

HOUSING AND URBAN DEVELOPMENT DEPARTMENT

PRESS RELEASE

Various representations / complaints have been received by States and Central Board on Excise and Customs (CBEC) that the buyers who have booked flats and have made part payments are being demanded to make entire payment before 1st July, 2017 to avoid higher tax incidence after 1st July, 2017.

It has been further informed that these activities are against the GST law. The Department of Revenue has clarified that construction of flats, complexes, buildings etc., will have comparatively a lower incidence of GST if compared it to a plethora of central and State indirect taxes under the existing tax regime. Apart from these existing tax regimes, Input Tax Credit of these taxes, which is not currently allowed for payment of Service Tax, shall henceforth be available.

In the current tax regimes, incidence of Central Excise duty, VAT, Entry Tax, etc. on construction material is borne by the builders which they pass on to the customers as part of the price charged from them. This is obviously not visible to the customer

as it forms a part of the cost of the flat. The buyer/customer does not see the embedded taxes on account of cascading and sticking of input taxes in the cost of the flats, etc.

The Department of Revenue has further advised that under GST the current scenario will be changed. Full input credit would be available for offsetting the headline rate of 12% proposed under GST. As a result, the input taxes embedded in the flat will not form a part of the cost of the flat. The input credits should take care of the headline rate of 12% and it is for this reason that refund of overflow of input tax credits to the builder has been disallowed.

It is expected that builders will pass on the benefits of lower tax burden as result of GST to the buyers in form of reduced prices/installments. The Builders' Association/CREDAI have been addressed to ensure that no builder / construction company should ask customers to pay high tax rate on installments to be received after imposition of GST.

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