

18% GST payable on Construction Services for Projects which are affordable Housing Projects and are given the Infrastructure Status: The AAR, Karnataka

Fact of the Case

The applicant, M/s Starworth Infrastructure and Construction Ltd. is engaged in the business of civil works contracts (construction of residential apartments). Further, they have entered into a contract agreement with Provident Housing Limited and Puravankara Limited ('Developer) for the construction of residential apartment projects.

The applicant has sought an advance ruling in respect of whether the construction service provided by the Applicant to M/s. Provident Housing Limited under the project "Provident Neora & Provident Capella" & to M/s. Puravankara Limited under the project "Provident Parksquare," qualifies for application of lower rate of CGST @ 6% and SGST @ 6% as provided in Sl.No.3-Item (V)-subitem (da) vide Notification No.11/2017-CT (Rate) dated June 28, 2017.

Decision of the Case

The two-member bench ruled that the construction service provided by the applicant to M/s. Provident Housing Limited under the projects "Provident Neora and Provident Capella" and to M/s. Puravankara Limited under the project "Provident Parksquare," are liable to tax at the rate of 6% under the CGST and at the rate of 6% under the KGST Act as provided in Sl.No.3-Item (v)-subitem (da) of Notification No.11/2017-CT (Rate) dated 28-06-2017, if the projects are affordable housing projects and are given the infrastructure status as per notification of Government of India, in Ministry of Finance, Department of Economic Affairs vide F.No. 13/6/2009-INF dated the 30th March 2017, else, the services will be liable to tax at the rate of 9% under the CGST Act and at the rate of 9% under KGST Act as provided in Sl.No.3-Item (xii) of Notification No. 11/2017-CT (Rate) dated June 28, 2017

The Karnataka Authority of Advance Ruling (AAR) ruled that 18% GST is payable on Construction services for projects which are affordable housing projects and are given the infrastructure status.