

**CHIEF COMMISSIONER OF CENTRAL TAX & CUSTOMS**

उत्पाद शुल्क भवन, पतन क्षेत्र, विशाखपट्टणम - 530035

Central Excise Building, Port Area, Visakhapatnam - 530 03

0891-2568837, Fax- 2561942



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PRESS NOTE**CLARIFICATION ON LEVY OF GST ON FLATS/RESIDENTIAL COMPLEXES AND BUILDINGS**

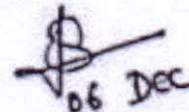
The Central Board of Excise & Customs, New Delhi and States have received several complaints that in view of the 'works contract' service tax rate under GST @ 12% in respect of under construction flats, complex etc, the people who have booked flats and made part payment are being asked to make entire payment before 1st July 2017 or to face higher tax incidence for payment made after 1st July 2017. This is against the GST law. The issue is clarified as below:-

1. Construction of flats, complex, buildings will have a lower incidence of GST as compared to a number of central and state indirect taxes suffered by them under the existing regime.
2. Incidence of Central Excise duty, VAT, Entry Tax, etc. on construction material is currently borne by the builders, which they pass on to the customers as part of the price charged from them. This is not visible to the customer as it forms a part of the cost of the flat.
3. This will change under GST. Under GST, full input credit would be available for offsetting the GST rate of 12%. As a result, the input taxes embedded in the flat will not (& should not) form a part of the cost of the flat.
4. The builders are expected to pass on the benefits of lower tax burden due to input tax credit, under the GST regime to the buyers of property by way of reduced prices/ installments as illustrated below: (The price of Flat may increase/decrease depending on the raw material/inputs used)

Pre-GST (amount in Rs.)		Post-GST (amount in Rs.)	
Flat Price	3000000	Flat Price	3000000
Service Tax @ 4.5%	135000	GST @ 12%	360000
Vat @ 1.25%	37500	Approximate input tax credit (input tax credit is available for GST/CEX/VAT paid on Cement, MS Steel, Tiles, Paint and other taxable inputs used in construction.)	(-) 286299
Total cost of the Flat	3172500	Total cost of the Flat	3073701

Reduction in Flat cost Rs.98,799/- (Only indicative, not exact).

It is, therefore, advised to all builders / construction companies that in the flats under construction, they should not ask customers to pay higher tax rate on installments to be received after imposition of GST. Despite this clarity on law position, if any builder resorts to such practice, the same can be deemed to be profiteering under section 171 of GST law.


06 Dec

N. Srujan Kumar, I.R.S
Deputy Commissioner