

Developed land sold as plots will attract GST: AAR

The AAR has also concluded that sale of developed plots will be covered under the clause 'construction of a complex intended for sale to a buyer' and accordingly GST would be levied.

GST will be levied on sale of land for which primary amenities - such as drainage, waterline and electricity - have been provided by real estate developer, the Authority for Advance Ruling (AAR) has said. The AAR has also concluded that sale of developed plots will be covered under the clause 'construction of a complex intended for sale to a buyer' and accordingly GST would be levied.

An applicant had approached the Gujarat bench of AAR on whether Goods and Services Tax (GST) is applicable on sale of plot of land for which, as per the requirement of approved by the respective authority (i.e. Jila Panchayat), primary amenities such as, drainage line, water line, electricity line, land levelling etc are to be provided by the applicant.

"We find that the activity of the sale of developed plots would be covered under the clause 'construction of a complex intended for sale to a buyer'. Thus, the said activity is covered under 'construction services' and GST is payable on the sale of developed plots....," the AAR said.

The AAR, while passing the ruling, said that the applicant sells the developed land as plots and the sale price includes cost of land, as well as price of amenities on a proportionate basis.

AMRG & Associates Senior Partner Rajat Mohan said this ruling would have a direct, immediate, and adverse impact on the entire real estate sector, which intends to take away the tax neutral status awarded to the sale of developed plots.

"This ruling goes against the basic framework of GST which restricts to the taxation of moveable Goods and services. Constitutionally, GST cannot be levied on transactions in immovable property, and this ruling may not even hold any ground in higher forums," Mohan said.

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