

Sreepati Ranjan Gope & Sons

Authority for Advance Ruling — West Bengal

03/WBAAR/2018-19

Dated **03.05.2018**

Q Questions Before the Authority

- Classification and Rate of Tax when maintenance of railway tracks is done by providing contractor's labour only in cases where the Railways supply materials free of cost.
- Classification and Rate of Tax when maintenance of railway tracks is done by providing, both, contractor's material and labour.

F Facts

The Applicant is an enlisted contractor engaged by the Indian Railways for track maintenance work under a Letter of Acceptance. The contract involves repair, maintenance, and fitting out of railway tracks, including cleaning, surface preparation, painting of rails, welding of joints, fixing guard rails, and dressing ballast. The work involves both supply of labor and transfer of property in goods associated with immovable property.

H Ruling

Maintenance of existing railway tracks under works contract

Taxable @ 18% under SAC 995429 (Heading 9954, Group 99542, Sub-group 995429) as per Serial No. 3(ii) of Notification No. 11/2017-CT (Rate)

Concessional 5% rate for earthwork and exemption under Notification No. 12/2017-CT (Rate) held inapplicable

The Authority ruled that the services supplied constitute a **works contract service** under Section 2(119) of the GST Act for maintaining existing railway tracks. The appropriate classification is **SAC Heading 9954, Group 99542, Sub-group 995429**. The activity is taxable at **18% GST** under Serial No. 3(ii) of Notification No. 11/2017-Central Tax (Rate).

R Reasoning

The transaction constitutes a composite supply of works contract under Section 2(119) of the GST Act as it involves repair, maintenance, and fitting out of immovable property (railway tracks) along with transfer of property in goods. Under the Annexure to Notification No. 11/2017-CT (Rate), it falls under SAC Sub-group 995429 covering services involving repair, replacement, or maintenance of civil engineering works. The concessional 5% rate for works contracts predominantly involving earthwork (exceeding 75% value) is not applicable because earthwork constitutes only a minor fraction of the contracted schedule. The exemption under Notification No. 12/2017-CT (Rate) is also unavailable since the work is not in relation to functions entrusted to a Panchayat or Municipality under Article 243G or 243W of the Constitution.

P Provisions Relied On

Section 2(119) of the CGST Act, 2017

Section 97(1)(a) of the CGST Act, 2017

Notification No. 11/2017-CT (Rate) dated 28/06/2017

Notification No. 12/2017-CT (Rate) dated 28/06/2017

Article 243G of the Constitution of India

Article 243W of the Constitution of India

! For the Practitioner

This ruling establishes that railway track maintenance contracts combining labor and material are **works contracts under SAC 995429** subject to 18% GST. Contractors cannot claim the reduced 5% rate for earthworks unless earthwork genuinely constitutes over 75% of the total contract value. Furthermore, supplies to Central Government entities like Railways do not automatically qualify for local body exemption notifications under Article 243G or 243W.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> [wb_aar03-2018-19 dt 03-05-18 sreepati.pdf](#)

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