

GIB/MP/Vidit/06.01.2020/AAR-350

Advance Ruling Category : Classification

State : Madhya Pradesh

Order No.: GIB/MP/Vidit/06.01.2020/AAR-350

Name of Entry :

Vidit Builders

Date : 06-01-2020

Breif Issue :

Facts & Issue Of The Case :

The applicant is partnership firm and engaged in the business of real estate developer and is developing a colony by executing a joint development agreement on 14.03.2019 with the land owner M/s Star Construction .The applicant has sought advance ruling on the following issues :

- Whether it is covered in para 5 of Schedule III (Sale of land) or classified under works contract.
- If it is covered under works contract, how the valuation would be done.
- Residual rules i.e, Rule 30/31 provided under GST Valuation Rules can be considered or not.

The applicant has entered into joint development agreement with the land owners in terms of the agreement the applicant undertakes the development of plots which also concludes construction of concrete roads and compound walls, development of garden, construction of drain and water supply system and erection of electric poles and transformer etc. The revenue accruing from the sale of the plots is shared as per the agreement. After developing the land and formation of developed plots, the amenities like roads, etc. are handed over to the Authorities as per the Statutory requirement.

The applicant receives consideration equal to 40% o the value at which each of the plots is sold. This amount constitutes the consideration for the services provided by the applicant.

Decision of Advance Ruling Authority :

Decision :

The activities performed/to be performed by the applicant cannot be classified under Para 5 of schedule III. It amounts to supply of services under works contract and is liable to be taxed under GST Act.

Rule 31 applies in the instant case and the value of supply is equal to the amount received/receivable by the applicant which is equal to 40% of the amount on which the plots are sold.

This ruling is valid subject to the provisions under section 103(2) until and unless declared void under Section 104(1) of the GST Act.