

GST ON REAL ESTATE

Know the Tax Block

- Implementation of GST on real estate has played a vital role in simplifying real estate's tax related compliances.
- However, owing to the different rates of GST notified in the entire real estate sector; there still exists uncertainty as to the applicable tax rates on output liability and the eligibility of availing ITC; amongst people at large.
- In this Insight, we have presented a simplified view of all the key aspects of GST on real estate in India.

Change in GST Rates – Residential Real Estate

- New GST rates have been introduced in the 33rd GST council meeting held on 24th February which came into effect from April 01, 2019. Separate rates of GST have been announced for both the affordable and non-affordable housing category.
- The GST Council has announced the following 3 eligibility criteria for the affordable housing category:
 - a) A project which commences on or after 1st April, 2019 or
 - b) An ongoing projects in which old tax rates are not opted for,

And having carpet area not exceeding:

 - i) 60 square meter in metropolitan cities or
 - ii) 90 square meter in cities or towns other than metropolitan cities and
 - iii) gross amount charged is not more than 45 Lakhs.



1. Mixed Projects



Carpet area of Commercial premises = < 15% of total carpet area

Carpet area of Commercial premises = > 15% of total carpet area



(A) Applicable Rate of Tax



Affordable Residential Project

- Rate- 1%
- ITC Ineligible ❌

- Rate- 1%
- ITC Ineligible ❌

General Residential Project

- Rate – 5%
- ITC Ineligible ❌

- Rate – 5%
- ITC Ineligible ❌

Commercial Apartments/ Projects

- Rate – 5%
- ITC Ineligible ❌

- Rate – 12%
- ITC Eligible ✓

(B) GST on TDR & FSI

Commercial Apartments / Projects

- RCM @ 18% - payable by developer.
- ITC Ineligible ❌

- RCM @ 18% - payable by developer.
- ITC Eligible ✓

Residential Projects

• For flats sold before cut off date – exempt (No RCM)

• For flats sold after cut off date – RCM @ 18% *
• ITC Ineligible ❌

• For flats sold before cut off date – exempt (No RCM)

• For flats sold after cut off date – RCM @ 18% *
• ITC Ineligible ❌

* RCM payable by developer @ 18% on residential projects above shall be subject to maximum 1% or 5% of value of apartment; whichever is applicable.

(C) GST on Inward supplies from Unregistered Person

Commercial Premises

• Minimum 80% of **inputs and input services*** to be procured from registered person

• No such condition applicable i.e. no RCM is payable on such inward supplies

Residential Premises

• Minimum 80% of **inputs and input services*** to be procured from registered person

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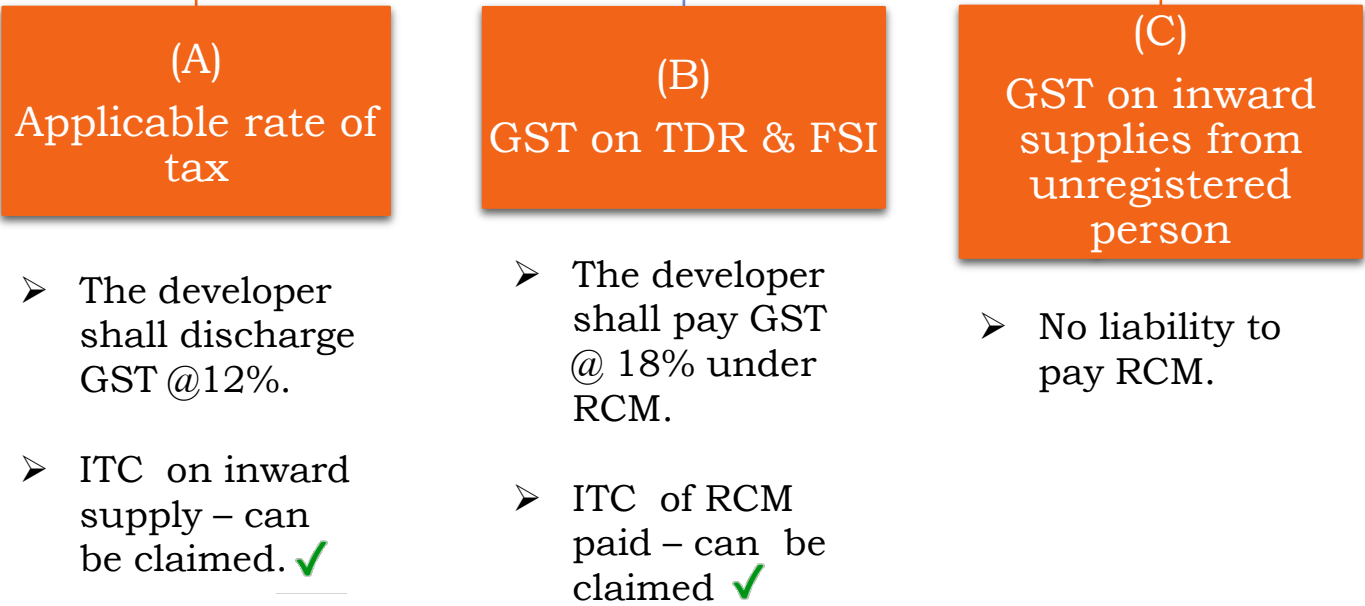
***Inputs & Input Services** shall be counted excluding

- TDR
- Long term lease premium
- Non-GST supplies

- If the inward supplies from unregistered suppliers exceeds the 20% threshold, RCM @ 18% shall be payable by the developer on such excess.
- ITC of RCM will be ineligible. ❌

- In case of Cement purchased from an unregistered supplier, no threshold benefit of 20% shall be available i.e. the entire purchase of cement from unregistered person shall be taxable @ 28% under RCM.

2. Complete Commercial Projects



Cases Where GST is Not Applicable on Real Estate

Construction of a complex, building, civil structure or a part thereof, including a complex or building intended for sale to a buyer, wholly or partly

Case 1) Sale prior to issue of completion certificate or first occupation; whichever is earlier – **Taxable supply of service** at applicable rates.

Case 2) Sale after issue of completion certificate or first occupation; whichever is earlier – **Non Taxable supply** within the scope of Schedule III of the Act.

Sale of Land

Non Taxable supply within the scope of Schedule III of the Act.