

Haryana notifies VAT at 1% on real estate developer, contractor: The ET Realty

Putting an end to speculation over value added tax (VAT), which has emerged as problem area for home buyers and developers, the Haryana government has notified VAT at the rate of 1% for real estate projects built till March 31, 2014.

The clarity over VAT percentage will help buyers to settle their dues and execute registry of their properties, it will also prompt developers to deposit VAT as large number of them have challenged the Haryana excise and taxation department after notices were issued to them for payment of pending VAT.

A notification issued by Haryana government on September 12 states that the Haryana Alternative Tax Compliance Scheme for Contractors, 2016, is an amnesty scheme for the recovery of tax, interest, penalty or other dues payable under the Value Added Act, 2003, for the period up to March 31, 2014, and earlier. This means that the retrospective rate of payment of tax would be 1% and not the 4% or 5% as demanded by developers.

Finance minister of Haryana Capt Abhimanyu had earlier assured to fix the rate at 1% during the National Real Estate Development Council (NAREDCO) Convention held in New Delhi on August 19.

As per the scheme, the contractor or developer shall calculate and declare his year-wise liability under this scheme and shall pay 25% of the total amount due with the application. The balance 75% is to be paid in three quarterly instalments, each payable within 15 days of the end of the next quarter without interest.

To make application of the notification simpler and clarify doubts of home buyers and developers, government has formed a committee comprising two senior most excise and taxation officers and the assessing authority.

Deputy excise and taxation commissioner of Gurgaon, Samir Yadav, believes that it will bring clarity about payment of VAT by developers and reduce litigation to a large extent. "A contractor opting for this scheme shall apply online within 90 days from the date of notification," said Yadav. He added that for home buyers, the amnesty scheme means that they cannot be forced to pay 4 to 5% VAT, and in some cases even more.

In case, the buyers have paid VAT higher than 1%, then they will either be refunded or the amount will be adjusted towards purchase of property, said Jain.

Welcoming the move National Real Estate Development Council (NAREDCO) president, Parveen Jain said, "The chaos and uphill task being faced by the builders and end-users regarding this aspect shall hopefully come to a halt by this decision and also it shall generate more government revenue." He added that it is a sign of relief for buyers as well as developer.