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The GST Council, in its 33rd meeting held today, addressed the reports of slowdown in the real estate sector and low off-take of under-construction houses. Real estate sector, being one of the largest contributors to the national GDP and with the Government's vision on "Housing for All by 2022", following recommendations were made by the GST Council in this meeting to boost the residential segment of the real estate sector:

Rationalization of GST Rate:

Residential Segment Type	Existing Effective GST Rate	New Effective GST Rate to be levied	ITC Availability
Residential properties outside affordable segment	12%	5%	Without ITC
Affordable housing properties	8%	1%	Without ITC

Definition of affordable housing: A residential house/flat of carpet area of upto 90 sqm in non-metropolitan cities/towns and 60 sqm in metropolitan cities having value upto Rs. 45 lacs (both for metropolitan and non-metropolitan cities).

Metropolitan Cities are Bengaluru, Chennai, Delhi NCR (limited to Delhi, Noida, Greater Noida, Ghaziabad, Gurgaon, Faridabad), Hyderabad, Kolkata and Mumbai (whole of MMR)

GST exemption has also been proposed on Transfer Development Rights (TDR) / Joint Development Agreement (JDA), long term lease (premium), Floor Space Index (FSI) – GST Council has specified that an Intermediate tax on these development rights will be exempt from GST for such residential properties on which GST is payable.

Benefits of the above recommendation made by the GST Council are outlined below:

- ✚ The buyer of house gets a fair price and affordable housing gets very attractive with GST @ 1%.
- ✚ Interest of the buyer/consumer gets protected; ITC benefits not being passed to them shall become a non-issue.
- ✚ Cash flow problem for the sector is addressed by exemption of GST on development rights, long term lease (premium), FSI etc.
- ✚ Unutilized ITC, which used to become cost at the end of the project gets removed and should lead to better pricing.
- ✚ Tax structure and tax compliance becomes simpler for builders.

Press release states that details of the scheme shall be worked out by an officers committee and shall be approved by the GST Council in a meeting to be called specifically for this purpose.

GST Council also decided that the issue of tax rate on lottery needs further discussion in the GoM constituted in this regard and the same shall be addressed in the upcoming meetings.

About KARVY DATA MANAGEMENT SERVICES LTD.

Karvy Data Management Services Limited (KDMSL), a GST Suvidha Provider which has developed ASP Solution for easing GST compliance for tax payers. Easy to use interfaces are made available at the disposal of the tax payers to simplify their compliances in terms of dashboards, MIS, returns, payments, refunds and other compliance process. So, 'HELP US HELP YOU' we offer following services for GST - GSP & ASP Services (on cloud or on premises) with ERP Integration and Vendor Management Solution. We also offer managed services for Outsourced GST Compliance which will take care of end to end compliances.

In India, GST Team of KDMSL are located in following cities: Hyderabad, Mumbai, Bangalore, New Delhi, Chennai, Pune and Kolkata. For more information about KDMSL service offerings, visit www.karvygst.com

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