

**THE AUTHORITY FOR ADVANCE RULING IN KARNATAKA
GOODS AND SERVICES TAX
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD
GANDHINAGAR, BENGALURU – 560 009**

F.No. KAR.AAR/08/2026

Order No. KAR.ADRG/08/2026

Dated: 11.02.2026

Present:

1. Shri. Kalyanam Rajesh Rama Rao

Additional Commissioner of Customs & Indirect Taxes . . . Member (**Central**)

2. Shri. Sivakumar S Itagi

Additional Commissioner of Commercial Taxes . . . Member (**State**)

1	Name and address of the applicant	M/s Liberty Square Apartment Owners Association, # Sy. No. 23, 80ft BDA Road, Gubbalala, Uttarahalli, Bangalore, Karnataka, 560109
2	GSTIN or User ID	29AABAL9390A1ZJ
3	Date of filing of Form GST ARA-01	08.01.2025
4	Represented by	Ms. Deepa K Shetty, Chartered Accountant
5	Jurisdictional Authority – Centre	The Principal Commissioner of Central Tax, Bengaluru West Commissionerate, Bengaluru
6	Jurisdictional Authority – State	ACCT, LGSTO 100 –Bengaluru
7	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2901250031616 dated 08.01.2025.

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017
& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

- 1.** M/s Liberty Square Apartment Owners Association, (herein after referred to as '**the Applicant or M/s LSAOA**'), # Sy.No. 23, 80ft BDA Road, Gubbalala, Uttarahalli, Bengaluru Urban, Karnataka, 560109, having GSTIN 29AABAL9390A1ZJ, have filed an application for Advance Ruling under Section 97 of CGST Act, 2017 read with Rule 104 of CGST Rules,



Applicant's Name- M/s LSAOA

2017 and Section 97 of KGST Act, 2017 read with Rule 104 of KGST Rules, 2017.

2. **The Applicant** is an Apartment Owners' Association/Resident Welfare Association (RWA) duly registered under the Karnataka Apartment Ownership Act, 1972. The primary objective of the Applicant is to manage and administer the common affairs of the residential complex, maintain shared amenities for the collective benefit of its members, and ensure smooth day-to-day operations of the society. For these purposes, the Applicant collects monthly maintenance charges from its members. Such charges are determined in accordance with the governing bye-laws of the society and are generally proportional to the area, size, or value of individual dwelling units. The amounts so collected are utilized towards recurring expenditures, including payment of salaries to security personnel, housekeeping staff, gardeners, and other service providers, as well as the maintenance and upkeep of common areas such as staircases, lobbies, elevators, corridors, and parking spaces. The funds also cover common utilities like electricity and water consumed in shared facilities and infrastructure.

3. In addition to the monthly maintenance charges, the Applicant also collects periodic contributions from its members towards creating and maintaining a **corpus fund** or **sinking fund**. These contributions serve as a financial reserve to meet unforeseen expenses, major repairs, or long-term capital improvements such as building repainting, elevator replacement, structural repairs, or refurbishment of water supply systems. The corpus fund ensures financial stability and enables the Applicant to handle contingencies and significant infrastructural requirements without depending on ad hoc or immediate contributions from members.

4. **In view of the above, the applicant has sought advance ruling in respect of the following questions:**

1. *Are corpus funds collected by a residential association for future contingencies treated as "consideration" under the GST Act, and do they attract GST?*
2. *Can corpus funds collected by a residential association be treated as separate and independent from monthly maintenance charges for the purpose of GST applicability?*
3. *Since Corpus funds are collected in advance for future contingencies, is GST payable at the time of collection or at the time of actual utilization of these funds?*



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4. *How should a residential association account for corpus funds in its GST filing to avoid potential compliance issues?*
5. *Would the time of supply provisions under GST apply to corpus funds in case they are treated as advances for any potential taxable supply in the future?*
6. *What documentation is required to substantiate that corpus funds collected by a residential association are not "consideration" for a specific supply?*
7. *In case of an audit or GST assessment, how can a residential association demonstrate the non-taxable nature of corpus funds?*

5. **Admissibility Of the Application:** The applicant, under Column 13 of Form ARA-01, has selected multiple categories of issues, namely: "Classification of any goods or services or both," "Applicability of a notification issued under the provisions of this Act," "Determination of time and value of supply of goods or services or both," "Admissibility of input tax credit of tax paid or deemed to have been paid," "Determination of the liability to pay tax on any goods and services or both," and "Whether any particular thing done by the applicant with respect to any goods or services or both amounts to or results in a supply of goods or services both, within the meaning of that term."

However, upon examination of the application and the questions raised, it is observed that the **substantive issues** for which the applicant seeks an advance ruling primarily relate to:

1. **Determination of the time and value of supply of services or both** and
2. **Determination of the liability to pay tax on the goods or services or both.**

Accordingly, the present application is **admissible** in terms of **Section 97(2)(c)** and **Section 97(2)(e)** of the CGST Act, 2017.

6. **Brief Facts of The Case:** - The Applicant collects monthly maintenance charges from its members to meet the day-to-day maintenance expenses of the society and ensure the smooth functioning of common facilities and services. In addition to these regular charges, the Applicant also collects contributions towards a **corpus fund/sinking fund**, which serves as a reserve to meet future contingencies, unforeseen expenses, major repairs, and long-term capital improvements such as building repainting, elevator-replacement, structural repairs, refurbishment of water supply systems, and similar infrastructure-related requirements.



7. **The key issue raised by the Applicant** is whether the corpus fund/sinking fund collected from members for future contingencies constitutes “consideration” under the Goods and Services Tax (GST) Act, 2017 thereby attracting GST. The Applicant also seeks clarity on:

1. *Whether such corpus/sinking fund contributions are to be treated as a separate and independent category distinct from monthly maintenance charges for GST purposes; and*
2. *Whether GST, if applicable, is payable **at the time of collection** of the sinking/corpus fund or **at the time of actual utilization** of such funds for major repairs or capital expenses.*

8. **Applicant’s Interpretation Of Law:** -

- a. Quoting the definition of “supply” under **Section 7 of the CGST Act, 2017**, the Applicant submits that a transaction is considered a *supply* only when goods or services are provided **for a consideration and in the course or furtherance of business**. The Applicant contends that the contributions collected towards the *corpus/sinking fund* do **not** represent consideration for any specific or identified supply of goods or services. These contributions are **non-recurring, voluntary in nature**, and are intended to serve as a reserve for **future contingencies**. Accordingly, the Applicant asserts that corpus fund collections do not satisfy the essential elements of “supply” under Section 7 under CGST Act, 2017.
- b. The applicant further submits that Housing associations functions on the well-established **principle of mutuality**, wherein the Association and its members are considered a single entity. Under this principle, Contributions made by members- including corpus funds or sinking funds contribution- constitute a pooling of resources by members for their collective benefit and not a payments for service. This principal negates the element of consideration and making corpus funds non- taxable under GST.
- c. The Applicant further relies on **Circular No. 109/28/2019-GST dated 22.07.2019** and **Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017** to support its position. The Circular clarifies that charges collected by a Resident Welfare Association (RWA), such as **monthly maintenance charges**, are liable to GST **only when such charges exceed ₹7,500 per month per member**. Further, the Applicant submits that this clarification applies **exclusively to recurring monthly maintenance charges** and does **not extend to one-time contributions** such as corpus or sinking fund collections. The Applicant further states that Notification No. 12/2017 provides an exemption for services supplied by unincorporated



bodies or non-profit entities to their members, subject to prescribed thresholds and conditions. Since the corpus fund is **not linked to any specific supply of goods or services**, and does not fall within the category of **recurring monthly contributions**, the Applicant contends that corpus/sinking fund collections lie **outside the scope of taxable supplies** and therefore **fall outside the GST ambit** entirely.

d. The Applicant also relies on the following judicial precedents to support its contention that corpus/sinking fund contributions are not taxable under GST:

I. Lions club of poona (2022-TIOL-69-AAAR-GST) :

In this ruling, voluntary contributions to a fund (akin to corpus fund) examined and determined that they were not subject to GST as they did not constitute consideration for any supply.

II. Calcutta Club Limited Vs CIT (2019) SC:-

In this judgment, the Hon'ble Supreme Court upheld the principle of mutuality, confirming that contributions made by members for collective benefit are not treated as taxable transactions.

III. XYZ Apartment Association Vs GST Council:

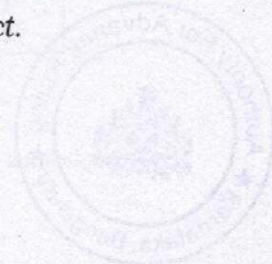
In this ruling, it was held that corpus funds retained solely for future contingencies and not for immediate service consumption are not subject to GST.

9 PERSONAL HEARING PROCEEDINGS HELD ON 20.11.2025:-

Ms. Deepa K Shetty, Chartered Accountant and duly authorised representative of the applicant appeared for personal hearing proceedings held on 20.11.2025, before this authorities and reiterated the facts narrated in their application and requested for Advance Ruling on the said questions.

FINDINGS & DISCUSSION

10. *At the outset we would like to make it clear that the provisions of the CGST Act, 2017 and the KGST Act, 2017 are in pari materia and have the same provisions in like matters and differ from each other only on a few specific provision. Therefore, unless a mention is particularly made to such dissimilar provisions, a reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.*



11. We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant, relevant facts, and the arguments made by the applicant and the submissions made by their learned representative during the time of hearing.

12. We have carefully examined the application made by the applicant M/s Liberty Square Apartment Owners Association (M/s LSAOA), the submissions provided therein, the arguments advanced during the personal hearing. The main issues for consideration are "Determination of time and value of supply of goods or services or both" and "Determination of liability to pay tax on any goods or services or both".

13. The applicant seeks advance ruling in respect of the questions mentioned at para 4 supra. We proceed to answer the questions one at a time sequentially.

14. **The first question is "whether corpus funds collected by a residential association for future contingencies treated as "consideration" under the GST Act, 2017 and do they attract GST?.**

- (i) In this regard we invite reference to Section 7 and 2(31) of CGST Act, 2017 , which defines the term " Supply" and "Consideration" respectively and the same is as under.

Section 7 of CGST Act, 2017- Scope of supply:-

7(1) For the purpose of this Act, the expression "**Supply**" includes -

(a) all forms of supply of goods or services or both such as sale, transfer, barter, exchange, license, rental, lease or disposal made or agreed to be made for a consideration by a person in the course or furtherance of business;

(aa) the activities or transactions, by a person, other than an individual, to its members or constituents or vice versa, for cash, deferred payment or other valuable consideration.

Explanation. - For the purpose of this clause, it is hereby clarified that, notwithstanding anything contained in any other law for the time being in force or any judgment, decree or order of any Court, tribunal or authority, the person and its members or constituents shall be deemed to be two separate persons and the supply of activities or transactions inter se shall be deemed to take place from one such person to another.

(b)

(c)



7 (1A) Where certain activities or transactions constitute a supply accordance with the provisions of sub section (1), they shall be treated either as supply of goods or supply of services as referred to in Schedule II.

Section 2 (31) of CGST Act, 2017 – the expression “Consideration” relation to the supply of goods or services or both includes –

(a) Any payment made or to be made , whether in money or otherwise, in respect of , in response to, or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government;

(b) The monetary value of any act or forbearance , in respect of , in response to , or for the inducement of, the supply of goods or services or both, whether by the recipient or by any other person but shall not include any subsidy given by the Central Government or a State Government

Provided that a deposit given in respect of the supply of goods or services or both shall not be considered as payment made for such supply unless the supplier applies such deposit as consideration for the said supply;

(ii) It is evident from the above definition that an amount to get transformed into “consideration” either there should be actual supply of goods or services or both or there should be a promise to supply of goods or services. So, first we have to decide whether corpus funds collected by a residential association for future contingencies is qualify supply or not.

According to Section 7 of CGST Act, 2017, the expression “supply” includes the activities or transactions, by a person, other than individual, to its members or constituents or vice versa, for cash, deferred payment or other valuable consideration. **The term person is defined in Section 2 (84) of the CGST Act, 2017 and same is as under:**

“Person” includes-

(a) An individual;

(b)

.....

(f) an association of persons or a body of individuals, whether incorporated or not , in India or outside India;

(g).....

.....

.....



(iii) On reading of the by laws submitted by the applicant, it is a fact that the applicant (such as a housing society/apartment association) is registered under the *Karnataka Apartment Ownership Act, 1972*. This means it is a **legal entity**, not just a group of individuals. The applicant carries out activities like: maintenance of common areas, day to day management, renewal of upkeep of common area facilities, work of emergency nature for repair, painting of the building, rectification/modification, addition or alteration of building or facilities etc. Members pay money for these activities as decided by Management committee. Therefore, the activities performed by the applicant meet the definition of supply under Section 7 of CGST Act, 2017.

(iv) The Explanation to Section 7(1) of the CGST Act, 2017 expressly provides that, for the purposes of GST, an association or society and its members shall be treated as distinct persons. As a consequence of this statutory deeming provision, the traditional principle of mutuality—under which a club or association and its members were considered one and the same—does not apply under the GST regime.

Therefore, the applicant's contention that *"the members and the association are the same person"* based on the doctrine of mutuality cannot be accepted, as the law specifically overrides this concept and treats transactions between the association and its members as supplies between two separate persons.

(v) Having established that the applicant and its members are to be treated as distinct persons under the Explanation to Section 7(1) of the CGST Act, 2017, the next issue is to determine **"whether the activity constitutes a supply of goods or a supply of services"**.

Goods and services defined under Section 2 (52) and 2(102) of CGST Act, 2017 respectively, which is reproduced as below:

Section 2 (52) of CGST Act, 2017:- Definition of Goods:

"Goods" means every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be served before supply or under a contract of supply.

Section 2 (102) of CGST Act, 2017:- Definition of Services:-

"Services" means anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

Explanation.- For the removal of doubts, it is hereby clarified that the expression "Services" includes facilitating or arranging transactions in securities.



As per **Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017**, as amended, read with **Schedule II of the CGST Act, 2017**, activities undertaken by an association, club, or society for its members are classified as **“services provided by membership organizations”**, falling under **Service Accounting Code (SAC) 9995**.

The applicant, being membership organizations, provide various facilities and administrative services to their members. These activities do not involve “goods” as defined under Section 2(52). Therefore:

They fall squarely within the definition of “services” under Section 2(102) and they are classified under SAC 9995 as “services provided by membership organizations.”

Hence, **the supply made by applicant to its members is appropriately classified as a supply of services under GST law.**

(vi) In view of the above, the issue before us is to determine **whether the payments collected by the applicant under the head ‘corpus fund’ constitute advances toward future supply of services or are in the nature of deposits.**

There are well-recognized distinctions between an **advance** and a **deposit**. An **advance** is generally a payment made upfront toward a future supply and is typically **non-refundable**, whereas a **deposit** is ordinarily refundable and held as security, subject to return upon occurrence of specified conditions.

It is an admitted and established fact that the applicant is an Association constituted for the purpose of providing services to its members. The members, in turn, are liable to pay consideration to the applicant for such activities, as specified in the by-laws of the Association.

The activities undertaken by a Resident Welfare Association for its members are classifiable under **Chapter Heading 9995**, falling under the description **“Services of Membership Organisations”**, and more specifically under **Service Code 999598**, described as **“Home Owners Association”**, as per the Scheme of Classification of Services (Annexure).

Accordingly, the amounts collected towards the corpus fund are **indisputably in the nature of advances for future supply of service and not deposits.**

As discussed earlier, the corpus fund collected by the applicant for future contingencies constitutes **consideration for a future supply of services** and, therefore, **attracts GST** in terms of **Notification No. 11/2017-Central Tax (Rate) dated 28.06.2017**, under **SAC 999598**



15. **The second question is that can corpus funds collected by applicant be treated as separate and independent from monthly maintenance charges for the purpose of GST applicability?**

The Nature and purpose of Monthly Maintenance Charges and Corpus Fund/Sinking Fund is as detailed below:

1. **Monthly Maintenance Charges:** - Monthly maintenance charges collected by the RWA are applied toward **regular, recurring, and continuous services** necessary for day-to-day upkeep and functioning of the residential society. These include:

- Cleaning and housekeeping of common areas (lobbies, corridors, staircases, parks, gardens, swimming pool, play areas, sports areas, open spaces, etc.)
- Waste collection and disposal
- Salaries of security staff, housekeeping personnel, and office/administrative staff
- Payment of common electricity and water charges
- Other operational and routine expenses of the society

2. **Corpus Fund / Sinking Fund:**-The **corpus fund** (also called sinking or reserve fund) is collected **one-time or infrequently**, and it is specifically earmarked for **capital or major non-recurring expenditures**, such as:

- Major structural repairs of the building
- External/internal painting of the building
- Replacement or major overhaul of lifts

3. **Treatment in the Applicant's Bylaws**

The bylaws of the applicant clearly establish the **independent and distinct nature** of the corpus fund. As per Para 43 (I) and (J):

- The Management Committee, with General Body approval, may determine the periodic contribution to the corpus fund and sinking fund.
- Contributions to these funds, along with accrued interest, **must be kept invested in a separate fixed deposit account** with a nationalized or scheduled bank.
- These funds **may only be utilized** for creation/procurement of new assets or for major capital expenditure relating to existing assets of the apartment complex.

This demonstrates that the corpus fund is **ring-fenced**, separately accounted for, and used only for specific long-term capital purposes and



Because:

- The **monthly maintenance charges** constitute consideration for **ongoing services**, and
- The **corpus fund** is **not a payment for any current supply of service** but a contribution toward future supply of service and
- The corpus fund is independently maintained and restricted in use as per the bylaws,

the two amounts are distinct in character and purpose. **Accordingly**, the corpus fund can be treated as separate and independent from monthly maintenance charges for GST applicability.

In view of the above, the answer to the question is affirmative.

16. The third question is that Since Corpus funds are collected in advance for future contingencies, is GST payable at the time of collection or at the time of actual utilization of these funds and fifth question is Would the time of supply provisions under GST apply to corpus funds in case they are treated as advances for any potential taxable supply in the future?

(1) The third and fifth questions are interlinked because both relate to the **timing of GST liability** on corpus/sinking fund collections. Therefore, both are discussed together.

As already discussed in Para 15(vi) and 16(2) & (3), corpus or sinking fund contributions are collected **in advance** to meet **future contingencies** or major, non-recurring capital expenditures, such as:

- Major structural repairs
- External/internal painting
- Replacement or overhauling of lifts
- Other long-term infrastructure or capital works

Although these expenditures will occur in the future, the **collection itself takes place upfront.**

2. Applicability of Time of Supply Provisions (Section 13 of the CGST Act)

Section **13(2)(a)** of the CGST Act, 2017 provides:

The time of supply of services shall be the **earlier** of:
(i) the date of issue of invoice (if issued within prescribed time), or
(ii) the **date of receipt of payment.**

In this case:

Applicant's Name- M/s LSAOA



- The applicant (RWA) collects corpus/sinking fund **in advance**, and
- Receipt of payment occurs **before** any actual supply of service or before any invoice is raised.

Therefore, as per Section 13(2) (a), the **time of supply is triggered on the date of receipt of the corpus fund amount**, if such collection is considered an advance towards a future supply.

In view of the above, the answer of the question is GST is payable at the time of collection of the corpus/sinking fund, and the time-of-supply provisions under Section 13 of the CGST Act,2017 apply to corpus fund collections treated as advances.

17. The fourth, sixth and seventh questions on which the applicant has sought advance ruling as mentioned in para 4 supra is not cover under any of the issue as defined under under Section 97(2) of the CGST/KGST Act 2017 and Hence the authority is not liable to for pass the ruling on the question nos. 4, 6 and 7 of the applicant as mentioned in para 4 supra.

18. In view of the foregoing, we pass the following.

RULING

- Corpus fund collected by the applicant for future contingencies treated as "consideration as advances meant for the future supply of services to members and attract GST.*
- Corpus Fund collected by the applicant is treated as separately and independently from monthly maintenance charge for the purpose of GST applicability.*
- GST is payable at the time of collection/receipt of Corpus funds as the time of supply is receipt of the advance amounts in terms of Section 13(2)(a) of the CGST Act 2017*



(Kalyanam Rajesh Rama Rao)

Member

MEMBER

Karnataka Advance Ruling Authority
Place: Bengaluru
Bengaluru - 560 009

Date: 11.02.2026

**To,
The Applicant.**

Copy to:

The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.

2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.

Applicant's Name- M/s LSAOA




(Sivakumar S Itagi)
Member
MEMBER
Karnataka Advance Ruling Authority
Bengaluru - 560 009

Because:

- The **monthly maintenance charges** constitute consideration for **ongoing services**, and
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- The corpus fund is independently maintained and restricted in use as per the bylaws,

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In this case:

Applicant's Name- M/s LSAOA



3. The Principal Commissioner of Central Tax, Bengaluru West
Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-100, Bengaluru.
5. Office Folder.



Applicant's Name- M/s LSAOA