

## ***GST payable on Amount received by Arbitration for Works executed in Pre-GST period: The AAR, Telangana***

### **Fact of the Case**

The applicant, M/s. Continental Engineering Corporation has executed a works contract for M/s. Hyderabad Growth Corridor Ltd (HGCL). The work was completed in the pre-GST era and the applicant raised certain claims regarding compensation for delay in execution, payment of difference in rates and other contractual breaches which were referred to a dispute resolution board. The applicant, after notifying the contract, approached an arbitration tribunal which initiated proceedings and passed an order for Rs.169,58,22,197/- to be paid to the applicant.

The applicant has sought Advance Ruling on the issues that whether GST is applicable on the proposed receipt of money in case of Arbitration claims awarded for works contracts completed in the Pre-GST regime.

### **Decision of the Case**

The Coram ruled that the liability to tax under CGST/SGST Acts for works contracts is determined by the time of supply of services in Section 13 read with Section 31 i.e., the provisions pertaining to tax invoice. The time of supply of service according to Section 13(2) is the earliest of the date on which invoice is issued or date of provision of service or date of receipt of payment or date on which the recipient shows the receipt of services in his books. As seen from the averments of the applicant the supply was made prior to introduction of GST. Therefore it is not covered by Section 13(2) of the CGST/SGST Acts. Hence the amounts claimed pertaining to the works executed earlier to introduction of GST are not taxable under CGST/SGST Acts.

“It was determined only by arbitration award on 09.05.2019. Therefore the time of supply of this service as per Section 13 of the CGST Act is 09.05.2019. The Consideration received for such forbearance is taxable under CGST and SGSt @ 9% Each under the chapter head 9997 at serial no. 35 of Notification No.11/2017- Central/State tax rate,” the AAR said.

***The Telangana Authority of Advance ruling (AAR) ruled that GST payable on Amount received by Arbitration for works executed in pre-GST period.***