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How to save taxes on property purchases – RealtyMyths



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by Pankaj Jain

“With the enactment of Goods and Services Tax (GST), today's taxation system in the context of purchasing a property has become much effortless than it was before July 2017. Several taxes previously applicable on property purchase like VAT, Service tax, just to name a few, now have all been comprehended under this single unified platform – Goods & Service Tax.

Tax exemptions, if availed appropriately, can contribute a big way, in easing out the burden on a Homebuyer.

Pankaj Jain, CFO, ART Housing Finance

Under Construction Properties

GST Council has approved a transition plan for the implementation of the new tax structure for housing units. Under the new plan, builders whose residential projects are incomplete will have the option to choose between the old tax rates and new ones for under-construction residential projects. Under the new plan, the GST Council has reduced the current GST rates from 12% and 8%, for under-construction flats and affordable housing to 5% and 1%, respectively. The rates shall be effective from April 1, 2019.

Further, Statutory and legal costs for under-construction properties vary between 15-20% depending on the state in question and broadly include stamp duty, registration, and GST. For rendering a property transaction, Stamp duty by rule is to be paid on the sale agreement and this duty also varies from state to state.

For example, in Gurugram the stamp duty is 5% for a female applicant, 6% for Joint ownership & 7% for Male applicant; In Maharashtra, the stamp duty is 5%, while in Karnataka it is currently 5.6 percent. As such, stamp duty accounts for between five to



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- Tax deducted at source: TDS is charged at 1%, for properties valuing more than or equals to Rs 50 lakhs. It is deducted by the buyer, at the time of payment to the seller.

Ready-to-move-in properties

The most lucrative thing about picking a ready-to-move-in property is that they are totally exempted from Good & Service Tax;

But major condition to be fulfilled along is that the project must have Completion certificate in place. Such Project/property buyers need to pay only the stamp duty along with registration charges, which comes out to be around 7 to 8% of the total cost of the property. Since such statutory charges laid by the Government are paid by the buyer in lump-sum, hence ready-to-move-in properties offer a good value proposition for anyone purchasing a new home, along with the benefits like seeing the actual property they will live in, saving on rental income, moving in immediately to the new property.

Common Provision

Though the current charges made by the Government under the levy, Stamp Duty is 5-8% of the property cost registration taxes, one can certainly claim tax deductions, under Section 80C of the Income Tax Act, 1961. Buyers can claim a maximum of Rs 1.5 lakh as a tax deduction, by fulfilling various laid down conditions.

For example Exemption on a property can be availed only, if it is a fully constructed property, the taxes paid are in the same year as that of claim and the last but most important is that the purchased property must be for self-use only."

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