



# Clarification about applicability of GST on Under Construction and Ready-To-Move-In Property

As per GST law, construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly, except where the entire consideration has been received after issuance of completion certificate, where required, by the competent authority or after its first occupation, whichever is earlier, is a supply of service and liable to GST.

1. Sale of building is an activity or consideration which is neither a supply of goods nor a supply of services (Para 5 of schedule III of the CGST Act, 2017).
2. It flows from the above facts that, **sale of ready-to-move-in or completed property does not attract GST**. GST is payable only on under construction property as discussed below.

Property for which completion certificate has been issued	Under Construction Property	
	Entire consideration has been paid to the builder before 1 <sup>st</sup> July, 2017	Part consideration has been paid to the builder before 1 <sup>st</sup> July, 2017
No GST is applicable on ready-to-move-in or completed property as per para 5(b) of Schedule II of CGST Act, 2017.	There is no GST payable on such property even if the construction is completed after 1 <sup>st</sup> July, 2017. This transaction will attract Service Tax at the rate of 4.5% because as per the Point of Taxation Rules, 2011 applicable to Service Tax, where the invoice was raised or payment made prior to the appointed date under GST, the point of taxation arose before the appointed day and thus such transaction attracts Service Tax and not GST.	4.5% of Service Tax is applicable on the invoices raised or consideration paid before the 1 <sup>st</sup> July, 2017. However, payment made by the buyer to the builder on or after 1 <sup>st</sup> July, 2017 against invoices issued on or after 1 <sup>st</sup> July, 2017 shall attract GST @12%.  However, it must be noted that with effect from 1st July, 2017, the builder is eligible for availing full input tax credit (ITC) on goods and services for paying his output tax @ 12%. Further, under section 171 of the CGST Act, any reduction in tax rate on supply of goods or services or the benefit of input tax credit shall be passed on to the recipient by way of commensurate reduction in prices. Anti-profiteering Authorities have been set up to examine whether input tax credits availed by a registered person have actually resulted in a commensurate reduction in price of the goods or services supplied by him.

## RATE OF GST

Effective rate of GST payable on purchase of under construction residence or commercial properties from a builder involving transfer of property in land or undivided share of land to the buyer, is 12% with full Input Tax Credit (ITC). [GST payable @ 18% on 2/3rd of the amount for the property; 1/3rd of the amount having been deemed as value of land or undivided share of land supplied to the buyer.]

