



TAXABILITY OF CO OPERATIVE SOCIETIES UNDER GST

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Definitions under GST Act which attracts the taxability to co-operative societies

Section 2(84) “Person” includes

a co-operative society registered under any law relating to co-operative societies or Society as defined under the Societies Registration Act, 1860

Sec 2(31) “Consideration”

in relation to the supply of goods or services or both includes (a) any payment made or to be made, whether in money or otherwise, in respect of, in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government

Sec 2(17) “Business” includes

provision by a club, association, society, or any such body (for a subscription or any other consideration) of the facilities or benefits to its members;

A co-operative society (being a person as defined above) provides services to its member in the form of facilities or benefits to its member (in course of business) for a consideration. Hence based on above definition and concept of supply co-operative society also gets covered under GST.

Whether Cooperative Society is liable for registration under GST?

When the aggregate turnover of a Cooperative Societies in a financial year exceeds twenty lakh rupees, such Cooperative Societies become liable for Registration under GST as per Sec 22.(1) of CGST Act. That means the collection of money maintenance charges by society exceeds Rs 20 Lakhs per annum then the Society need to be Registered under GST.

It means that if the aggregate turnover (**total receipts**) of the Housing Societies which generally includes society maintenance charges from its members, receipts from investments, income receipts from advertisement board, receipts from mobile towers in premises, Share transfer fee from members, receipts from special purpose use of common area by member (marriage function etc) etc. Housing Society is liable to register if total of all the receipts (including exempted receipts) exceeds Rs. 20 Lakh in a financial year.

Thus Co-operative Housing Society or Residential Welfare Association who's Turnover (collection money) crosses Rs 20 Lakhs per annum become liable for Registration under GST and should charge GST (CGST + SGST) from its members.

Chargeability and payment of tax on monthly subscription

Further, if the aggregate turnover of such Housing Society/ Residential Welfare Association is **up to Rs 20 lakh in a financial year**, then such supplies would

be exempted from GST even if charges per member are more than Rs 7500.

A Housing Society / Residential Welfare Association shall be required to pay GST on monthly

subscription / contribution charged from its members if such subscription is more than Rs 7500 per member and the annual turnover of Residential Welfare Association by way of supply of services and goods is also Rs 20 lakh or more.

Scenario	Contribution (Per Member Per Month)	Total Contribution by Members	Receipts other than Contribution Receipts (Exempted) Like Interest Income	Receipts (Taxable) Like Rental for Advt Hoarding	Total Receipts (Total Aggregate Turnover Per Year)	Registration Needed (Yes/No)	Taxable Income
A	4000	18,00,000	0	0	18,00,000	No	0
B	7501	18,00,000	0	0	18,00,000	No	0
C	4000	24,00,000	0	0	24,00,000	No	0
D	4000	18,00,000	9,00,000	0	27,00,000	No	0
E	7501	18,00,000	9,00,000	0	27,00,000	Yes	18,00,000
F	7501	18,00,000	0	9,00,000	27,00,000	Yes	27,00,000
G	4000	18,00,000	0	9,00,000	27,00,000	Yes	9,00,000
H	0	0	27,00,000	0	27,00,000	No	0
I	0	0	0	27,00,000	27,00,000	Yes	27,00,000
J	7501	24,00,000	0	0	24,00,000	Yes	24,00,000
K	4000	18,00,000	0	0	19,00,000	No	0
	7501	1,00,000					
L	4000	18,00,000	0	0	27,00,000	Yes	9,00,000
	7501	9,00,000					
M	4000	18,00,000	50,000	2,00,000	21,50,000	Yes	3,00,000
	7501	1,00,000					

Inclusion and exclusion of expenses under the limit of Rs.7500

Property Tax- Society is merely an agent to collect it and deposit the same to Govt. Authorities

Property Tax on Private Space/Parking Area Etc- Society is acting as agent and services for the same to be considered accordingly

Property Tax on Common Area- The Limit of Rs. Seven Thousand five hundred to be utilized for this purpose

Sinking Fund- Kind of Service Provided to members and hence it is taxable and to be counted for limit of Rs. Seven thousand five hundred

Maintenance Charges- Society may be paying for some security, admin, accounts audit etc. And hence it is taxable subject to limit of Rs. Seven thousand five hundred

Non Occupancy Charges- These are typical charges for let out Property. These are not for Common Purposes and to be Taxed to GST.

Parking Charges- Generally charged to members for using space on Parking. Its purely one to one basis and not for common use, it is chargeable to Tax and not counted in Exemption Fees

Share Transfer Fees- It is usually charged for share transfer especially in case of sale of Property. It is taxable and not counted in Rs. Seven thousand five hundred Limit as No Third Party is Involved

Water Charges Individual- If water charges are collected Society on behalf of Member then it is not counted for Exemption and also not chargeable to tax. Chances that it will be already taxed by Govt. Arms at source.

Water Charges Common- If it is for common use then included in Rs. Seven thousand five hundred Limit and Taxable too.

Common Services like Club House, Swimming Pool- These charges are chargeable to Tax and covered in Limit of Rs. Seven thousand five hundred

Interest on Default – It is not for any common use but its individual charges and hence taxable and also not covered under limit of Rs. Seven thousand five hundred

Use of Common Space for Member or Outsider- Since these are charges liable to taxes, Society must collect GST and there is no question of Exemption Limit.

Income on Renting Mobile Tower etc.- Since these are not common services and mostly to be given to

Business etc then these are chargeable to Tax and in case Society is not under GST then subject to RCM also (after 1st April 2018)

Scenario	1	2	3	4	5	6	7	8	9
Repairs and Maintenance	7200	7200	7200	7200	7200	7200	7200	7200	7200
Water Charges Agent Service	0	500	500	500	500	0	0	0	0
Contribution to sinking fund	0	0	500	500	500	500	0	0	0
Parking Charges	0	0	0	500	500	500	500	0	0
Club house	0	0	0	0	500	0	0	500	100
Total receipt	7200	7700	8200	8700	9200	8200	7700	7700	7300
Exemption Eligible	7200	7200	7700	7700	8200	7700	7200	7200	7300
Exemption Amount	7200	7200	0	0	0	0	0	0	0
Non Taxable	0	500	500	500	500	0	7200	0	7300
Taxable	0	0	7700	8200	8700	8200	500	7700	0

Rate of Tax

The society is liable to collect tax at the rate of 18% if the aggregate turnover exceeds 20 lakhs

Input Tax Credit (ITC) Allowed:

If the Society becomes liable to pay GST, it is allowed to take Input Tax Credit under Sec 16 (1) of CGST Act subject to conditions for taking input tax credit. Housing Society is entitled to ITC in respect of taxes paid by them on capital goods (generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services such as repair and maintenance services – Lift AMC, Housekeeping, Security, Fire AMC, Repairs & Maintenance, Contract staff, Accounting & Auditing Services and other such services.

Applicability of Reverse Charge Mechanism

Tax liability under Reverse Charge as defined under Sec 2(98) of CGST Act also applicable. That means tax shall be payable by the Housing Society when supplies are received which are notified Services as per Sec 9(3) of CGST Act like services of Goods Transport Agency, Advocate Services etc and also supplies from Un-registered Person under Sec 9(4) of CGST Act. The society can claim ITC on tax paid under RCM.

Whether Eligible for Composition Scheme?

Housing Society is not eligible for Composition Scheme.

Statutory Compliances:

Returns: Society are also liable to file monthly returns i.e. GSTR-1, GSTR-2, GSTR-3

Invoices: Society is required to change the invoice format of monthly/quarterly/yearly bills invoiced to the members. Society should mention the GSTIN No, the tax collected and so on in the invoice issued by it.

Books of Accounts: Society is liable to prepare and maintain proper books of accounts. It would also be liable to audit if the aggregate turnover exceeds the threshold limit of audit. Also to maintain proper Records of Supply & Expenses and preserve such records for 72 Months.

Conclusion

If the aggregate turnover exceeds 20 Lakhs co-operative society are compulsorily required to get registered, there is no other exemption for registration. Also in GST regime housing society are eligible to claim ITC on inward supply made by it which was not allowed earlier, this would benefit the society in the form of reduction in cost. The society can transfer this benefit to its member in the form of reduction of maintenance charges collected from its member after due a detailed cost benefit analysis available to the society under GST.