

GST council gives a reason to smile

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New Delhi , The Goods and Service Tax (GST) council has offered a big relief to the Indian real estate industry in its 34th meeting held recently. It has allowed developers, for under construction properties up to March 31, 2019, to choose between the old GST rates of 12% with ITC or opt new GST rate of 5% without ITC. The GST Council in its 33rd meeting on February 24, 2019 had come up with new rates for housing units. GST will be levied at an effective rate of 5% without ITC on residential properties outside the affordable segment, while GST shall be levied at effective rate of 1% without ITC on affordable housing properties. By announcing this, the council has side-stepped conflict between the developers and the home buyers. It is also hoped that the announcement will bring more transparency and accountability in the real estate industry. The developers are happy with the decision taken. "We welcome the new regime of GST rates and glad that government has ensured a smooth and easy transition to the same. This is a welcome move by the government which will favour both the developers and buyers. The announcement to choose either the old structure with ITC or to shift to new 5% and 1% rates without ITC will help avoid operational hassles," said Santosh Agarwal, CFO, AlphaCorp. The council also said that these lower GST rates would be applicable for developers who will source 80% of their inputs and services from a registered dealer. "Mandating 80 per cent of material procurement from registered dealers is a step taken in the right direction which will ensure further transparency in the industry," added Agarwal. Amir Husain, President Sales and Marketing, Orris Infrastructure Pvt. Ltd is also with the same view and says, "The GST council decision has given a big relief to the realty sector as the announcement will help clear old inventories. The announcement of procuring 80% of the materials from the registered dealer is also in favour of the realty sector." The council has also clarified that projects with 15% commercial space will be treated as a

residential property, a move meant to ensure that developers are not penalized for building amenities such as shops, clubs and restaurants that are used by residents. "The decreased rate of GST will surely enhance the end users confidence and will bring positivity in the market. It may take a certain time for the decision to show its full impact and for this; every segment associated with sector has to be patient full. The clarification by the council of 15% commercial space where it will be treated as residential property is an appreciating move." Yash Miglani, MD, Migsun Group. It can be concluded that the developers are happy with the outcome of the meeting and have a high ray of hopes from it.

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