

**GOVERNMENT OF INDIA
RAILWAYS
LOK SABHA**

UNSTARRED QUESTION NO:6642
ANSWERED ON:06.05.2010
ACCOUNTING SYSTEM IN RAILWAYS
Dhruvanarayana Shri R.

Will the Minister of RAILWAYS be pleased to state:

- (a) whether the Railways propose to dispense with the present accounting system of showing statement of cash and 'investible surplus' and switch over to a more transparent accrual based accounting system;
- (b) if so, the details thereof;
- (c) whether the railways are paying any tax to the exchequer and also whether the dividend paid is treated as part of on capital and hence is treated as loan in perpetuity;
- (d) if so, the reaction of the Railways thereto;
- (e) whether the railways propose to extend service tax to railway fares and freight;
- (f) if so, the details thereof; and
- (g) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF RAILWAYS (SHRI K.H. MUNIYAPPA)

(a) and (b) The statement of 'Cash' and 'Investible Surplus' is not an accounting system, and has been discontinued in the Budget, 2010-11. Railways will attempt to completely switch-over to accrual based accounting in consonance with the accounting standards to be stipulated by the Government Accounting Standard Advisory Board (GASAB).

(c) and (d) Railways pay excise duty, custom duty, Value Added Tax etc. on the materials and stores purchased, as levied by the Government from time to time. The 'Dividend' is paid at a specific rate on the Capital invested by General Revenues as recommended by Railway Convention Committee from time to time. The investment of the General Revenues in Railways is treated as loan, in perpetuity, by the Ministry of Finance.

(e) to (g) Imposition of Service Tax on freight on Railways as proposed in the Finance Bill, 2010, has been deferred till 30/06/2010. No Service Tax on passenger fare has been proposed.