With no GST breather, ready to move-in flats to cost more
per cent. The actual GST rate is 18 per cent on realty, but allows one-third of the tax to value, from the total cost charged by the developer.

The GST gives an option of getting full input set-off credit, which is not applicable on as a result, developers will have to bear the burden of higher tax or pass on to the end overall prices to match the new tax burden, say developers.

"While developers might still get some benefits for projects that are in nascent stages tax burden for the ready-to-move-in projects since they are kept out of the GST ambit Chairman and Managing Director Surendra Hiranandani said.

Gera Developments Managing Director Rohit Gera said under the GST regime, tax on $ would be 12 per cent, an increase of 6.5 per cent for buyers.

"There is an option of getting full input set-off credit on all input side if GST is paid by applicable on ready-to-move-in properties," he said.

As a result, developers will either have to bear the burden of the tax since it cannot be consumers or the rates of apartments that are ready-to-occupy will increase to the ex Vinod S Menon, CEO of Bengaluru-based mid-market developer Citrus Ventures, says positives that GST brings in. But the devil lies in the details and no one seems to have said though one-third deduction makes the effective rate 12 per cent, with current eff rate being nine per cent, there is still a three per cent incremental charge.

Since no retrospective claim of credits is possible, this will be a bone of contention be developer as to who will bear this, he said.

Coupled with the new regulator Rera, GST will increase paperwork and thus the overa However, Knight Frank India Chairman Shishir Baijal said like the note-ban, GST wou disturbances but augur well for the industry in the long term.

"The intention of GST is to bring in efficiency in the entire tax system, and its implemeting issues. But eventually it will pave the way for an extremely efficient tax syst Echoing similar views, SILA founder and MD Sahil Vora said there will be pain and fo sector, but in the long-run everybody will benefit.

"But the affordable housing sector is happy as there is no tax on it. Since almost 70 pe to the middle to high income segment, GST could shift focus, particularly of smaller d volume, low to medium income segment," RICS Global’s Sachin Sandhir said.
"Additionally, sectors ancillary to real estate will see improved supply chain efficiency various federal tax barriers and creation of a common market, accelerating the delivery of projects.

Atul Chordia of Panchshil Realty said they have only completed or near-ready projects, which will attract 12 per cent GST on the cost of construction.

"The effective 12 per cent tax is higher than the industry as we tend to use best-in-category materials, which will fall under the 28 per cent slab leading to higher overall cost," Chordia said.

India Ratings maintains a negative outlook for the real estate sector for FY18, on expectation of a slump in sale of residential units.

This will lead to continued negative cash flows since FY14 and a further increase in the effective cost of debt, resulting in weakening of the sector’s credit profile.

Rohit Jain, a partner at law firm Economic Laws Practice, said there isn’t enough clarity on provisions under GST, whether it pertains to credit of inventory, credit on unsold stock, where part payments are made under the pre-GST and part under the new taxation system.

(This article has not been edited by DNA's editorial team and is auto-generated from data.)
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