

# **GST on Maintenance Charges by a Residential Welfare Association (RWA) from its members'.**

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**On 22 July 2019, the Government had issued Circular No.109/28/2019- GST on 'Issues related to GST on monthly subscription/contribution charged by a Residential Welfare Association (RWA) from its members'.**

- Maintenance charges/subscription charges paid by residents to the Resident Welfare Association\* are exempt if the amount charged does not exceed INR 7,500 per month, per member. However, if these charges exceed INR 7,500, GST on annual maintenance charges is chargeable on the entire amount charged. GST needs to be collected at the rate of 18%.
- Resident Welfare Associations (RWAs) are entitled to take ITC of GST paid on capital goods (generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services (repair and maintenance services) under GST on maintenance charges of residential building. Input GST will be availed in proportion with Taxable services.
- Note – 1: In case if a member owns more than one residential flat in the same association, the ceiling of INR 7,500 per month per member will be applied independently for each residential apartment owned by him/her.
- Note – 2: For example, if the maintenance charges are INR 8,500 per month per member, GST @18% shall be payable on the whole amount of INR 8,500 and not on INR 1,000 (INR 8,500 - INR 7,500).

**In the [32nd GST Council Meeting](#), CBIC notified under notification number 2/2019 dated 7th March 2019 for opting into the Composition scheme for service providers. The scheme for service providers is available from 1<sup>st</sup> April, 2019.**

- The composition scheme for service providers gives an option to taxpayers rendering services having **aggregate annual turnover up to Rs. 50 lakh** to pay tax at **concessional rate of 6%**. (CGST - 3% & SGST - 3%)

If the tax payer adopts for Composition scheme:

- The supplier cannot claim the input tax credit.
- The supplier of service must have a turnover of less than Rs. 50 lakh.
- Note - For calculation of the aggregate annual turnover, the value of supply of exempt services such as interest or discount, shall not be taken into account. Except for this all services needs to be considered in the Turnover.

## Our Scenario in the present case

- Our collections are more likely to exceed 50 Lakhs p.a, there by even if we opt for composition now, once the collections exceed 50 Lakhs, in that particular month GST Portal automatically pushes us into regular scheme from composition scheme.
- Moreover, if we choose Composition scheme, then GST needs to be paid at the rate of 6% on **the entire maintenance charges collected** (even if the maintenance charges collected does not exceed 7,500 per member per month). However, in the regular scheme, GST need to be paid at the rate of 18% only on the maintenance charges collected in excess of 7,500 per member per month.

*Considering the above two issues, choosing composition scheme over regular scheme might not be beneficial to the Association.*