

## Recommendations of the 33<sup>rd</sup> GST Council Meeting

To boost the residential segment of the real estate sector, following recommendations were made by the GST Council in its 33<sup>rd</sup> meeting:

### **GST rate:**

- GST shall be levied at effective GST rate of 5% without ITC on residential properties outside affordable segment;
- GST shall be levied at effective GST of 1% without ITC on affordable housing properties.

**Effective date:** The new rate shall become applicable from 1st of April, 2019.

### **Definition of affordable housing:**

- A residential house/flat of carpet area of upto 90 sqm (square meters) 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 on TDR/ JDA, long term lease (premium), FSI:** Intermediate tax on development right, such as TDR, JDA, lease (premium), FSI shall be exempted only for such residential property on which GST is payable.

### **Advantages:**

- The buyer of house gets a fair price and affordable housing gets very attractive with GST at rate 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.

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.

Please contact for any query related to this mail to Ms. Kritika Bhasin, Research Officer at [kritika.bhasin@phdcci.in](mailto:kritika.bhasin@phdcci.in) with a cc to Dr. S P Sharma, Chief Economist at [spsharma@phdcci.in](mailto:spsharma@phdcci.in), and Ms. Megha Kaul, Economist, [megha@phdcci.in](mailto:megha@phdcci.in), PHD Chamber of Commerce & Industry.

Regards,

Dr S P Sharma

Chief Economist

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: [spsharma@phdcci.in](mailto:spsharma@phdcci.in)



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PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400  
Fax : +91-11-2685 5450 • E-mail : [phdcci@phdcci.in](mailto:phdcci@phdcci.in) • Website : [www.phdcci.in](http://www.phdcci.in), CIN: U74899DL1951GAP001947



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