

BW SMARTCITIES

No impact on property prices post GST

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The Government's GST initiative over the past year has helped streamline the tax administration by bringing more transparency in our taxation system. As expected with any game-changer of this magnitude, the initial few months were fairly disruptive not only for the industry, but for the consumers as well as Government authorities. Confusions ranging from filing returns up to the recent requirement of e-way bills have kept GST in the limelight. However, it did have positive rub off for consumers as the rates on numerous items were brought down from 28 per cent to a more reasonable mean of 18 per cent.

We are confident of its benefits in the long run if the Government clarifies a few issues faced by our industry. Specifically, with regards to the abatement of land costs, clarity is required on the abatement available for the land cost for calculating service tax on under-construction projects. This will have a major implication on the

final prices because if the cost of land is 10 per cent of overall project, there is a possibility of stagnant final costs. However, in major metropolitan cities of India, the land cost is almost 50-60 per cent of the total costs, so apartment prices might rise here. High land prices still remain a major obstacle in making real estate an affordable commodity in the true sense.

One more area that will further strengthen GST's long-term impact is attention to stamp duty. It continues to remain in force even after its implementation and the rates are varying for different states. The additional burden on the sector on account of the stamp duty averages 5-7 per cent. We hope that state governments abolish the same or merge with the existing GST rates which will further help bring down the cost of apartments.

GST has provided some cushion to under construction projects and marginally brought down prices for affordable housing owing to the input tax credits, but we are yet to see a significant impact in the mid-sized or luxury space. At present consumers can avail benefits only on those projects which are nearing completion or completed post implementation of GST. For most projects the benefit may not exceed 5 per cent of the overall construction cost.

It is important that the Government engages with stakeholders to address their concerns and work in harmony to bring more clarity for the sector that in turn can substantially contribute to the 'Housing for All by 2022' mission.

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