

PRESIDENT

Nayan A. Shah

IMMEDIATE PAST PRESIDENT

Mayur Shah

VICE PRESIDENTS

Deepak Goradia
Boman Irani
Harish Patel
Nainesh Shah
Domnic Romell

ADDL. VICE PRESIDENT

Sukhraj Nahar

HON. SECRETARY

Bandish Ajmera

TREASURER

Mukesh Patel

SPECIAL PROJECTS

Parag Munot
Sandeep Raheja
Jayesh Shah
Sanjay Chhabria
Rasesh Kanakia

HON. JOINT SECRETARIES

Navin Makhija
Sandeep Runwal
Shailesh G. Puranik
Dhaval Ajmera
Pratik Patel

JOINT TREASURER

Nayan Bheda
Munish Doshi

CO-ORDINATORS

Sandeep Shah
Tejas Vyas
Shailesh Sanghvi
Pritam Chivukula

COMMITTEE MEMBERS

Jagdish Ahuja
Jitendra Jain
Deepak Gundecha

INVITEE MEMBERS

Praful Shah
Rajesh Prajapati
Sachin Mirani
Nikunj Sanghavi
Rajeev Jain
Shyamal Mody
Digant Parekh
Rushank Shah
Samyag Shah
Jayesh C. Shah
Sunny Bijlani
Sahil Parikh
Naman Shah
Suhail Khandwani
Ricardo Romell

PAST PRESIDENTS

Dharmesh Jain
Vyomesh Shah
Paras Gundecha
Pravin Doshi
Mohan Deshmukh
Mofatraj Munot
Rajnikant Ajmera
Late G. L. Raheja
Late Lalit Gandhi
Late Babubhai Majethia

CREDAI-MCHI UNITS

PRESIDENT, THANE
Ajay Ashar

PRESIDENT, KALYAN-DOMBIVLI
Ravi Patil

PRESIDENT, MIRA VIRAR CITY
Ashit Shah

PRESIDENT, RAIGAD
Ateeqe Khot

PRESIDENT, NAVI MUMBAI
Prakash Baviskar

Ref. No. MCHI/PRES/18-19/200

March 8, 2019

To,
Shri Rajiv Jalota (I.A.S)
Commissioner
State Tax, Maharashtra State
GST Bhavan, Mazgaon,
Mumbai - 400 010.

Sub: Representation on proposed GST amendments for Real Estate Sector

Respected Sir,

It is a well established fact that nearly 70% of Mumbai's population lives in slums that occupy nearly 50% of the city's habitable land. Couple with the fact that there is no vacant / virgin land availability in the city for greenfield development, almost 80% of the cities development in the forthcoming future shall be through redevelopment; be it redevelopment of Slums, Redevelopment of old cessed BDD Chawl Redevelopment and tenanted buildings or Redevelopment of old buildings of society.

All the above phenomenon are more a Mumbai Metropolitan Region (MMR) issue and may not have been appropriately represented in the GST submissions made by other CREDAI Associations but is a matter of grave concern that cannot be sidelined as otherwise the future development of MMR shall come to a grinding halt.

The above issue assumes critical proportions especially during election times like this when other political parties have announced free housing of 500 sq.ft. Should the current GST provisions prevail, providing even 300 sq.ft. Tenements would become impossible for the developers in MMR. It should be borne in mind that more than half the vote bank resides here. Most importantly and ironically so, the current provisions are only making the DREAM OF HOUSING FOR ALL BY 2022 even further impossible.

Now as per the council recommendations, it is proposed that GST rates of 1% for affordable housing and 5% for normal housing shall be applicable without any ITC credits. There are various transitional issues in respect of ongoing contracts, some of which are discussed as under especially keeping redevelopment projects in mind:

1. GST rates on Construction Contractors/ Sub Contractors :

Currently the Works contract services for houses for upto 60 Sqmt carpet area in an affordable housing project is chargeable @ 12% (irrespective of the value of houses). Now definition of affordable housing has been changed for the purposes of levy of GST to customer. It is recommended that:

Option 1: The GST rates on all sub contracts shall also be reduced @ 12%.

Option 2: Definition of affordable housing for the purposes of determining the rate chargeable on inward supplies should be kept the same as before and the new rates to be made applicable only on contract between the developers and consumers.

Option 3: For the purposes of ongoing projects as on 31.3.2019, the definition of affordable housing to be kept the same as before.

(Signature)

राज्यकर आयुक्त,

वस्तु व सेवा कर विभाग,

महाराष्ट्र राज्य,

यांचे कार्यालय.

CREDAI - MCHI

Maker Bhavan II, 4th Floor, 18, V. Thackersey Marg, New Marine Lines, Mumbai - 400 020.

Tel.: 4212 1421, Fax : 4212 1411 / 407 • Email: secretariat@mchi.net • Website: www.mchi.net

Rationale :

If the GST rates on construction contracts are not reduced the cost of construction will increase substantially. Also by reduction in the rates without any input tax credit to developers will not have any major impact on the Govt. revenue.

2. GST Rates on Work Contract Services for Slums and redevelopment buildings

In Mumbai city due to lack of open / virgin land, the redevelopment mainly happens under following schemes:

- Slum Rehabilitation Schemes
- Redevelopment of old cessed and tenanted buildings
- Redevelopment of old buildings of society.

These constitutes pre-dominant segment of real estate sector impacting housing for lower income group, middle income group and higher middle income group.

Issue:

- Work carried out by developer for SRA, MMRDA and old societies, being a works contract services, will continue to be taxed at 18%/12% even after 01.04.2019
- The tax incidence in respect rehab flats allotted to SRA, old tenants and society members are borne by the builder / developer. It forms part of project cost ultimately factored into sale price of saleable units.

The same is illustrated herein below:

Sr. No.	Particulars		Vacant Land	Redevelopment
1	Project Duration		3 Years	7 Years
2	Sales area generated	sft	10,000	10,000
3	Selling Price psft (excluding GST)	Rs. ps.ft	14,000	14,000
4	Land Cost / Redevelopment Construction Costs	Rs. Crore	3.00	3.00
5	GST on Land Cost / Redevelopment Construction Costs	Rs. Crore	0	0.54
6	Total Land Cost	Rs. Crore	3.00	3.54
7	Extra GST burden cost	Rs. Crore	0.00	0.54

Representation:

- Rehab Component of redevelopment project should be taxed at 1% and ITC should be allowed
- On all above referred redevelopment projects, the saleable flats should be taxed at 1% as against 5%.

Rationale:

- In current GST regime Redevelopment projects are taxed more than the vacant land project.
- Builder is entitled to development potentials for providing such rehab construction services

- Rehab construction cost is nothing but a cost of acquiring land rights/ development rights
- In substance, input tax on rehab construction services is a tax on development rights / land potentials
- Government has made policy decision to exempt development rights, TDR, FSI, etc.
- Such benefit should be granted to projects done under above schemes
- Rehab constructions is in nature of socio-economic services and it helps government to achieve its avowed
- objective of "Housing for All by 2022" and "Cities free of Slums"
- This will make development under such schemes feasible for the developers

3. **Affordable Housing cost in MMR**

The cost of house of 60 sq. mt. in MMR area will always be above Rs. 45 lakhs due to high land prices. None of such house in MMR area will qualify for concession rate of 1% for affordable house. This makes the relief illusory for citizens of this area.

We request that the definition of Affordable Housing for the purpose of GST remain as those units upto 60 sq. mtr. in Metros OR costing upto Rs. 45 Lakhs.

OUR PRAYERS

1. **THE GST RATES ON ALL SUB CONTRACTS RELATING TO AFFORDABLE HOUSE SHOULD BE KEPT UNCHANGED @ 12%. DEFINITION OF AFFORDABLE HOUSING FOR THIS PURPOSES SHOULD BE KEPT THE SAME AS BEFORE.**
2. **REHAB COMPONENT OF REDEVELOPMENT PROJECT SHOULD BE TAXED AT 1% AND ITC SHOULD BE ALLOWED.**
SALEABLE FLATS/UNITS IN REDEVELOPMENT PROJECTS SHOULD BE TAXED AT 1%.
3. **THE DEFINITION OF AFFORDABLE HOUSING FOR THE PURPOSE OF GST SHOULD BE KEPT AS BEFORE; UNITS UPTO 60 SQ. MTR. IN METROS OR COSTING UPTO RS. 45 LAKHS**

We hereby humbly request for an immediate appointment for our delegation to sit and discuss the above critical issues in person with you. Should the above issues not get addressed at the earliest possible, the negative impact of the same on the entire MMR Real Estate Market would be catastrophic.

We look forward to your confirmation of a convenient date and time for a meeting.

Thanking you,

Your sincerely,
For CREDAI-MCHI



Nayan A. Shah
President



Bandish Ajmera
Hon. Secretary



Sanjiv Chaudhary MRICS
Chief Operating Officer