

Rate Circular No. 27 of 2012

GOVERNMENT OF INDIA (BHARAT SARKAR)
MINISTRY OF RAILWAYS (RAIL MANTRALAYA)
(RAILWAY BOARD)

No. TCR/1078/2011/2

New Delhi, 26.09.2012

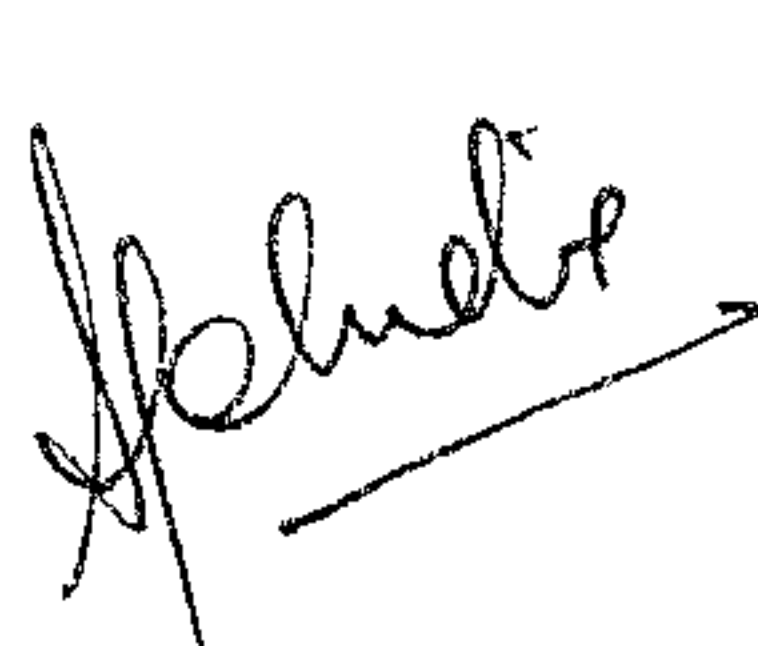
The General Managers,
All Indian Railways.

- Sub : Levy of Service Tax on Transportation of Goods by Rail.
Ref : Ministry of Finance Gazette Notification No 1 of 2006 dated 1st March 2006 followed by Gazette Notifications
- I. 20 of 2006 dated 25th April 2006;
 - II. 28 & 29 of 2009 dated 31st August 2009;
 - III. 33 & 34 of 2009 dated 1st September 2009;
 - IV. 8 & 9 of 2010 dated 27th February 2010;
 - V. 20, 21 & 22 of 2010 dated 30th March 2010;
 - VI. 33, 34 & 35 of 2010 dated 22nd June 2010;
 - VII. 56 of 2010 dated 21st December 2010;
 - VIII. 20 of 2011 dated 30th March 2011; and
 - IX. 38, 39 & 40 of 2011 dated 14th June 2011;
 - X. 7, 8 & 9 of 2012 dated 17th March 2012;
 - XI. 25 of 2012 dated 20th June 2012; and
 - XII. 43 of 2012 dated 2nd July 2012.

General: As per the Finance Bill 2010 and subsequent Gazette notification No. 43 of 2012 on the subject, "Service Tax on 'Service provided in relation to transport of goods by rail' will come into effect from 01.10.2012."

In compliance of the provisions contained in Finance Bill, 2010 and subsequent notifications issued by Finance Ministry as referred to above, following instructions are issued.

1. Certain commodities have been exempted from payment of service tax as per Ministry of Finance notification No. 25 of 2012 dated 20th June 2012. List of commodities, which have been exempted from levy of Service Tax, is enclosed as **Annexure-1**.
2. As on date Service Tax is levied at the following rates.
Service Tax 12%.
Education Cess of 2% on Service Tax.
Higher Education Cess of 1% on Service Tax.
3. Since an abatement of 70% has been permitted on freight for the taxable commodities, vide Notification No. 26 of 2012 Service Tax dated 20.06.2012; Service Tax will be charged on 30% of total freight inclusive of all charges on goods which should be calculated as follows :



- i) Service Tax of 12% will be charged on 30% of freight (equivalent to 3.6% on the total freight);
- ii) Education Cess of 2% on Service Tax will be added (equivalent to 0.072% on total freight); and
- iii) Higher Education Cess of 1% on Service Tax will also be added (equivalent to 0.036% on total freight);
- iv) **Total Service Tax implication will be (i) + (ii) + (iii) = 3.708% on the total freight.**

Illustration -A:

			(In ₹)
	Distance	Kms	650
	Wagon		BCNA
	CC of Wagon	Tonne	66
	Rake Length		42
	Commodity		Cement
	Class T/L		150
1	Freight per Tonne	₹	738.60
2	Busy Season Surcharge @ 10% = (1*10%)	₹	73.86
3	Normal Tariff Rate (NTR) = (1+2)	₹	812.46
4	Less Freight rebate for Traditional empty flow direction @ 20% on NTR = (3*20%)	₹	162.49
5	Freight per Tonne for Traditional empty flow direction= (3-4)		649.97
6	Development Charge @5% = (3*5%)	₹	40.62
7	\$Terminal Charge @ ₹ 40.00 per tonne per terminal (applicable only in Railway owned Goods Sheds/Sidings)	₹	80.00
8	Total Freight = (3+6+7)	₹	933.08
9	Total Freight per rake = (8*42*66)	₹	2586497.76
10	Freight per tonne after concessions = (5+6+7)	₹	770.59
11	Freight per rake after concessions = (10*42*66)	₹	2136075.48
12	30% taxable freight of the total value	₹	640822.64
13	Add Service Tax @12% on 30% Freight (12 * 12%)	₹	76898.72
14	Add Education Cess @2% of Service Tax (13 * 2%)	₹	1537.97
15	Add Higher Education Cess @1% of Service Tax (13 * 1%)	₹	768.99
16	Rounded off Service Tax	₹	79206.00
17	Total Rounded off Freight to be collected from one rake = (11+16)	₹	2215281.00

Note: - \$ Wherever applicable.

Note: - Service tax shall be rounded off to the nearest rupee as per circular No.ST-53/2/2003 dated 27.3.2003.

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Illustration-B:

			(In ₹)
	Distance	Kms	650
	Wagon		BCNA
	CC of Wagon	Tonne	66
	Rake Length		42
	Commodity		Cement
	Class T/L		150
1	Freight per Tonne	₹	738.60
2	Freight rebate under WIS - @10% on Basic Freight = (1*10%)	₹	73.86
3	Busy Season Surcharge @10% on Base Freight = (1*10%)	₹	73.86
4	Normal Tariff Rate (NTR) per Tonne (1+3)	₹	812.46
5	Normal Tariff Rate (NTR) per Rake = (4*42*66)	₹	2252139.12
6	Development Charge @5% = (4*5%)	₹	40.62
7	\$Terminal Charge @ ` 40.00 per tonne per terminal (applicable only in Railway owned Goods Sheds/Sidings)	₹	80.00
8	Total Freight = (4+6+7)	₹	933.08
9	Total Freight per rake = (8*42*66)	₹	2586497.76
10	Freight rebate under WIS Scheme = (2*42*66)	₹	204739.92
11	Total Payable Freight per rake = (9-10)	₹	2381757.84
12	30% taxable freight of the total value	₹	714527.35
13	Add Service Tax @12% on 30% Freight (12 * 12%)	₹	85743.28
14	Add Education Cess @2% of Service Tax (13 * 2%)	₹	1714.87
15	Add Higher Education Cess @1% of Service Tax (13 * 1%)	₹	857.43
16	Rounded off Service Tax	₹	88316.00
17	Total Rounded off Freight to be collected from one rake =(11+16)	₹	2470074.00

Note: - \$ Wherever applicable.

Note: - Service tax shall be rounded off to the nearest rupee as per circular No.ST-53/2/2003 dated 27.3.2003.

4. To facilitate correct assessment, collection and payment of Service Tax, following instructions are issued:
- i) FA&CAO of Zonal Railways will get themselves registered at the earliest and in any case within 30 days' time to get a Registration No. from the concerned Superintendent of Central Excise for proper accountal and remittance of Service Tax amount.

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- ii) Service Tax should be collected at the time of preparation of RR itself. Similarly, as regards 'To pay' RRs, Service Tax should be collected at the time of delivery of goods from 01.10.2012.
- iii) In case of RRs which are being manually prepared (non-TMS locations), only the Registration No., Code of service and details of the Service Tax, Education Cess, Higher Education Cess and Total Service Tax will be indicated on the RRs by Goods Clerks.
- iv) Till such time as changes are made in the TMS software, details mentioned in sub-para (iii) above will be manually written by the Goods Clerks in the computerized RRs also which will be generated at TMS locations.
- v) Meanwhile, CAO/FOIS will make provision for separate account of Service Tax in the TMS software for inclusion of relevant details in computerized RRs issued from TMS locations. The Computerised RRs will have separate indication for (a) Service Tax, (b) Education Cess, (c) Higher Education Cess and (d) Total Service Tax. Necessary changes should be made in the format of RR for inclusion of following entries:
- Name &
 - Address of customer.
 - Registration No. of Service Tax provider i.e. FA&CAO of zonal railway.
 - Amount of Service Tax.
 - Type of Service.
 - Code No. of Service.
 - Exemption Notification No.1 of 2006 ST dt. 1.3.2006 is being availed.
- vi) Till allotment of Registration No., Zonal railways will be required to mention 'Applied For' against the space provided for Registration No. TMS software will also print 'Applied For' in the Computerised RRs till such time as CAO/FOIS is intimated about their Registration Nos. by FA&CAOs of Zonal Railways.
- vii) In case any undercharges or other charges are collected at the destination station, then service tax at the stipulated percentage should be collected by the destination railway on such other components also.
- viii) It may be ensured that not only railway goods customers but also all Rail Operators such as Container Train Operators, SFTOs etc should pay Service Tax along with haulage charge. Further, where advance payment facility has been permitted they would be required to pay Service Tax along with haulage charge. Similarly, element of service tax is levy able where 'Weight Only' system is in vogue.


J. K. Mehta



- ix) It may be ensured that proper arrangement be made for up-keep of record from the initial stage itself for subsequent auditing by Service Tax Authorities. As each location would be audited periodically, system of correct maintenance of records is pre-requisite for its proper implementation.
 - x) Instructions may be communicated to the staff at all levels regarding the relevant provisions of this tax and they may be made conversant with the various provisions for effective and efficient implementation of the same.
 - xi) On the written request from customers, CCM Office will issue a monthly consolidated certificate to be signed by an Officer authorized by CCM and duly countersigned by Dy. CAO/T or officer nominated thereto, for each customer giving details of Service Tax collected from them during the previous month, date-wise and rake-wise with breakup of (a) Service Tax, (b) Education Cess, (c) Higher Education Cess and (d) Total Service Tax. This can be used by the customers for getting refund/credit of Service Tax from the concerned Superintendent of Central Excise as due to them. Service Tax once collected will not be refunded by Railways under any circumstances.
 - xii) Each station/siding collecting the service tax shall submit a statement showing customer wise details of service tax collected from them during the previous month date-wise and rake-wise with breakup of service tax, education cess, and higher education cess along with the station balance sheet to facilitate issue of the above certificate.
 - xiii) In case of overcharge/refund of freight charges, if any, refund of Service Tax shall be claimed by the customer from the concerned Service Tax authority. No refund shall be made by the Railways on this account. For the purpose of claiming refund, CCM office shall issue a monthly certificate to each customer detailing the amount of refunds to the customer during the previous month, to be signed by an Officer authorized by CCM, which shall be countersigned by the Dy.CAO/T or officer authorized by them for this purpose.
 - xiv) Since service tax due in case of undercharges detected at the destination station will be recovered by the destination station, the station will maintain separate record of service tax so collected. It shall also prepare a monthly statement showing customer wise details of invoice, undercharges and service tax/ cess collected thereon to be submitted along with the station balance sheet to Traffic Accounts office.
5. Service Tax will be levied on the total freight as reflected in RR.
6. It is suggested that various documents like Service Tax, relevant notifications etc. may be obtained and all concerned may be made well conversant with the same. Provisions pertaining to Service Tax are available in Finance Act, 1994 and Service Tax Rules, 1994 as amended subsequently from time to time. Some of the relevant





notifications are Notification No. 1 of 2006 – Service Tax dated 01.03.2006, Notification No. 25 of 2012 – Service Tax and Notification No. 26 of 2012 – Service Tax dated 20.06.2012 issued in this regard, can be downloaded from the official website www.servicetax.gov.in.

7. Instructions regarding Registration No., head of allocation, accounting procedure, system of making payment etc., are being issued separately by the Accounts Directorate.
8. Any modification in the policy made by Ministry of Finance from time to time will become applicable and will be notified accordingly.
9. These instructions will come into force **w.e.f. 01.10.2012**.

This issues in consultation with Finance Directorate of Ministry of Railways.

D.A./ As above.



(Aashima Mehrotra)
Director, Traffic Commercial (Rates)
Railway Board

No: TCR/1078/2011/2

New Delhi 26.09.2012

Copy for information: -

1. FA & CAOs, All Indian Railways.
2. Deputy Comptroller and Auditor General of India (Railways), New Delhi.

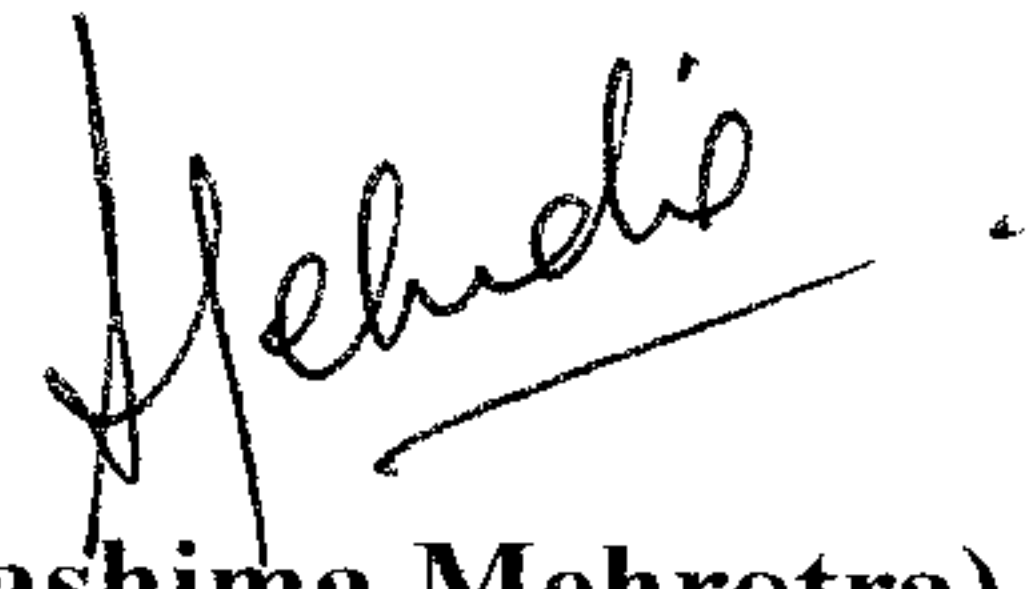


For Financial Commissioner (Railways)

No: TCR/1078/2011/2

New Delhi, 26/09.2012

1. Chief Commercial Managers, All Indian Railways.
2. Chief Operating Managers, All Indian Railways.
3. Managing Director, CRIS, Chanakya Puri, New Delhi-23.
4. The Chief Administrative Officer, FOIS, Northern Railway, Camp: CRIS, Chanakya Puri, New Delhi-23.
5. Managing Director, Konkan Railway Corporation, Belapur Bhavan, Sector- 11, CBD Belapur, New Mumbai-400614.
6. Director General, Railway Staff College, Vadodara.
7. Director, Institute of Rail Transport Management (IRITEM), Manaknagar, Lucknow.
8. GS/IRCA, New Delhi: for necessary action.



(Aashima Mehrotra)
Director, Traffic Commercial (Rates)
Railway Board

Copy to: -

CRB, FC, MT, ME, MS, ML, MM
AM(C), AM(T), AM(C&IS), AM(T&C), Adv.(R), Adv.(F), Adv.(Vig.), Adv.(Infra)
EDTT(M), EDTT(S), EDTT(F), EDFM, EDPM, EDPG, EDFC, ED(C&IS), EDV(T),
EDP, EDPP, EDPPP, ED(T&C), ED(S&E), ED(LRDSS), DF(C), DTC(G), DPM,
Dir. (T&C), DFM, DTTG, DTT (POL), DDTC(R)
TC(CR), TC-I, TC-II, TC-III, TC-IV, TC (FM), TT-I, TT-II, TT-III, TT-IV, TT-V, FC,
Stat-II, Stat (CA), Stat-V, Stat (Econ.), Economic Cell and Budget branches of Railway
Board.

ANNEXURE-1

LIST OF COMMODITIES EXEMPTED FROM LEVY OF SERVICE TAX

Sl. No	Description of exempted commodity group as per Notification No. 25 of 2012	Description of Commodities as available in IRCA Goods Tariff No.46, Part-I (Vol-II)	
		Main Commodity Head	Individual Commodities
Item No. 20. (a)	Petroleum and petroleum products falling under Chapter heading 2710 and 2711 of the First Schedule to the Central Excise Act, 1985 (5 of 1986)	Petroleum products and Gases	Alkylate, Ammonia Liquefied Gas, Argon Gas, Aviation Spirit, Aviation Turbine Fuel (ATF), Bitumen, Coal Tar, Coal Tar Pitch, Compressed Gases, Diesel Oil, Furnace Oil, Hexane, High Speed Diesel (HSD), Kerosene Oil, Light Diesel Oil, Liquefied Petroleum Gas (LPG), Methane Gas, Naphtha, Nitrogen Gas, Paraffin Oil Petrol (Motor Spirit), Reformat, Residual Fuel Oil, Low Sulphur Heavy Stock and Crude oil.
Item No. 20. (h)	Agriculture Produce	Cotton and Other Textiles	Cotton half/ full Pressed, Cotton Raw, Wool
		Fodder and Husk	Bhoosa, Chari, Chuni, Coconut Husk, Cotton Seed Husk, Dry Grass, Gram Husk, Kirby, Kirby Kutti (Kuttar), Paddy Husk, Peas Husk, Toor Husk, Wheat Bran (Chokar)
		Foodgrains, Flours and Pulses	Bajra, Chana Dal, Gram, Jowar, Maize, Moong Dal, Musoor Dal, Paddy, Rice, Toor Dal, Urad Dal, Wheat
		Fruits and vegetables	Bananas, Dates, Garlic, Mangoes, Onions, Oranges, Potatoes
		Groceries	Chillies/ Dry chillies, Jeera, Pepper
		Jute	Jute
		Miscellaneous	Betel nuts
		Oil Cakes and Seeds	Cotton Seed, Cotton Seed Waste, Gingelly Seed, Linseed, Mustard Seed, Rape Seed, Sal Seed, Soya bean, Sunflower Seed
		Spices	Spices, Turmeric
		Sugarcane and Bagasse	Sugarcane and Bagasse

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Item No. 20. (i)	Foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil	Foodgrains, Flours and Pulses	Atta, Besan, Maida, Edible Snacks
		Groceries	Extruded Foods, Maize Flakes, Rice Flakes, Rice Parched, Sago common, Soya Protein Textured
Item No. 20. (j)	Chemical Fertilisers and Oilcakes	Chemical Manures	Ammonium Nitrophosphate, Ammonium Phosphate, Ammonium Sulphate Nitrate, Bentonite Sulphur Pastilles (Straight Sulphur Fertiliser), Calcium Ammonium Nitrate, Calcium Nitrate, Calcium Sulphate, Complex Fertilisers, Cynamide, Di-Ammonium Phosphate, Ground Phosphate, Lime Nitrogen, Manure Mixture, Muriate of Ammonia (Ammonium Chloride) Muriate of Potash, Mycelium, N.P.K. Fertiliser, Nitrolim, Nitrophoska, Rock Phosphate (in Bags/ in Loose) Single Super Phosphate, Sulphate of Ammonia, Sulphate of Zinc, Triple Super Phosphate, Urea Ammonium Phosphate 20.20.0, Urvara, Water Soluble Fertiliser
		Oil Cakes and Seeds	Cotton Seed Oil Cake, De-oiled Cakes, De-oiled Rice Bran

Acharya

Bas