



## GST rate on Real Estate Sector w.e.f. 01.04.2019

Decisions taken by the GST Council in the 34<sup>th</sup> meeting held on 19.03.2019

Subject Matter	Particulars
Option in respect of ongoing projects	1 Builders shall be given a <b>one -time option</b> to continue to pay tax at the old rates (8% or 12% with ITC) on ongoing projects.
	2 Ongoing projects means buildings where construction and actual booking have both started before 01.04.2019, which have not been completed by 31.03.2019
	3 The option shall be exercised once within a prescribed time frame and where the option is not exercised within the prescribed time limit, new rates shall apply.
	4 Prescribed time frame shall be notified shortly.
New tax rates	<b>1% Rate without ITC for affordable houses shall be available for:</b>
	1 Houses which meet the definition of affordable houses as decided by GST Council (Area 60 sqm in non- metros / 90 sqm in metros and value upto ₹ 45 lakhs), [Note : Ahmedabad is a metro city and criteria for 90 Sq. Mtr. Shall be applicable] &
	2 Affordable houses being constructed in ongoing projects under the existing central and state housing schemes presently eligible for concessional rate of 8% GST (after 1/3 <sup>rd</sup> land abatement)
	<b>5% Rate without ITC shall be available for:</b>
	1 All houses other than affordable houses in ongoing projects whether booked prior to or after 01.04.2019
	2 All houses other than affordable houses in new projects
	3 Commercial apartments such as shops, offices etc. in a residential real estate project in which the carpet area of commercial apartments is not more than 15% of total carpet area of all apartments
	<b>Conditions for the new tax rates:</b>
	1 Input tax credit shall not be available
	2 80% of inputs and input services (other than capital goods, TDR/ JDA, FSI, long term lease (premiums)) shall be purchased from registered persons
3 On shortfall of purchases from 80%, tax shall be paid by the builder @ 18% on RCM basis. However, Tax on cement purchased from unregistered person shall be paid @	



	28% under RCM, and on capital goods under RCM at applicable rates
<b>Ongoing projects opting for the new tax rate</b>	<ol style="list-style-type: none"> <li>1 The transition formula approved by the GST Council, for residential projects extrapolates ITC taken for percentage completion of construction as on 01.04.2019 to arrive at ITC for the entire project</li> <li>2 Then based on percentage booking of flats and percentage invoicing, ITC eligibility is determined</li> <li>3 The detailed provision is be expected to shortly.</li> </ol>
<b>Treatment of TDR/ FSI and Long term lease</b>	<ol style="list-style-type: none"> <li>1 Supply of TDR, FSI, long term lease (premium) of land by a landowner to a developer shall be exempted subject to the condition that the constructed flats are sold before issuance of completion certificate and tax is paid on them</li> <li>2 Exemption of TDR, FSI, long term lease (premium) shall be withdrawn in case of flats sold after issue of completion certificate, but such withdrawal shall be limited to 1% of value in case of affordable houses and 5% of value in case of other than affordable houses</li> <li>3 The liability to pay tax on TDR, FSI, long term lease (premium) shall be shifted from land owner to builder under RCM</li> <li>4 The date on which builder shall be liable to pay tax on TDR, FSI, long term lease (premium) of land under RCM in respect of flats sold after completion certificate is being shifted to date of issue of completion certificate</li> <li>5 The liability of builder to pay tax on construction of houses given to land owner in a JDA is also being shifted to the date of completion.</li> </ol>
<b>Amendment to ITC rules</b>	<ol style="list-style-type: none"> <li>1 ITC rules shall be amended to bring greater clarity on monthly and final determination of ITC and reversal thereof in real estate projects</li> <li>2 The same would be given effect to through Gazette notifications/ circulars which alone shall have force of law</li> </ol>