

113/10, 1<sup>st</sup> Floor,  
Navyug Market, Ghaziabad

Sahni Bansal & Associates  
Chartered Accountants

The Finance Controller,  
Ghaziabad Development Authority,  
Ghaziabad.

Dt. 06/04/2019

Sir,

**Sub: Changes in GST w.r.t. Construction of Flats w.e.f. 01.04.2019 .**

In reference to above, kindly find attached the detailed analysis of changes in GST on construction of flats w.e.f. 01.04.2019 along with certain requirements and a summary table.

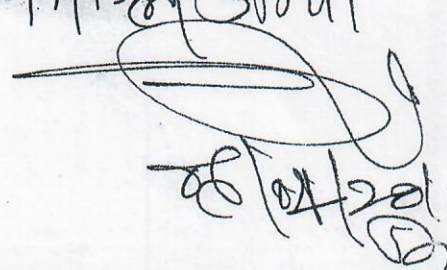
Please note that as per the notification no. 03/2019 dt 29<sup>th</sup> March 2019 issued by the gst council, a real estate entity has the option to opt for new rates i.e. 1% & 5% respectively on or before 10.05.2019. It may be noted that there are certain conditions attached with this option which are explained in the detailed analysis attached. It is advisable to opt for the new scheme to avoid unnecessary litigation with the allottees.

In order to implement the same, kindly arrange to provide the details relating to the scheme codes mentioned in the requirement sheet so as to enable us to implement the new system successfully in Ghaziabad Development Authority.

Kindly do the needful.

Thanks & Regards  
for Sahni Bansal & Associates  
Chartered Accountants

  
(CA Pardeep Surrinder Sahni)

ACUT/श्री प्रदीप  
श्री नया अ-न एचए डी  
अनुमति के साथ-साथ-अन  
हो-अन एचए डी  
6/4/19 श्री नया  
  
6/4/2019

**THINGS TO BE DONE FOR ONGOING PROJECTS  
AS ON 31.03.2019**

**DECIDE BETWEEN**

**WHETHER TO OPT FOR 1 % /  
5 %  
(WITHOUT ITC)**

**WHETHER TO OPT FOR 12 %  
/ 8 %  
(WITH ITC)**

- IF NO OPTION EXERCISED BEFORE 10.05.19, DEEMED TO HAVE OPTED FOR THIS RATE.
- CALCULATE THE INELIGIBLE AND ELIGIBLE ITC AND DO THE NEEDFUL BEFORE 20.10.19.
- OBTAIN A % COMPLETION CERTIFICATE AS ON 31.03.19.
- ENSURE 80 % OF THE INPUTS AND INPUT SERVICES ARE PURCHASED FROM REGISTERED PERSONS.
- PAYMENT OF GST FOR TDR BY LANDOWNER OR LONG TERM OF LEASE OF LAND, UNDER RCM FOR UNSOLD FLATS AS ON DATE OF COMPLETION.

- EXERCISE OPTION BEFORE 10.05.19.
- CONTINUE TO AVAIL ITC.
- REVERSAL OF PROPORTIONATE ITC FOR UNSOLD APARTMENTS AS ON THE DATE OF COMPLETION FOR THE TOTAL ITC AVAILED FOR THE PROJECT.
- PAYMENT OF GST FOR TDR BY LANDOWNER OR LONG TERM LEASE OF LAND, UNDER RCM FOR UNSOLD FLATS AS ON DATE OF COMPLETION.

Note: Detailed analysis explaining the above is enclosed.

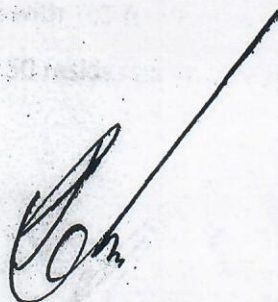


### Gist of GST Changes for Construction Sector w.e.f 01.04.2019

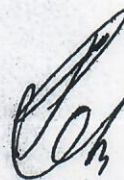
- The earlier effective rate of GST (both CGST and SGST together) was 12 % with ITC (18% on two thirds value, after excluding one third towards land value) {S.No. 3 (i) of Notification 11/2017}
- The earlier effective rate of GST (both CGST and SGST together) in respect of certain specified construction projects, covered under certain specified schemes was 8 % with ITC (12 % on two thirds value, after excluding one third towards land value) {S.No. 3 (iv) and 3 (v) and 3 (vi) of Notification 11/2017}.
- For the above two categories of projects, assesses can continue to pay the same rate of GST, with ITC after 01.04.2019 also. Such option has to be exercised before 10.05.2019. This is permissible only for "ongoing projects" as on 31.03.2019 and not for fresh projects after 01.04.2019. For fresh projects commenced after 01.04.2019, the rate of GST would be 1 % for affordable residential apartments and 5 % for other residential apartments.
- "Affordable Residential Apartments" would mean those, having carpet area not exceeding 60 square meter in metropolitan cities or 90 square meter in cities or towns other than metropolitan cities and for which the gross amount charged is not more than forty five lakhs rupees.
- If not opted for the above, GST rate (both CGST and SGST together) for "affordable residential apartments" would be 1 % (1.5 % on two thirds of value after excluding one thirds towards land value) and 5 % for other residential apartments (7.5 % on two thirds of total value, after excluding one thirds towards land value). No ITC would be permissible.
- If no option is exercised before 10.05.2019, in respect of ongoing projects, it shall be deemed that the assessee has opted for 1 % or 5 %, as the case may be.



- Once 1 % (for affordable residential apartments) or 5 % (for other residential apartments) rate is opted for ongoing projects, then the ITC availed from 01.07.2017, including the transitional credit shall be reversed, after retaining only such credit as calculated on proportionate basis. The principle behind this provision is that ITC would be available to the extent GST is payable at old rates upto 31.03.2019 and ITC would not be admissible to the extent GST is payable on 1 % or 5 %, as the case may be, post 01.04.2019. Further, suitable mechanism has been provided to avoid any mischief in this regard, such as huge procurement of inputs prior to 31.03.2019, huge billing disproportionate to percentage of completion, huge billing without realisation before 31.03.2019, etc.
- A project where the commercial area is less than 15 % of the total area would also be considered as Residential Project and the rate of 5 % would be applicable even for the commercial area in such projects.
- In projects, where the commercial area is more than 15 % of the total area, for the residential area, GST rate applicable would be 1 % or 5 %, as the case may be and for the commercial area, GST rate applicable would be 12 % (18 % on two thirds of the total value, after excluding one thirds towards land value).
- Wherever 1 % (for affordable residential apartments) or 5 % (for other residential apartments) is opted for ongoing projects and compulsorily adopted for new projects, at least 80 % of the purchase of inputs and input services (other than services provided by land owners and purchase of petrol, diesel, natural gas and electricity) shall be purchased from Registered persons.
- If there is any shortfall below 80 %, GST @ 18 % has to be paid by the Promoter on such shortfall value, under RCM.
- If Cement is received from unregistered person, Promoter has to pay GST at the rate applicable for cement, under RCM.



- If capital goods are received from unregistered person, Promoter has to pay GST at the rate applicable for such capital goods, under RCM.
- The transfer of development rights (TDR) and transfer of FSI by the landowners in favour of promoters, or obtaining land on long term lease basis from the landowners, would be a service, attracting GST. Such GST is payable by the promoter under RCM.
- GST on TDR and Additional FSI payable by the Promoter in respect of residential apartments is exempted, where GST is paid on such residential apartments. If any part of the apartments in the project are sold after completion, without payment of GST, to that extent, GST @ 1 % in respect of affordable residential apartments and @ 5 % in respect of residential apartments other than affordable residential apartments is payable by the Promoter under RCM. The time of supply for this would be the date of issue of Completion Certificate or first occupation whichever is earlier. ITC of such GST cannot be taken, as the subject residential apartments would be sold without payment of GST.
- GST on TDR and Additional FSI and on long term lease, payable by the Promoter in respect of commercial apartments is payable by the Promoter @ 18 %. The time of supply for this would be the date of issue of Completion Certificate or first occupation whichever is earlier. The GST thus paid would be entitled for ITC.
- Where an assessee has opted to continue to pay @ 12 % or 8 %, as the case may be for certain on going projects with ITC benefit, the portion of ITC attributable to those apartments which are not booked by the time of completion (which would be sold without payment of GST) shall be calculated for the entire project for the entire period and not only for the year in which completion happens. For example, if the project commenced in 2017-18 and the assessee has been availing ITC since then. He has opted to pay 12 % GST with ITC for the said project. The project is completed during 2019-20 and out of 50 residential apartments in the complex, 10



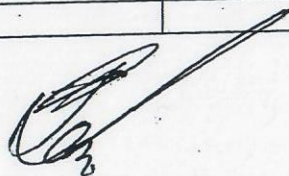
remain unsold at the time of issue of completion certificate. Such portion of total ITC availed since 2017-18 in respect of the said project, i.e. 10/50<sup>th</sup> of the total ITC availed since 2017-18 shall be reversed. Earlier, such reversal would apply only for the ITC availed in the year 2019-20.

- For the apartments handed over to Landowners in terms of Joint Development agreements, Promoter is liable to pay GST on the basis of value of comparable apartments sold at nearest time, excluding the land / UDS land value at the time when such apartments are conveyed to the Landowners.
- An assessee can opt to continue with old rates with ITC for ongoing projects and pay @ 1 % or 5 % as the case may be, for new projects after 01.04.2019. In such case, no ITC can be taken in respect of the new project, but ITC can be taken for the ongoing projects.

A handwritten signature in black ink, consisting of stylized cursive letters, possibly 'S. P.', followed by a long horizontal line extending to the right.

## Requirement Sheet - GHAZIABAD DEVELOPMENT AUTHORITY

S.No	Scheme of Project	Status of Scheme as on 31.03.2019	Total Cost of Project (Rs.)	Amount Spent upto 31.03.2019 (Rs.)	% Completion upto 31.03.2019	Remarks
						Documents justifying the details mentioned.
1	763	Under Construction				
2	827-61Q	Completed				
3	827-62Q	Completed				
4	827-63Q	Completed				
5	827-64Q	Completed				
6	827-65Q	Completed				
7	827-66Q	Completed				
8	745-41D	Completed				
9	838-61L	Under Construction				
10	838-62L	Under Construction				
11	839-61L	Under Construction				
12	839-62L	Under Construction				
13	829-21D	Completed				
14	812-8233	Completed				
15	752	Completed				
16	770	Completed				
17	809	Completed				
18	841	Completed				
19	758-41D	Completed				
20	840-21D	Completed				
21	772-41D	Completed				
22	781-41D	Completed				
23	734	Under Construction				
24	747	Completed				
25	844	Under Construction				



26	847	Under Construction				
27	756	Completed				
28	845	Completed				
29	830-21D	Completed				
30	830-22D	Completed				
31	764-41J	Under Construction				
32	805-41D	Completed				
33	771-41T	Completed				
34	834	Completed				
35						
36						
37						
38						
39						

Details as extra, maybe added by the concerned section.

*Note: The above schemes have been provided by the property section as a list of ongoing schemes as on date, however if there are any changes then please modify the table accordingly.*



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