

Subject: GST – revised standard operating procedure.

Rules under GST have changed from 1<sup>st</sup> April, 2019 and accordingly the standard operating procedure for billing, registration under GST, ITC (input tax credit), GST chargeable to customers, etc., has to be revised and shall be as under.

1. Composition scheme for goods and service providers.
  - a. Composition scheme U/s. 10 of CGST Act permits providers of goods (check) and service to pay flat rate of 6%.
  - b. Turnover in financial year should be less than 50 lakhs.
  - c. Not applicable for manufacturer or supplier of pure goods.
  - d. ITC not available to service provider and service recipient.
  - e. Tax invoice cannot be raised. Make bill for full value including 6% tax. Do not show GST separately. Same applies for PO/WO.
  - f. MCS & MHPL are registered under this scheme.
  - g. At site contractors like painters, false ceiling, water proofing, scaffolding contractor, etc., can be registered under this scheme.
  - h. Service providers like gardening service, housekeeping service, etc.
  - i. Advise contractors to take fresh registration.
2. Composition scheme for supply of goods.
  - a. Composition scheme permits providers of goods to pay GST under composition flat rate of 1%.
  - b. Turnover in financial year should be less than 150 lakhs.
  - c. Not applicable for service providers or works contracts (goods + services).
  - d. ITC not available to service provider and service recipient.
  - e. Register one company i.e., Summit Builders under this scheme. Some items can be purchased without bill and billed at 1% GST. Can be used for purchase of items like cement rings and similar items.
  - f. At site contractors like fabricators of grills/ railings/gates, aluminum window, SS railings, glass work, ACP work, elevation cladding, granite, door frames, stone, pavers, cement blocks supplier, etc., can be registered under this scheme.
  - g. Advise contractors to take fresh registration.
  - h. Small suppliers of items like brooms, sponges, tools, general material, ballis, printing & stationary, etc., should be advised to register under this scheme.
3. GST rate for turnkey contractors – (material + labour)
  - a. Rate for turnkey contractors, having a turnover of more than 50 lakhs, where work involves goods & services, the rate of GST is 18%. However, in affordable housing scheme where applicable rate of GST is 1%, the applicable rate is 12%. Eg.: BRGV.
  - b. ITC available to service provider and service recipient.
  - c. All major contractors for RCC & civil work must be registered under this scheme and they must bill @ 18%.
  - d. Examples of contractors – Ashok Constructions, Surasani Constructions, etc. It includes turnkey contractors at KNM, VOC, AGH, NE, Serene, SOV, Vista, GVRC, etc.
  - e. Turnkey contractors who have been provided material from the builders side – issues:

- b. On earlier occasions value of material without GST was debited to their accounts. This cannot be changed upto 31-3-2019.
  - c. For periods after 1.4.2019 the invoice value raised by the contractor in favour of the builders must be reduced by the value of material supplied (without GST). This correction should be made wherever possible.
- 4. Unregistered contractors – providing primarily labour services.
  - a. Example – Contractors providing labour for civil work, RCC work, earth work, miscellaneous department work, job work, hire charges of earth moving equipment like tractors, hire charges for other equipment, etc.
  - b. A careful distinction has to be made for contractors providing such services for projects with villas + old projects with apartments Vs new projects with apartments. New projects with apartments are under the new scheme for charging GST from customers @ 5% in place of the earlier scheme of charging @ 12%. In the new scheme developer cannot avail ITC which was available under the old scheme.
  - c. List of projects under old scheme where customers are charged GST @ 12% and ITC is available to developer: Serene, NE, KNM, SOV, VOC, AGH, Vista, BNC, PMR II, SOVIII. New projects with villas will continue in this old scheme.
  - d. List of projects under new scheme where customers are charged GST @ 5% and developer cannot claim ITC: MPL, GMR, GHT, BRGV and other new projects with apartments. Note that under this scheme upto 20% of expenditure towards construction can be from unregistered dealers supplying goods + services. Therefore, for these projects types of contractors given in 4(a) above must be made voucher payment i.e., they should not raise any GST bills. Payment to be made through bank after deducting TDS.
  - e. Contractors must be advised to collect such payments by voucher with a limit of Rs. 20 lakhs per annum. If such a limit is likely to be exceeded, then they must register under composition scheme @ 6% given in point 1 above. There too they cannot exceed a turnover of 50 lakhs per annum.
- 5. GST to be charged to our customers
  - a. Old projects with apartments - @ 12% on total sale consideration. Applicable to Vista, PMR II & BNC. Note that projects/units which fall within the definition of affordable housing can be charged GST @ 8% subject to them receiving subsidy under CLSS/ PMAY scheme. Refund of 4% GST was given earlier – no longer applicable.
  - b. New projects with apartments - @ 5% on total sale consideration. Applicable to MPL, GMR, GHT, & other new projects. Note that projects/units which fall within the definition of affordable housing can be charged GST @ 1% subject to the unit being less than 60 sq mtrs carpet area and with a value of less than 45 lakhs – applicable to BRGV.
  - c. In projects with apartments GST cannot be charged for bookings made after obtaining OC. Price must be increased proportionately.
  - d. Projects with villas (old & new): Here land is being sold separately by way of sale deed to the customers. There is no GST on sale of land. Balance consideration is being taken towards agreement of construction which is liable for GST @ 18% (based on milestones). If the sale deed Vs AOS value is 50:50, then the effective rate of tax including registration charges is 12.5%. This is similar to paying GST at 5% on full sale deed value along with registration value at 6%.

6. Invoicing in favour of customers.
  - a. In projects with apartments raise invoice as per terms of AOS. However, booking amount and I instalment should be on the date of signing AOS.
  - b. In old projects with villas - including VOC, AGH, NE, Serene, SOV – the procedure adopted was to raise invoices equal to the value of agreement of construction (less Rs. 2 lakhs) in 4 parts i.e., 25% on plinth, 25% on RCC, 25% on brick work and plastering, 25% on stage III + Rs. 2 lakhs on completion/handover. However, exempt bills for land value were not raised in some cases. Proportionate invoices for exempt services should be raised in 5 parts simultaneously. In case of minor errors in raising invoices based on milestones, they can be ignored provided the invoice is raised for entire agreement for construction value.
  - c. Hereafter, for new villa projects consideration towards land and construction has been clearly specified in AOS. Raise exempt bills and other bills as per AOS.
  - d. For sales after OC entire consideration should be raised by way of exempt bills.
7. Where contractors/ service providers are exceeding the threshold limits for composition schemes or voucher payments, they may register under full GST rate. However such contractors / service providers must bill at full GST rate only to projects which are eligible for ITC. For other projects make voucher payments or contractors must bill under composition schemes.
8. Do not buy major goods in SLLP under 1% composition scheme.
9. RCM applicable to:
  - a. Security services
  - b. Legal services – exclude charges paid to statutory authorities, stamp papers, etc. Limit to fees paid to lawyers.
  - c. Transport services – only payable for registered transport providers. Exclude unregistered small transportation series (check).
10. Bills in favour of landowners under JDA.
  - a. By and large bills raised by developer on the owners must exceed the bills that the owners have to raise in favour of their prospective customers. The developer must raise invoices in favour of the owners irrespective of whether their units are sold or unsold.
  - b. In such projects the landowners must raise GST bills in favour of prospective customers based on milestones mentioned in their respective AOS, as per guidelines give above.
  - c. Wrt GMR the following policies shall be adopted:
    - i. First sale rate by builder closest to JDA – adopted rate Rs. 3,850/- per sft for 1,660 sft flats and Rs. 3,985/- per sft for 1,360 sft flats.
    - ii. Developers to raise bills in 5 parts in favour of owner as follows:
      1. 20% on Plinth Beam
      2. 25% on RCC slab
      3. 25% on Brick work & plastering work.
      4. 20% Finishing works
      5. 10% on Completion

- d. Wrt MPL the following policies shall be adopted:
  - i. First sale rate by builder closest to JDA – adopted rate Rs. 3,882/- per sft for deluxe flats.
  - ii. Developers to raise bills in 5 parts in favour of owner as follows:
    - 1. 10% on plinth beam
    - 2. 25% on RCC slab
    - 3. 25% on Brick work & plastering work
    - 4. 25% Finishing works
    - 5. 15% on Completion
  - iii. For luxury flats/villas and other additions and alterations, separate bill to be raised in favour of the owners at the time of completion. Eg.: Rs. 100/- per sft extra for deluxe flats.
  - iv. Policy for GHT & AGH to be finalised.
- 1. Monthly maintenance charges of less than Rs. 5,000/- per month are exempt from GST.
- 2. Other issues:
  - a. GST to be paid on interest received at the time of possession or settlement of accounts. GST to be calculated on cum-tax basis.
  - b. GST to be paid for additions and alterations at the time of possession /settlement of accounts.
  - c. In case of discount a proportionate discount between land value and agreement of construction where applicable and reduce GST in the last installment.
- 11. Summary –
  - a. Contractors/vendors/ service providers with less than 20 lakhs turnover: Do not register under GST. Applicable rate of GST nil.
  - b. Vendors/ service providers with less than 50 lakhs turnover: Register under 6% composition scheme.
  - c. Vendors of pure goods with less than 150 lakhs turnover: Register under 1% composition scheme.
  - d. Contractors/vendors/ service providers with more than 150 lakhs turnover: Register under full GST rate.
  - e. Other vendors/contractors supplying goods or services can register under regular scheme and claim ITC.

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