

## **Applicability of GST laws to Co-operative Societies**

### **1. Applicability: -**

**A Co-operative Society is a person as defined under GST laws, which provides facilities or benefits to its members for consideration which may be subscription or any other consideration which is the business activity as defined under GST laws and therefore the Co-operative Societies are covered under GST Laws.**

### **2. Financial Impact: -**

**Even though the GST rate is more than the Service Tax Rate under the earlier tax regime, Input Tax Credit (ITC) of the Taxes paid by Societies on the Goods and Services procured by societies is available under GST, which was not the case under Service Tax Laws. This may help reduce liability by proper accounting and billing with well plan budgeting of the expenses and the income of the society.**

### **3. Input Tax Benefit: -**

**In fact, the ITC in respect of Capital Goods such as generators, water pump, furniture, as well as other goods such as taps, pipes, sanitary and hardware fittings are also available. Even GST paid on input of services such as Repairs and Maintenance, other Service Contracts is also available as ITC. As against this under the Service Tax Provisions Input Tax Credit of Central Excise and VAT paid on the goods as well as the capital goods was not available. Effectively the tax burden under the GST Regime may be less compared to that under earlier laws which may result into a lesser burden of taxation on the Society.**

### **4. Knee jerk remedies: -**

**Opinions are being expressed that large society can spilt their building into small societies and register the same to bring down the turnover below threshold limit of Rs. 20 lakhs under GST. This may not be easy and also not cost effective to do. On the other hand, if society avails of legal services, or goods transport services it is required to pay GST as a recipient of service under Reverse Charge Mechanism basis (RCM) and for that purpose it has to be registered under GST. As such instead of knee jerk remedies proper advice should be taken.**

**5. Burden on Administration: -**

In any case the administration burden on the Managing Committee is bound to increase on account of requirements of timely compliances under the GST laws and the societies with meagre resources may face problems under the new tax regime.

**6. Cash flow problem: -**

The societies may also face the cash flow issues on account of the provisions like liability for payment of GST against advances received, GST payable on Goods and Services supplied by unregistered persons, and GST payable on the basis of RCM basis.

**7. No Benefit of composition levy: -**

***Societies are the suppliers of services and many of them may have the turn over below 75 lakhs per year; however; except restaurants, other service providers are not eligible to avail the benefit of Composition Levy and therefore the smaller societies are also not eligible to that beneficial provision under GST Laws.***

***Under the circumstances the societies need to take proper guidance from professional and arrange their affairs in the manner to be fully compliant under the GST regime to minimise burden of taxation and consequences of non-compliance.***