

## **18% GST applicable on Sinking Fund collecting by Residential Society from Members: AAR**

### **Fact of the Case**

The applicant, M/s Olety Landmark Apartment Owner's Association is a non-profit making residents welfare Association formed by the individual apartment/flat owners for the purpose of maintaining and managing the common areas and facilities in the condominium and the Applicant is duly registered under the provisions of the Karnataka Apartment Ownership Act, 1972.

The Applicant, having about 208 members, is engaged in providing maintenance and repairs of common areas such as the corridors, garden, play area, pathway, clubhouse, swimming pool, gymnasium, electric equipment etc., and payment of electricity and other outgoings by collecting monthly maintenance charges from its members based on the area of occupancy.

The applicant also collects certain amounts towards sinking funds, in addition to regular maintenance amounts, to meet the expenditure of planned / unplanned outlay in future, under its bye-laws.

The applicant sought advance ruling on the issue of whether the Applicant is liable to pay GST on amounts which it collects from its members for setting up the 'Sinking Fund'/ Corpus Fund.

### **Decision of the Case**

The Coram ruled that The amounts collected by the applicant towards Sinking Fund amount to advances meant for the future supply of services to members, covered under SAC 9995 as "Services of Membership Association" and are taxable to GST at the rate of 18% in terms of Sl.No.33 of Notification No.11/2017-Central Tax (Rate) dated June 28, 2017, as amended, as the time of supply is receipt of the advance amounts in terms of Section 13(2)(a) of the CGST Act 2017.

***The Karnataka Authority of Advance Ruling (AAR) ruled that 18% GST applicable on Sinking Fund collected by Residential Society from Members***