

MINDROCKS 2018

ADVERTISEMENT

News / PTI feed / With no GST breather, ready to move-in flats to cost more

With no GST breather, ready to move-in flats to cost more



PTI July 2, 2017 UPDATED: July 2, 2017 09:55 IST

FOLLOW EMAIL AUTHOR



READ LATER



(repeating correcting designation in 5th para)

Mumbai, Jul 2 (PTI) The consumers will have to shell out more for the ready to move-in flats under the GST system as developers with large unsold inventories are planning to pass on the higher tax burden to home-buyers.

However, the new flats will cost less, giving some breather to the developers of upcoming projects.

Under GST, the effective tax on under-construction projects has gone up to 12 per cent, which is an increase of 6.5 per cent. The actual GST rate is 18 per cent on realty, but allows one-third of the tax to be deducted from the land 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 ready-to-move-in flats and as a result, developers will have to bear the burden of higher tax or pass on to the end-consumers or increase the overall prices to match the new tax burden, say developers.

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

Gera Developments Managing Director Rohit Gera said under the GST regime, tax on under construction projects 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 them, but this is not 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 passed on to the end consumers or the rates of apartments that are ready-to-occupy will increase to the extent of the taxes," Gera said.

With no GST breather, ready to move-in flats to cost more - PTI feed News
will increase to the extent of the taxes, Gera said.

Vinod S Menon, CEO of Bengaluru-based mid-market developer Citrus Ventures, says "everybody talks about the positives that GST brings in. But the devil lies in the details and no one seems to have any clarity on that."

Menon said though one-third deduction makes the effective rate 12 per cent, with current effective VAT plus service tax 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 between customer and developer as to who will bear this, he said.

Coupled with the new regulator Rera, GST will increase paperwork and thus the overall cost, Menon said.

However, Knight Frank India Chairman Shishir Bajjal said like the note-ban, GST would trigger some momentary 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 implementation will see some teething issues. But eventually it will pave the way for an extremely efficient tax system for the country," he said.

Echoing similar views, SILA founder and MD Sahil Vora said there will be pain and forced consolidation in the 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 per cent of the market caters to the middle to high income segment, GST could shift focus, particularly of smaller developers towards high volume, low to medium income segment," RICS Globals Sachin Sandhir said.

Anarock Property Consultants Chairman Anuj Puri said the affordable housing sector will not be impacted by GST as there will be no tax under GST for affordable housing scheme.

CBRE South Asias Ram Chandnani said GST will also attract international residential investment as it has been seen globally that a unified tax structure has been one of the many catalysts for increased investments.

"Additionally, sectors ancillary to real estate will see improved supply chain efficiency with the removal of various federal tax barriers and creation of a common market, accelerating the delivery of goods," he noted.

Atul Chordia of Panchshil Realty said they have only completed or near-ready projects which will be paying 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-industry material, much of 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 continued slump in sale of residential units.

With no GST breather, ready to move-in flats to cost more - PTI feed News
THIS WILL lead to continued negative cash flows since FY 14 and a further increase in
already-high debt levels, resulting in weakening of the sectors credit profile.

Rohit Jain, a partner at law firm Economic Laws Practice, said there isnt enough clarity
on transitional provisions under GST, whether it pertains to credit of inventory, credit
on unsold stock or the tax implications where part payments are made under the pre-
GST and part under the new taxation system. PTI PSK BEN GK JMF

This is unedited, unformatted feed from the Press Trust of India wire.

Do You Like This Story? 0 0

Posted by site admin	

Tags : GST actual GST rate GST ambit GST regime input set-off credit /p Tax burden
higher tax burden cent new tax burden

YOU MAY LIKE

Sponsored Links by Taboola

If you live in Haryana you're eligible for these cruise offers

Top-Cruise-Deals

Family Threw Her Out For Giving Birth To A Girl, Now She Fights For Her Life

Impact Guru

Lavish 3 BHK Homes Near Hero Honda Chowk, Gurgaon From Rs. 89 Lacs*

ILD Grand Gurgaon

If you have a 2-12 year old child, you must watch this

Flintobox

Spaze Tristar Sector 92 Gurgaon - Retail Shops Starts@Rs.28 Lacs

Spaze Tristar, Gurgaon

End of Euro Crisis? €162 Million Jackpot Draw this Friday!

theLotter.com

FROM INDIA TODAY GROUP

by Taboola

Shut up about Rafale deal, Anil Ambani tells Congress

Bigg Boss 12 contestants list leaked; these 6 celebrities to enter the house?

Why Rahul is the only leader who can challenge PM Modi in 2019 despite goof-ups

Aishwarya Rai Bachchan on plastic surgery: We can't sit on a high horse

Sushmita Sen wore a gown made out of curtain for Miss India finale?

Kerala floods: Residents face snake menace as waters recede

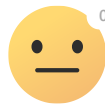
What is your reaction?

Powered by Vuukle



0%

happy



0%

unmoved



0%

amused



0%

excited



0%

angry



0%

sad

0 comments

Recommend 0

Write a comment

3000

or

Name

Email

I agree with Vuukle's [Privacy Policy](#)

POST

TALK OF THE TOWN 🔥



Raghuram Rajan responsible for slowdown under Modi govt: Niti Aayog deputy chief - India Today

30 comments 😞 62%



Co-passenger's anti-BJP slogans leave party's Tamil Nadu chief fuming - India Today

16 comments 😡 57%



Steve Jarding: Rahul Gandhi's man for 2019 has a lot to prove - India Today

9 comments 😊 44%



Police press conferences on Bhima Koregaon surprise Bombay High Court - India Today

9 comments 😡 64%



State of Indian economy in unprecedented mess: Arvind Kejriwal - India Today

5 comments 😄 33%



Karnataka municipal polls: Congress-JDS trounce BJP, Amit Shah calls it unholy alliance - India Today

5 comments 😄 60%

Show more articles

0 0 **0** SHARES



ADVERTISEMENT

INDIA DATA SUMMIT

An Initiative By

INDIA TODAY GROUP AND IBM

11th September 2018 | New Delhi

READ THIS

Radhika Apte is Omnipresent. Netflix trolls back trolls with more memes



Google is finally bringing a new look to smartwatches with Wear OS



Gauri Lankesh's murder was planned a year before: Exclusive details



Don't want to be a testing sort of a cricketer for any new format: Virat Kohli



RECOMMENDED

Homes that Foster an Active Lifestyle for Children.

Ashiana Housing

Kerala floods: Former IPS officer uses old picture to target PM Modi

Top 5 Reasons to Buy Term Insurance Before You Turn 30

Coverfox.com

India lodge protest for obstruction against Bahrain in Mixed 4x400m Relay

A Proven Way to Sharpen Young Minds

Magic Crate

Farida Jalal with shy bride Jaya Bachchan at her wedding. See pic

8 Months Blockchain Certification Program - Admissions Open!

Amity Online

Confirmed! Comedy king Kapil Sharma to return on TV with new season of 'The Kapil Sharma Show'

Gurgaon: Play this Game for 1 Minute and see why everyone is addicted

Delta Wars

Ameesha Patel posts hot photo, gets called 'aunty' by trolls

Promoted Links by Taboola

WATCH RIGHT NOW

Can Pune Police plug loopholes in their charges against arrested urban naxals?



India Today breaks down the Rs 13,000 crore Nirav Modi swindle



BJP attacks Rahul over Kailash-Mansarovar yatra, Congress takes Rafale row to the streets, more



The big 'Urban Naxal' debate





What is the evidence against these 'Urban Naxals'?



TOP TAKES

Golden girl Swapna Barman brings joy to her village



KCR hints at early polls at mega rally in Telangana



US asks Pakistan to act on terrorism, cancels \$300 million aid



ADVERTISEMENT

SALAAM Cricket
11 LEGENDS, 1 STAGE
 A day dedicated to Asia Cup
17th SEPTEMBER, DUBAI
 Address: Boulevard - Sheikh Mohammed Bin Rashid Boulevard,
 Downtown Dubai, 21417 - Dubai - United Arab Emirates

INDIATODAY.IN



ADVERTISEMENT

PUBLICATIONS:

- Business Today
- Cosmopolitan
- India Today - Hindi
- India Today
- Mail Today
- Money Today
- Reader's Digest
- Time

TELEVISION:

- Aaj Tak
- Delhi Aaj Tak
- India Today TV
- Tez

RADIO:

- Ishq FM

EDUCATION:

- India Today Education
- Vasant Valley
- Best Colleges India 2018
- Best Universities India 2018

EVENTS:

- Agenda Aajtak
- India Today Conclave