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GST effect: Will the dream of affordable housing in Mumbai turn expensive now?

— By Jescilia Karayamparambil | Jul 01, 2017 01:05 pm

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Mumbai: The dream of an affordable house this year came closer to reality for buyers when Prime Minister Narendra Modi announced additional subsidy on the rate of interest for home loans. But now with the new GST regime, families will have to shell out a little extra to achieve their dream.

The GST law has proposed to tax sale of under-construction real estate property at 12%. However,

on the total sale value, in addition to the stamp duty levied around 6% on sale value, the tax burden is likely to increase to 18%, thereby hugely impacting cost of property. "This slab will impact affordable housing segment in a big way," said Parveen Jain, president, NAREDCO.

Jain added that NAREDCO had made a suggestion to the government that land deduction should be allowed under GST law for taxability of the sale of real estate property and GST rate for sale of under-construction property should not be more than 6% on the agreement value. He added that the government has shown interest in addressing issues around the affordable segment but high-end and luxury houses are something that government does not sound keen on.

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Yet another issue that Shree Venkatesh Buildcon, CMD, Ankush Asabe pointed out is that there are many unaddressed issues like input tax on unsold inventory which they hope will be addressed at the earliest. In long run, the rates will increase if the issues remain unaddressed for long.

Rahul Nahar, founder, XRBIA Developers said, "For the short term demand will be subdued. There will be confusion among customers." Nahar stressed that the government should waive stamp duty. He added that once minor issues are resolved, the impact of GST on the real estate sector would be positive.

Jain added that RERA and GST will be a game-changer, only if it is implemented appropriately. Maharashtra and Madhya Pradesh have managed to implement RERA but other states have not been able to implement it fully. Few people associated with real estate sector believe it will take 4-5 months before the tax regime runs smoothly.

As a financier, Ravi Ramu, CEO and MD of VBHC, believes interest income is exempted but other charges like processing fee has seen a rise. "There will be some increase which buyers, contractors and developers have to deal with but this will be for new projects. Ramu added, "In short run, the rates will not increase." One developer said that be it any property, it will sell at higher rates now. But, Ramu feels if the rates rise buyers will stay away.

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