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By Gayathree Ganesan

Express News Service

CHENNAI: At the time of Good and Services Tax (GST) implementation last year, the provision of input tax credit and transparency in the sector due to GST was expected to bring down home prices.

However, rising land prices, confusion ranging from filing of returns up to the recent requirement of e-way bills and lack of clarity on abatement available for land costs, create difficulties for home buyers and builders alike.

“High land prices still remain a major obstacle in making real estate an affordable commodity in the true sense,” said Surendra Hiranandani, CMD, House of Hiranandani.

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“With regards to abatement of land costs, clarity is required on abatement available for calculating service tax on under-construction projects. This will have a major implication on final

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prices because if the cost of land is 10 per cent of the overall project, there is a possibility of stagnant final costs. However, in major metropolitan cities, the land cost is almost 50-60 per cent of the total cost, so apartment prices might rise here,” he said.

Another major reason for GST benefits being unclear is the uncertainty surrounding levy of taxes. “A recent notification on the realty sector indicates (though not directly) that transfer of development rights may be subject to GST. Being in the nature of an immovable property, such transfers should ideally be outside the purview of GST,” said Harsh Shah, partner, Economic Laws Practice.

“However, uncertainty around the same has resulted in tremendous reduction in transactions in the nature of joint developments, re-developments, which is typically the modus operandi of this sector in key cities,” he added.

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Further, teething issues such as lack of clarity on cases when input tax credit is applicable and the constant uncertainty about whether builders would pass on the benefit of input tax credit to buyers, in spite of the anti-profiteering mechanism in place, have had a negative impact on GST implementation.

Prices of raw materials in the last few years have been volatile. Seasonal availability of sand, prices of steel and cement being highly dependent on market conditions, among other issues have created uncertainty about builders passing on input tax credit to homeowners.

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