

GST and JOHNNY- UPDATE No.68

JOHNNY
JOHNNY!!



Yes, Papa!



Being a builder, have you
faced any issue in
application of transition
scheme w.e.f 01.04.2019?



Yes, Papa



What kind of
problems?



This papa:- It is already known that as per the revised rates effective from 01.04.2019, GST is applicable at the rate of 5% on residential properties and 1% on affordable segments of Residential properties WITHOUT ITC after 1/3rd abatement on total value for land cost. But, the GST portal has not been updated in alignment with the new introduced provisions.

While filing GSTR 1 from November 2019 onwards, much real estate companies are facing a technical difficulty. They received advances in 2017-18 and 2018-19 which had been left unadjusted in GSTR 1 and GSTR 3B. The advances received were taxable at the rate of 18% and 12%. As you are already aware that the government via Notification No. 03/2019-Central Tax (Rate) dated 29th March, 2019 introduced new rates for real estate sector i.e. 1% and 5% effective from 1st April, 2020. Moreover, the notification introduced with one more condition that the assessee is liable to pay tax in cash and is not eligible to avail any input tax credit.

Now, they are adjusting advances paid at the rate of 18%/12% against sales at the rate of 1%/5% made in April 2020 onwards. But, while filing figures in column 11B(1), 11B(2)- Adjustment of advances in GSTR1, they are facing problem in reflecting value of advance adjusted against @ 1%/5% because there is no option to reflect value for this rate. In this matter, helpdesk, department authority had no solution for this problem. So we suggested to reflect the value of adjusted advances against 0% tax rate.

One of the biggest challenges in implementation of GST was the functionality of the technology infrastructure and experience of compliance processes; as since inception, the portal had a slow response rate, performance issues and bugs. It is advisable to update the portal in the same speed like you are amending the provisions.

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CA Pradeep Jain