

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

No. TCR/1078/2011/2

New Delhi, 28.09.2012

**The General Managers,  
All Indian Railways.**

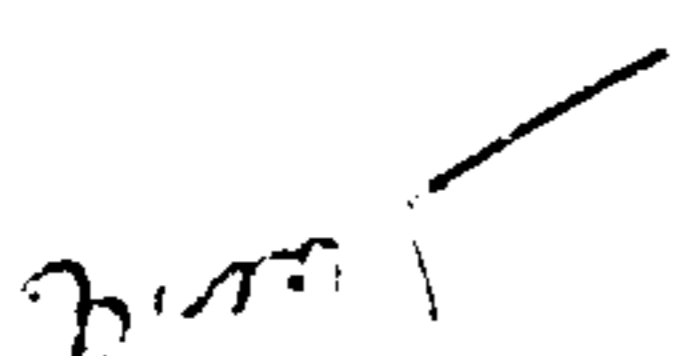
- Sub : Levy of Service Tax on Transportation of Goods by Rail.**  
**Ref : Ministry of Finance Gazette Notification No 1 of 2006 dated 1<sup>st</sup> March 2006 followed by Gazette Notifications**
- I. 20 of 2006 dated 25<sup>th</sup> April 2006;**
  - II. 28 & 29 of 2009 dated 31<sup>st</sup> August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

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 20<sup>th</sup> 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 ₹)
	<b>Distance</b>	<b>Kms</b>	<b>650</b>
	<b>Wagon</b>		<b>BCNA</b>
	<b>CC of Wagon</b>	<b>Tonne</b>	<b>66</b>
	<b>Rake Length</b>		<b>42</b>
	<b>Commodity</b>		<b>Cement</b>
	<b>Class T/L</b>		<b>150</b>
1	Freight per Tonne	₹	738.60
2	Busy Season Surcharge @ 10% = (1*10%)	₹	73.86
3	<b>Normal Tariff Rate (NTR) = (1+2)</b>	₹	<b>812.46</b>
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	<b>Total Freight = (3+6+7)</b>	₹	<b>933.08</b>
9	<b>Total Freight per rake = (8*42*66)</b>	₹	<b>2586497.76</b>
10	Freight per tonne after concessions = (5+6+7)	₹	770.59
11	<b>Freight per rake after concessions = (10*42*66)</b>	₹	<b>2136076.00</b>
12	<b>30% taxable freight of the total value</b>	₹	<b>640823.00</b>
13	Add Service Tax @12% on 30% Freight (12 * 12%)	₹	76899.00
14	Add Education Cess @2% of Service Tax (13 * 2%)	₹	1538.00
15	Add Higher Education Cess @1% of Service Tax (13 * 1%)	₹	769.00
16	<b>Rounded off Service Tax</b>	₹	<b>79206.00</b>
17	<b>Total Rounded off Freight to be collected from one rake = (11+16)</b>	₹	<b>2215282.00</b>

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.

*B. S. S.*

*[Signature]*

**Illustration-B:**

			(In ₹)
	<b>Distance</b>	<b>Kms</b>	<b>650</b>
	<b>Wagon</b>		<b>BCNA</b>
	<b>CC of Wagon</b>	<b>Tonne</b>	<b>66</b>
	<b>Rake Length</b>		<b>42</b>
	<b>Commodity</b>		<b>Cement</b>
	<b>Class T/L</b>		<b>150</b>
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	<b>Normal Tariff Rate (NTR) per Tonne (1+3)</b>	₹	<b>812.46</b>
5	Normal Tariff Rate (NTR) per Rake=(4*42*66)	₹	<b>2252139.12</b>
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	<b>Total Freight = (4+6+7)</b>	₹	<b>933.08</b>
9	<b>Total Freight per rake = (8*42*66)</b>	₹	<b>2586497.76</b>
10	<b>Freight rebate under WIS Scheme = (2*42*66)</b>	₹	<b>204739.92</b>
11	<b>Total Payable Freight per rake = (9-10)</b>	₹	<b>2381758.00</b>
12	<b>30% taxable freight of the total value</b>	₹	<b>714527.00</b>
13	Add Service Tax @12% on 30% Freight (12 * 12%)	₹	85743.00
14	Add Education Cess @2% of Service Tax (13 * 2%)	₹	1715.00
15	Add Higher Education Cess @1% of Service Tax (13 * 1%)	₹	857.00
16	<b>Rounded off Service Tax</b>	₹	<b>88315.00</b>
17	<b>Total Rounded off Freight to be collected from one rake</b> =(11+16)	₹	<b>2470073.00</b>

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 online 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) Service tax as applicable shall be collected along with the Wagon Registration Fee (WRF) and, separately at the stage of booking the consignment through RR on the respective amounts. In case of any refund of either the WRF or freight charges, the corresponding Service Tax shall also be refunded.

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- ix) As per Rule 6 of the Service Tax (Determination of Value) Rules 2006, “the amount realized as demurrage or by any other name whatever called for the provision of service beyond the period originally contracted or in any other manner relatable to the provision of service” is included as part of the taxable service.

Accordingly, the levy of any demurrage and wharfage charges in case of transportation of goods by Rail shall attract Service Tax at the rate of 3.708%. Zonal Railways, FOIS/CRIS are instructed to levy the Service Tax @ 3.708% on the gross amount of the demurrage and wharfage charges and collect the same from the customers for the purpose of remitting to Government of India.

- x) 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 on or after 01.10.2012 has been permitted they would be required to pay Service Tax along with haulage charge. Similarly, element of service tax is leviable where ‘Weight Only’ system is in vogue.
- xi) 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.
- xii) 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.
- xiii) On any 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 credit of Service Tax from the concerned Superintendent of Central Excise as due to them.
- xiv) 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.

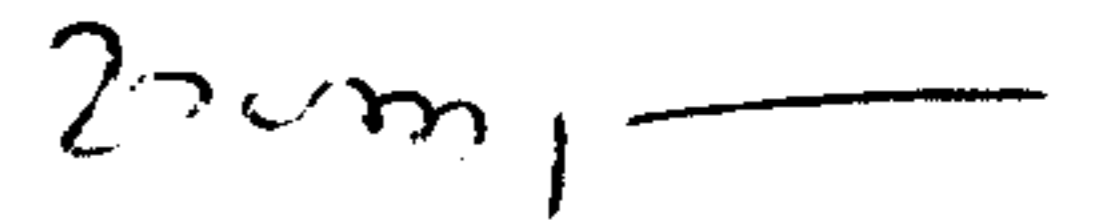
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5. Service Tax will be levied on the total freight as reflected in RR.
6. Please ensure that various documents such as Service Tax notification etc. are obtained and all concerned made well conversant with the same. Provisions pertaining to Service 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](http://www.servicetax.gov.in).
7. Instructions regarding Registration No., head of allocation, accounting procedure, system of making payment etc., have already been issued by the Accounts Directorate vide Rly. Board letter No.2010/ACII/1/3 dated 29.06.2012.
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.



**(Sanjay Kumar Jha)**  
**Dy. Director, Traffic Commercial (Rates)**  
**Railway Board**

**No: TCR/1078/2011/2**

**New Delhi, 28 .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, 28.09.2012

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.



(Sanjay Kumar Jha)  
Dy. Director, Traffic Commercial (Rates)  
Railway Board

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EDP, EDPP, EDPPP, ED(T&C), ED(S&E), ED(LRDSS), DF(C), DTC(G), DPM,

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Stat-II, Stat (CA), Stat-V, Stat (Econ.), Economic Cell and Budget branches of Railway

Board.

## 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 )	<b>Petroleum and petroleum products falling under Chapter heading 2710 and 2711 of the First Schedule to the Central Excise Act, 1985 (5 of 1986)</b>	<b>Petroleum products and Gases</b>	All commodities coming under the Main Commodity Head <b>Petroleum products and Gases</b>
Item No. 20. ( h )	<b>Agriculture Produce</b>	<b>Cotton and Other Textiles</b>	Cotton half/ full Pressed, Cotton Raw, Wool
		<b>Fodder and Husk</b>	All commodities coming under the Main Commodity Head <b>Fodder and Husk</b>
		<b>Foodgrains, Flours and Pulses</b>	Bajra, Chana Dal, Gram, Jowar, Maize, Moong Dal, Musoor Dal, Paddy, Rice, Toor Dal, Urad Dal, Wheat.
		<b>Fruits and vegetables</b>	All commodities coming under Low Rated Commodity Head <b>Fruits and vegetables.</b>
		<b>Groceries</b>	Chillies/ Dry chillies, Jeera, Pepper.
		<b>Jute</b>	Jute.
		<b>Miscellaneous</b>	Betel nuts.
		<b>Oil Cakes and Seeds</b>	Cotton Seed, Cotton Seed Waste, Gingelly Seed, Linseed, Mustard Seed, Rape Seed, Sal Seed, Soya bean, Sunflower Seed.
		<b>Spices</b>	Spices, Turmeric.
		<b>Sugarcane and Bagasse</b>	Sugarcane and Bagasse.

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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. (i)	Foodstuff including flours, tea, coffee, jaggery, sugar, milk products, salt and edible oil	<b>Foodgrains, Flours and Pulses</b>	Atta, Besan, Maida, Suji, Edible Snacks, Tea, Coffee, Jaggery, Sugar, Milk products, Salt.
		<b>Hydrogenated and other Edible Oils</b>	All commodities coming under the Main Commodity Head <b>Hydrogenated and other Edible Oils.</b>
		<b>Groceries</b>	Extruded Foods, Maize Flakes, Rice Flakes, Rice Parched, Sago common, Soya Protein Textured
Item No. 20. (j)	<b>Chemical Fertilisers and Oilcakes</b>	<b>Chemical Manures</b>	All commodities coming under the Main Commodity Head <b>Chemical Manures.</b>
		<b>Oil Cakes and Seeds</b>	Cotton Seed Oil Cake, De-oiled Cakes, De-oiled Rice Bran.

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