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# Gst Impact On Real Estate Sector

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## ABSTRACT

Indirect tax imposed on goods and services. Goods are subjected to indirect tax till 1993. In 1993, Central government first time brought out proposal for indirect tax on services. However, after many protest, proposal suspended. But after 1999, indirect taxation started on few services. After 2015, service tax have been start in full fledge manner. It is important to define goods and service under indirect taxation. However, in new GST regime Service means whichever is not goods fall under categories of services. Real estate sectors are also combination of Goods and services. Under GST regime, supply point is a point of taxation. In real estate sectors, it is always debatable subject that which included in supply and which exclude in supply. Present time, real estate play vital role and fast growing sector in Indian economy. Under new GST regime, there is special provision for real estate sector in term of taxation so that builder as well as consumer can get benefit. However, real estate service was under indirect taxation but in new GST regime there have been more option to builder as well buyer. This paper focuses GST impact in real estate construction sectors.

## INTRODUCTION

Real estate sectors consist of building, land and building under construction. There have been many point of taxation under in this sectors both direct tax and indirect tax (GST). For example land of sale attract capital gain and attract direct tax under income head of Capital gain. Services of real estate like sale ready flat by builder to buyers attract service which falls under GST. Under new GST regime rate of tax was 12 percent under construction. In addition there was

outside GST if completion certificated has been issues. However, after comprehensive discussion GST council again taken decision to reduced GST rate in March 2019. The rate of tax cut five per cent from twelve per cent for residential property. There has been one percent from eight per cent in case of affordable housing segment. There has not been availability of tax credit in new scheme. In pre-GST regime there was different type of tax on real sector like excise duties, stamp duties, sale tax, central VAT (CENVAT) etc. In addition, there was no ITC available n these taxes. All these ambiguity and crucial procedure have been simplified under new GST regime. All taxes have been subsumed in single unified tax and reduced number of compliances. Stakeholder, like material suppliers, service providers also get benefit in new scheme. So that real sector is not only connected with builders and house buyers also material supplier, service provider, transport agency, professional etc are part of this industry.

## **LITERATURE REVIEW**

As per Agrawal, t. j., & Goyal, c. a. in his study on “ **Impact of GST on real estate and automobiles sector**” describe about reformation of Indian economy after implementation of new GST law. Paper focuses on the impact on various sectors and its allied. Paper made a critical analysis of GST with previous law.

Downs, D. H., Sebastian, S., Weistroffer, C., & Woltering, R. O. (2016) in his study on , “**Real estate fund flows and the flow-performance relationship**” open up various relation with the real estate. Study published in foreign country. Paper emphasized relation of fund flow with other sectors. However, study does not related to tax .

According to Kumar, C. R. (2015) in his paper on, “**GST in Indian Economy: It's Benefits and Impact**” explore about basic concept of GST and it impact. GST benefit to business person as well as consumer inter of reduction of tax rate and compliance burden.

As per Dani, S. (2016) in his paper on , “**A research paper on an impact of goods and service tax (GST) on Indian economy.**” Explain about GST concept in Indian economy. Paper limited to descriptive study. Data taken from published sources.

According to Kumar, V. (2016) in his paper on, “**GST-A boon or a bane for India**” explain about recommended GST model and its benefit. Study published prior to GST era which explore about concept of GST in Indian economy. Paper made analysis between pre GST model i.e. VAT and new GST model.

As per Paramashivaiah, P., & Suresh, B. K in their paper on , “**GST in India: A Study on Benefits and Challenges**” describe about benefit of GST in various sectors like real estate, electric, services sectors etc. study explore about how GST is benefit with previous GST regime.

As per Vij, D. (2018) in his study on, “**A study on GST (Goods and Service Tax): The Way Forward**” describe about futuristic challenge of GST. There are many loophole under new GST law and required to plugged up. Study made comparison among various sectors on the impact of GST

According to Tripathi, S. (2018) in his study on, “**An Analysis Of Goods And Service Tax (Gst) On India’s GDP**” describe GST impact on Indian GDP. There have been positive impact on indina GDP after implementation of GST.

As per Vasanthagopal, R. (2011), “**GST in India: A big leap in the indirect taxation system**” describe about changed in economy during new GST regime. Study explain that there is positive impact on various sectors after implementation of GST law.

## **RESEARCH METHODOLOGY**

### **Research Design**

Study is descriptive and explore knowledge about GST impact in real estate. Study is not quantitative base and not collected data from primary sources. Study based on secondary data which taken from published sources like previous paper, news paper, government website etc. objective of Research design to find out impact of GST in real estate sectors. .

### **Objectives**

- Concept of GST in real estate sectors
- Impact of GST in real estate
- Services of real estate outside from GST law.
- Short coming of GST in real estate and its remedial measure .
- Recommendations and conclusion.

### **Hypothesis**

Hypothesis are selected on the basis of objective of GST impact in real estate sectors.

- There is impact on real estate after implementation of GST.
- There is impact on real estate after implementation of GST.
- There is similarity between previous GST and post GST in real estate sector.
- There is no similarity between previous GST and post GST in real estate sector.

## **CONCEPT OF GST IN REAL ESTATE SECTORS**

Real estate concerned where property purchased with consists of lands and building. Under new GST regime buyers have to pay service tax on real estate property. GST is applicable on under construction that have not received occupied certificate. Rate of tax is from five per cent to twelve per cent on real estate services. However, it allied sectors like cement, steel sand etc have different rate as per decide by GST council. GST council time to time revised rate of GST for benefit of home buyers as well as developers.

## **IMPACT OF GST IN REAL ESTATE**

After introduction of GST number of tax have been removed which also related to real estate sectors like VAT, Octroi tax, sale tax, stamp duties etc. in addition there were not availability of credit under pre-GST regime. But in new GST regime, there is availability of tax credit. Impact of GST in real sectors discussed in subsequent paragraph.

### **Impact on Builders, Contractors and Developers**

Input tax credit was a big issues under pre- GST regime. Developers paid tax like excise duties, VAT etc which credit were not available. As a result same burden pass on to the consumer. In this way consumer paid more value of product due to more tax burden. In addition material supplied for the construction also become costly due to cascading in tax. Under new GST regime, cost of material decreased due to availability of credit.

### **Impact on Stakeholder**

In real sectors labor, material and services suppliers is an important segment which may increased or decreased overall cost of product. For example rate of Cement in pre-GST law was twenty seven to thirty per cent included sale tax and other tax which have been reduced to 18 percent in new GST regime. Similarly rate of GST on sand is five percent, bricks twelve per cent, steel eighteen per cent and rate of marble is twenty eight per cent. In new GST regime, also get benefit due to removing of cascading in taxation.

### **Impact on Buyers**

Buyers are getting benefit after implementation of new GST law. firstly there have been subsumed number of taxes in GST which avoid to cascading of tax. Secondly, there have been reduction of taxes under GST regime like raw material, professional services tax etc which directly benefit to the buyer to reduce overall cost of product. However, under reverse charge mechanism developer can not avail credit and burden of tax passes on the consumers.

## **SERVICES OF REAL ESTATE OUTSIDE FROM GST LAW**

GST brought out simplified in compliance procedure as well as reduction in tax rate. For example GST is one per cent for new affordable housing project, five per cent for ongoing other than housing project and one per cent for commercial project subject to condition floor space shall be less than fifteen per cent of carpet area. However, ITC is not available in this scheme. In addition at least eighty per cent of total value shall be purchase from registered dealer. In GST regime following services are outside from real estate:-

- Grant of development Right.
- Long term lease.
- Floor space index.
- Value of electricity.
- Value of high speed diesel
- Value of Natural Gas.

The promoter should pay GST at eighteen per cent on reverse charge basis on all such inward supplies to the extent short of eight per cent of inward supplies from registered suppliers except cement on which tax has to be paid at twenty eight per cent (if purchased from unregistered persons).

### **SHORT COMING OF GST IN REAL ESTATE AND ITS REMEDIAL MEASURE**

New GST regime have been impact in real estate but there are some challenges ahead in the way of real estate sectors. There are complexity in filling of return which make complication in business process. In new GST regime , there is availability of tax credit but still ambiguity in sale of value of land, raw material purchased from dealers and under reverse charge mechanism. In the situation of delay on project will be lead more compliance as well as huge penalty in case of non-compliances.

### **RECOMMENDATIONS AND CONCLUSION**

Indian GDP depends upon many sectors in which real estate sector play vital role. This sector contributes about nearly 7.3% of India's GDP. In addition it provides service to people, generation of employment, professional service providers and so many activities carried out under this sectors. Under new GST regime, special consideration made out including reduction of tax and availability of credit. There is positive impact on real estate of GST like rate of tax have been reduced which directly benefit to the home buyers as well as consumers. Now there is single point taxation. However, there are many corner which required In previous to consideration like payment of tax under reverse charge mechanism where benefit of tax credit not available. In this situation buyers will have to pay more than normal scheme. In sum up there have been positive impact of GST on real estate.

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