



SOUTH CENTRAL RAILWAY

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No.A/GST/clarification/II

Date: 01.01.2018

PCE/SC

(For kind attention of Dy.CE/Works)

Sub: GST rates applicable to various works.

Ref: Your office letter No.W.417/P/GST/2017 dated 27.11.17 & 07.12.17.

With reference to your office letters cited above, the Notifications (IGST & CGST) issued by Ministry of Finance on Works Contracts which were cited in your office letters have been examined and referred to the GST Consultants for their opinion/clarifications. A copy of the Consultants' opinion received is enclosed. It is clarified as under:

1. Description of **Construction Services** (classified into 3 items) and applicable GST Rates (18% for all three classes) were first notified by Ministry of Finance (MoF) vide Notification No.08/2017-Integrated Tax (Rate) dated.28.06.2017.
2. Amendments to the above notification were made vide Notification No.20/2017-Integrated Tax (Rate) dated 22.08.2017 by MoF by classifying the Construction Services into 6 items. Item (v), which is relevant to Railways is reproduced below :

"Composite supply of works contract as defined in clause (119) of section 2 of the CGST Act, 2017, supplied by way of construction, erection, commissioning, or installation of original works pertaining to, -

(a) Railways', excluding monorail and metro – GST rate applicable is 12%.

3. Above notification dated 22.8.17 was further amended for Sl.No.3. item (vi) as under by MoF vide Notification No.24/2017-Integrated Tax (Rate) dated 21.09.2017.

"(vi) Services provided to the Central Government, State Government, Union Territory, a local authority or a governmental authority by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of –

- (a) a civil structure or any other original works meant predominantly for use other than for commerce, industry, or any other business or profession;
- (b) a structure meant predominantly for use as (i) an educational, (ii) a clinical, or (iii) an art or cultural establishment; or
- (c) a residential complex predominantly meant for self-use or the use of their employees or other persons specified in paragraph 3 of the schedule III of the CGST Act 2017".

The rate of GST is 12% for all the above services. i.e., item (vi) a, b and c.

- (vii) For Construction Services other than items (i), (ii), (iii), (iv), (v) and (vi) of Notification No.24/2017 dated 21.9.17 - The rate of GST is 18%.

It can be seen that GST for **Composite Supply** of relating to Original works for rail business are charged at the rate of 12% under item (v) mentioned in Notification No.20/2017 dated 22.08.17.

The definitions of Composite Supply, Works Contract and Original Work are given below:-

1. **Composite Supply (S.2(30) of CGST Act):-** “composite supply” means a supply made by a taxable person to a recipient **consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled** and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;
Illustration.— Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;
2. **Works Contract: (S.2(119) of CGST Act):-** “works contract” means a contract for building, construction, fabrication, completion, erection, installation, fitting out, improvement, modification, repair, maintenance, renovation, alteration or commissioning of any immovable property wherein transfer of property in goods (whether as goods or in some other form) is involved in the execution of such contract;
3. **Original Work: Para No.2 (zs) in Page No.24 of Notification No.12/2017-Central Tax (rate) dt.28.06.2017 :-**

(zs) “**original works**” means- all new constructions; (i) all types of additions and alterations to abandoned or damaged structures on land that are required to make them workable; (ii) erection, commissioning or installation of plant, machinery or equipment or structures, whether pre-fabricated or otherwise;

Item (vi) (b) of Notification No 24/2017 dated 22-08-2017 (Integrated Rate Tax) can be applied for works of construction/ repair/ maintenance/ renovation/alteration of a structure used for educational/ a clinical, or an art or cultural establishment purposes by railways (GST rate at 12%).

Item (vi) (c) of Notification No 24/2017 dated 22-08-2017 (Integrated Rate Tax) can be applied for works of construction/ repair/ maintenance/ renovation/alteration of staff quarters (GST rate at 12%). This is relevant for our zonal works which are predominantly repair/maintenance works. However, in case of repair/maintenance works to other buildings like offices/stations buildings/service buildings which are used for business and other activities of zonal contracts, GST is applicable at the rate of 18%.

It is pertinent to mention here that Earth work contracts will attract a GST rate of 5% as per Notification No: 31/2017 Central Tax Rate dated 13-10-2017.

Other Professional and Technical Services like Surveys and Testing of Welds etc will attract a GST Rate of 18% under Service Accounting Code (SAC) No.998399.

The clarification with regard to GST rates chargeable on Hiring of vehicles has been issued vide this office letter No. A/GST/Clarification/II Dt.29.12.2017/01.01.2018.

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In the light of the above, Standardised description of **Composite supply of works contract** relating to **original works** of Civil Engineering undertaken for various business activities may be identified, listed and circulated to the field units to arrive at the rate of GST applicable uniformly in all the units.

This issues with the approval of FA&CAO(G).

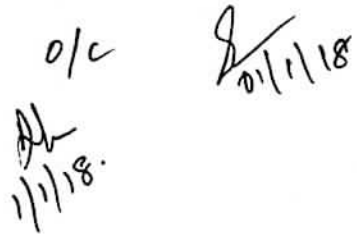
Encl: As above


(K.Nagendra Babu)
RPM/AR/SC
for PFA/SC


Handwritten notes and signatures in blue ink, including dates like 02/01 and 01/11/18.

Copy to: PCME, PCSTE & PCEE for kind information & necessary action.


for PFA/SC


Handwritten notes and signatures, including 'o/c' and dates like 11/11/18 and 01/11/18.