

GST brings down dodgy deals in property market

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The introduction of the Goods and Services Tax (GST) in property transactions has led to no significant variation in the overall tax outgo, it has eliminated the tax-on-tax system and the number of shady transactions has minimised considerably, bringing in transparency and accountability into the sector.

“End-users have not received a consummate benefit because of the inherent ineffectiveness of the anti-profit-eering provisions. They will only benefit if the base property prices are reduced and developers pass on the tax credits to their customers,” said Anuj Puri, Chairman, Anarock Property Consultants.

While the tax-on-tax has been eliminated with the advent of the GST, the overall outgo from homebuyers’ pockets seems to have increased, considering that even after the passing on of



GST introduction has not led to a significant drop in property prices pan-India, but the tax system is more streamlined

ITC (input tax credit), they may have to pay 3-4 per cent more than in the earlier service tax plus VAT regime.

‘Shady transactions’

“However, shady transactions are definitely reducing to a considerable extent and the cause of bringing more transparency and accountability into the sector is served. Additionally, the input tax credit is a boon to developers

as it aids in bringing down the construction cost,” explained Puri.

But there has not been any significant impact on the ground; introduction of the GST was expected to reduce property prices pan-India, .

“If the stamp duty and registration fees would be subsumed under the GST regime, we will definitely see the overall cost of property purchase come down,” said Puri.

He further said that “GST definitely is reducing developers’ construction cost by negating the morass of double or triple taxation to a more moderate level through input tax credit.”

“Post GST, the sector has witnessed a positive impact. Now, this has distinguished fly-by-night operators from trustworthy developers. Also customer confidence has returned to well-known large developers,” said Anand Narayanan, chief operating officer, Puravankara Ltd.

The road ahead

In line with its ‘One Nation, One Market, One Tax’ philosophy, the GST reform should benefit the Indian economy in the long run.

Puri said that “As the realty sector becomes more streamlined on the back of GST and other landmark reforms such as RERA, investor and consumer sentiments will become more positive and further strengthen the entire system in the future.”