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ONE YEAR OF GST

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ONE YEAR OF GST

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The Goods and Services Tax (GST) is said to be the biggest reform in the Indian economy till date. The reform has introduced One Nation One Tax regime, thus doing away with the multiple tax structure. Experts feel that GST's positive impact on the realty sector can be evident only if some key issues are addressed at the earliest.

As GST implementation completes a year on July 1, the realty sector still awaits clarity from policymakers on some underlying issues. Has this reform become the game-changer one had expected it to be?

→ FIVE REAL GST ISSUES

Charted Accountant and GST expert Pritam Mahure enlists pending issues under GST for real estate:

→ **Cancellation of flats:** If an under-construction flat is purchased before GST was implemented and cancelled post-implementation, GST has no provision of returning the service tax paid earlier;

→ **Stamp duty:** The policy had suggested bringing stamp duty under GST. If that happens, home-buyers will pay a uniform tax;

→ **TDR levy:** GST should not be applicable to Transfer of Development Rights as land is excluded under the Act. If GST is charged, there is no clarity if Input Tax Credit can be availed or not;

→ **Anti-profiteering:** Clarity is eluding the availability of credit of excise and VAT paid on the work-in-progress building as on 1st July 2017. Developers are thus not sure whether to and how to re-visit the property prices in view of anti-profiteering provisions.

→ **E-way bill:** Process of e-way bill is an additional compliance, particularly for developers with multi-state presence.

→ DEVELOPERS' EXPECTATIONS

A JLL survey revealed developers' expectations from GST:

- ✔ Align land ready reckoner rates with the actual rates prevailing in the market to arrive at a realistic land cost;
- ✔ Land cost deduction should be allowed on the basis of actual cost of land and not one-third;
- ✔ Instead of applying GST at 18 per cent and then availing of input tax, a flat rate of five per cent should be levied without tax credit;

"The positives of GST implementation inter alia include deeming real estate transactions as services, certainty of tax rates and lowering of taxes on affordable housing. A welcome step would be to provide clarity on taxation and valuation aspects of development rights, taxation of slum rehabilitation projects, lease premiums, etc. Bringing the sector completely under GST could possibly provide a much needed impetus to the realty.

— Harsh Shah, *partner, Economic Laws Practice*

"There are pending positives that were to accrue from the implementation of GST – which are still awaited. The tax structure is yet not common for all realty segments. It is strongly recommended that the aspects of stamp duty and registration as well as any other additional levies over and above GST, should be subsumed into GST. There should be no further hike in the GST rate. If during the second year of the GST regime, the pending issues are resolved, the impact of GST on real estate would be far-reaching and positive in all terms.

— Niranjan Hiranandani, *president, NAREDCO*

"The sector is awaiting some positive changes i.e. in terms of inclusion of stamp duty and streamlining of credits in terms of immovable property. One of the important challenges for the consumer is to identify the benefits, which can be passed by the real estate developer on account of reduction in cost due to GST credits. Probably, anti-profiteering measures may bring such situations to surface.

— Suresh Rohira, *partner, Grant Thornton India LLP*