

M/s Varaha Land Private Limited

Authority for Advance Ruling — Karnataka

Order No. KAR.ADRG 19/2026

Dated **16.03.2026**

Q Questions Before the Authority

- Whether the agreement entered into by the applicant with the customers for construction of villa results in a supply of goods or services considering the fact that the entire construction is proposed to be outsourced to a contractor?
- If the answer to the above question no 1 is in affirmative, (a) whether such supply is classifiable under heading 9954 (xii) and chargeable to CGST at 9% and SGST at 9% under Sl. No. 3 of Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017 as amended OR (b) Classifiable under heading 9954 (ia) and chargeable to CGST at 3.75% and SGST at 3.75% under Sl. No. 3 of Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017?
- If it is held that the supply is classifiable under the heading 9954 (ia) and chargeable to CGST @3.75% and SGST @ 3.75% under Sl.No. 3 of Notification No. 11/2017- Central Tax (Rate) dated 28.06.2017, then whether the consideration for construction as per the construction agreement can be treated as value of supply when there is a separate agreement for sale of land?

F Facts

The applicant is engaged in a residential villa project under a Joint Development Agreement with landowners. They enter into two separate agreements with buyers: one for the sale of an undivided share of land and another for the construction of a villa. The applicant intends to outsource the entire construction activity to an independent contractor while retaining overall responsibility.

H Ruling

Nature of supply	Constitutes a supply of service	Notwithstanding the outsourcing of construction to a third-party contractor
Classification and Rate	Heading 9954(ia) at CGST 3.75% and SGST 3.75%	Under Sl. No. 3 of Notification No. 11/2017-Central Tax (Rate) as amended
Valuation	Must be determined in accordance with paragraph 2 of Notification No. 11/2017-Central Tax (Rate)	Deeming one-third of the total amount charged as the value of land

The authority ruled that the arrangement constitutes a taxable supply of services under the GST law, regardless of the outsourcing of construction. It further determined that the supply is classifiable under Heading 9954(ia) and subject to the specific valuation mechanism prescribed in the relevant notification. The applicant cannot treat the

construction agreement as an independent contract to avoid the mandatory valuation rules.

R Reasoning

The authority held that the transaction is a **composite supply** where construction is the principal supply, and the outsourcing does not alter the applicant's liability. It rejected the applicant's attempt to segregate the land and construction agreements, noting that they are inextricably linked to a single economic objective. The ruling relies on the **mandatory valuation mechanism** under paragraph 2 of Notification No. 11/2017-Central Tax (Rate), which deems one-third of the total consideration as the value of land, overriding the applicant's claim to use the actual value of land.

P Provisions Relied On

Section 7 of the CGST Act, 2017

Section 8 of the CGST Act, 2017

Section 97 of the CGST Act, 2017

Schedule II to the CGST Act, 2017

Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017

! For the Practitioner

This ruling confirms that developers cannot bypass the **mandatory one-third land deduction** rule by executing separate agreements for land and construction. It reinforces that the entire transaction is treated as a composite supply of construction services for GST purposes. Practitioners should note that the authority explicitly rejected reliance on the Munjaal Manishbhai Bhatt judgment due to pending litigation and the existence of specific statutory provisions.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> 6-aar-varsha_land_private_limited-compressed.pdf

Prepared 12-10-2026.

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