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GST roll out evokes a mixed industry response

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Rolled out on July 1, Goods and Services Tax (GST) has been one of the biggest indirect tax reforms touted to transform India's realty sector. However, as the Act is still in its nascent stage, several speculations have surfaced. Clarifying the ambiguities, [99acres.com](https://www.99acres.com) shares expert opinion on how the inclusion of property market under a higher tax rate of 18 percent will impact real estate prices.

After Real Estate (Regulation and Development) Act, 2016 (RERA), GST is one of the biggest reforms set to change the realty landscape of the country. Eliminating the ambiguity associated with various taxes such as excise tax, service tax and Value-Added Tax (VAT), and subsuming all the taxes into one, the Act is anticipated to be a revolutionary step. However, industry opinion stands divided over the new ruling.

While some developers anticipate a price hike as the real estate sector has been assigned a higher tax rate of 18 percent from the previous 15 percent, others are certain that the Act will reduce property rates with the introduction of input tax credit which will

prevent developers from passing the higher construction cost to the end-consumer. Holistically, whether GST will make properties cheaper or will shift the burden of increased cost on end-consumers remains unanswered.

Let's take a closer look at industry opinion.

Dharmesh Jain, Chairman and Managing Director, Nirmal Lifestyle



Prior to the implementation of Goods and Service Tax, builders and home owners had to pay heavy taxes, like service tax, VAT, entry tax, customs duty, excise duty and many other charges. With the enactment of Goods and Service Tax, the real estate sector will incorporate all indirect taxes under one consolidated tax thus bringing transparency and ease of operation in all property deals. Since real estate sector is the second largest employer in the country it will also generate employment at a larger scale.

Amit Ruparel, Managing Director, Ruparel Realty



The uniform GST encompasses the entire ambit of taxation, removing the ambiguity pertinent to various taxes. This definite tax trail will permit higher supervision and control which will not only benefit homebuyers but the industry at large. GST coupled

with RERA will aid transparency in this sector and further boost buyer confidence. The streamlining of taxes will enhance India's attraction for foreign investment. Customers, as well as other stakeholders, will require some time to fully understand the implications of GST. Post GST conversations will hopefully provide more clarity.

Vidip Jatia, Director, Belmac



Good and Simple Tax is going to be a revolution for the Indian Economy. Areas, where double taxation used to be levied, are gone. There is still clarity required for various industries due to the complexity of operations however holistically the economy is set for a much more clear tax regime which will have compounding impact on the future growth of the country.

Amarjit Bakshi, Managing Director, Central Park



GST is another revolutionary step taken by the government to simplify taxation and this will augur well for the real estate industry. The removal of multiple taxes and the introduction of a fixed tax rate of 12 percent will bring more transparency in the cost of construction projects. The benefit of increased input tax credit now available to developers could result in property prices going down marginally. Overall, the simplified tax structure along

with RERA will be instrumental in instilling consumer confidence and boosting demand in the sector.

Rajeev Dimri, Leader, Indirect Tax, BMR & Associates LLP



As we embark on a fresh journey for implementing a new Indirect tax regime in India, this day will go down in the books of history and the entire nation will be a part of that chapter. The discussions which were initiated in the closed walls of the Indian Parliament will now have a massive, and expectantly positive impact on the entire Indian economy. The Goods and Services Tax ('GST') is about to transform the way in which India does business and the way entire globe deals with India Inc.

While some sections of the trade may not be in a celebratory mood, we need to be cognizant of the fact that every stupendous change in history has been met with strong resistance in one way or another. One cannot expect that a mammoth change like this will not make few people anxious or restless. It would also be appropriate to keep in mind that any policy or law that has come into being is not perfect and free from any lacunas on day one of its coming into force. Similarly, with the joint effort of the trade, legislature, and bureaucracy, even the GST law will evolve with time in a direction which would hopefully bring the country closer to a perfect GST.

Rohit Kapoor, Executive Director and Chief Operating Officer for EFS Facilities Services (India) Pvt. Ltd



GST is a paradigm shift and will take a couple of quarters for companies to stabilise and get used to the new regime. The actual benefits in many sectors may not be apparent in the medium term (1 to 3 years). It is expected that GST will create a positive atmosphere for value addition and creation, with a single window tax clearance system.

Also, post implementation, the various dimensions and aspects of Centre-State implications for the industry will slowly start to emerge. From a finance perspective, the entire industry will have to bear an initial period of steep learning curve and adjustments while adopting the new system. A lot of data verification, inputs, and cross calculations lie ahead as a onetime exercise for the industry.

There will be an initial cost for GST compliance (manpower and resources) that companies will have to bear. Companies can choose to either bear it themselves, or pass on the cost to their customers, which might raise the cost of services in a few industries. As of now, the services sector is working with the guidance of 18% tax rate, which represents an increase of 3% over the previous rate of 15%. While this may result in slightly higher overall prices, there is a possibility that the benefits of input tax credits may be shared with clients, though this would be at each company's discretion.

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