

Statement on GST from **Neha Hiranandani, Director, House of Hiranandani.**

The passage of Goods and Services Tax (GST) Bill is the biggest indirect taxation reform in the country. It would be a harbinger of change for the real estate sector which is currently plagued with a myriad of indirect tax issues both at the centre and state level. We hope that the bill brings in a more comprehensive and uniform tax structure that will ensure greater transparency in the sector. The GST will enable a smooth and seamless distribution network in India which will lead to in-time delivery of building material across India.

One of the positives that might come from the bill is removal of restrictions on credit utilization that will strengthen the credit chain in the system. However, since GST will be applicable on the materials purchased by the developer to construct the project, it will have a direct impact on the total costing of the project. The bill treats construction activities as "work contracts" but is silent about guidelines on valuation of land and has kept the sector away from input tax credit. This could mean higher costs for the end consumer. Also, implementation of the bill will not subsume the stamp duty levied by the states, who may increase it from time to time to meet revenue targets thereby pushing costs higher for the buyer.

It will be important to see what the final rate of GST would be because if the rate is higher than the existing cumulative taxes, it will certainly be dampener as it will increase the final cost for buying an under construction flat and defeat the purpose of the bill. While the intentions are noble and correct we feel for the bill to be successful all states must implement it together and at the same rate, else it will be cumbersome and bring additional compliance on an already strained sector."