

GST for Apartment Associations

Prepared by

BANGALORE APARTMENTS' FEDERATION (BAF)

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Additional Disclaimer: There are still a few ambiguous points which could be subject to different interpretations. BAF urges people to share their experiences / views with us which can help in thinking through various issues. Based on further inputs & clarifications / clarity, this document might be further updated.

***For any further clarifications / details, interested people can reach out to
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1. UNDER WHAT SCENARIO IS GST APPLICABLE?

Scenario	Amount collected from Members	Aggregate Turnover of Association	GST Applicability
1	All Members <= Rs. 7,500 p.m.	< Rs. 20 lakhs p.a.	Not Applicable
2	All Members <= Rs. 7,500 p.m.	>= Rs. 20 lakhs p.a.	Not Applicable
3	Some Members > Rs. 7,500 p.m.	< Rs. 20 lakhs p.a.	Not Applicable
4	Some Members > Rs. 7,500 p.m.	>= Rs. 20 lakhs p.a.	Applicable

**Member means an apartment owner as defined in the Byelaws of an Association*

2. WHAT IS THE DEFINITION OF AGGREGATE TURNOVER?

Aggregate Turnover is the total of the following amounts collected or received by the Association in a financial year:

- Maintenance Charges collected from Members
- Amounts collected from Members against Corpus / Sinking Fund
- Interest Income
- Other Income like Rentals from Club House / Common Amenities / Canteen / Dhobi / Stores / Parking Space, Moving In / Moving Out Charges, Revenues from Hoardings, Sponsorship Income and any other revenue like receipts

Any refundable deposits collected from Members are excluded from Aggregate Turnover.

3. WHAT ARE THE INCOME HEADS OF AN ASSOCIATION THAT ARE SUBJECT TO GST?

GST @18% is applicable on the following income heads of an Association:

- Maintenance Charges – only those Members who pay more than Rs. 7,500 p.m. would be subject to GST and not the ones who pay less than or equal to Rs. 7,500 p.m.
- Amounts collected against Corpus / Sinking Fund
- Other Income like Rentals from Club House / Common Amenities / Canteen / Dhobi / Stores / Parking Space, Moving In / Moving Out Charges, Revenues from Hoardings, Sponsorship Income and any other revenue like receipts

Any refundable deposits collected from Members are not subject to GST.

For details on Aggregate Turnover workings, see Illustration 1 in the Annexure.



4. IS GST APPLICABLE ON INCREMENTAL AMOUNT BEYOND RS. 7,500 OR ON ENTIRE AMOUNT?

GST is applicable only on the incremental amount beyond Rs. 7,500/- per month and not on the entire amount.

5. ARE THERE ANY EXEMPTIONS AVAILABLE?

If the Association is collecting & paying electricity bills or water bills on behalf of its Members, which are clearly measurable for each apartment unit through meters, then these amounts can be adjusted against the maintenance charges to determine whether the Rs. 7,500 p.m. threshold or the Rs. 20 lakhs p.a. threshold is crossed. For example, if some Members pay more than Rs. 7,500 p.m. to the Association as maintenance charges, but which includes the water / electricity tariff for the respective apartment unit which is collected & paid by the Association, then these amounts can be adjusted from the maintenance charges. GST is applicable only on the adjusted amount and if the amount goes below Rs. 7,500/- after the adjustments, then GST is not applicable for those Members. Please note that the amounts adjusted against each Member for water / electricity tariff must be clearly measurable and does not include tariff paid on water / electricity for common areas of the Association.

In addition, expenses / payments made to vendors without GST registration, up to an aggregate amount (say from various vendors for petty items) of Rs. 5,000/- per day is exempt from GST under Reverse Charge mechanism.

6. IS INPUT CREDIT AVAILABLE AND IF SO, ON WHAT AMOUNT?

Associations can avail input credit on GST paid to vendors, which can be used to offset GST payable on maintenance charges. The input credit thus claimed on payments made by the Association, will be proportionate to the receipts on which GST is collected. *For details on Input Credit workings, see Illustration 2 in the Annexure.*

7. WHO GETS THE BENEFIT OF INPUT CREDIT?

While GST on the output side is collected from individual Members who pay more than Rs. 7,500 p.m., the input credit is claimed by the Association. Hence, the benefit of the input credit is available to all the Members belonging to the Association and cannot be passed back to only those Members from whom GST was collected by the Association.

8. WHEN IS GST PAYABLE BY THE ASSOCIATION?

GST is payable by the Association at the end of the month when the invoice is raised.



9. IS GST APPLICABLE ON ADVANCES RECEIVED FROM MEMBERS?

If Members pay advance to be adjusted against future maintenance charges, as and when the invoices are raised, the same can be recognized as advance paid on which GST is not applicable.

However, it is important to note the difference between quarterly or yearly maintenance collected in advance at the beginning of the quarter or year, versus an advance paid which keeps getting adjusted as and when the payments are due, say monthly. In the former case, there are only 4 invoices raised (in the case of quarterly maintenance payments) or only 1 invoice raised (in the case of annual maintenance payment). In such a case, the incidence of GST is on the entire amount of the invoice, as and when raised. In the latter case, if an advance is collected which is accounted as advance in the books, and a monthly invoice is raised where the advance keeps getting adjusted as a diminishing balance, then GST is payable monthly.

The key here is that GST is payable as and when invoices are raised for maintenance charges, whether it is monthly, quarterly or yearly.

10. IS GST APPLICABLE ON OTHER INCOME IF MAINTENANCE CHARGE IS NOT MORE THAN RS. 7,500 FOR ANY MEMBER?

If the Aggregate Turnover of the Association is more than Rs. 20 lakhs, then GST is still applicable on Other Income like Rentals from Club House / Common Amenities / Canteen / Dhobi / Stores / Parking Space, Moving In / Moving Out Charges, Revenues from Hoardings, Sponsorship Income and any other revenue like receipts. This is applicable even if the Maintenance Charges for all the Members fall below the threshold of Rs. 7,500/- p.m.

The following are 2 extremely important points to note for Associations with an Aggregate Turnover of more than Rs. 20 lakhs per annum:

- a) All Associations which have an Aggregate Turnover of more than Rs. 20 lakhs per annum, have to get registered under GST**
- b) Other Income is subject to GST irrespective of whether the Maintenance Charges for any Members are more than Rs. 7,500 per month or not**



ANNEXURE

ILLUSTRATION 1 – APPLICABILITY OF GST

Say, an apartment association with 35 units has 25 Members who pay maintenance charges (MC) of Rs. 6,000 p.m. aggregating to Rs. 18 lakhs p.a. and 10 Members who pay maintenance charges of Rs. 9,000 p.m aggregating to Rs. 10.8 lakhs p.a. Say, the interest income is Rs. 7.2 lakhs p.a. & other income amounts to Rs. 2 lakhs p.a.

In this scenario, GST is applicable for the Association since some Members pay more than Rs. 7,500 p.m and the Aggregate Turnover exceeds Rs. 20 lakhs p.a.

S. No.	Income Head for calculation of Aggregate Turnover	Amount (Rs.)	GST (Rs.)	Total (Rs.)
1	Amount collected from 25 Members @Rs. 6,000 p.m.	18,00,000	-	18,00,000
2	Amount collected from 10 Members @Rs. 9,000 p.m.	10,80,000	32,400	11,12,400
3	Interest Income	7,20,000	-	7,20,000
4	Other Income	2,00,000	36,000	2,36,000
Total		38,00,000	68,400	38,68,400

* GST is applicable only on incremental amount beyond Rs. 7,500 p.m.

ILLUSTRATION 2 – APPLICABILITY OF PROPORTIONATE INPUT CREDIT

Continuing from the same example above, say, the aggregate expenses of the Association is Rs. 38,68,400/-. Say, GST is paid @18% on expenses like security, housekeeping & other AMCs which totals to Rs. 20,00,000/- whereas the balance expenses are not subject to GST.

The Association can avail input credit only to the extent of 10%, as the income on which GST was collected, i.e. S. Nos. 2 & 4 in the table above (Rs. 3,80,000/-) is 10% of the aggregate turnover (Rs. 38,00,000/-).

S. No.	Expense Heads	Amount (Rs.)	Input GST (Rs.)	Input Credit (Rs.)
1	Expenses on which GST paid	20,00,000	3,60,000	36,000
2	Expenses on which GST not paid	18,68,400	-	-
Total		38,68,400	3,60,000	36,000

