

## ***GST on Land after developing by erecting Civil Structure or Building or Complex: The AAR, Telangana***

### **Fact of the Case**

The applicant, M/s. TIF Integrated Industrial Parks Pvt. Ltd. is a company formed by industrialists as required by the Telangana State Industrial Infrastructure Corporation Limited (TSIIC) as a special purpose vehicle (SPV) representing the member industrialists with an objective of providing industrial infrastructure by the development of land acquired by TSIIC. It is informed by the applicant that TSIIC issued a final allotment letter confirming the allotment of 377 acres of land for a cost of Rs.55.11 Cr. on Vijayawada Highway to set up an Industrial Corridor on 16-05-2018.

A sale agreement was executed between the applicant and TSIIC on 23-06-2018. It is informed by the applicant that a sale deed will be executed with TSIIC upon completion of the development of internal infrastructure. Similarly, the applicant is authorized in turn to sell to individual industrialists after each of his allottees commences commercial operation by executing individual sale deeds.

The applicant has sought the advance ruling on the issue of Whether the activity of disposal of developed plots of land to allottee members of the applicant from and out of the land received from the TSIIC for the specified purpose of industrial development is outside the purview of GST by virtue of the said activity falling under Entry 5 of Schedule III of Central Goods & Service Tax Act, 2017 and corresponding provisions under Telangana Goods & Service Tax Act, 2017 as amended.

Yet another issue raised was Whether the activity of infrastructure development (ID) of land received from the TSIIC for the specified purpose of industrial development and undertaken on behalf of allottee members (allottee(s) or the member(s)) does not qualify as a “supply” under Section 7 of the Central Goods & Service Tax Act, 2017 & corresponding provision under Telangana Goods & Service Tax Act, 2017 as amended and hence will remain outside the purview of the GST Act.

### **Decision of the Case**

The Coram ruled that if the applicant sells the land after developing by way of erecting a civil structure or a building or a complex then such supply is liable to tax under CGST/SGST Acts. However, if the land is sold without any development involving any civil structure or building or complex such supply falls under paragraph 5 of Schedule III to Section 7(2) of CGST Act, 2017 and hence is exempt from tax.

“If the applicant executes works contracts involving the transfer of property in goods for consideration under an agreement of contract such consideration will be liable to tax. However,

if these elements are missing in the execution of construction it shall not be liable to tax," the AAR ruled.

***The Telangana Authority of Advance Ruling (AAR) ruled that the GST is payable on land after developing by erecting civil structures or Buildings or Complexes.***