

## NOTE ON VAT LIABILITY

Dear Valued Customer,

We wish to bring to your notice the that consequent to the recent judgment of Hon'ble Supreme Court in case of L&T Ltd vs. State of Karnataka, VAT Department of Haryana has started levying and collecting VAT on transfer of property in goods (whether as goods or in some other form) in works contracts including an agreement for carrying out work construct for deferred payment or other valuable consideration the building, construction, erection, installation of any movable or immovable property, which in principle accepts the law laid down in earlier judgment in case of K. Raheja by Supreme Court.

On the issue of notices to make assessment by Haryana VAT Department, a number of builders filed a Writ petition challenging the levy, procedures/rules, assessments including the constitutional validity regarding the levy of HVAT on transfer of property in goods in works contracts before Hon'ble Punjab & Haryana High Court at Chandigarh. The Hon'ble Punjab & Haryana High Court by their order dated 22.04.2015, while upholding the applicability of VAT has directed the department to assess the VAT liability on developers afresh.

As on date there complete lack of clarity on the exact VAT liability on the sale of homes. The only fact that can be stated with certainty is that such sale of homes / dwelling units, where customers have availed the facility of making deferred payments linked to construction of their respective units invites Value Added Tax.

To avoid any confusion or cause any inconvenience to our customers, pending clarity on this issue,. we are requesting you to furnish a Fixed Deposit for a period of 3 years, equivalent to 4% of the amount of the sale deed value, in your own name, in your bank, and mark a lien on the same in favor of **BPTP Limited**. To ensure efficient management of these documents, we are requesting you to get Fixed Deposits done in one of the several banks mentioned below:

List of Banks.

The original document (FD Receipt) issued by the Bank for the said Fixed Deposit, along with a lien noting made by the issuing bank, will be required to be submitted to company, before execution of Sale Deed in your favor.

To minimize the inconvenience caused by the impending ambiguity with regards to VAT liability, we have tried to establish a safe and mutually beneficial mechanism which ensures the following.

1. Avoid any cash outflow at your end till the issue of VAT liability is finally settled by competent authorities.
2. The money earmarked for this contingent liability will fetch you Long Term fixed deposit interest, while this ambiguity lasts. And the same shall be credited to your account by your bank.

3. We shall only exercise lien equal to the actual VAT liability raised on us by the competent assessing authority, Haryana VAT Department. Any excess amount shall remain with your bank, in your favour.
4. In the extremely unlikely event, where the accessing authority raises a VAT liability on us in excess of the 4% value i.e. value of the Fixed Deposit the same shall have to be supplemented by you.

We hope that our communication would have addressed most of your queries and concerns with regards to VAT applicability. But should you need any further information / clarifications in this regard, please feel free to contact our Customer Service Team.

Warm regards,