



## **J .V .VASANI & Co** **CHARTERED ACCOUNTANTS**

### **GST FOR REAL ESTATE DEVELOPERS**

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# Introduction of changes made in GST for Real Estate Developers



- GST Council in the 34th meeting held on 19th March, 2019 has approved a **transition plan for**
- **5% rate on under-construction flats** and
- **1% on affordable housing**  
and has also increased the carpet area of flats under the affordable housing.

➤ Definition of the affordable housing has also been expanded for the purpose of availing of GST benefits. Reduction in the GST rates is only for the residential projects and not for commercial projects.

➤ Another important decision taken was to treat the projects **upto 15% commercial** space as the residential property

# Generic Condition for Applicability of New GST Rates

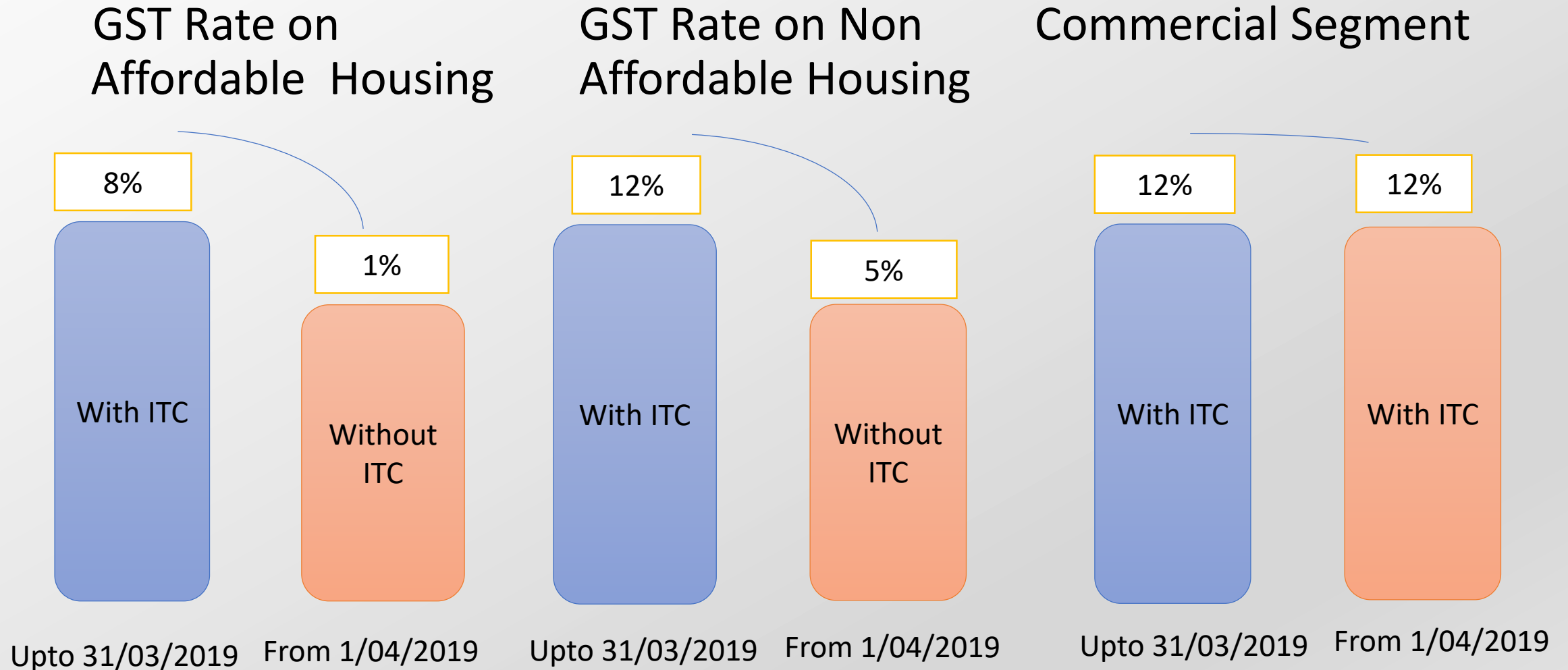
## Purchase from Registered Person

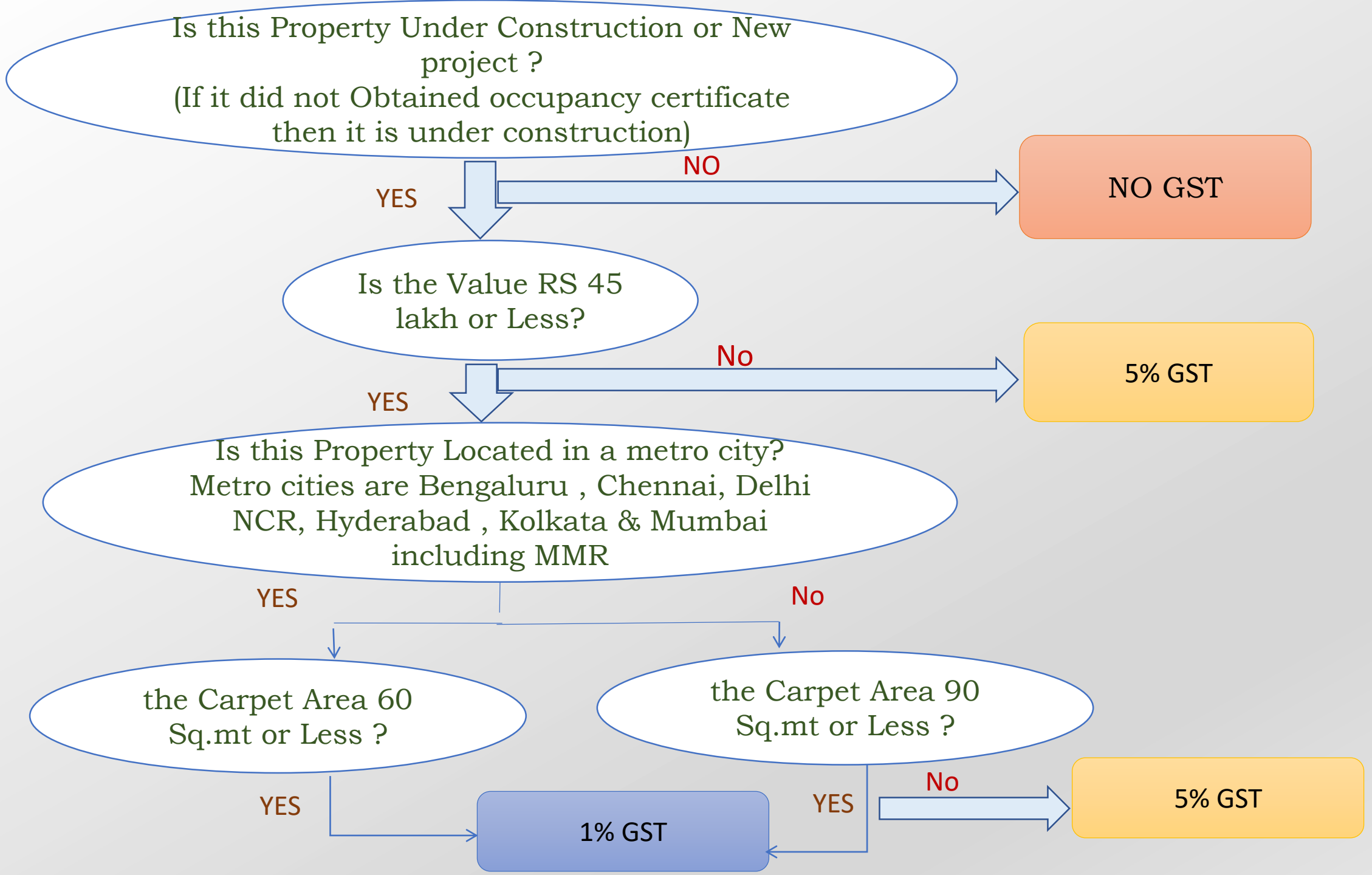
- Builders need to purchase **atleast 80%** of inputs and input services from the registered persons.
- Input and input services do not include purchase of capital goods, JDA (Joint Development Agreements)/TDR (Transferable Development Rights), FSI, long-term lease (premiums)

## Purchase from Unregistered Person

- If there is a shortfall in meeting in the above condition of 80% purchase of input and input services from the registered persons than the builder shall be liable to pay tax at 18% on reverse charge mechanism (RCM) basis on shortfall.
- However, builders need to pay tax on cement purchased from unregistered persons at 28% under RCM and on capital goods from unregistered under RCM at applicable rates

# Brief of New Rate Applicable from 01/04/2019





# Ongoing Residential Projects

➤The builders have been given a one-time option to continue to pay tax at the old rates where the effective rate on affordable and other than affordable housing segment was 8% and 12%, respectively, and input tax credit was also available. This option is available only for the ongoing projects as follows

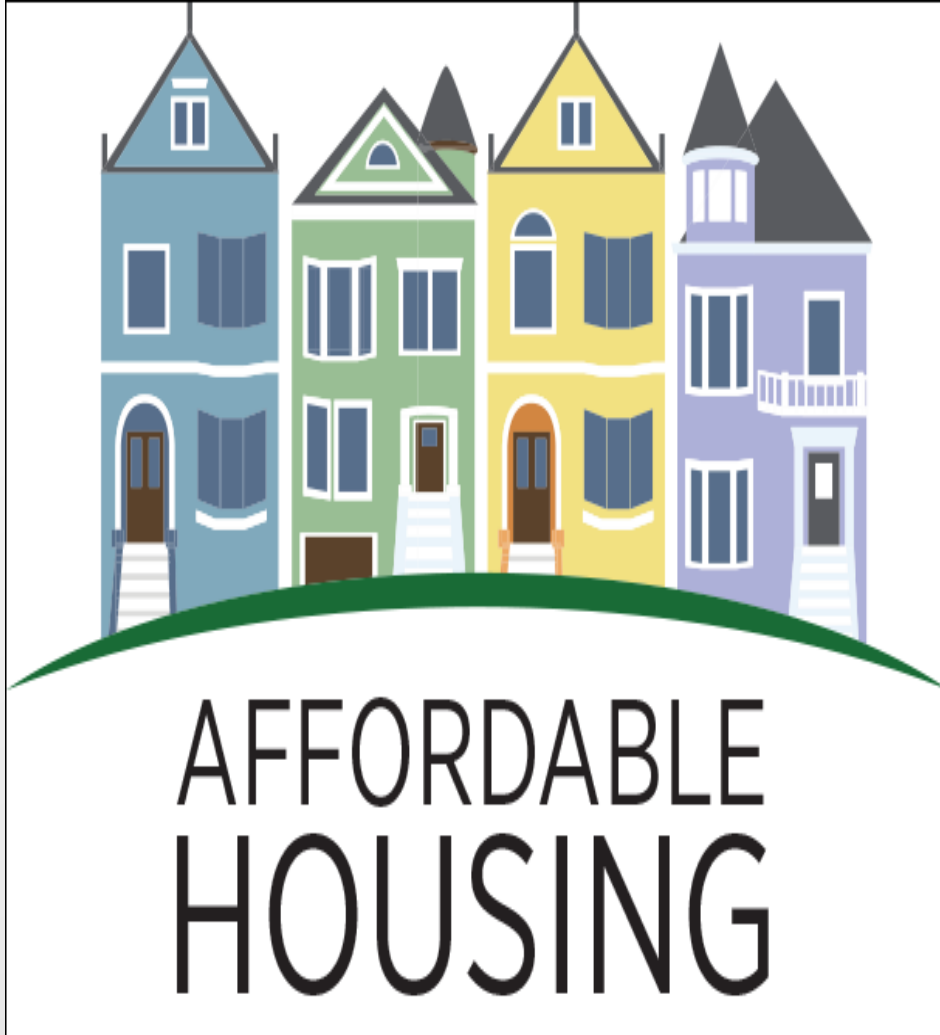
Constructions have started before 1st April, 2019 and

Actual bookings have started before 1st April, 2019 and

the project have not been completed by 31st March, 2019

➤This option of going with the existing rates needs to be exercised before 31st March, 2019 and if the option is not exercised **within the prescribed time frame i.e. 20<sup>th</sup> May 2019 then the new rates shall apply.**

# Affordable Housing



*Rate* - New GST rate shall be 1%

*ITC* - Input tax credit shall not be available

➤ **New Projects** - All houses which meet the definition of affordable houses having an Carpet area **of not more than 60 sqm in Metros** and **90 sqm in non-metros**, respectively, and the value of the house should also not be more than **Rs. 45 lakhs**

➤ **Ongoing Projects** - Affordable houses being constructed under the existing Central and State housing schemes where the existing concessional rate of 8% GST is applicable



# Meaning of Affordable residential apartment



## A Residential Apartment in a Project



Having carpet area not exceeding **90 square meter** in cities or towns other than metropolitan cities or **60 square meter** in metropolitan cities

which the gross amount charged is not more than **Rs. 45 Lakhs**



- ❑ Metropolitan cities are Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of MMR).
- ❑ Rs. 45 Lakhs shall include Consideration charged for the services, Amount charged for the transfer of land or undivided share of land, as the case may be including by way of lease or sub lease; and Any other amount charged by the promoter from the buyer of the apartment including preferential location charges, development charges, parking charges, common facility charges etc



## Other Than Affordable Housing (Carpet area more than 90 square meter in cities or 60 square meter in metropolitan cities)

*Rate* - New GST rate shall be 5%

*ITC* - Input tax credit shall not be available

### Ongoing Projects

- All houses other than the affordable houses in ongoing projects whether booked prior to or after 1st April, 2019.
- In case of the house is booked prior to 1st April, 2019, new rates shall be applicable only on instalments payable on or after 1st April, 2019
- Ongoing projects where the construction and booking both have started before 1st April, 2019 and have opted for new tax rates shall transition the input tax credit (ITC) as per the prescribed method

- ITC for the entire project shall be arrived at by extrapolating the ITC taken on basis of the percentage of completion as on 1st April, 2019. Eligibility of ITC shall be determined on basis of the percentage of booking of flats and invoicing done
- Therefore, on *pro-rata* basis the ITC credit shall be allowed, *i.e.*, credit in proportion to booking of the flat and invoicing done for the booked flat.

### Example of Credit to be Reversed:

Particular	Amount
Total estimated/projected construction	10 Crores
Booking done/Amt received	6 Crores
Total credit taken till now	1 Crores
<b>Credit to be reversed (6crores/ 10 Crores) *100= 60% ( 1 Crores * 40%)</b>	<b>40 Lakhs</b>

**Balance if any, after reversal of credit, to be paid in Return of the Month of September**

## Specific Condition For Applicability of New GST Rates

- The new tax rates shall be applicable on all the new projects along with the ongoing projects which have not exercised the above option and will have to pay the tax under the new regime w.e.f 1st April, 2019

# Commercial Apartments

- **New rate of 5%** shall also be applicable on commercial apartments such as shops, offices, etc, which are constructed in the resident real estate projects provided the carpet area of commercial apartments **is not more than 15% of total carpet area of all the apartments.**

## **Example:**

Say total carpet area of residential houses of all the buildings are 1,00,000 sq fts then commercial area of all building should not exceed 15,000 sq fts

# Commercial Apartments (No change in Rate)

- *Rate* - GST rate shall remain at 12%
- *ITC* - Input tax credit shall available
- *Applicability* - All new or ongoing projects which consist of 100% commercial apartments such as shops, offices, etc

## DISCIAMLER

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