



CENVAT CREDIT IN RAILWAYS

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Session Objectives

- At the end of this Session, participants would be able to explain:
 - *Process of collection of Central Value Addition Tax on transport services in India.*
 - *Legal provisions of Registration, Point of Taxation, Tax rates and several other related terms applicable on Indian Railways with respect to Service Tax collection.*

CENVAT, a brief introduction

- **CENVAT is CENTral Value Added Tax.**
- CENVAT removes cascading of incidence of tax on final products and services by reimbursing duty/tax already paid on inputs used for producing these goods or services.

Service Tax on Indian Railways

- Before 2012 Service Tax regime in India included *positive list* – listing only services attracting service tax.
- However, this policy witnessed a major shift with a *negative list* – listing services NOT attracting service tax from 20.06.2012.
- After this, most of services of railways came under ambit of Service Tax.

Services of Railways not attracting Service Tax.

- a) *Relief materials meant for victims of natural or man-made disasters, calamities, accidents or mishap;*
- b) *Defence or military equipment;*
- c) *Newspaper or magazines;*
- d) *Railway equipment /materials;*
- e) *Agricultural produce;*
- f) *Food stuff;*
- g) *Chemical fertilizers, organic manure and oil cakes;*
- h) *Cotton, ginned or baled.*

Services of Railways attracting Service Tax.

Following services of Indian Railways attract Service Tax:

- a) Transportation of Goods*
- b) Transportation of Passenger in AC coach*
- c) Load/unloading of goods*
- d) Maintenance Charges*
- e) Godown use/ rental charges*

Procedural requirements for Railways

Registration –

Railways are required to obtain registration under Service Tax Rules.

As per operational / procedural requirements, Some Zonal Railways are required to take registration as Input Service Distributer (ISD) whereas some are required to obtain registration as ‘First Stage Dealer’.

Point of Taxation (POT)

Point of Taxation means the point in time when service shall be considered as provided to service user and payment of Service Tax becomes due.

Point of Tax shifts basis of tax collection from cash to accrual – i.e. liability to pay service tax would not depend on actual realization of payment but would depend on provision of service.

Point of Taxation for Railways (POT)

- As per Point of Taxation Rules Point of taxation shall be as follows –
 - *For advances received towards the provision of service – Date of receipt of such advance*
 - *If service is provided and invoice is raised within 30 days but payment is received subsequently - Date of invoice*
 - *If service has been provided or is to be provided and invoices are not issued within 30 days and payment is received subsequently - Date of completion of service.*

Rate of Service Tax

- The rate of service tax, rate of exchange and value of taxable services shall be the rate of service tax or rate of exchange and value of taxable services as applicable at the time when the taxable service has been provided or agreed to be provided.
- Rate of exchange shall be the rate as notified by CBEC.

Due dates for payment of Service Tax:

- The payment of Service Tax for Railways is to be made on monthly basis. Tax collection for a month is to be paid by 6th day of the following month.
- For the month of March of any year, the payment is required to be made in same calendar month.

Mode of payment of Service Tax:

- It is mandatory for all assesseees to make payment of Service Tax electronically.
- Railways are also permitted to make payment of Service Tax through inter ministry adjustment.

CENVAT Credit in Service Tax:

- CENVAT scheme under Central Excise law enables manufacturers and service providers to take credit of specified duties or taxes paid on eligible *inputs, capital goods and input services* for manufacture of dutiable final products or provision of taxable services and utilize such credit towards payment of duties or taxes on any final product or output service.

Input Service:

- **As per CENVAT credit Rules, an Input Service is Service:**
 - A. used by a provider of output service for providing an output service; or
 - B. used by a manufacturer directly or indirectly in relation to the manufacture of final products. It includes:-
 - i. Services used for clearance of final products upto the place of removal
 - ii. Services used in relation to modernization, renovation or repairs of a factory, premises of provider of output service or an office relating to such factory or premises
 - iii. Services used for advertisement or sales promotion, market research;
 - iv. Services used for storage upto the place of removal;
 - v. Services used for procurement of inputs;
 - vi. accounting, auditing, financing services;
 - vii. Recruitment and quality control services;
 - viii. Training and coaching services;
 - ix. Computer networking, credit rating, share registry, security, business exhibition, legal services;
 - x. Services used inward transportation of inputs or capital goods and outward transportation upto the place of removal.

Input :

The term **Input** in parlance of CENVAT Rules **includes**–

- (i) all goods used in the factory by the manufacturer of the final product; or*
- (ii) any goods including accessories, cleared along with the final product, the value of which is included in the value of the final product and goods used for providing free warranty for final products; or*
- (iii) all goods used for generation of electricity or steam for captive use; or*
- (iv) all goods used for providing any output service;*

However term Input **excludes**–

- (A) light diesel oil, high speed diesel oil or motor spirit, commonly known as petrol;*
- (B) any goods used for — (a) construction or execution of works contract of a building or a civil structure or a part thereof; or (b) laying of foundation or making of structures for support of capital goods,*
- (C) capital goods except when used as parts or components in the manufacture of a final product;*
- (D) motor vehicles;*
- (E) any goods, such as food items, goods used in a guesthouse, residential colony, club or a recreation facility and clinical establishment, when such goods are used primarily for personal use or consumption of any employee; and*
- (F) any goods which have no relationship whatsoever with the manufacture of a final product.*

Capital Goods :

The term **Capital goods** in parlance of CENVAT Rules includes–

- (i) all goods falling under Chapter 82, Chapter 84, Chapter 85, Chapter 90, heading 6805, grinding wheels and the like, and parts thereof falling under heading 6804 of the First Schedule to the Excise Tariff Act;
- (ii) pollution control equipment;
- (iii) components, spares and accessories of the goods specified at (i) and (ii);
- (iv) moulds and dies, jigs and fixtures;
- (v) refractories and refractory materials;
- (vi) tubes and pipes and fittings thereof;
- (vii) storage tank; and
- (viii) motor vehicles other than those falling under tariff headings 8702, 8703, 8704, 8711 and their chassis, including dumpers and tippers used in the factory of the manufacturer of the final products, but does not include any equipment or appliance used in an office; or used outside the factory of the manufacturer of the final products for generation of electricity for captive use within the factory; or for providing output service;

Scope of Exempted Service :

As per Rule 2(e) of CENVAT Credit Rules, “**exempted service**” means a—

- (1) taxable service which is exempt from the whole of the service tax leviable thereon; or*
- (2) service, on which no service tax is leviable under section 66B of the Finance Act; or*
- (3) taxable service whose part of value is exempted on the condition that no credit of inputs and input services, used for providing such taxable service, shall be taken; but shall not include a service which is exported in terms of rule 6A of the Service Tax Rules, 1994.*

It has been clarified that “exempted services” includes trading.

Thus, exempted services should be (i) taxable services exempt from service tax through some exemption notification, or (ii) services on which service tax has not been levied; e.g. services covered by the negative list.

One of the essential conditions is that in case of taxable services, exemption must be from whole of service tax, and services subject to partial exemption are not covered as exempted services. Service which are not rendered to another person but used for self use are also not subject to levy of service tax but cannot be considered as exempted services.

Documents required for CENVAT credit

As per CENVAT credit Rules (Rule 9) , The CENVAT credit shall be taken by the manufacturer or the provider of output service or input service distributor on the basis of any of the certain documents, namely :-

- (a) an invoice issued by-
 - I. *a manufacturer of - (I) inputs or capital goods; (II) inputs or capital goods as such;*
 - II. *an importer;*
 - III. *an importer from his depot or from the premises of the consignment agent of the said importer if the said depot or the premises, as the case may be, is registered in terms of the provisions of Central Excise Rules, 2002;*
 - IV. *a first stage dealer or a second stage dealer, as the case may be, in terms of the provisions of Central Excise Rules, 2002; or*
- (b) a supplementary invoice, issued by a manufacturer or importer of inputs or capital goods
- (d) a certificate issued by an appraiser of customs in respect of goods imported through a Foreign Post Office; or
- (e) a challan evidencing payment of service tax by the person liable to pay service tax under sub-clauses (iii), (iv), (v) and (vii) of clause (d) of sub-rule (1) of rule (2) of the Service Tax Rules, 1994; or
- (f) an invoice, a bill or challan issued by a provider of input service on or after the 10th day of, September, 2004; or
- (g) an invoice, bill or challan issued by an input service distributor under rule 4A of the Service Tax Rules, 1994.

Documents issued by Railways for CENVAT credit

As per [notification 26/2014](#), which inserted clause 9 (fa) under list of required documents, a **Service Tax Certificate for Transportation of Goods by rail (STTG)** is issued by Railway authorities to enable payers of service tax to avail CENVAT credit.

Depending on conditions CENVAT credit is available to Consigner or Consignee or whosoever makes payment of service tax for goods transported through rail.

Guidelines on CENVAT credit On Railway receipt

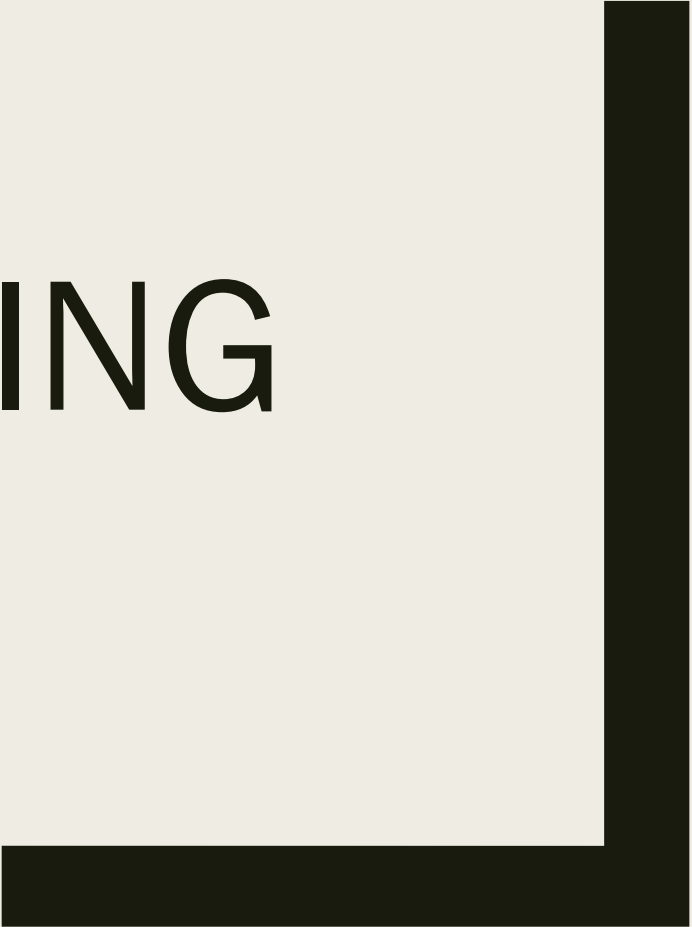
In September 2016, Ministry of Finance laid down [procedure and guidelines](#) for availing CENVAT credit on transportation of goods by rail. Main provisions of these Guidelines are as following:

- In cases where Service Tax is paid by Consigner and consigner is willing to avail CENVAT credit STTG certificate is issued in his name.
- In cases where Service Tax is paid by Consigner and CENVAT credit is to be availed by Consignee, Railways may issue Consignee-wise STTG certificates upon written request of Consigner.



TEST OF UNDERSTANDING

Time allowed : 20 Minutes



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DISCUSSION ON TEST

10 Minutes



THANK YOU