



GOODS AND SERVICES TAX

Clarification about applicability of GST on Under Construction and Ready-To-Move-In Property

As per GST law, construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier, is a supply of service and liable to GST.

1. Sale of building is an activity or consideration which is neither a supply of goods nor a supply of services (Para 5 of schedule III of the CGST Act, 2017).
2. It flows from the above facts that, **sale of ready-to-move-in or completed property does not attract GST**. GST is payable only on under construction property as discussed below.

Property for which completion certificate has been issued	Under Construction Property	
	Entire consideration has been paid to the builder before 1 st July, 2017	Part consideration has been paid to the builder before 1 st July, 2017
No GST is applicable on ready-to-move-in or completed property as per para 5(b) of Schedule II of CGST Act, 2017.	There is no GST payable on such property even if the construction is completed after 1 st July, 2017. This transaction will attract Service Tax at the rate of 4.5% because as for the Point of Taxation Rules, 2011 applicable to Service Tax, where the invoice was raised or payment made prior to the appointed date under GST, the point of taxation arose before the appointed day and thus such transaction attracts Service Tax and not GST.	4.5% of Service Tax is applicable on the invoices raised or consideration paid before the 1 st July, 2017. However, payment, made by the buyer to the builder on or after 1 st July, 2017 against invoices issued on or after 1 st July, 2017 shall attract GST @12%.

RATE OF GST

Effective rate of GST payable on purchase of under construction residence or commercial properties from a builder involving transfer of interest in land or individual share of land to the buyer, is 12% with full Input Tax Credit (ITC). [GST payable @ 18% on 2/3rd of the amount for the property; 1/3rd of the amount having been deemed as value of land or undivided share of land supplied to the buyer.]

Consideration which doesn't constitute transfer in land or undivided share of land as part of consideration, such as construction services provided by a sub-contractor to the builder, attracts GST at the standard rate of 18% with full ITC.

