



Relief for home buyers as GST Council announces rate cut for real estate

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There are two amendments under the new GST rates for real estate sector, announced on Sunday. The first amendment slashes the tax rate on under non-affordable construction housing property to 5 per cent (Current rate 12 per cent) with no input tax credit.

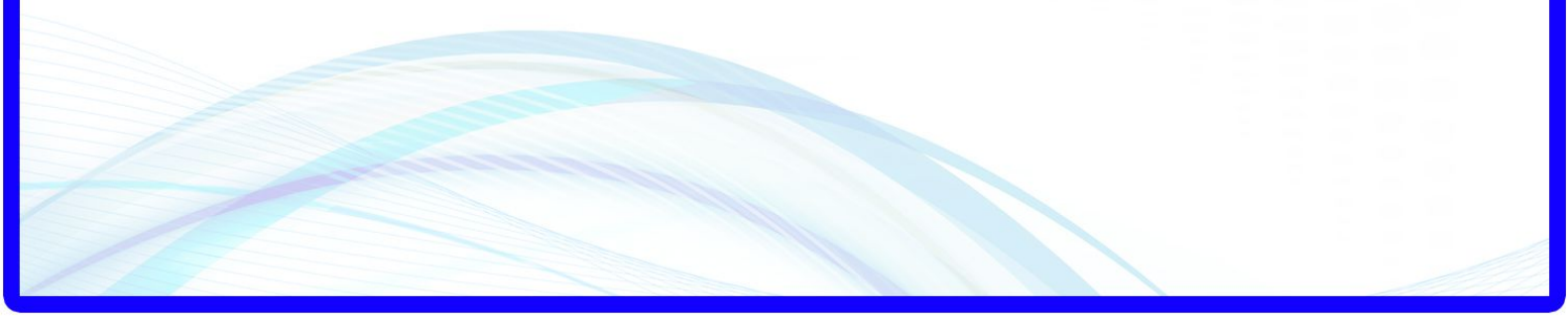
In second amendment the council cuts the GST rates on Affordable housing to 1 per cent from the current tax rate of 8 per cent. These amendments of GST tax rates will come into effect from 1 April, 2019.

Look at the table below for the better understanding for the new amendments and their comparison with the old GST rates

For Residential Segment	Current rate of GST for housing properties	New GST rates for housing Properties	Input tax Credit (ITC)
Non-Affordable Residential Property segment	12%	5%	Without Input Tax Credit
Affordable residential property segment	8%	1%	Without Input Tax Credit

Social Media insight regarding the new GST rates for real Estate

The decision of the amendments under the GST tax rates for real estate is likely to be a relief for the middle class homebuyers in both metro and non-metro cities. The GST council met briefly through a video conference to arrive at a decision.



A tweet by Mr.Sushil Kumar Modi



Sushil Kumar Modi ✓ @SushilModi · 24h

For affordable housing #gst rate reduced from 8 to 1 % & for non affordable from 22 to 5 % without ITC.Definition of affordable changed to 90 & 60 sq mtr for non metro & metro with a capping of 45 Lakh for both.

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A tweet by Mr.ArunJaitely



Arun Jaitely ✓ @arunjaitely · 22h

In its 33rd meeting the GST Council has accorded big relief to Real Estate Sector. GST rate on affordable housing has been reduced to 1% from 8% & for others from 12% to 5% for both without ITC.This will give boost to housing for all & fulfill aspirations of Neo/Middle classes.

675 4.3K 13K

Who pays the 12% tax on under construction housing Property?

If you buy a house which is under- construction or ready to move in, without a completion certificate then you are liable to pay 12 per cent of GST on Payments made. However, there is no 12 percent of tax for the buyer, if they have the certificate of completion at the time of sale.

What comes under affordable Housing?

Affordable housing includes the houses costing up to Rs. 45 lakhs and measuring up to 60 square meters in metro cities and 90 square meters in non-metro cities.

List of Metro cities-Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, and Faridabad), Hyderabad, Kolkata and Mumbai (whole of MMR)

What will be the effects of the slashed GST rates?

Experts says that once these new amendments come into effect from 1 april, 2019, there will be following effects-

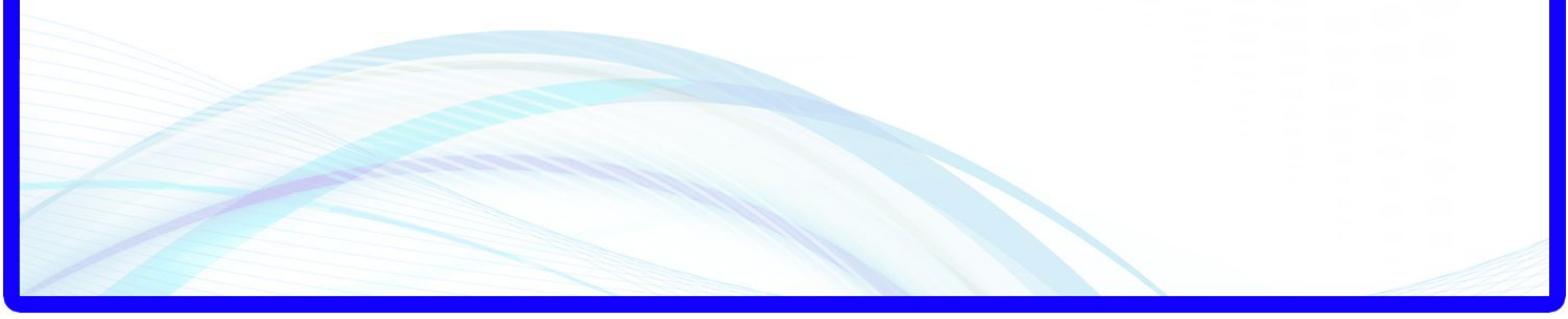
- States will suffer revenue losses, valuation of land, and sourcing norms for real estate developers
- Builders will not be able to claim input tax credit under the new GST rates

What are the Positive Impacts of new GST rates of real estate

Below are the few positive impacts of new GST rates-

- It will give boost to the construction sector
- There will be no GST if you have the completion certificate at the time of sale.
- Buyers will be able to have the affordable housing rates because of the 1 % GST rates
- The issue of input tax credit will soon be redundant, as the ITC will be removed and protect the interest of buyers and consumers both
- There will be enough cash flow in the real estate sector because of the exemption of the GST
- Earlier the input tax credit was un-utilized or under-utilized, which was adding to the end cost a consumer end. So this problem will be solved as there will be no input tax credit and better prices in the new GST rates for real estate.
- As per these new amendments, there will be a better tax structure and easy compliance adherence for the builders

As per the press release documents, the details of GST scheme will be worked upon by the committee of officers and the GST council will further improve the details in the future meetings specifically for this purpose.



Buyers' complaints regarding the earlier tax rates

Before these new tax rates, there were so many complaints by the buyers in the market-

- The pre-GST tax rate of housing properties was very high, that is buyers were paying 15-18% of tax on the housing properties
- And there were so many complaints against the builders that they were not passing on the benefit of Input tax credit to the buyers.

Now the government is planning to have a proper vigilance over these builders. They will keep a check on the private person hired by the state governments. There were cases of these private persons misusing the lowered GST rates for filling their pockets at the cost of states.

Considering the importance of these issues of GST rates, many states such as Delhi, west Bengal, and other states ruled by the opposition congress is asking for a physical meeting, rather than a video conference.

Additional discussions of the 32nd Council meet


The council has agreed to give an extension of two days for the deadline of filing the 3B returns.

The Central Board of Excise and Customs (CBEC) introduced this simple tax return GSTR 3B. Every registrant must file the GSTR-3B form. You must have a separate GSTR 3B file for every Goods and Services Tax identification Number (GSTIN) you have.

The Council is also considering a reduction in tax on Cement from 28 % to 18 % for the better boost in the real estate sector.

Conclusion:

Bringing the new GST rates is a powerful step by the ruling government keeping the upcoming elections in mind. Real estate sector will see a huge benefit and growth in both affordable and Non-affordable housing sector. Real estate sector is one of the major contributions of our national GDP and provides ample amount of employment opportunities. This move of new GST rates for the real estate sector will definitely give a push to both GDP and Employment. And it will also help in achieving the vision of Housing for All by 2022, that every citizen of India will have a house and urban areas will be slums free.





THANK YOU

