

Subject : Implications of the Provisions rolled out in 34th GST Council Meeting

Day & Date : Friday, 22nd March, 2019

Venue : 4th Floor, Maker Bhavan – II, New Marine Lines, Mumbai

Presented by : CA Naresh Sheth, N.A. Shah Associates LLP



One time option for Builders & Developers

- Builders / Developers shall have **one-time option for ONGOING PROJECTS (not for new projects)**:
 - To continue to pay tax at the **existing effective rates** i.e. 8% (affordable houses) or 12% (others) with Input tax credit ('ITC'); **or**
 - To pay tax at **new rate** i.e. 1% (affordable houses) or 5% (others) without ITC
- Option has to be exercised within the prescribed time limits,
- New taxation scheme will apply in case of failure to exercise option
- Ongoing project would mean:
 - Construction of building started; **and**
 - Actual booking have commenced

before 01.04.2019 and building is not completed by 31.03.2019



Tax under New Scheme

Rate of tax	Conditions
For Affordable Houses GST @ 1% (Without ITC)	<ul style="list-style-type: none">• All houses which meet the definition of affordable houses as decided by GST Council (Area 60 sqm in non-metros/ 90 sqm in metros and value upto Rs.45 lakhs), and• Affordable houses being constructed in ongoing projects under the existing central and state housing schemes presently eligible for concessional rate of 8%
For Other Residential Projects GST @ 5% (Without ITC)	<ul style="list-style-type: none">• All other houses in new projects• In case of houses booked prior to 01.04.2019, new rate shall be available on instalments payable on or after 01.04.2019• Commercial shops, offices etc. in a residential project in which carpet area of such units is not more than 15% of total carpet area of the project will be taxable at 5% without ITC
For Commercial Projects GST @ 12% (With ITC)	<ul style="list-style-type: none">• Commercial units under construction (Other than above)
Not taxable under GST	<ul style="list-style-type: none">• Sale of completed Residential units (affordable or others) or Commercial units

Conditions for New Scheme

- ITC shall not be available
- 80% of inputs and input services (other than capital goods, TDR/ JDA, FSI, long term lease (premiums)) shall be purchased from registered persons

In case of shortfall of purchases of 80% from registered person:

- On shortfall, tax shall be paid by builders under reverse charge at 18% on purchases except for cement purchased from unregistered person which will be taxed at 28%
- Tax on capital goods purchased from unregistered person will be paid under RCM at applicable rates



Transition of ITC for ongoing projects under New Scheme

Builders & Developers opting New Scheme for ongoing projects shall transition the ITC in following manner:

Residential Projects:

- Total ITC for entire project (as per prescribed formula) shall be arrived by extrapolating ITC taken for percentage completion of construction as on 01.04.2019 for entire project
- Input tax credit eligible for availment shall be based on percentage of booking of flats and percentage invoicing done as on 31.03.2019



Mixed Projects

- Input tax credit on pro-rata basis in proportion to carpet area of commercial portion to the total carpet area of project

Proposal to amend ITC Rules

- *ITC rules will be amended for determination of availment of ITC and reversal thereof in real estate projects*

Treatment of TDR / FSI and Long term lease (premium)

- Exemption granted for supply of TDR, FSI, long term lease (premium) for projects commencing on or after 01.04.2019 **provided:**
 - constructed flats are sold before issuance of completion certificate; **and**
 - tax is paid on such flats
- Above exemption will be withdrawn **in respect of unsold flats** as on the **date of completion**
- Such withdrawal will be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses
- Builders / Developers will be liable to pay tax under **RCM** (on such TDR, FSI, etc.)
- Date for payment of such liability is being shifted to **date of completion certificate**
- Liability to pay tax on construction of houses given to land owner (as per JDA) is shifted to **date of Completion**



Any Questions ?

THANK YOU

naresh.sheth@nashah.com

+91 22 4073 3000

+91 93 2424 1833