

THE EXPERTISE COMMENTS ON GST



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Q. What will be the impact on real estate with the implementation of RERA and GST?

A. RERA aims to regulate the unregulated sector and bring some discipline to check the project delays and unfulfilled promises from developers. GST aims to rationalize tax structure and bring uniformity in prices, which is expected to benefit both the developers and the end users, the home buyers. The real estate developers need to pass on the benefit to the consumers. With the coming of the RERA and GST, the real estate sector in India is likely to see some serious changes. GST will simplify the earlier complicated tax structure. Reduce costs for developers by way of input tax credit. Buyers will benefit from the input tax credit, by way of paying GST on lesser amount. Affordable housing will get a push and we can expect more projects being launched under such schemes. Stamp Duty & Registration charges will be applicable for all types of properties and remain unchanged. With better regulations like RERA and GST coming into force, we can expect better transparency, management and increased buyer confidence in Real Estate sector. Although RERA tries to bring in more transparency and GST will lead to an ease of doing business, the twin policies are the likely to usher in a new India.

Q. How is the GST going to help customers or buyers?

A. **IMPACT ON BUYERS:** There will be more accountability and compliance from the developer's end as RERA renders brokers, agents and developers punishable if they do not comply and abide by the regulations. ■ Home buyers who use the services of real estate agents or brokerage firms will be protected. Under RERA, agents and brokerage firms will have to ensure that they are duly registered with the Regulator. They will be accountable for their business activities and practices. ■ Each state will have regulatory bodies as appellate tribunals to resolve disputes between builders and buyers within 60 days. Once the pending complaints get resolved, and we have the systems in place, we are sure that the future complaints will reduce in number. ■ The push towards timely delivery is possibly the biggest benefit for homebuyers because non-delivery of projects has been a major concern. ■ The buyers who have invested in real estate projects can secure interest at SBI lending rate + 2% per annum for delayed possession. ■ The buyers will be in a better position to seek softer loan terms from the lenders now. As of now when the home loan interest rates have come down to 8.35% p.a., the eligibility of buying a property has gone up.

IMPACT ON BUILDERS: All residential and commercial projects developed over land exceeding 500 square meters or eight units have to be registered with the Regulator before the project launch. ■ The developer has to clearly mention carpet area also along with a super area in builder-buyer agreements. They are also liable to undertake repairs of structural defects for five years now! ■ 70 percent of funds for a project received from customers will be held in a dedicated escrow account. This will be used exclusively for that specific project, speeding up work and ensuring timely completion. ■ Only the organized players, which are cash-rich, will be able to survive. The approval process for the projects will decrease. Moreover, any new project launched will have to be RERA approved and the developers will need the RERA license to start the project. ■ The new project launches will reduce, but this is a positive aspect for the builders. As the supply will be less, the supply chain gap will be recovered. ■ The competition will decrease. Homebuyers who earlier have been only focusing on price will now look at the brand, quality of product, location.

Q. Is real estate kept out of GST? What are the latest updates on that?

A. Real estate sector, and with GST, it will shift into the better and brighter form. Apart from that, we are likely to be looking towards a unified and more transparent market which is more predictable (in a good way) than before. With increase in predictability and transparency, efficiency and ease of doing business will increase and the supply chain will function smoothly. Tax management and compliance costs are expected to go down. In the long run, we can expect the burden of taxes in the real estate market to go down too.

Q. Is there any benefits of GST to Real Estate Sector? How?

A. The Real estate sector has been under heavy taxes in many ways due to the impact of multiple taxes on various products which go into completion of an apartment or a villa. But with the implementation of GST, it has simplified the rate into a single rate of 12%, due to involvement of combination of products and labour (which combined VAT & Service tax, earlier). As such, presently, the sale of land and buildings (fixed assets) has been kept out of the ambit of GST but it is likely to be taxed within in the near future. Construction of land and building will benefit from the rates declared for all major materials like cement, sand, bricks, and steel, etc. under the GST. The completed homes and apartments are placed under the slab of 12% taxation. Along with these, the builders have to pay less GST for inputs such as steel, cement and paints and credit of taxes will be allowed. This will lower the price of the raw materials and cut down the prices of real estate properties by approximately 5%.



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