



CREDAI
AFFORDABLE HOUSING COMMITTEE PRESENTS

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Impact Of GST on Affordable Housing along with Recent Amendments and Important conditions.

Introduction:-

In May 2018, the present government will enter the last year of its tenure, and the ambitious mission of 'Housing for All by 2022' will complete four years of its existence. To achieve this mission, several schemes have been launched since 2014.

Affordable housing got one major boost from the government as the GST Council in its 25th meeting, held on 18 January 2018, the (GST) Council recommended rationalization of GST rates on various goods and services. The list included affordable and low-cost housing. The council's recommendations were accepted and included in the official gazette on 25 January 2018. Now GST would be charged at 8% on the total value of under-construction properties, which would be 4 percentage points less than the earlier effective rate of 12%.

Recommendations made by the GST Council on 18-01-2018

- ❑ **Recommendation No-1:-** To extend the concessional rate of **GST of 12% (effective rate of 8%)** after deducting one third of the amount charged for the house, flat etc. towards the cost of land or undivided share of land, as the case may be) in housing sector to construction of houses constructed/ acquired under the (CLSS) for EWS/ LIG /MIG-1/MIG-2 under the Pradhan Mantri Awas Yojana (Urban).
- ❑ **Recommendation No-2:-** The benefit of concessional rate of GST of 12% (effective GST rate of 8% after deducting value of land) applicable to houses supplied to existing slum dwellers under the in-situ redevelopment of existing slums using land as a resource component of PMAY may be **extended to houses purchased by persons other than existing slum dwellers also.**

Recommendations made by the GST Council on 18-01-2018

- ❑ **Recommendation No-3:-** To include houses constructed for 'Economically Weaker Section (EWS)' under the Affordable Housing in partnership (PMAY) under the concessional rate of GST of 8% (effective rate after deducting value of land). This will support construction of houses up to 30 sqm carpet area.

- ❑ **Recommendation No-4:-** The benefit of concessional rate of GST of 12% (effective GST rate of 8% after deducting value of land) applicable to houses supplied to existing slum dwellers under the in-situ redevelopment of existing slums using land as a resource component of PMAY may be **extended to houses purchased by persons other than existing slum dwellers also.**

Recommendations made by the GST Council on 18-01-2018

- ❑ **Recommendation No-5:-** To extend concessional rate of 12%(Effective rate 8%) to services by way of construction of low-cost houses up to a carpet area of 60 square metres per house in an affordable housing project which has been given infrastructure status vide notification of Ministry of Finance, Department of Economic Affairs vide F. No. 13/6/2009-INF, dated the 30th March, 2017.

- ❑ **Definition of Affordable Housing as per aforesaid notification is as under-** Affordable Housing” is defined as a housing project using **at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI)** for dwelling units with carpet area of not more than 60 square meters.

- ❑ **“Carpet Area”** shall have the same meaning as assigned to it in clause (k) of section 2 of the Real Estate (Regulation and Development) Act, 2016.

Recommendations made by the GST Council on 18-01-2018

- ❑ **Recommendation No-6:-** To give exemption to leasing of land by Government to Governmental Authority or Government Entity. Also, any sale/lease/sub-lease of land as a part of the composite sale of flats has also been exempted from GST. Therefore, in effect, the Government does not levy GST on supply of land whether by way of sale or lease or sublease to the buyer of flats and in fact, gives a deduction on account of the value of land included in the value of flats and only the value of flat is subjected to GST.
- ❑ **Web link:-** GST Council Recommendations dated 18-01-2018 <http://www.cbec.gov.in/resources//htdocs-cbec/press-release/Press Note Housing Sector.pdf>
- ❑ **Web link :-** Amendment Notification dated – 25-1-2018:<http://www.eepcindia.org/download/180129123119.pdf>

Developers of Affordable Housing should not charge any GST to the end customers:- Law or Guideline?

- ❑ **On 7th Feb 2018**, with a view to mark their inclination Ministry of Finance have issued a statement suggesting that the developers of affordable housing should not be charging any GST to the end customers. This is proposed stating that the deficit can be easily met by the rebates on taxes that the developer shall earn while procuring goods.

- ❑ The finance ministry further clarified that most affordable housing projects attract a 12% GST, the effective rate of which falls to 8% after adjusting for the cost of land, which is not subject to GST. Only the value of the house, excluding land, is taxed under GST. Equipment deployed in construction such as capital goods are taxed at a higher rate of 18% or 28%. So, the builder or developer would have enough input tax credit in his books to pay the out-

put GST, in which case, hence they should not recover any GST payable on the flats from the buyers.

- ❑ The ministry further went to say that the developers can only claim GST, if the valuation of the input credit clearly outweighs the outflow which the ministry is of the view is not going to happen or GST can be recovered from buyers only if builders recalibrate the cost of the flat after factoring in the full ITC available in the GST regime and reduces the ex-GST price of flats.

- ❑ In the statement they once again drew attention to the fact that developers have to diligently follow the anti-profiteering principles laid down under Section 171 of the GST Act.

IMPORTANT FAQs in relation to GST for Affordable Housing

Question 1:- What are the conditions to be fulfilled to be eligible for 8% GST?

Reply:-

i) Effective rate-8% will be applicable to the construction of houses constructed/acquired under the Credit Linked Subsidy Scheme (CLSS) for EWS/ LIG/MIG-1/MIG-2 under PMAY-(Urban).

Example- A flat purchaser who receives subsidy under CLSS (EWS,LIG,MIG-1,MIG-2) will get this benefit irrespective of fact that housing project is affordable housing or not.

ii) Effective rate of 8 % GST will be applicable to services by way of construction of low cost houses upto a carpet area of 60 sq.m in a housing project which has been given infrastructure status under Notification No.13/06/2009 dated March 30, 2017

Scenario 1- 8% GST Applicable

Total FAR in a housing project - 10000 sq.mtrs

Out of above total FAR, 6000 sq.mtrs has been utilised for building units below carpet area of 60 sq.mtrs and rest of the units are above 60 sq.mtrs

In this scenario 8% GST will be applicable for all units which are below 60 sq.mtrs (carpet area) in the said housing project. And 12 % will be applicable for remaining units which are above 60 sq.mtrs.

Examples 2- 8% GST Not Applicable

Total FAR in a housing project - 10000 sq.mtrs

Out of above total FAR, only 4000 sq.mtrs has been utilised for building units below carpet area of 60 sq.mtrs and rest of the units are above 60 sq.mtrs.

In this scenario GST applicable for all units in a housing project will be effective 12 % and not 8% as it does not confine to criteria of Affordable Housing project definition **(But purchasers getting CLSS in this project will be eligible for 8% GST).**

Question No.2:- What is Criteria for a housing project to be called as Affordable Housing?

Reply :-

Ministry of Finance by Notification bearing no-(F.No.13/6/2009- INF) dated – 30 th March 2017 has defined Affordable Housing.

Definition of Affordable Housing as per aforesaid notification is as under- Affordable Housing” is defined as a housing project using at least 50% of the Floor Area Ratio (FAR)/Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters.

Therefore, If your project fulfils criteria as per definition of “Affordable Housing” mentioned above then such project can be called as Affordable Housing project.

Question No.3:- Is there any requirement of any certification from any authority to tag whether particular housing project is a Affordable Housing project?

Reply:- No, As on date there is no requirement of any certification by any authority for such tag. If project fits into criteria/condition as per definition of “Affordable Housing project” as defined by Ministry of Finance then such project is self-proclaimed to be Affordable Housing project and thus can avail benefit of 8% GST for houses below 60 Sq.mtrs.

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