIL, is as under:-

<b>1st Step:</b>			
<b>Particulars</b>	<b>Accounting Heads</b>	<b>Debit</b>	<b>Credit</b>
Accounting Entry at the time of payment of Bills dated prior to 31.12.2020 as raised by SAIL (In IPAS).	Miscellaneous Advance (Capital)	100.00	
	Miscellaneous Advance (GST)	18.00	
	Retention Money/Security Deposit (if any)		2.00
	TDS-IT		2.00
	Cheques and Bills		114.0

<b>2<sup>nd</sup> Step:</b>	GST compliant Tax Invoice on IRFC would required to be raised in GST Manual Utility Portal developed by CRIS. This invoice needs to be handed over to GM/Finance, IRFC. One copy of this Tax Invoice would be made a voucher for carrying out process in 3 <sup>rd</sup> Step.		
<b>3<sup>rd</sup> Step:</b>			
Particulars	Accounting Heads	Debit	Credit
Using this Tax Invoice generated in GST Manual Utility Portal, Accounts Department in Zonal Railways will pass necessary journal entries in IPAS, for which a process flow is already in place. Journal entry as illustrated alongside will be generated.	EBR-S	118.00	
	Deposit Miscellaneous (GST)		18.00
	Miscellaneous Advance (Capital)		100.00

This is in addition to instructions contained in Board's letters dated 01.06.2020 & 15.01.2021 referred to above, which will continue to be in force.

  
**(V. Prakash)**  
**Director/Accounts**  
**Phone:-011-23070504**

  
**22/03/2021**  
**(Anurag Yadav)**  
**Director/Track (P)**  
**Phone: 011-23304852**

**प्रतिलिपि/Copy to:-**

1. Chairman/SAIL, Ispat Bhavan, Lodhi Road, New Delhi.
2. Chief General Manager (CD), SAIL, Ispat Bhavan, Lodhi Road, New Delhi  
- w.r.t. letter No. SAIL/CD/Rails/2020-21 dated 03.03.2021.
3. Shri Pradeep Gupta, Chief Engineer(RP)/BSP, Bhilai, SECR.



(भारतसरकार) GOVERNMENT OF INDIA  
(रेलमंत्रालय) MINISTRY OF RAILWAYS  
(रेलवेबोर्ड) RAILWAY BOARD

RBA No. 003 /2021  
GST Circular No. 002/2021

No. 2018/AC-II/1/57

15<sup>th</sup> January, 2021

**General Managers,**  
All Zonal Railways/Production Units

**Sub :- Accounting process of IRFC Infrastructure Leasing Contracts under EBR-S source.**

**Ref:- Railway Board's letter No. 2015/AC-II/2/6 dated 5.1.2021 (RBA No. 2/2021).**

Railway Board's letter ibid may be referred, wherein allocations for new source of fund EBR-S were circulated. In this regard following Accounting Processes are brought out to book the expenditure under the newly created source of expenditure. Following aspects have to be kept in mind while booking the expenditure under this source of expenditure:-

- Capital component of lease charges, external aid components, equity infusion, etc. shall not be funded out of EBR-S source. Besides this procurement of land shall also be not funded out of EBR-S source.
- Therefore, subject to above, expenditure booked under Capital Source from 1.4.2020 onwards would require to be transferred to EBR-S, as per approved RE-2020-2021, as communicated by Budget Directorate, Railway Board.
- For this, there is an urgent requirement to enter into one-time Novation Agreement (as per approved template---GST Circular No. 18/2020 dated 24.3.2020) with the Vendor/Contractors of Indian Railway, bringing out that this arrangement of Billing on IRFC in respect of procurement through EBR-S Fund would be applicable for billing done till 31.3.2021 only. All the Zonal Railways shall have to comply with this in order to ensure that all billing is in the name of IRFC only. This will have to be ensured by all Executive Departments, viz., Civil Engineering, S&T, Electrical, etc in respect of those contracts financed out of EBR-S source.

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- d. Expenditure on supply of goods, still lying in Stock (that is not installed), viz., Rails, etc. and other movable assets like Rolling Stock, Machinery and Plant, etc. shall be treated as Supply of Goods and invoiced on IRFC with GST payable by IRFC on Forward Charge Mechanism. Corresponding Input Tax Credit, which would have been flagged as 'No ITC' shall have to be reflagged as full ITC or partial ITC to ensure GST neutral for Indian Railways.
- e. Goods that have been installed, gets treated as Supply of Services and therefore GST shall be payable by IRFC under Reverse Charge Mechanism.

There are three possible scenarios to implement the above. Following processes are suggested. These scenarios are discussed as below:-

- a. **Scenario No. 1 (RVNL, other Railway PSUs, etc.):** Capital Expenditure from 1.4.2020 till date) may have booking of expenditure in respect of supply of goods and services rendered by RVNL, other Railway PSUs etc. A one-time novation agreement needs to be entered with RVNL, other Railway PSUs, etc. and pursuant to that, all the bills raised by RVNL, dated 1.4.2020 onwards till date, needs to be reversed by them by issuing a Credit Note. On the authority of Credit Note, **reversal of expenditure can be done under Capital Source**. CRIS is requested to link the Credit Note with the corresponding Invoice raised by RVNL, other Railway PSUs earlier and auto populate the Input Tax Credit Flags in the Credit Note booking, to eliminate any errors or inconsistency.

Simultaneously, fresh bills may be issued by RVNL, other Railway PSUs in the name of IRFC, using the GSTIN credentials of IRFC. This invoice can be booked as expenditure under EBR-S, similar to the existing process being followed under EBR-IF.

- b. **Scenario No. 2 (Expenditure already booked under Capital Source of Funds other than RVNL, Railway PSUs, etc.):**
  - i. Expenditure incurred on items namely Capital component of lease charges, external aid components, equity infusion, procurement of land, etc. shall not be funded out of EBR-S source.
  - ii. Wherever in RE-2020-2021, Plan Head expenditure is in the nature of supply of Goods viz., PH 21-Rolling Stock, PH-41, Machinery and Plants, PH-42 Workshops/PUs, etc., the same gets categorized as 'Supply of Goods' and GST is charged in the Tax Invoice raised by IR on IRFC under 'Forward Charge Mechanism'. **CRIS is requested to allow re-flag of such expenditure as full ITC, so that IR may avail ITC and is not put to loss.**
  - iii. In respect of expenditure other than Supply of Goods also, if there are any item lying in Stock, that is not yet consumed, viz., Rails, Signaling Equipments, etc., same can be billed to IRFC treating the same as 'Supply of Goods' and appropriate HSN Code needs to be applied in the Tax Invoice. This is so because

these items are categorized as 'Movable Assets' as on date. However, following sub-scenarios may arise:-

- 1) All the expenditure (already booked) where vendor bills date is prior to 1.4.2020, Indian Railway will have to issue Tax Invoice as per existing principle. In case those items are lying in Stock, that is, not yet consumed, same can be billed to IRFC treating the same as 'Supply of Goods' and appropriate HSN Code needs to be applied in the Tax Invoice.

In case the goods are already installed, then the supply will be treated as 'Supply of Service' and same will be billed on IRFC under RCM i.e., GST shall be payable by IRFC under RCM. In such scenario, i.e., where GST is payable under RCM, reversal of ITC availed on such goods and services procured shall have to be reversed.

- 2) All the expenditure (already booked) where vendor bills date is post 1.4.2020, Indian Railway will have to issue Tax Invoice as per existing principle. In case those items are lying in Stock, that is, not yet consumed, same can be billed to IRFC treating the same as 'Supply of Goods' and appropriate HSN Code needs to be applied in the Tax Invoice. **CRIS is requested to allow for revision of ITC Flags, on the procurement made by categorizing it as 'T4', so that IR can avail ITC and ensure GST neutral.**

In case the goods are already installed, then the supply will be treated as 'Supply of Service' and same will be billed on IRFC under RCM i.e., GST shall be payable by IRFC under RCM. In such scenario, i.e., where GST is payable under RCM, reversal of ITC availed on such goods and services procured shall have to be reversed.

Both for the above scenarios, the invoice issued as above shall be the supporting vouchers for effecting transfer of expenditure already booked and booking of fresh expenditure to EBR-S. The allocation head for EBR-S have already been advised vide RBA No. 2/2021, referred above.


- c. **Scenario No. 3 (Current dated expenditure):** W.e.f. 1st Jan 2021, action shall be taken to enter into novation agreement with the vendors and get the invoice prepared in the name of IRFC. Booking of expenditure shall be regulated as per accounting policy enumerated in RBA No. 41/2020, 62/2020 and 75/2020. Due regards to Railway Board's policy directives (RBA No. 65/2020) regarding ITC flagging shall be strictly followed. **In respect of those bills that has not yet been paid and has been kept pending for want of Budget Allocations, etc. under Capital, fresh bills may be obtained from Vendor using IRFC's GST credentials and simultaneously Vendor shall also withdraw or cancel their bills submitted, by issuing a credit Note under GST Rules. Thereafter the new bills with IRFC's GST credentials can be considered for payment under the**

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Source EBR-S. This process is essential to ensure Tax Efficiency under GST Rules and also to ensure that the RE-2020-2021 allocated under EBR-S is utilized effectively. It must be noted that for deduction of TDS, the procedure as adopted in the EBR-IF is to be followed i.e., the same head of accounts, as in the existing process of booking EBR-IF expenditure, for accounting GST & Income Tax TDS, is to be used and also same process for remittance of TDS amount to IRFC shall be ensured.

This issue with the concurrence of Budget Directorate and approval of competent authority.

  
(V. Prakash)  
Director/Accounts  
Railway Board

Copy to:-

1. All EDs, ED level empowered Committee, Railway Board
2. All Directors, Director level GST Cell, Railway Board.
3. PFAs, All Zonal Railways and Production Units.
4. EDFB, EDF/RM, Railway Board.
5. MD, IRFC, GM/Finance/GSTM, GM/AIMS, CRIS.
6. Director Finance, RVNL, New Delhi.
7. Finance Secretary, Ministry of Finance, Department of Revenue, North Block, New Delhi.

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**भारत सरकार/GOVERNMENT OF INDIA**  
**रेल मंत्रालय/MINISTRY OF RAILWAYS**  
**(रेलवे बोर्ड)/(RAILWAY BOARD)**

सं/No. Track/21/98/05/7/ Vol-IV

दिनांक/Date: 01.06.2020

**Principal Chief Engineer(s),**  
All Zonal Railways.

**Chief Administrative Officer(s)/Con.,**  
All Zonal Railways.

**विषय/Sub: Bills for rail supply by SAIL held up for payment due to revised model of EBR-IF funded contracts.**

**संदर्भ/Ref:** 1. SAIL's letter dated 16.05.2020.  
2. Board's letters No. 2018/AC-II/1/57 dated 08.05.2020, 01.04.2020, 20.03.2020, 27.02.2020 & 16.12.2019.

The revised model of EBR-IF funded Contracts were issued vide Board's letter referred to above.

A few Construction Units of Zonal Railways have pointed out difficulties in making payment to SAIL under the revised model of EBR-IF funded contracts. The same was examined in Board's office in consultation with the Accounts Directorate.

Action in regard to payment for rails supplied by SAIL for EBR-IF projects should be taken as under;

S.No	Situation	Action to be taken
1.	Bill raised in the name of Indian Railways by SAIL prior to 1.5.2020 , where <b>entire lot is earmarked for EBR-IF Project.</b>	<ul style="list-style-type: none"> <li>Bill may be passed by concerned Railways as usual by debiting the expenditure to Misc. Advance (Capital) and payment may be released to SAIL.</li> <li>GST Paid on Input may be classified as Full ITC by using 'T4' Flag.</li> <li>Concerned Zonal Railway shall raise a Tax Invoice on IRFC and clear the Misc. Advance (Capital) by contra debit to 83XXXXXX</li> </ul>
2.	Bill raised in the name of Indian Railways by SAIL prior to 1.5.2020 , where <b>entire lot is earmarked for IR and EBRIF Project</b>	<ul style="list-style-type: none"> <li>Bill may be passed by concerned Railways as usual by debiting the expenditure to the concerned Plan Head in respect of IR's Project and to Misc. Advance (Capital) for EBRIF</li> </ul>

S.No	Situation	Action to be taken
		<p>portion and payment may be released to SAIL.</p> <ul style="list-style-type: none"> <li>• GST Paid on Input may be classified as Partial ITC by using 'C2' Flag.</li> <li>• Concerned Zonal Railway shall raise a Tax Invoice on IRFC for the EBRIF portion and clear the Misc. Advance (Capital) by contra debit to 83XXXXXX</li> </ul>
3.	Escalation/De-Escalation	In respect of those payments passed for IR's portion, action at S.No. 1 and 2 may be adopted.
4.	Bills received on or after 1.5.2020-Where it is known that the lot is entirely for EBRIF portion	<ul style="list-style-type: none"> <li>• Terms and conditions as mentioned in Novation Agreement needs to be entered with SAIL by the concerned Railways.</li> <li>• SAIL may raise invoice in favour of IRFC and concerned paying Railways shall release the payment to SAIL, by debiting EBRIF Allocation and ensure GST and Income Tax (IT) compliance.</li> </ul>
5.	Bills received on or after 1.5.2020-Where the lot is for EBRIF and IR's portion	<ul style="list-style-type: none"> <li>• Concerned Railway shall adopt process mentioned at S.No. 2 for EBRIF portion.</li> <li>• There will be no ITC flagging for IR's portion.</li> </ul>
6.	Bills received on or after 1.5.2020-Where consignee Railway is situated in a State other than Paying Railway State.	<ul style="list-style-type: none"> <li>• SAIL shall be advised by the Paying Railway the GSTIN of IRFC and consignee Railway.</li> <li>• Paying Railway shall arrange payment to SAIL by debiting Transfer Other Railway.</li> <li>• Paying Railway shall pass on the debit to consignee Railway through a TC.</li> <li>• Consignee Railway shall account for the complete transaction by debiting EBRIF (83XXXXXX) and ensure GST/IT Compliance</li> </ul> <p>83XXXXXX Dr</p>

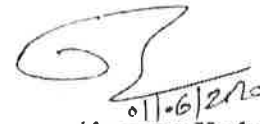




S.No	Situation	Action to be taken
		Trs Other Railway Cr
		TDS GST (IRFC) Cr
		IT TDS IRFC Cr

Invoice of IRFC by Railways shall be raised through GST manual utility portal of CRIS, in consultation with Nodal GST cell of the Zonal Railways.

This issues with concurrence of Associate Finance and Accounts Directorates of Railway Board.



(Anurag Yadav)

Director/Track (P)

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सं/No. Track/21/98/05/7/ Vol-IV

दिनांक/Date: 01.06.2020

Copy to:

1. Chairman/SAIL for information and necessary action please.
2. Shri Pradeep Gupta, Chief Engineer (Rail Procurement)/BSP, Bhilai, South East Central Railway.



(Anurag Yadav)

Director/Track(P)


Railway Board

सं/No. Track/21/98/05/7/ Vol-IV

दिनांक/Date: 01.06.2020

Copy to:-

1. The PFA (Open Line), All Indian Railways
2. The PFA (Con.), All Indian Railways.
3. DG/Railway Board (Audit), Room No. 222, Rail Bhawan, New Delhi.



for Financial Commissioner, Railways