

CBEC warns builders against overcharging in guise of GST

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Following several complaints against builders overcharging under the guise of incoming GST, the Central Board of Excise and Customs (CBEC) has clarified that there is reduced liability of tax on flats, complex and building under the GST.

The CBEC and states have received several complaints that in view of the works contract service tax rate under GST at 12% in respect of under-construction flats and complex etc, the people who have booked flats and made part payment are being asked to make entire payment before July 1, 2017 or face higher tax incidence for payment made after July 1. "This is against the GST law", the CBEC said.

Warning the builders against such malpractices and overcharging, CBEC has said "Despite this clarity on law position, if any builder resorts to such practice, the same can be deemed to be profiteering under Section 171 of the GST law".

The government has asked the builders to pass on the benefits of lower tax burden under the GST regime to the buyers of property by way of reduced prices and instalments.

Central excise duty is payable on most construction material at the rate of 12.5%. It is higher in case of cement. In addition, VAT is also payable on construction material at 12.5% to 14.5% in most of the states. Besides, construction material also attracts entry tax currently by the states.

Due to cascading of input taxes on constructed flats, incidence of Central excise duty, VAT, entry tax, etc. on construction material is also currently borne by the builders, which they pass on to the customers as part of the price charged from them.

The CBEC said this will change under the GST. Under the GST regime, full input credit would be available for offsetting the headline rate of 12%. As a result, the input taxes embedded in the flat will not (and should not) form a part of the cost of the flat.