



**SOUTH CENTRAL RAILWAY
OFFICE OF THE PRINCIPAL CHIEF ENGINEER
RAIL NILAYAM, SECUNDERABAD-500 025**

(Physical File No.W.417/P/GST/2019)
SCR-HQ0ENGG(WC)/49/2019-Dy CE/WORKS/SCR

Date: 02.12.2019.

AGM, PFA, SDGM, CAO/Con/SC, PCME, PCSTE, PCEE
PCMD, PCCM, PCOM, PCMM, PCPO, PCSC, CSO
DRMs/SC, HYB, BZA, GTL, GNT & NED

Joint Procedure Order No.01/2019

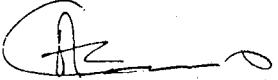
Sub: GST Neutralization – Impact on existing supply of goods / services and composite contracts.

Ref: 1. Joint Procedure Order (JPO) No.01/2017, dated 29.11.2017 issued vide this office letter No.W.417/P/GST/2017, dated 30.11.2017.
2. AGM/SC's letter No.A/GST/Clarification/III, dated 17.01.2018.

The Joint Procedure Order No.01/2017 dated 29.11.2017 was issued vide reference – 1 and subsequently a clarification was issued vide reference – 2.

During implementation of previously mentioned JPO and subsequent clarification issued, difficulties were faced by Divisions in regard to certain items. The same were considered by Railway administration and a Revised JPO No.01/2019 signed by PCE, CAO/C and PFA is issued with the approval of General Manager. This supersedes earlier JPO No.1/2017, dated 29.11.2017 and subsequent clarification issued vide letter No.A/GST/Clarification/III, dated 17.01.2018.

Encl: JPO No. 1/2019, dated 27.11.2019.
(10 pages/5 sheets in total)


02-12-2019

(A.K.Chaudhary)
Chief Engineer/Works/HQ.

Copy to:

FA & CAO/G/SC, FA&CAO/F&B/SC, FA&CAO/T/SC, FA&CAOWS/SC,
FA&CAO/C/SC, Dy.FA&CAOWS/LGD, WAO/RYPs & TPTY.
Sr.DFMs/SC, HYB, BZA, GTL, GNT & NED.
CSTE/C/SC, CEE/C/SC, CWMs/LGD, RYPs & TPTY.
CPRO/SC, Sr.Law Officer/SC & Law Officer/Con/SC.
Secy to GM for kind information of GM, Secy to GM, DGM/G/SC & Dy.CVO/Engg/SC.
Sr.DENs/Co-ord/SC, HYB, BZA, GTL, GNT & NED.
Dy.CE/TM/Lines/BZA, Dy.CE/CPOH/RYP, Dy.CE/EWS/LGD & Sr.DEN/CWS/LGD.
CPD/BW, CTE, CBE, CGE, CE/P&D, CE/TP, CE/TM,
CE/Works, CE/RSW, CE/BRH & CE/SD.
Dy.CE/Tr-I, Dy.CE/Tr-II, Dy.CE/TM, Dy.CE/TP, Dy.CE/P&D, Dy.CE/LM,
Dy.CE/G, Dy.CE/Works, Dy.CE/Br.D, Dy.CE/BRH, Dy.CE/RSW & Secy to PCE.
Secy to PCE for kind information of PCE.

SOUTH CENTRAL RAILWAY

Head Quarters Office
Works Branch
Secunderabad
Date : 27.11.2019

No.W.417/P/GST/2019

Joint Procedure Order No.01/2019

Sub: GST Neutralization – Impact on existing supply of goods / services and composite contracts.

Ref: 1. Joint Procedure Order (JPO) No.01/2017, dated 29.11.2017 issued vide this office letter No.W.417/P/GST/2017, dated 30.11.2017.
2. AGM/SC's letter No.A/GST/Clarification/III, dated 17.01.2018.

The JPO is issued based on the instructions contained in Railway Board letter No.2017/CE-I/CT/7/GST, dated 27.10.2017 to make existing Works/Service contracts awarded before implementation of GST as GST neutral, duly taking into account the Input Tax Credit (ITC) available to the contractor, in supersession of earlier JPO No. 01/2017 and other instructions in this regard. This JPO also has general instructions and clauses to be incorporated in the supplementary/subsidiary agreement to be entered into with the Contractor for **existing contracts** of both Open Line and Construction for:

- (i) Contracts finalised prior to 30.06.2017.
- (ii) Tender Notices issued before 30.06.2017 but finalised after 30.06.2017 without considering the impact of GST.

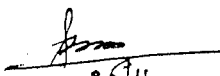
2. All works contracts of Railways are to be provided with goods/service code based on the type of contract. In case contract consists of both supply of goods and services then interpretation regarding nature of contract shall be done as per Section 8, Chapter III of CGST Act 2017. The goods/service code is notified by the Ministry of Finance and can be downloaded from the website www.cbec.gov.in.

3. The JPO contains instructions for neutralizing the impact of the GST for the quantities of work executed after 01.07.2017 under the **existing contracts** as indicated at (i) & (ii) above.

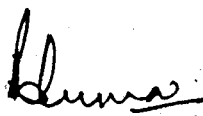
4. The review for GST neutrality is to be done on case to case basis on production of various documents which is detailed in the following paragraphs.

5. The tax liability of the contractor before implementation of the GST is to be reckoned irrespective of whether the same was actually paid or not. The net effect of GST neutrality may involve either reimbursement to the contractors or recovery from the contractors after comparing the tax liability in pre and post GST regimes.

6. The responsibility to discharge tax liability is that of Service Provider in most contracts of supply under works/services to Railways, therefore, GST shall not be deducted from bills. It is reiterated that Income Tax, Labour Cess and Seigniorage charges are separate taxes which will continue and need to be deducted in the Bills for


25/11
PCE/SC


25/11-19
CAO/C/SC


PFA/SC 27.11

Works and Services as per contract conditions and remitted to concerned authority immediately.

7. Agency providing the supply of goods or services or works should be registered under GSTN following the due process of GST law and discharge liabilities.

8. **Procedure to be followed for GST neutralization:**

8.1 The works awarded prior to 01.07.2017 and the work for which tenders opened prior to 01.07.2017 but finalised after the implementation of GST are to be considered for GST neutralization as per Board's letter dated 27.10.2017. In case tender, if any, is finalised considering the impact of GST, then the work is not eligible for GST neutralisation.

8.2 For dealing with impact of GST in individual contracts a Supplementary (Subsidiary) agreement is to be entered by the Executive with the contractor, vetted by Finance in terms of Para 1265 of Engineering Code. A Supplementary agreement to be signed by the Original Agreement Signing Authority or delegated powers (**at Annexure-A**).

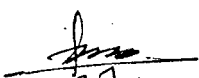
8.3 A clause to be added in supplementary agreement to state that in case there is "any further change in the GST tax structure till the date of completion of work or any error is noticed in the calculation of amount payable/recoverable till the release of Final Bill amount to contractor, the same shall be paid by the Railways or recovered from the contractor's bills/security deposit or any other dues of contractor with the Government of India.

8.4 The On Account/Final contract certificate shall be prepared by the Railway on the basis of quantity of the work executed as per agreement rates. This shall be communicated to the contractor.

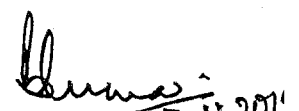
8.5 On receipt of the On Account/Final contract certificate from the executive, the contractor shall submit the following documents to the Executive for GST neutralization.

a) The invoice (Bill) duly segregating the GST component from the gross amount of work executed based on the On-Account bill/Final contract certificate for the payable amount based on the work executed. This should contain details of GSTIN, TIN & STRN Nos. State-wise, if he is working in more than one State along with the worksheet.

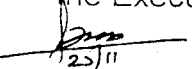
b) Work sheet of tax liability before GST and after GST including List of items for which Input Tax Credit (ITC) is available for the work, duly certified by Chartered Accountant engaged by him. The working sheet of GST Neutralisation certified by CA/CMA shall have UDIN (Unique Document Identification Number). The worksheet shall contain details of quantities of input material procured for the particular work/works. The contractor shall also certify that the same invoices have not been/will not be used for any other work to claim ITC/refund. Further, a certificate is to be given that no refund claims of GST are pending settlement with GST authorities.


25/11
PCE/SC

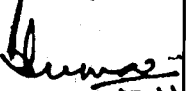

25-11-19
CAO/C/SC


27.11.2019
PFA/SC

- c) All Original Tax Invoices enfacd with agreement number are to be submitted in support of ITC duly certified by CA/CMA engaged by him along with each On Account FCC bills.
- d) Where submission of original invoice by the contractor is not possible (as a proof of material consumed in a particular work) if the invoiced material is used for multiple works (contractor should certify the breakup of quantity/quantities of materials used in different works in the original invoices), the Executive may accept copy of the Invoice duly attested by the Officer(s) in charge of the work(s) with the certification that the zerox copy is tallied with original invoice.
- e) The tax liability of the Contractor before implementation of GST shall be worked out taking into account all stipulated taxes in force before GST implementation i.e. Excise duty, VAT, including VAT on Excise duty, Entry tax, Octroi duty, prevalent service tax etc. This is irrespective of whether the same was paid by the agency or not for each On Account/FCC bills.
- f) In case of the contractor has procured material from unregistered vendors/suppliers, the details of such procurement should not be included in the work sheet, as tax invoice cannot be issued by unregistered suppliers.
- g) Copies of GST returns GSTR1, GSTR3-B etc., as available in GST Network from time to time.
9. The ITC for quantities being claimed by the contractor in the work sheet, reconciled with the quantities executed as per Material Statement with reasonableness of rates of Input quantities will be verified by the concerned supervisor. The field executive not below the rank of Junior Scale Officer/Work-in-charge Officer will certify the admissibility. The Divisional Accountant posted in Executive office shall verify and certify the worksheet with reference to quantities, rates, agreement and countersign the worksheet for having verified its correctness.
10. Cenvat Credit/ITC shall not be allowed on purchases made/services received from Unregistered Suppliers as Tax Invoice cannot be issued by them, which is the basis for claiming credit on Inputs/Input Services.
11. The difference in amount arrived as per the Pre-GST taxes and Post GST duly considering the ITC availed/refund claimed if any shall be certified by the Chartered Accountant engaged by the agency and forwarded by Executive to the Bills section of Associate Accounts Office for internal check and arranging payment (Format at Annexure-B for Works Contracts & Format at Annexure-C for Service Contracts).
12. Recovery, if any, which is required to be done from the contractors, may be regulated as per 171(1) of CGST Act, 2017 i.e. any reduction in rate of tax on any supply of goods or services or the benefit of Input Tax Credit shall be passed on to the recipient(Railways) by way of commensurate reduction in prices. Executive will review all the agreements to ensure that recovery is done wherever due.
13. The final impact of GST shall also be worked out again at the time of final bill by the Executive to be scrutinized in internal check by Associate Accounts Office.


12/11
PCE/SC


15-11-2019
CAO/C/SC


27.11
PFA/SC

- i) The contractor can claim final GST Neutralization within 03 months period after passing of Final Bill. This is applicable for the final bills passed from the date of this revised JPO.
- ii) All GST neutralisation bills pending with Executive/Accounts as on date may be allowed without imposing the restriction of 3 months period from passing of final bills. Similarly any GST Neutralisation bills under preparation with the contractors may be completed and submitted to Executive offices within one month from the issue of this revised JPO, and these bills will be admitted in Executive office without imposing the restriction of 3 months period from passing of final bills.

14. GST neutralization to contractors where the currency of the agreement was extended under Clause 17(B) of GCC: For the extended period of completion given under clause 17(B) of GCC, general principle is to disallow any additional cost on any account (PVC, taxes etc.) after the last month of the original completion period or extended period under Clause 17(A). As such, GST neutralisation may be allowed upto the last month of the original completion period or extended period under Clause 17(A). GST neutralisation applicable in the last month of original completion period or extended period under Clause 17(A) (as the case may be) shall be applicable for the period extended under Clause 17(B). The contractor has to submit the details as per para 8.5 (b) for this period [extension under Clause 17(B)] also. If there is decrease in the tax liability on account of GST, the benefit to that extent will be passed on to the Railways for the period of extension under clause 17(B) of GCC also.

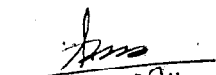
15. The procedure shall also be followed for neutralisation of GST in case of Service Contracts. For the cases where the rates are all-inclusive, the contractor shall claim the difference of Service Tax and GST duly furnishing the required documents indicated above. For the cases where the rates are exclusive of Service Tax, the Railways will pay the GST (instead of Service Tax) at the rates applicable.

The contractor shall be GST compliant and claim the applicable GST in their bills, which will be paid by the Railways. The GST neutralisation is subject to adjusting the available Input Tax Credit (ITC).

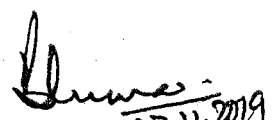
16. The expenditure on GST neutralisation is to be allocated to Final Heads for which the original expenditure of the work was charged to.

Note:

1. Instructions contained in this JPO should be read in conjunction with related rules and extant circulars/instructions issued from time to time. This does not supersede any rule, circular/instructions. In case of any conflict between the JPO and concerned rules, circulars/instructions, the latter shall prevail.
2. It is advised to regularly note the notifications/circulars etc., issued by CBEC and Railway Board and follow the instructions contained therein.


PCE/SC


25-11-19
CAO/C/SC


27-11-2019
PFA/SC

SUPPLEMENTARY AGREEMENT

ARTICLES OF SUPPLEMENTARY AGREEMENT made this, the day of 2019, between the President of India, acting through hereinafter called the Railway (which expression shall unless repugnant to or excluded by the context include his successors and assignees) of the one part and (hereinafter called the contractor which expression shall include his heirs, successors and legal representatives) of the other part.

WHEREAS parties to this indenture executed an Agreement No. dated (hereinafter termed as "Original Agreement") in connection with the work of "....."

AND WHEREAS the completion period of the Original Agreement is up to

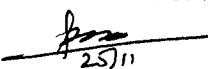
AND WHEREAS the parties to the said Original Agreement have been carrying on with works mentioned in the said original Agreement on the same terms and conditions embodied in the said Original Agreement.

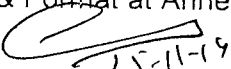
AND WHEREAS in the post-GST regime, this subsidiary agreement is made to assess the difference between pre-GST and post GST net tax liability after carefully taking into account the Input Tax Credit available to the contractor, on a case to case basis, on production of documentary evidence for tax remittance (payment receipt), Invoices, GSTR-1 and GSTR-3B etc. Returns as available from time to time in GST Network, for reimbursement to contractors or recovery from contractors as due to neutralise the impact of GST for quantities of works executed after 01.07.2017.

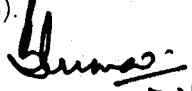
THEREFORE, it is agreed between the parties herein that in case there is any further change in the GST tax structure till the date of completion of work or any error is noticed in the calculation of amount payable / recoverable till the release of Final Bill amount to contractor, the same shall be paid by the Railways or recovered from the contractor's bills/ security deposit or any other dues of contractor with the Govt. of India.

FURTHER, it is agreed between the parties herein that for neutralising GST impact on the works contracts awarded before implementation of GST, along with documentary evidence*, the contractor should submit the following to the Railway:

- a. Details of GSTIN, TIN, STRN Nos. State-wise, if he is working in more than one State along with the worksheet. The invoice (Bill) duly segregating the GST component from the gross amount of work executed based on the on-account bill/Final contract certificate for the payable amount based on the work executed. The responsibility to discharge the tax liability will be that of Service Provider/Service Receiver (as applicable in GST Law) as per this contract.
- b. Work sheet of tax liability before GST and after GST including List of items for which Input Tax Credit (ITC) is available for the work.
- c. All details of Original Tax Invoices enfaced with agreement number are to be submitted in support of input tax credit, duly certified by Chartered Accountant engaged by him, for each on account/FCC bills. Based on the Invoices, the tax liability of the Contractor before implementation of GST shall be worked out taking into account all stipulated taxes in force before GST implementation i.e. Excise duty, VAT, including VAT on Excise duty, Entry tax, Octroi duty, prevalent service tax etc. This is irrespective of whether the same was paid by the agency or not for each on account/FCC bills (Format at Annexure-B for Works Contracts & Format at Annexure-C for Service Contracts).


25/11
PCE/SC


25-11-19
CAO/C/SC


PFA/SC 27.11.19

- d. In case the contractor has procured material from unregistered vendors/suppliers, the details of such procurement should not be included in the work sheet.
- e. The worksheet shall contain details of quantities of input material procured for the particular work/works and the contractor shall also certify that the same invoices have not been/will not be used for any other work to claim ITC/refund. Further, a certificate is to be given that no refund claims of GST are pending settlement with GST authorities.
- f. Documentary evidence for tax remittance (payment receipt), Invoices, GSTR-1 and GSTR-3B Returns need to be provided in support of the worksheet.

FURTHER, it is agreed that recovery, if any, which is required to be done from the contractors, may be regulated as per Section 171 (1) of CGST Act, 2017 i.e. any reduction in rate of tax on any supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices.

The other conditions, stipulations, rates etc., applicable to the Original Agreement shall also be applicable to this Supplementary Agreement unless repugnant to or excluded by the context.

IN WITNESS whereof the parties to this indenture put their hand and seal on the day and year above written.

.....
(Name of the Contractor)
Address:
Office
Division / Unit

.....
(Name of the officer)
Designation

For & on behalf of the President of India

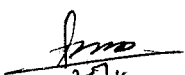
Witnesses with addresses & Signature:

1)

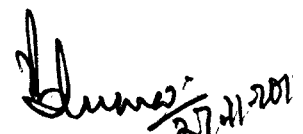
2)

N.B:- 1) This Supplementary Agreement shall be executed on a Stamp Paper of Rs.100/-, payable by the Contractor.

2) This Supplementary Agreement shall be notarised, the cost of which shall be borne the Contractor.


25/11
PCE/SC


25-11-19
CAO/C/SC


27/11/2019
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MODEL WORKSHEET FOR WORKS CONTRACTS

Name of work:

Name of Agency:

Agreement No. and Date:

Agreement Value in Rs:

Invoice No.

Date:

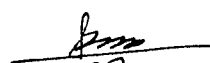
Gross Bill Value in Rs:

GSTIN..... TIN.....STRN.....

Particulars	GST Rate		Amount (Rs)
Bill No.			CC Bill
Gross Value of Bill			18,10,536
(a) VAT on Gross Value(Pre-GST) (as applicable)	5%	Gross Value of Bill x 5/100	90,527
(b) Excise Duty(if applicable)			
(c) Entry Tax/Octroi (if applicable)			
(d) CST (if applicable)			
(e) Service Tax for works contracts which are not for Original Works			
(f) Countervailing duty (if applicable)			
(g) Special Additional Duty (if applicable)			
Less : CENVAT (Pres-GST)			xxxx
(A) Net Tax Liability (Pre-GST)			xxxxxx
Post-GST (Rate of GST as applicable)	12%	Gross Value of Bill x 12/112	1,93,986
Less: Input Tax Credit/Refund (Post-GST)			xxxx
(B) Net Tax Liability (Post-GST)			xxxxxx
(C) Difference Payable/To be recovered = (B) - (A)			XXXXXX

Certified that the worksheet including GST applicability is correct and the GSTR-1 has been uploaded and that the ITC claim made in GSTR 3-B includes invoices of Rs. _____ pertaining to South Central Railway, GSTIN No. _____ PAN No. _____ against invoice no. _____ dt. _____. Extract of relevant invoices is enclosed. The ITC availed through GSTR TRAN-1 pertaining to the above agreement is passed on to Railways. The quantities for which ITC is claimed is as per Material Statement enclosed to the bill.

Signature with seal of Chartered Accountant/Cost & Management Accountant
UDIN No: _____


25/11
PCE/SC


25-11-19
CAO/C/SC


27-11-2017
PFA/SC

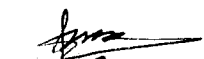
Certified that:

- 1) The quantities being claimed for ITC have not been/will not be claimed for refund of GST. In case, there is refund eligible, then refund amount will be deducted from the compensation to the contractor.
- 2) The material being consumed is for this work and the same invoices have not been/will not be used for any other work to claim ITC.
- 3) No refund claim is pending settlement with GST authorities.

Signature of the contractor

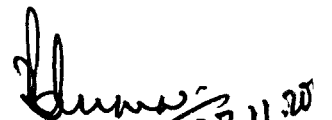
Kindly note:

- a) Original works executed for Railway are exempt from Service Tax – S.No 14(a) Notification No 25/2012 dated 20-06-2012.
- b) As per Rule 6 of CENVAT credit rules 2004, CENVAT credit will not be available for inputs and input services for such original works which are exempted from Service tax.
- c) Input tax credit for VAT will not be available for Composition Taxable person under VAT. (Section 13(5) of AP VAT Act 2005 applicable to Telangana as well.)


28/11

PCE/SC


25-11-19
CAO/C/SC


27-11-20
PFA/SC

MODEL WORKSHEET FOR SERVICE CONTRACTS

Name of work:.....

Name of Agency:.....

Agreement No. and Date:.....

Agreement Value in Rs:.....

Invoice No.

Date:.....

Gross Bill Value in Rs:.....

GSTIN..... TIN.....STRN.....

Particulars	GST Rate		Amount (Rs)
Bill No.....			CC Bill
Gross Value of Bill			1,00,000
a) Service Tax on Gross Value (Pre-GST)	15%	Gross Value of Bill x 15/100	15,000
b) Excise Duty (if applicable)			
c) Entry/Octroi (if applicable)			
d) VAT (if applicable)			
e) CST (if applicable)			
f) Countervailing Duty (if applicable)			
g) Special Additional Duty (if applicable)			
Less : CENVAT (Pre-GST)			XXXX
(A) Tax Liability (Pre-GST)			XXXXX
Post-GST (GST rate as applicable)	18%	Gross Value of Bill x 18/118	15,254
Less: Input Tax Credit/Refund (Post-GST)			
(B) Net Tax Liability (Post-GST)			XXXX
(C) Difference Payable/To be recovered = (B) - (A)			XX

Certified that the worksheet including GST applicability is correct and the GSTR-1 has been uploaded and that the ITC claim made in GSTR 3-B includes invoices of Rs. _____ pertaining to South Central Railway, GSTIN No. _____ PAN No. _____ against invoice no. _____ dt. _____. Extract of relevant invoices is enclosed. The ITC availed through GSTR TRAN-1 pertaining to the above agreement is passed on to Railways. The quantities for which ITC is claimed is as per Material Statement enclosed to the bill.

Signature with seal of Chartered Accountant/Cost & Management Accountant
UDIN No: _____

PCE/SC

CAO/C/SC

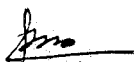
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Certified that:

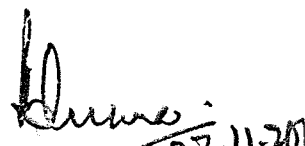
- 1) The quantities being claimed for ITC have not been/will not be claimed for refund of GST. In case, there is refund eligible, then refund amount will be deducted from the compensation to the contractor.
- 2) The material being consumed is for this work and the same invoices have not been/will not be used for any other work to claim ITC.
- 3) No refund claim is pending settlement with GST authorities.

Signature of the contractor


25/11

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CAO/C/SC


27.11.2015
PFA/SC