

GST Council - Real Estate Reaction

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- Anuj Puri -

The new GST-related announcement has given real estate developers the choice to either opt for the old rates and the accompanying input tax credit (ITC) benefits, or else to adhere to the new reduced GST rate of 5% without ITC. While not exactly ground-breaking, it is indeed an intelligent move by smart play by the incumbent Government. With this decision, it has carefully side-stepped conflict with both builders and buyers.

Most developers reacted to last month's announcement of the new GST rate minus ITC with trepidation. There was justifiable worry about what would happen to the input stock which they have accumulated much before as part of their long-term purchases. For them, this new move will be beneficial. However, developers choosing to go with the second option of new GST rates may not be able to hike property prices in the immediate future. The possibility of prices being hiked was a matter of concern for aspiring buyers, but the fact is that developers can ill afford to test the currently fragile market sentiment by raising rates immediately.

As for the buyers, today's announcement will not really impact them much because they will continue to expect lower GST rates. Today's announcement is probably no more or less than what could be expected from the Government. The Election Commission's model code of conduct is in force, and reducing taxes at this point could have been interpreted as a move to woo voters.

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