PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

**Financial Express, Delhi**
**Monday, 25th February 2019; Page: 1**
**Width: 40.13 cms; Height: 58.08 cms; a3; ID: 17.2019-02-25.9**

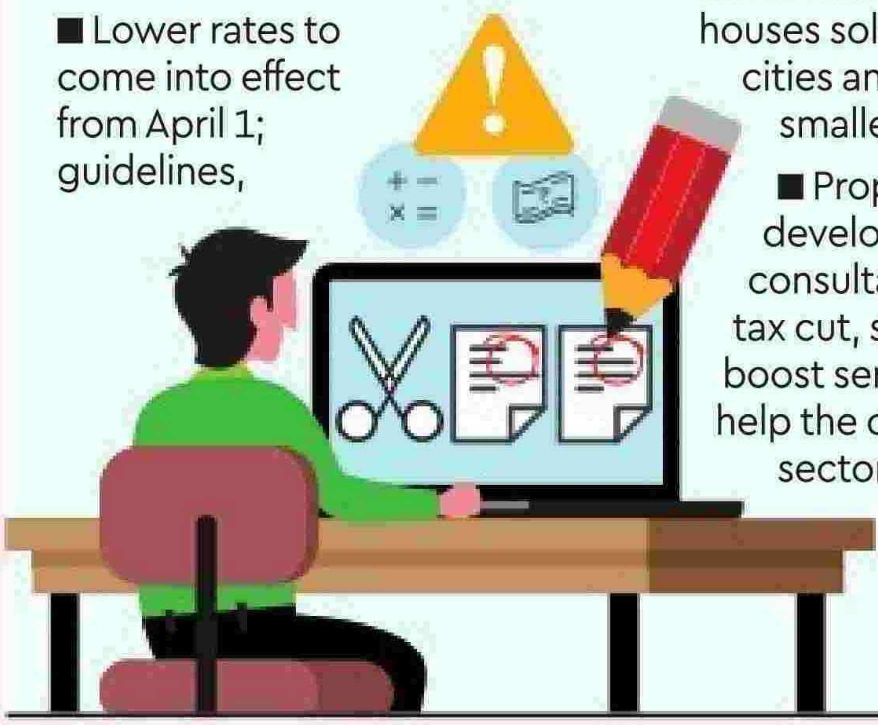
## GOODS AND SERVICES TAX

# Big tax cuts to boost demand for housing

### Rate cut to 5% from 12% for 'under-construction' units, 1% from 8% for 'affordable housing'; with ITC denial, govt still thinks move revenue-neutral

**BRICK BY BRICK**

- Developers have to necessarily procure at least 80% of inputs (excluding capital goods) from GST-registered dealers; officials might even hike this limit, says FM
- Lower rates to come into effect from April 1; guidelines, including for transition, to be ready by March 10
- Affordable housing definition changed to include more units; to cover nearly a third of houses sold in Tier-I cities and 95% in smaller cities.
- Property developers and consultants hail the tax cut, saying it will boost sentiments and help the cash-starved sector in clearing around 6 lakh unsold homes



**FE BUREAU**
New Delhi, February 24

**IN WHAT COULD** provide a stimulus to the labour-intensive construction industry that has long struggled to get back to the grind, the Goods and Services Tax (GST) Council on Sunday approved reductions in the tax rates for 'under-construction residential units' — to 5% from 12% for the general category and to a much more benign 1% from 8% for units falling under a new definition of 'affordable housing'.

The Council, however, referred a proposal to bring uniform rate for state-run and state-sponsored lotteries back to a ministerial panel for further deliberations as a consensus remained elusive.

The lower GST rates for housing units will come with denial of input tax credit (ITC) to the builders, and will be applicable from April 1. Also, to address the concerns over the developers turning to unregistered units to source inputs since ITC is not available, the council made it mandatory for them to procure 80% of the inputs from GST-registered enterprises. Also, capital goods won't be included under the definition of inputs to ensure that expensive machinery purchases are not used to meet the condition easily.

While the rate for regular housing will remain the same throughout the country, the Council decided that houses in metro areas that are up to 60 sq metres in carpet area and costing not more than ₹45 lakh will qualify for the 1% GST rate. For non-metro areas, the qualifying criteria for affordable housing are carpet area of 90 sq metres and cost of ₹45 lakh. The metro areas would include Delhi and adjoining regions of national capital, Mumbai and its metropolitan region, Bengaluru, Chennai, Hyderabad and Kolkata.

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**Monday, 25th February 2019; Page: 1**
**Width: 39.71 cms; Height: 37.76 cms; a3r; ID: 17.2019-02-25.9**

# GST: Big tax cuts to boost demand for housing

FOR GST applicability on affordable housing, currently there is no valuation threshold and the calculation of carpet area varies from project to project.

Finance minister Arun Jaitley said the guidelines for new rates — which would also include the transitioning for builders who have paid taxes and availed ITCs as per current rates and laws — would be finalised by March 10. The minister said the the new rates are revenue neutral even as it would provide fillip to the real estate sector that has witnessed sluggish growth and piles of unsold inventories. A source said that the new rates would cover nearly one-third of all houses sold in Tier-I cities while it would cover 95% of those sold in smaller cities.

Some states had raised concerns that stopping ITC would allow developers to indulge in cash transactions from unregistered sellers leading to evasion. The Council sought to plug the loophole by making it mandatory for developers to procure 80% of inputs from GST-registered suppliers. "The officials will decide whether the cap should be 80% or higher," Jaitley said.

"The combination of the increase in the threshold in order to be termed as affordable housing together with the lower rate of 1% could lead to significant upswing in demand," MS Mani, partner, Deloitte India, said. He added that the transition provisions affecting under construction apartments where some payments have already been made, need to be seen to ensure that the benefits are passed on to buyers who have already booked apartments. Pratik Jain, partner and leader, indirect tax, PwC India, said, "Developers would need to increase the base price to recover the loss of input credit but would need to be cautious given the surge in anti profiteering investigations for restaurants, in similar circumstances. Also, it was mentioned that the new rates are likely to come with a condition that majority of purchases would need to be from GST registered vendors. Therefore, monitoring the compliant vendor ecosystem would continue to be critical for industry."

Chandrajit Banerjee, director-general, CII, said, "it more than meets the expectations of the real estate sector and will go a long way towards addressing the needs of home buyers".

Under-construction units are those for which completion certificates have not been issued.