



## Real Estate Sector's Comments On Post Union Budget 2019-20



**Mr. Bhairav Dalal, Partner & Leader - Real Estate Tax, PwC India**



"Overall, a forward-looking Budget for the real estate sector. Laying down a roadmap for Rental Housing is a step in right direction to align with global trends of co-living spaces, given the changing demographics in the country. The increased thrust on education is likely to boost the Student Housing asset class. Aligning the affordable housing definition with GST and may lead to certain 'under planning' project developers to go back to the drawing board."

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## Real Estate Sector's Views On The Completion of Two Years Of GST on 1st July



**Mr. Sameer Nayar, Founder and CEO, BuildSupply**



The biggest tax reform in India, GST (or Goods & Service Tax) completed two years of its implementation on July 1, 2019. The idea was to create a unified tax regime, or one single tax to subsume all the various levels of taxes such as central excise duty, VAT, OCTROI, service tax, etc. Naturally, it has had a great impact on various sectors and industries in the country, including real estate. The highlights of GST's 'one nation, one tax' policy at its launch included the introduction of Input Tax Credit for real estate developers, which can be availed by them in lieu of the taxes paid on construction material and services, facilitating a quicker recovery of the sector, and easing business transactions.

Before the February GST Council meeting, the GST on real estate and affordable housing was 12% and 8% with input tax credit, respectively. Input tax credit is the credit on the material used for the project. In February, this was revised to 5% without input credit and 1% for affordable housing without input credit. Majority of the developers were unhappy about the change. Their issue was not with the new GST rate but about the input tax credit which the government dropped in the change. Now real estate developers have the option to opt for the old GST rate along with input tax credit benefits (for Projects launched prior to Feb 2019) or go for the new reduced GST rate without the input tax credit. The

reduction in GST rates also bodes well for the homebuyer as there is no scope for builders to raise prices.

But, with the new regime the overall cost of construction for developers has gone up by 10-12% as there is no input tax credit available. GST has definitely brought transparency and accountability to the real estate sector. Investor sentiment has also seen a surge thanks to RERA, GST and the emergence of affordable housing as an important real estate asset class. After two years, as GST continues to become much more streamlined and refined, the real estate sector will witness more formalization.

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## The Union Government's plan to set up an integrated online platform for the Real Estate Regulatory Authority (RERA) of all states and UTs



**Mr. Rakesh Reddy, Director, Aparna Constructions & Estates Pvt. Ltd**



"RERA has the potential to be the most significant policy intervention in the real estate sector. The overall goal of the policy is to protect the interests of home buyers in an efficient and transparent manner. However, for the industry to realize the maximum benefits of RERA, it has to be functional in its fullest capacity across India. RERA provides a unified legal regime for the purchase of property and seeks to standardise the practice across the country. One of the major challenges for all states was the roll-out of the web portal, ensuring that it is glitch-free with a user-friendly interface. This created a disparity among states in how each implemented RERA, which led to uncertainty and inefficiency. Currently, only select states have a fully operational RERA policy. A common online platform for all States and Union Territories will be beneficial for all stakeholders. A streamlined, single window portal will ensure transparency and accountability. Home buyers will have a single portal to seek information on best practices and the RERA rulings issued for all states. For real estate developers, project approvals will be clearly determined."

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