



GST ALERT XI

(For Builders & Developers)

Background:

Under current VAT regime, the Maharashtra VAT laws have provided for Composition Scheme to builders & developers vide Notification No. VAT 1510/CR-65/Taxation-1, dt. 9th July 2010 which is in force from 1st April 2010. Briefly, under the said Composition Scheme, the builder is liable to VAT @ 1% on the amount of total gross consideration mentioned in Agreement (VAT payable at the time of Registration of Agreement). No input tax credit is available. 1% VAT is payable irrespective as to when the consideration is received by the builder.

Amendment to above:

In view of forthcoming GST, the Maharashtra Govt. have amended above Notification with effect from 1st June, 2017.

Post amendment, position under VAT in Maharashtra in this regard will be as under:

I. In case of Agreement not registered on or before 31st May 2017:

The dealer shall pay VAT @ 1% on total payment received upto 31st May 2017 – Such VAT payable on or before 30th June 2017 – Such receipt to be shown as turnover in the VAT return of June 2017 (monthly or quarterly as the case may be)

II. In case of Agreement registered OR not, on or after 1st June 2017:

The dealer shall pay VAT @ 1% for the month in which payment is received – such VAT is payable within 21 days from the end of such month of receipt – such receipt to be shown as turnover in the return of such month.

Example:

- Allotment letter issued on 1st March 2017 for sale of under construction flat for Rs. 90,00,000/-
- Agreement not registered till 31st May 2017
- Payment received as under:

<u>Date</u>	<u>Amount</u>
1 st March 2017	25,00,000/-
15 th April 2017	15,00,000/-
15 th May 2017	10,00,000/-
14 th June 2017	8,00,000/-
10 th July 2017	5,00,000/-

Say GST comes into force on 1st August 2017

Agreement registered on 14th August 2017

Balance 27,00,000 received on 14th August 2017

I. Payment liability under VAT (in force upto 31st July 2017):

1. 1% payable by 30th June 2017 on payment received upto 31st May 2017
i.e. on 50,00,000 50,000.
2. On 8,00,000 @ 1% i.e. Rs. 8000 for the month of June 2017, payable by
21st July 2017.
3. On 5,00,000 @ 1% i.e. Rs. 5000 for the month of July 2017, payable by
21st August 2017.

VAT Returns to be filed as per existing VAT law for the period ending 30th June 2017 wherein Rs. 58,00,000/- would be included in the turnover and Rs. 5,00,000/- would be included in the turnover in the return for the period July 2017

Service Tax will have to be paid on all the above payments as per existing Service Tax Law.

II. Liability under GST from 1st August 2017:

On 27,00,000GST @12% for the month of August 2017
(proportionate Input Tax Credit will be available.)

Further relevant points:

In case of Agreement registered on or before 31st May 2017, 1% VAT payable on total consideration under Composition Scheme, in the month in which Agreement is registered irrespective of when consideration is received. If such VAT is not paid during VAT regime, then 12% GST will become payable on payment received during GST regime with ITC available as per the Rules.

In above case, if entire 1% VAT is paid in the month of registration but if some consideration is received under GST regime, such receipt will attract GST @ 12% with ITC and proportionate VAT paid will be credited to credit ledger in GST.

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