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Comparative Study of Pre GST and Post GST in India on Real Estate Sector

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Abstract: ***The concept of taxation has existed in the globe for a very long time. The idea of taxes and how they are collected have undergone significant change over time. Introduction of Goods and Service Tax has completely transformed the nation's indirect taxation system. It quickly became a contentious issue in every home or institution. The GST brought with it a variety of new changes. All of these changes had an impact on every citizen in some way. When purchasing property under construction under the previous tax regime, the purchaser was required to pay VAT, service tax, stamp duty, and registration fees. After-completion property was exempt from VAT and service tax, with only stamp duty and registration fees payable. Now, the GST will make buying a home less expensive because developers had to pay excise duty, import duty, CST, and entry tax on their business side under the previous tax structure, while consumers had to pay Service Tax and VAT on residential units purchased before they were finished, all of which are non-creditable tax costs and are reflected in the price of the units. The consistent tax rate will enable developers to cut their expenses and pass the savings along to customers because they will receive input credits on GST paid for services and commodities purchased. Following the advent of GST, the Value Added Tax (VAT) tax system is being streamlined. The government did not include stamp duties in the GST after it was implemented. The GST Act of 2017's Schedule III states that readily accessible properties are not considered to be goods or services. It is more like buying or selling a piece of property than anything else. Therefore, properties that are RTM into and have official Completion Certificates are GST-free. On the sale of land or the acquisition of resold properties, individuals will not be obliged to pay GST. In addition to the aforementioned exemption, real estate developers are also eligible for the GST system's Input Tax Credit on building supplies. Notably, in order to qualify for these advantages, developers must fulfill a few prerequisites. This paper aims to discuss some of the pre and post GST impacts on the real estate sector brought on by this newly implemented tax system, as well as how all citizens of the country are reacting to it.***

Keywords: GST, Real Estate, Schedule III, Custom Duty, Excise Duty, VAT

Objectives of the paper

1) To explore the concept of GST in real estate sectors.
2) To look into the pre and post impact of GST in real estate.
3) To find out short coming of GST in real estate.
4) To find out the how the general public is responding towards this change.

1. Introduction

Tax is a financial charge or compensation imposed on the taxpayer by the govt. of the nation to which the taxpayer belongs, whether the taxpayer is a person or a corporation. It is implemented in order to raise money for the government's social funding. The taxpayer may face charges if they will not pay the tax according to nation’s law. India is a communist, republican, and democratic country. The fundamental rule of the country, the Indian constitution, is unparalleled. Many laws, like the Income Tax Act, the GST, and others, are products of or subordinate to the Indian Constitution. In our country, India, the Central government, and the State governments have been given the authority to impose taxes. Minor penalties that are imposed by local agencies like the Municipality are another alternative. A provision in the Indian Constitution says that only legal authority may collect taxes. As a result, each tax that is collected must always has to be done with a law that has either been established by the Parliament or the State legislature. Three lists are found in the Constitution, or to put it simply, the Seventh Schedule includes 3 lists. Thus, this schedule provides both the State Government and the Central Government a higher status to raise and raise revenue on the different goods stated in the lists.

1.1 Indirect Taxes

A government needs money in order to operate or rule a country. This money comes from a wide range of sources. This money is needed for a variety of purposes that support national administration or functioning. Health care, security and defense, and occasionally even the upkeep of law and order are a few examples of these tasks. This money is also needed for other activities. Taxation is the major source of funding for all the other sources. Additionally, all taxes paid by the populace go toward improving and enhancing the society in which they reside.

The key distinguishing feature between direct taxes and indirect tax is that the entire burden of direct taxes is placed on just one individual. But when we look at indirect taxes, we could see that the expense is properly shared between two people. These taxes have different characteristics; therefore it is possible to categorize them as either advancing or regressive. Taxation can be thought of as progress. When we take into account elements like taxable income or taxes on purchases, sales, and occasionally even the production component, money is taken from the seller. All these collections are dealer focused. Indirect taxes are those that are initially gathered from the customers. The dealers get the tax money, which they subsequently give to the collecting department. This demonstrates to us that the sellers bear the whole burden of the direct tax. This cannot be continued and advanced. Through indirect taxes, we may observe that the onus is ultimately placed on the final consumers. After the complete years' worth of sales has been valued, the collection is carried out annually. This is totaled, followed by payment.

1.2 GST

It is a charge levied against the delivery of products and services. This tax is broken up into numerous slabs of 0%, 5%, 12%, 18%, and 28% tax. The tax collected is managed by the GST Council. The GST sought to converge all indirect taxes. All of the procedures underwent an online transformation with the goods and Service tax. The GST has now taken the place of numerous distinct indirect taxes, such as purchase tax, sales tax, entertainment tax, excise duty, and many others. CGST, SGST, and IGST are the three major components of GST

The introduction of the new tax, known as the "GST", on July 1, 2017, completely altered all sectors of the Indian economy. This has drastically altered India's tax system since its independence and modernized the indirect tax system. Reducing the complex tax structure that applies to the delivery of services is the GST's main objective. At first, some of the short-term adverse effects were affected by the adjustments although with some difficulty. With the exclusion of additional problems/ obstacles, both technical and the perception of low-income activities by expanding debt, decreasing prices, global inflation, free movement of commodities, etc., and the prior indirect tax structure had the challenges of duplication and tax evasion.

By trying to make the credits more noticeable, the GST eliminates the impact of tax cascading. Making sure that firms function as tax-exempt is the goal. It also attempts to end the contentious tax system between both the organization and the national Government and prevent tax evasion. The GST has increased the tax base for the collection of indirect taxes while also streamlining the tax calculation procedure. Almost every sector of the economy is affected by the use of GST, either directly or indirectly.

Since the Great Recession of 2008-09 with demonetization activity, the Indian real estate market has been dealing with slower sales, increased costs, and stagnant pricing until recently.

The industry is currently prepared for the new GST. Consumers are waiting for the proper time to sign the contract while developers take all essential safety and preparation precautions. Even though the GST was implemented years ago, we want to provide some insight into how indirect property taxes affected the pre-and post-GST governments.

1.3 Real Estate

Real estate is not a career because it is a business. Although it is frequently implied that real estate is a job, it is actually a business. Demonstrable skill can be applied to science, craftsmanship, or the ability to determine how to be valuable to others, to benefit as much as possible from the work or person who uses it; and the business is run largely for profit, with the profit going to the owner of the business. Gaining access to specific knowledge is what expertise entails. Undeveloped land and developed areas, such as buildings, roads, and utility infrastructure, are both included in the category of property known as real estate. Title to land ownership, construction, and natural resources like minerals, flora, animals, water, etc. are provided by property rights.

Estate Tax

Estate tax is also known as inheritance tax. It is imposed if a person inherits some asset. This tax is exempted in India.

1.4 Types of Real Estates

There are several types of Real estates, each with a different purpose and usage. The main categories are: i. Land; ii. Residential; iii. Commercial and iv. Industrial

The following will help in understanding how the industry operations and to which major categories each one represents.

1) Land: The basis of all true wealth is the land. Undeveloped and uninhabited land is typically referred to as "land. " In order to increase traffic and boost property values, developers buy land, merge it with other buildings (referred to as the Assemblies), and rebuild it.
2) Residential: Residential dwellings can be homes for a single person, a family, or a group of people. The majority of individuals are familiar with this type of asset because it is the most prevalent sort of asset. Family homes, flats, condos, city houses, or other types of lodging are also available within the compound.
3) Commercial: The land and facilities that businesses employ to conduct their daily operations are referred to as commodities. Examples include lodging in the form of shopping centers, lone stores, office towers, parking lots, and hotels.
4) Industrial: The term "industrial real estate" refers to land and structures that are frequently utilized by industrial firms in processes including constructing factories, developing machinery, conducting research and development, building, transporting goods, and logistics.

2. Indian Taxation System

2.1 Background

The word "tax" is derived from the Latin taxare or taxo. Its intent is to assess something's worth. For the use and upkeep of the State, the government levies taxes. They are levied and collected by the government in return for the provision of goods or services. Taxation is one of the most crucial elements of any management system used by any type of government since it generates revenue for the government.

How well a tax system works has an impact on how robust an economy is. A successful nation's economy can be boosted by a fair tax system. The residents' happiness and productivity are subsequently increased as a result. A tax policy is considered sound if it performs the economic tasks of allocation, distribution, and stabilization. Effective taxes enhance GDP.

Taxes come in two types: direct and indirect. Income tax, property tax, and other direct taxes are those that an entity pays to the government directly. Indirect taxes are those that a company pays by way of intermediaries. One example of an indirect tax levied by the Indian government is a service tax.

Any tax imposed by the government (Central, state or local) has the following important characteristics:

- **It is mandatory:** It is obligatory by law to pay taxes since the government imposes all types of taxes for the good of the nation.
- **It is a contribution:** Tax is a contribution paid by citizens to improve their nation. With tax revenue, the Indian government provides fundamental services including defenses, infrastructure, and healthcare.
- **It is for public benefit:** Taxes are collected for the benefit and advancement of society as a whole. Taxes are not meant to favour any one group of people over another. The money raised through taxes is used primarily for disaster maintenance and rescue.
- **It is paid out of income earned or wealth:** Only when you earn revenue do we pay taxes. Some taxes, such as income tax, are exempt from payment if a person does not earn a minimum threshold amount of money, which the government defines and modifies periodically.
- **It boosts economy:** This is among the most crucial components of tax collection. Since the government builds infrastructure like roads, railways, power plants, dams, etc., it uses tax income to boost the economy of the country.

2.2 GST - The Game Changer

Its introduction was spurred by the historic Budget Speech delivered on February 28, 2006, in which the country's GST implementation timeline of April 1, 2010, was set by the then-Finance Minister. Since then, the nation has been working tirelessly to put the GST into effect, and in December 2014, the Constitution (122nd Amendment) Bill was introduced.

What justifies the introduction of GST, a subject of much discussion? To answer that question, it is essential to understand the previous existed indirect taxation structure in place in our country. Currently, the Central Government levies tax on manufacture (Central Excise Duty), service supply (Service Duty), and interstate sales of commodities while the State Governments levy tax on retail sales (VAT), the entry of products into the State (Entry Tax), luxury taxes, purchase taxes, etc (CST). It is immediately clear that the same supply chain is subject to several taxes.

There is a cascade of taxes since the central government's taxes cannot be offset by the state government's levies. State taxes cannot even be partially utilised as a credit against other taxes the state is collecting. A variety of VAT regulations have also divided the country into several economic sectors, each of which has its own set of tax rules and tax rates. The expansion of tariff and non-tariff barriers, such as entry fees, checkpoints, and other regulations, hinders free trade within the nation. The high compliance cost for taxpayers brought on by the volume of returns, payments, and other tax-related activities is another result of the excessive amount of taxes.

It is evident that the GST has broken down geographical barriers to create a shared market for buyers, sellers, importers, and exporters. As a result of all the excluded taxes on the tax itself being eliminated for the better economic market, this has greatly stabilized the economy.

The client can gain from the GST in two ways, namely:

1) The consumer doesn't have to pay any tax on the tax itself, even though it may vary from industry to industry.
2) All taxes will be directly collected.

Whereas pre GST, the customer had to pay any taxes on the tax itself which negatively impacted on the Indian economy. [1]

On the first day of the new tax regime, some confused people shared their first bills online. People seemed to be confused about the two taxes they have been charged. However, the GST rate on food in restaurants is going to be 18 percent. While a part goes to the state and the other goes to the Centre. The two taxes mentioned in the bills are simply a GST divided into two.
If you look at the immediate repercussions, customers will now be required to pay additional taxes on the goods and services they purchase. The majority of necessities will either have the same tax input or a higher tax input. For the typical person, GST has a lot of benefits.

Small companies must pay for compliance costs as well, which could increase the price of their products for customers.

The GST does, however, provide a number of potential long-term benefits. The reduction in taxes owed by producers of consumer items like FMCG will force the automotive industry to lower the price of its inputs. The user will therefore be able to use these services for less money as a result.

A drop in prices will immediately increase demand, speeding up the manufacturing process and increasing income. The economy will eventually gain from this, and both the buyer and the seller will be able to save a significant sum of money.

A rise in output will also pave the way for expansion, which will bring about more employment and greater wages. In addition to enhancing chances for the common person, this also strengthens the economy.

Raising an invoice for the acquisition of any goods or services is also a requirement of the GST. The likelihood of corrupt practises and black money will decrease with an

[1] GST Council, https://gstcouncil.gov.in/brief-history-gst (last visited 21, Nov, 2022)

effective billing system. For the average person in India, these have been concerning factors. [2]

3. GST and Real Estate Sector

3.1 An overview of the real estate industry

Real estate is one of the sectors with the highest level of global recognition. The real estate sector is divided into four subsectors: housing, retail, lodging, and commercial. The development of this industry is nicely complemented by the growth of the business environment and the demand for office space as well as for lodging in urban and semi-urban areas. The construction sector is the third most influential of the 14 important industries in terms of its direct, indirect, and induced effects on all aspects of the economy. The real estate sector employs the second-highest number of people after the agricultural and primary sectors. Construction and real estate together account for the second-highest number of jobs in the nation, behind agriculture. It is anticipated that this industry will attract more non-resident Indian (NRI) investments throughout the medium and long term. The top cities for NRI property investors are predicted to be Bengaluru, Ahmedabad, Pune, Chennai, Goa, Delhi, and Dehradun.

As soon as new government took charge at the center in 2014, the industry experienced one surprise after another with the introduction of the Real Estate Regulatory Authority (RERA), the GST, demonetization, the act against benami property, and the insolvency code. After demonetization, RERA, and GST, not only have new project launches in the residential real estate sector decreased dramatically but so have housing sales. However, systemic changes were brought about to correct a tinder box-like situation created by overenthusiastic builders who bit off more than they could chew, when the buyer sentiment was at its peak for a market where the returns on investment were unbelievably high.

There are various segments of the real estate market: Development, Sales and Marketing, Commercial/Brokerage, Property Management, and Lending are just a few examples. vi. Expert assistance (law, Accounting, Medicine etc.)

Each of these six areas of the sector is given below in more detail.

1) **Development:** The process of developing real estate involves buying unoccupied land, renovating and creating buildings, and then leasing or selling the final product to new users. Developers profit by increasing the value of the land (by adding structures, developing it, rezoning it, etc.) and taking on the risk of funding the project. Existing companies are producing novel goods that fall under the "Primary market" or "new invention" categories.
2) **Sales and marketing:** Developers work with sales and marketing firms to advertise the homes and apartments they build. These companies are compensated for developing all the marketing materials and utilizing their vendors to offer a variety of completed goods. These companies usually give new items priority.
3) **Brokerage:** A company that works in real estate brokerage employs a group of realtors to assist in facilitating transactions between buyers and sellers. Their responsibility is to speak on behalf of any group and assist in buying or selling with the greatest names.
4) **Property management**: Companies that handle property management help building owners rent out their apartments. They are also in charge of finding units, managing tenants, and collecting rent. They impose fees on landlords, usually a percentage of the rent.
5) **Property borrowing and lending:** Since almost all real estate endeavors need on energy (credit) to fund their operations, lenders are important players in the sector. Lenders include banks, credit unions, private lenders, and governmental entities.
6) **Technical/professional services:** The housing industry employs a wide range of housing specialists who support its functioning. Accountants, lawyers, interior designers, stagers, general contractors, construction workers, and craftsmen are the most typical examples in addition to those that have already been listed.

3.2 Growth of real estate business in India

The building industry in India has embraced the growing importance of economic freedom. The ensuing rise in business openings and job migration has also stimulated demand in commercial and residential properties, particularly rental housing. Improvements in the real estate sector are influenced by contemporary, hospitable, and entertainment advancements (such as hotels, resorts, and theatres), financial administrations (such as clinics and schools), and data innovation (IT)-enabled administrations (such as broadcast communications offices), among others. Indian real estate is currently one of the most lucrative endeavours.

In the years to come, the Indian real estate market's broad open doors will draw all significant investments in this huge world of prospects, if business professionals don't already think it. This will serve as a stimulant for the growth of direct foreign venture. The Indian land market is often dominated by a small number of provincial companies with extremely low levels of innovation and/or financial resources. Organizational funding has historically not been beneficial to the industry; instead, it has often only benefited the richest people and other unofficial financial sources, which has led to lesser levels of openness. This trend has altered in conjunction with the growth of the business as India's integration into the global economy has increased, and as of right now, strengths in the real estate sector represent the needs of high-quality consumers.

3.3 Contribution of the real estate to GDP of India

Currently making about 7% of the GDP, the real estate sector is predicted to increase to 10% by 2025. According to a top government official on Thursday, the real estate industry, which has been under pressure for a while, has started to show indications of growth since the first quarter

[2] Digit, https://www.godigit.com/gst/impact-of-gst-in-india (last visited on 20 Nov, 2022)

of the current fiscal year and is forecast to increase from its present contribution of 7% to 10% by 2025.

Durga Shanker Mishra, secretary of the Union Housing and Urban Affairs Ministry, further stated that the National Urban Digital Mission has taken initiatives to increase connectivity by connecting almost 2, 535 cities around India.

Currently making up 7% of the GDP, the real estate sector is predicted to increase that to 10% by 2025. He stated during an interactive session with the Bharat Chamber of Commerce that the industry in India is expected to be valued at USD 1 trillion in the coming years as the nation strives for a USD 5 trillion economy.

According to Mishra, 725 kilometres of metro railway tracks have been built, while another 1, 060 kilometres are being built in 18 cities.

He noted that 100, 000 dwellings were built in metropolitan regions last year to give migratory workers and destitute street sellers with rental housing.

The real estate market would grow from Rs 12, 000 crore in 2019 to Rs 65, 000 crore by 2040. By 2030, the real estate market would likely be worth $1 trillion, up from $200 billion in 2021, and 13% of India's GDP will be funded by it by that time. In the top seven cities, 1, 700 acres of land were transacted in the Indian real estate market in one year. $10.3 billion in foreign investments were made in this industry between 2017 and 21. ICRA assessments predict that Indian businesses will raise more than Rs 3.5 trillion through Infrastructure and Real Estate Investment Trusts in 2022, associated with funds raised totaling $29 billion. In India, almost 40 million square feet were transported, and in 2022, 46% million square feet are the target. The nation will hold a 40% market share in the following two to three years.

The segments for 3PL, e-commerce, and retail accounted for 34%, 26%, and 9%, respectively, of office space rents. Office investments made up 71% of the total PE investments in real estate (Q4 FY21), followed by retail (15%), residential (7%) and warehousing (7%). The top seven office markets together leased 11.55 million square feet. In India's eight micro markets, a total of 55, 907 brand-new housing units were sold between July 2021 and September 2021, resulting in a 59% YoY improvement. For example, the Chintels Group announced plans to invest Rs 400 crore in a new commercial complex in Gurugram that will be 9.28 lakh square feet in size when it is completed in October 2021.

The existing housing deficiency in urban areas is projected to be ~10 million. By 2030, a surplus of 25 million units of cheap housing is required to grow the country's urban population. [3]

3.4 Pre and post Impact of GST in Real Estate Sector

One of the key foundations of the Indian economy is the real estate sector. Between 6 and 8% of India's GDP is contributed by the real estate sector, which is second only to the information technology sector in terms of employment creation[4].

With the introduction of GST, indirect taxation in this industry has undergone a complete overhaul. Previously, there were multiple taxes that were applicable, such as Service tax and VAT.

1) Real Estate Trans. under Pre-GST Taxability

Duty's Nature	Tax Rate	When was tax payment required? Or what caused the tax?
VAT	1-4%	Sale of Construction-Related Properties which are under construction.
Service Tax	4.50%	
Registration Charges	0.5-1%	
Stamp Duty Charges*	5 to 7%	

* VAT, Registrar Fees, and Stamp Duty Charges vary by state, however there was no VAT on finished or ready for sale properties. The Cenvat Credit on inputs used to construct a property, a civil structure, or any portion thereof was also limited under the previous indirect tax system.

2) Real Estate Trans. under GST Taxability

Particulars	Applicability	Rate of Tax	Input Tax Credit
On properties that are RTM and for which completion certifications are issued.	N/App since, in accordance with Schedule III of the CGST Act, 2017, the sale of a building is regarded as an activity or transaction that is neither a supply of goods nor a provision of services.	-	N/A
Regarding Construction Sites (For Homes Purchased Under Credit-Linked Subsidy Scheme)	App as a service provision under Schedule I of the CGST Act of 2017	8%*	Avl.
Regarding Construction Sites (Other than above)	App. as a service provision under Schedule I of the CGST Act of 2017	12%	Avl.
On resale properties	N/ App	-	N/A
On buying and selling land	N/App. Sale of land is not considered to be the provision of goods or services under Schedule III.	-	N/A
W. C	App.	18%	Avl.
Composite delivery of works contract	App.	18%	Avl.
Contract for the composite delivery of Works to Government Authorities	App.	12%	Avl.
Contract for composite delivery of works by general public	App.	12%	Avl.

[3] Equity Pandit, https://www.equitypandit.com/contribution-of-the-real-estate-sector-to-the-indian-economy/#:~:text=The%20real%20estate%20sector%20will,%2410.3%20billion%20from%202017%2D21. (last visited 01, Dec, 2022)

[4] Clear Tax, https://cleartax.in/s/gst-real-estate-sector-affect (last visited 01, Dec, 2022)

Composite delivery of works contract - Affordable Housing	App.	12%	Avl.

* **NOTE:** The Credit-Linked Subsidy Scheme (CLSS) applies a 12% GST rate to housing purchases. Following the reduction of the 1/3rd amount toward the cost of land, the relevant rate will be 8%.

3) Impact on Buyers

Under the former tax structure, buyers of residences that were still being built were required to pay VAT, Service tax, Registration costs, and Stamp Duty. Property values varied throughout states as a result of state taxes including VAT, Registration fees, and Stamp Duty. Additionally, there were a variety of taxes that developers had to pay that there was no way to get a credit for, including sales tax (CST), customs duty, OCTROI, and others.

Contrary to the prior law, the GST is no longer applied to completed or ready-to-sell homes and is now replaced by a single 12% tax rate for residences that are still under construction. Therefore, customers will benefit from the lower GST prices. Buyers might use a "wait and watch" approach in the immediate future to learn more about how the GST would effect home prices and defer making a purchase.

The GST will also assist customers in the long run if they benefit from the developer's input tax credit.

4) Impact on Contractors / Developers / Builders

Developers were forced to pay excise tax, value-added tax (VAT), customs duty, entrance taxes, etc. on raw materials and inputs, as well as service tax on a number of input services such approval fees, architect professional fees, labour costs, legal costs, etc., under the previous tax structure. For taxes such the CST, customs duty, entry tax, etc., ITC was not available. As it would affect the pricing, the cost of this would ultimately fall on the consumer.

The convergence of various taxes under the GST and the availability of input tax credits significantly reduce the building costs for developers. A reduction in logistical expenses will also be helpful. Developers may thus observe an increase in margins.

The disadvantage is that before passing ITC on to customers, developers must complete a number of calculations. As a result, they usually can only transfer the ITC at the very last phases. Customers may decide to "wait and watch" before making a purchase as a result of the ITC's lack of openness, which could harm developers.

Furthermore, a sizeable portion of expenditures were unaccounted for under the existing legislation. Under GST, it is now harder to get input credits and there is less cloud storage for invoices.

5) Impact on other Stakeholders

Commodities	GST Rate
Sand & Fly ash Bricks	12%
Sand	5%
Granite and marble	28%
Cement	18%
Steel	18%
Paints	18%

Whether the tax imposed on these items and services is raised or lowered will have an impact on connected services like labour, material suppliers, service providers, etc. The whole real estate market will be greatly impacted by this. For instance, the effective tax rate on cement, which was formerly between 27 and 31 percent, will now be 18 percent. An increase in cement prices will result in an overall increase in construction expenses. The following goods are related to the GST rates in the construction sector:

6) Shortcomings of GST in Real Estate Sector [5]

Concerns with the GST that the real estate industry is dealing with include the GST on Land Development Rights, the Higher Rate of GST on Cement, the Unreasonable Condition of 80%, the GST on FSI fees paid to Municipal Corporations/ Governments, the GST on construction activity under the Textile Park Scheme, the Burden of Matching Concept on Builders, the Non-Availability of Input Tax Credit, and a number of other issues:

1) **Issue:** Land Development Rights shouldn't be subject to GST. Development rights are merely a type of property. Land is subject to the state and is subject to stamp duty.
   Suggestion: There should be no GST on land development rights.
   Rational: There is Double taxation which produces cascading effect.
2) **Issue:** TDR and FSI are taxable at 18% without regard to the aforementioned. If there is an Area Sharing Agreement in the event of a JDA, a 1/3rd land discount is given when the builder charges GST on construction services rendered to the landowner. Effective rates for residential and commercial properties will therefore be 1%, 5%, or 12%. However, if TDR or FSI are transferred, they are taxed at 18% without taking land value into account.
   Suggestion: When TDR or FSI are transferred, they are subject to an 18% tax without taking land value into account. Which rate should be cut to 12% or allowed to decrease in value?
   Rational: The cost of the project will increase if a flat or shop is sold after the project is finished because FSI/TDR will be taxed at 18% under RCM in proportion to any unbooked flats or shops. GST should not be applied to land or rights relating to land.
3) **Issue:** Considering the escalating costs of both land and construction. It is appropriate to raise the value of affordable housing to $75, 000.

[5] https://taxguru.in/goods-and-service-tax/gst-issues-real-estate-sector.html

Suggestion: The definition of affordable housing should be updated, and the cost of these homes should rise

Rational: It will satisfy the desires of the working self-employed young and small business owners as well as the lower middle class

4) **Issue:** The 80% requirement is not realistic; further explanation is also needed for interest costs, water rates, and other fees levied by municipal corporations, etc. Furthermore, it is not permitted to set aside in the next year if a financial year's purchase exceeds the established maximum (currently 80%).

   Suggestion: The 80% requirement should either be eliminated or capped at 50%, and any purchases that exceed the specified limit (currently 80%) in a particular year should be written off in the next year.

   Rational: Because miscellaneous raw materials are needed to complete the project at the end of the project, this condition may not be met at the end of the project, attracting RCM and raising the project cost, it is not practical to maintain 80% of purchases from registered suppliers each financial year. Instead, the main raw materials (cement, still, sand, etc.) are made from registered suppliers at the beginning of the year.

5) **Issue:** Should FSI fees paid to the municipal government or corporation be subject to GST under RCM?

   Suggestion: It should be made clear that FSI fees paid to municipal corporations or the government should not be subject to the GST provisions of RCM.

   It should be clarified that FSI charges paid to Municipal Corporation/ Government should not be liable for GST under RCM.

   Rational: In accordance with Article 234W of the constitution, the charges made to the municipality should not be tax deductible. Therefore, this should be recognised as covered under statutory work.

6) **Issue:** There are numerous integrated textile parks in Surat and other textile hubs around the nation. According to the Integrated Textile Park Scheme of the Ministry of Textiles, the building is developed by the Developer with contributions from the members. Since it falls under the guidelines of the Textile Park Scheme, there shouldn't be any GST applied to such construction activities, but the lack of clarity has deterred companies from making fresh investments.

   Suggestion: It is suggested that an urgent clarification be made in order to speed up the establishment of such parks and avoid the necessity for litigation.

   A clarification should be issued urgently so that development of such parks can gain momentum as this is need of hour and not required to go into litigation.

   Rational: Each park has top-notch infrastructure, hundreds of SME units, and thousands of jobs, thus the government needed to incentivize the development of these parks in order to compete with China.

7) **Issue:** Problem: Because of programmes like Mudra Loan, Startup India, and Standup India, many young people and women are starting their own businesses. However, many lack the funds to buy commercial space and instead choose to lease it. The GST rate for leases is 18%.

   Suggestion: Therefore, if the builder gives the business owners rent for a two-year term, the GST rate should be 6%.

   Rational: This choice will relieve new business owners of their investment costs, which may inspire them.

4. Conclusion

GST is supposed to assist bring about much-needed accountability and clarity overall. Additionally, developers should be able to benefit from the fulfillment expansion because of the anticipated free flow of financing. We still don't know whether these advantages are fading for customers because pricing in the industry is frequently set by market forces rather than by the need for regulations. From the standpoint of the customer, a decrease in the value of the property tax and a considerable improvement in the tax structure could be the first advantages. GST will also aid in the reduction of pointless paperwork and the time that reliable suppliers must spend travelling across borders. The effects of the GST will be felt even later, that much is certain.

Builders and developers were required to impose a special indirect tax on clients prior to the implementation of the GST. However, GST reduced the cascade effect. Real estate sales are significantly impacted by GST because its implementation caused builders' construction costs to rise. After demon-making and GST activities, the real estate market has suffered. The RERA Act presents additional difficulties for developers. The government is making progress in this direction. With economic independence, India's real estate market has advanced significantly because of the rise in business opportunities and labour migration that has followed, which has increased demand for both commerce and real estate.

Due to expanded work possibilities, labour migration, trade and real estate, rental housing, recreational space, information technology, etc., as well as the adoption of marketing methods, the real estate sector has gained prominence in India. Only agriculture employs more people than the real estate sector, which is the largest employer overall. This is because the sector is interconnected with other economic sectors, particularly the housing and building sectors. The housing sector depends on over 250 auxiliary businesses, including those that produce cement, steel, bricks, wood, and building supplies.

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