



CERTIFICATION WORK BY A PRACTICING CMA ON IMPACT OF GST ON EXISTING WORKS CONTRACTS IN RAILWAYS

CMA SHIBA PRASAD PADHI
Practicing Cost Accountant

Indian Railway is considered to be the back bone of Indian economic system and it is the lifeline for many commuters and business man. Transportation of passengers and transportation of goods are the two principal outward supply of services that Railway is engaged with. There are 17 distinct Railways which operate under the administrative control of Railway Board and each of the Railways have multiple Divisions, Carriage Repairing Work Shops (Diesel Locomotive Works) and a Head Quarter which has engaged GST Consultants to guide the Railways in the matter of GST as Railway Board has instructed in many of their Communications to engage GST Consultants at each of their Office.

Details of the 17 Railways are as under:

1. Central Railway
2. East Central Railway
3. East Coast Railway
4. Eastern Railway
5. Metro Railway Kolkata
6. North Central Railway
7. North Eastern Railway
8. North Western Railway
9. North East Frontier Railway
10. Northern Railway
11. South Central Railway
12. South East Central Railway
13. South Eastern Railway
14. South Western Railway
15. Southern Railway
16. West Central Railway
17. Western Railway

Railways apart from Railway Electrification Divisions, Railway Construction Divisions and Wagon Manufacturing Units (Rail Coach Factory) usually outsource many of their services and award hundreds of contracts at each Division and Office. Contracts in Railways are awarded for Supply of Goods or under Works Contract every year. Usually Works Contracts are awarded on all inclusive basis and payment of all taxes and duties is the responsibility of the Contractor. After implementation of GST, Railway Board advised all Railways to make an impact analysis of GST on the Works Contracts which were awarded before 01.07.2017 (administered date for GST) but execution/payment of which is pending in part or full after this date. Each of the Railway issued an extensive guideline (Joint Procedure Order) for making such impact analysis and tax neutralisation thereof. In a recent Circular bearing No. 2017/CE-I/CT/7/GST, dated 16.04.2017, Railway Board has considered Practicing Cost Accountants to certify the Work Sheet of tax liability before GST and after GST. A Contractor can engage a Practicing Cost Accountant for such tax impact analysis and certification which is required to make a supplementary agreement based on which payments will be released to the Contractor.

How to make such Impact Analysis?

An in-depth study of the Contract Agreement awarded to the Contractor along with Supplementary Agreements or Revised Agreements, if any needs to be studied by the CMA to understand the type of work, period covered, cost elements in respect to manpower, material, machines and tax components etc. under each Schedule. Payments made upto 30.06.2017 can be ascertained from the last Bill cleared by the Railway or considering period of completion if the pricing is firm and can be ascertained in terms of period left.

All the taxes and duties which the Contractor was liable to pay during the pre-GST regime like Excise Duty on material and equipment, CST/VAT on material which was levied at different stages in the value chain, VAT on Works Contract, Entry Tax, Service Tax liability of the Contractor etc. needs a detailed analysis. Rate of taxes and duties, exemption, abatement are to be considered as per their applicability during pre-GST regime. Purchase Invoice, Quotations, Scheduled Rate of material of

different authorities are the likely sources to know the unit rate and applicable tax rates in many cases. VAT Returns, CST Returns, Entry Tax Returns, Service Tax Returns, Excise Returns filed during the pre-GST regime can help one to understand the applicable tax rate for inward and outward supply made by a Contractor in the erstwhile tax regime.

Input Tax Credit (ITC) available to the Contractor (whether availed or not by the Contractor by filing return), both in pre-GST and GST regime on the balance value of Works Contract is to be adjusted while making such tax impact analysis.

A suggested format to make such tax impact analysis is as under:

TAX SHEET FOR TAX NEUTRALISATION			
Name of the Work.....			
Agreement No. and Date.....			
Agreement Value Rs.....			
Bill Passed Upto 30.06.2017 Rs.			
Balance Amount Available as on 01.07.2017 Rs.			
GSTIN.....TIN.....STRN.....			
Particulars	Balance Value (in Rs.)	% of Tax/Duty	Tax Amount (Rs.)
Taxes on Pre-GST for Balance Amount of Agreement Available as on 01.07.2017			
A) Excise Duty			
B) VAT			
C) Entry Tax/Octroi Duty			
D) CST			
E) Services Tax			
F) Total Pre-GST Tax (From A to E)			
G) Less: Input Tax Credit available during Pre-GST regime			
H) Balance Value of the Contract without Pre-GST Taxes (F-G)			
Add: IGST			
Add: CGST			
Add: SGST			
Less: ITC available in GST regime			
I) Adjusted Value of Contract as on 1.7.2017			
K) Differential Figure Payable/(Recoverable)			
% of Difference Payable/(Recoverable)			

As a Supplementary Agreement will be made on the basis of certified Work Sheet, one has to take extreme care ensuring that all possible taxes and duties which the Contractor was liable to pay (or was paying directly or indirectly like Excise Duty though not visible was a part of material cost) and ITC available to him during the pre-GST regime has been considered on the balance value of the Contract. Similarly, correct GST rate and ITC available to the Contractor in GST regime is another important aspect which needs careful study and inclusion in the Work Sheet.