

Real estate firms pin hope on GST rate cut to end six years of struggle

Experts said prices of homes could go down by as much as Rs 3 lakh under the proposed tax regime

With Prime Minister Narendra Modi reiterating his plan to bring down the goods and services tax (GST) for under-construction and finished houses to 5 per cent, the real estate firms believe 2019 could be the turnaround year for the industry that has been suffering for the past six years. In an interview to news agency ANI on Tuesday, Modi indicated that the government wanted to bring under-construction and finished houses under the GST rate slab of 5 per cent. “We wanted to do that. But there were reservations. So, the GST Council could not do it. It has now gone to the committee. We will try to ensure that the committee report is expedited,” Modi said.

Experts said prices of homes could go down by as much as Rs 3 lakh under the proposed tax regime. “If a flat 5 per cent GST is levied, a homebuyer will save Rs 3 lakh on a property with super built-up area of 1,000 square feet (carpet area 780 sq ft) and priced at Rs 6,000 per sq ft,” Anuj Puri, chairman of Anarock Property Consultants, said. This, according to experts, would reduce the adverse impact on the land abatement rate of 33 per cent being offered under the present system. “The composite rate of 5 per cent would not only address the imbalance under the present GST regime, which subjects to under-construction projects but leaves completed units out of its scope, but also free the industry from the requirement of monthly returns for availing input tax credit, which are cumbersome,” said Jaxay Shah, president of industry body Credai.

According to experts, the proposal to slash GST for cement and bring it under the 18 per cent slab would give a boost to housing and construction and impact employment generation positively. Also, any reduction on this basic input cost could help boost prospects for under-construction properties that are already low in demand, provided builders pass on the benefits to consumers. According to sources, a cut on GST in real estate would be announced in the next GST Council meeting to be held on January 10. Sources said the fitment committee of the Council had zeroed in on two proposals.

The first one was to maintain a fixed 12 per cent GST rate, including full input tax credit to builders, which would eventually make the effective GST rate 8 per cent once the input cost of land was accounted for and reduced. The other proposal stipulates a flat 5 per cent GST to be applicable to under-construction properties without including the input tax credit benefit, provided the builder purchases at least 80 per cent of the raw material from GST-registered suppliers. According to sources in the know, the government might finally zero in on the second option and add finished houses to the mix as well.

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