

HC: GST on DDA's retrospective conversion-charge demand held prima facie invalid

CA Prakash Chandra Jain

P.O. Brajrajnagar
Odisha- 768216

Cell: 94375-41690 / 70087-12242

Email: prakashchjain@yahoo.co.in

CAIT - GST ADVISOR



REFER THE DECISION OF THE HON'BLE DELHI HIGH COURT IN THE CASE OF

Mala Sahni Seth v. Delhi Development Authority - [2025] 180 taxmann.com 303 (Delhi)

Mala Sahni Seth and a group of property owners in Delhi had been living peacefully for years on their *leasehold* properties. Wanting complete ownership, they decided to convert their properties into *freehold*. Like thousands before them, they went to the **Delhi Development Authority (DDA)**, paid the **conversion charges**, and completed all formalities.

Everything seemed settled, No GST was charged by DDA, No warning, No hidden conditions. Just a straightforward one-time conversion fee, exactly as stated in DDA's rulebooks and schemes.

Months passed. One day, the petitioners received unexpected letters from DDA. These letters demanded **additional amounts**, claiming that **GST must now be paid**—not just for future conversions, but **even for the conversions already completed**.

DDA now argued that the conversion charge was not merely a fee—it was the *price the petitioners paid for DDA's act of giving up its future rental rights*. Therefore, it should be taxed as a "service" under GST.

The petitioners were shocked. "How can a completed transaction be taxed now?" They had paid everything according to the published schedules. They had never agreed to any GST. It felt like the rules were being rewritten long after the game was over.

With no other option, they approached the **Delhi High Court**, seeking justice.

In the courtroom, the judges examined the issue carefully. They observed that **conversion charges are actually part of the sale consideration for the sale of immovable property—and sale of immovable property is outside the scope of GST**.

In simple words: If you're buying a house, you don't pay GST on the *land* or completed property. So, converting leasehold to freehold is essentially completing a sale of property—and not a taxable service.

Thus, the Court concluded—at least **prima facie**—that the GST demands raised by DDA appeared **invalid**.

The petitioners breathed a sigh of relief. The retrospective GST demand, which arrived like a thunderbolt long after they had peacefully converted their properties, now stood on shaky ground.

And so, in the battle between citizens and authority, fairness seemed to prevail—at least for the moment.

