

12% GST on Services of Repairs, Maintenance, Renovation, Alterations of Residential Complex meant for Railway Employees: The AAR, Karnataka

Fact of the Case

The applicant, Bindu Projects is a registered person under the provisions of the Central Goods and Services Tax Act, 2017 as well as the Karnataka Goods and Services Tax Act, 2017 engaged in executing works contract services to South Western Railways.

The applicant has sought an advance ruling in respect of applicability of GST rates for works contract services doing original works with South Western Railways.

Decision of the Case

The AAR observed that as far as the question of rate of tax, it is submitted by the applicant that a contract is a single contract and it consists of multiple works. On the question of whether this contract amounts to a composite supply or mixed supply or a bunch of separate supplies, it is seen that the same cannot be a composite supply of works contracts as there is no principal supply and the works are not naturally bundled. It cannot be a mixed supply also because the valuations of each of the supply of works are valued separately and they would amount to separate contracts. Hence, there is no common price for all the contracts. Hence it can be safely decided that each of the works mentioned in a schedule is a separate contract in itself and this is bolstered by the fact that the works are not in the same place and also are different in nature.

The two-member bench of ruled that the new constructions involved in the contract are liable to tax at 12% (6% CGST and 6% SGST) as per entry no.3(v) of Notification No. 11/2017 – Central Tax (Rate) dated 28.06.2017 as amended by Notification No. 20/2017- Central Tax (Rate) dated 22.08.2017.

The AAR ruled that the services of repairs, maintenance, renovation and alterations of residential complex meant for use of the Railway employees are covered under entry 3(vi) of the Notification and hence eligible for tax at 6% CGST and 6% SGST.

“Other repair works of old construction involved in the contract are liable to tax at 18% (9 % CGST and 9% SGST) as per entry no.3 (xii) of Notification No. 11/2017 -Central Tax (Rate) dated 28.06.2017 as amended from time to time,” the AAR said.

The Karnataka Authority of Advance Ruling (AAR) ruled that 12% GST is applicable on services of repairs, maintenance, renovation, and alterations of residential complexes meant for Railway employees.