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THE BIG BENEFIT

- GST shall be levied at effective GST rate of five per cent without input tax credit (ITC) on residential properties outside affordable segment;
- Levied at effective GST of one per cent without ITC on affordable housing properties;
- New rates effective from April 1, 2019;
- All under-construction properties irrespective of stage of completion can avail the benefit of ITC on materials like cement, steel, paint, etc;
- Intermediate tax on development rights such as TDR, JDA, lease (premium), FSI shall be applied only for residential property on which GST is payable;
- States are expected to frame detail rules as per the council's recommendations.

PREMIUM AND AFFORDABLE BENEFIT

- Rate slash makes affordable housing attractive and premium housing affordable;
- Redefinition of affordable housing has more advantage in metros;
- Around 5.88 lakh under-construction homes are lying unsold in the top seven cities, says ANAROCK data of which 34 per cent are priced below Rs 40 lakh;
- Under-construction houses in premium segment will get momentum.

AT A GLANCE

	Earlier GST	New Tax
Under-construction housing	12%	5%
Affordable housing	8%	1%

Affordable housing area	In metros	Non metros
	60 sqm	90 sqm

Earlier uniform limit in metros and non-metros: 60 sqm
(Statistical source: GST council website)



The reduction in GST is a pragmatic move by the government, which will help the real estate sector. We can expect demand coming back to the under-construction segment and improvement in the sales. It is also a big psychological boost for the consumer as it will ease the cost burden on the home-buyer, thus providing a direct impetus for the housing and housing finance industry.

- Amar Bahl,
chief operating officer, ART Housing Finance

REDEFINING AFFORDABLE HOUSING

- A residential house/flat of carpet area up to 90 sqm in non-metropolitan cities/towns and 60 sqm in metropolitan cities;
- Cost of affordable homes in metros and non-metros is Rs 45 lakh;
- Metros as per the Union Ministry's definition are Bengaluru, Hyderabad, Delhi, NCR, Chennai, Mumbai and MMR.

HOME-BUYER BENEFIT

- Affordable housing gets attractive with GST at one per cent;
- Under-construction housing gets a big boost;
- Buyers' interest is now protected with ITC withdrawal;
- Earlier ITC benefit was not passed on to buyers.



The recommendations will act as a booster for Housing for All and the realty sector. We appreciate the move of reducing GST to one per cent for affordable housing, especially at this juncture where the market is slowly coming back on track.

- Pradeep Aggarwal,
chairman, National Council on Affordable Housing, ASSOCHAM

ITC IMPACT

Chartered accountant and GST expert Pritam Mahure analyses the price impact on different stakeholders in terms of ITC:

● **Impact on developers:** There will be more cash flow. But for developers having residential and commercial projects, it will be challenging to maintain records to claim credit pertaining to commercial properties (as commercial properties are expected to continue to attract GST at 12 per cent).

● **Impact on unregistered vendors:** ITC withdrawal may lead to increase of unregistered vendors as the developer won't be incentivised (by way of credit) to procure from GST-registered vendors.

● **Impact on transitional credits and other aspects:** No clarity on the transitional provisions or transitional credit for ongoing projects wherein developers have already passed on the anti-profiteering benefits to the home-buyers. Further, a separate GST Council meeting is proposed to explore exemption on development rights/ TDR/ JDA.

GST: RELIEF FOR REALTY

The GST council's move to sharply reduce the tax rate for under-construction housing, and increase the threshold of affordable housing will boost Housing For All while also fulfilling the aspirations of the neo-middle class

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