

Builders' body Credai to meet FM on GST: The ET Realty

Confederation of Real Estate Developers Association of India (Credai), an umbrella body of leading Indian builders, has sought a meeting with finance minister Arun Jaitley to get clarity on the incidence of Goods and Services Tax (GST) on the industry. Developers want the sector to be either kept outside the purview of GST like petroleum, liquor and tobacco or offset the GST that is levied during construction against the tax paid by buyers.

Arguing the former case, builders point out that properties are immovable assets and not service. "Also, if GST is levied on the sector along with stamp duty and registration fee, it will push prices up by 18%, taking the overall tax to 23%. That will be a killer blow for affordable housing," said Credai national president Getamber Anand.

He was voicing the industry's concern at Natcon 2016, the annual convention of Credai that was hosted in Shanghai by the Bengal chapter from August 3 to 5.

The passage of GST bill in Parliament, viewed among one of the most significant legislation since Independence, has led to a lot of euphoria with India Inc hailing the unified tax structure. But the real estate industry's concern stems from the fear of a possible double taxation on transactions made in under-construction properties.

"If developers don't get input credit, the cost will be passed on to customers. That will increase cost and constrict demand further. We have to study the fine print and are in the process of engaging top tax professionals to advise us before we take it up with the finance ministry," said Credai national vice-president Harsh Vardhan Patodia.

The levy of service charge on under-construction flats has already been challenged in Delhi high court. The petitioners have argued that if stamp duty is being paid on the basis of it being an immovable asset, how can a service tax be levied. The court has sought a clarification on the matter.

Incidentally, service tax was not applicable on affordable housing of 30 sq metre in metro cities and 60 sq metre in non metros.

Credai officials also want stamp duty to be rationalized to provide a much-needed growth impetus to the sector and meet the demand shortage. "Stamp duty should be 2% for low cost housing (less than Rs 50 lakh) and 5% for the rest. Only then can we meet the demand target of 6 crore houses," said Credai chairman Irfan Razack.

At present, stamp duty varies from 5% in Maharashtra to 13% in Kerala. In Bengal, stamp duty and registration together amounts to 8.1%. "The fallout of the global recession of 2008 continues to plague the industry. There is a need for special measures to give the sector the desired impetus. Rationalizing duties and taxes will be of great help," said Credai Bengal president Sushil Mohta.

(The correspondent was in Shanghai on invitation of Credai)