

## **RAIL RELATIONSHIP**

I share a very intimate relationship with the Indian Railways, as my father was a coal loader (kalasi) in the steam engines. The first rail journey, for which I bought a paid ticket, was my travel from native to Chennai, for my college! Till then, I always enjoyed the privilege of my father's "free pass". Though the "free pass" would entitle the employee and his dependents only for one specified trip, like the other million railway employees, we also enjoyed (read misused) it, for perpetual trips. The TTEs would be always liberal to us in such allowance because of fraternity. But I am sure, the same would not have been possible had there been Service Tax on rail journey, in those days!

Though proposed in 2009, thanks to Didi's stern resistance, the levy was postponed for around 3 years and with her exit, the inevitable has arrived! In line with the provisions contained in Finance Bill 2012 and subsequent notifications issued by the Ministry of Finance, the Service Tax in case of passenger travel as well as transportation of goods (except certain commodities exempted vide Sl. No.20 Notification 25/2012 – ST), by Railways, which was hitherto exempted will be levied w.e.f **1 st October 2012** . On the passenger travel, the following classes would be attracting the levy of service tax, namely,

(i) AC First Class, (ii) Executive Class, (iii) AC-2 tier Class,

(iv) AC-3 tier class, (v) AC Chair Car class, (vi) AC Economy class and (vii) First Class.

Both in respect of passenger fare as well as transportation of goods, the Ministry of Finance has given an abatement of 70% from the taxable value thus making only 30% of the total fare/transportation charges subject to service tax. In respect of passenger fare, the Service Tax will be charged on 30% of total fare including reservation charge, development charge, superfast surcharge and in respect of goods transportation, service tax will be charged on 30% of the total chargeable freight inclusive of all charges (like busy season charges, development charge etc.

The total Service Tax implication including the service tax, Education CESS as well as Secondary and Higher Education CESS, will be 3.708% on the above stated fare/freight charges.

Coming to the crucial and practical questions about the date of applicability of this tax as well as the refund mechanism, the Indian Railways in a Press Note has clarified that:

*"1. Service Tax amounting to 3.708% on the total fare of passenger services in (a) AC First Class, (b) Executive Class, (c) AC-2 tier Class, (d) AC-3 tier class, (e) AC Chair Car class, (f) AC Economy class and (g) First Class is leviable **from the 1st day of October 2012**. It has been*

*clarified that the Service Tax would be collected on the tickets issued/bookings **made on or after 01.10.2012** Service Tax is **not leviable** on tickets issued **prior to 01.10.2012** and hence will not be collected on board the trains.*

*2. In case of cancellation of tickets booked by the passengers on or after 01.10.2012, the applicable amount including refundable Service Tax amount will be refunded by Railways as per Railway refund rules and Finance Ministry guidelines.”*

**Dear Passengers, Welcome on board!!!**