Highlights of 33rd GST Council meeting held on 24th February, 2019

Real estate sector is one of the largest contributors to the national GDP and provides employment opportunity to large numbers of people. "**Housing for all by 2022"** envisions that every citizen would have a house and the urban areas would be free of slums. There are reports of slowdown in the sector and low off-take of under-construction houses which needs to be addressed. To boost the residential segment of the real estate sector, following recommendations were made by the GST Council in its 33rd meeting held today:

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

- **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 of the recommendations made**:
  The new tax rate in principle was approved by the Council taking into consideration the following advantages:-
  I. The buyer of house gets a fair price and affordable housing gets very attractive with GST @ 1%.
  II. Interest of the buyer/consumer gets protected; ITC benefits not being passed to them shall become a non-issue.
  III. Cash flow problem for the sector is addressed by exemption of GST on development rights, long term lease (premium), FSI etc.

IV. Unutilized ITC, which used to become cost at the end of the project gets removed and should lead to better pricing.

V. Tax structure and tax compliance becomes simpler for builders.

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

Note: 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.

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