

**PRESIDENT**  
Dharmesh Jain

**IMMEDIATE PAST PRESIDENT**  
Vyomesh Shah

**PRESIDENT-ELECT**  
Mayur Shah

**VICE PRESIDENTS**  
Nayan Shah  
Deepak Goradia  
Boman R. Irani  
Harish Patel

**HON. SECRETARY**  
Nainesh Shah

**HON. TREASURER**  
Sukhraj Nahar

**CEO**  
S. Shahzad Hussain  
I.A.S. (Retd.)

**SPECIAL PROJECTS**  
Bandish Ajmera  
Rasesh Kanakia  
Parag Munot

**HON. JOINT SECRETARIES**  
Sandeep Runwal  
Lakshman Bhagtani

**JOINT TREASURER**  
Mukesh Patel

**CO-ORDINATORS**  
Jagdish Ahuja  
Pujit Aggarwal  
Domnic Romell

**COMMITTEE MEMBERS**  
Jayesh Shah  
Nayan Bheda  
Sanjay Chhabria  
Shailesh Sanghvi  
Tejas Vyas  
Jitendra Jain  
Deepak Gundecha  
Sandeep Shah

**INVITEE MEMBERS**  
Sandeep Raheja  
Munish Doshi  
Navin Makhija  
Rushank Shah  
Pratik Patel  
Rajeev Jain  
Diipesh Bhagtani  
Dhaval Ajmera  
Shyamal Mody  
Nikunj Sanghavi  
Digant Parekh  
Shailesh Puranik

**PAST PRESIDENTS**  
Paras Gundecha  
Pravin Doshi  
Mohan Deshmukh  
Mofatraj Munot  
Rajni S. Ajmera  
Late G. L. Raheja  
Late Lalit Gandhi  
Late Babubhai Majethia

**CREDAI-MCHI UNITS**  
**PRESIDENT, THANE**  
Ajay Ashar

**PRESIDENT, KALYAN-DOMBIVLI**  
Praful Shah

**PRESIDENT, MIRA VIRAR CITY**  
Ashit Shah

**PRESIDENT, RAIGAD**  
Vilas Kothari

**PRESIDENT, NAVI MUMBAI**  
Prakash Baviskar

Ref. No. : MCHI/PRES/16-17/154

June 27, 2017

✓ To,  
Shri Devendra Fadnavis  
Hon'ble Chief Minister of Maharashtra  
Government of Maharashtra  
Mantralaya, Mumbai

मुख्यमंत्री कार्यालय  
महाराष्ट्र शासन  
मंत्रालय, मुंबई - ४०० ०३२.  
दिनांक 26/6/17

**Sub: Goods and Services Tax - Representation for Abatement of Land**

Respected Sir,

**1. Background**

1. Maharashtra Chambers of Housing and Industry (CREDAI MCHI) is a body of real estate developers engaged in developing projects in the commercial and residential space and plays a major role in nation building through its skill building, clean cities and educational initiatives. Our association comprises 1700 members spread across the state of Maharashtra making it the most representative body of the real estate business in State. Real estate sector is one of the key contributors to the growth and development of the economy and is the second largest sector in terms of generation of employment after agriculture. The backward and forward linkages of the industry create an extensive eco-system which makes the industry one of the key supporter to the economy.
2. The sector is both capital and employment intensive sector and various other secondary industries are also closely related with this sector. The growth in this sector will provide boost to a host of industries including cement, steel, paint construction materials and consumer durables etc. Further, there are many number of services for example, construction and engineering services, sub-contracting services erection & commissioning services, fabrication services and architectural services etc., which are consumed in relation to construction and real estate development. Thus growth of real estate sector directly results in overall growth of the economy. Real estate industry has always had a multifaceted tax regime with complex mechanisms both under VAT and service tax leading to overlapping of levies. In addition, the real estate industry has been embroiled in disputes due to ambiguity in provisions as well as multiple taxation.
3. On perusal of the GST rates for services as approved by the GST Council on 19<sup>th</sup> May, 2017, it transpired that vide Sl. No. 19, "Construction of a Complex, Building, Civil Structure or a part thereof, intended for sale to a buyer, wholly or partly" is being subjected to 12% aggregate GST with full input tax credit but the "value of land should be included in the amount charged to the service recipient" for the purpose of chargeability of GST. We in MCHI would like to humbly submit that unless and until the abatement of land is being provided, the cost of the projects would go up exponentially in hands of developers and eventually to flat buyers and an illustration under different scenarios to the effect is as under:

GST Impact Assessment - Rate 12% and No Abatement of Land							
	Rate /sq ft						
A. Sale Price	3,000	4,000	6,000	10,000	20,000	30,000	40,000
B. Value Attributable towards abatement for land	-	-	-	-	-	-	-
C. Sale Price on which GST to be levied	3,000	4,000	6,000	10,000	20,000	30,000	40,000
D. GST @ 12% on Sale Value on (A-B) or C	360	480	720	1,200	2,400	3,600	4,800
E. Current Levy of Service Tax @ 4.5% and VAT @ 1% on (A-B) or C	165	220	330	550	1,100	1,650	2,200
F. Estimated Construction Cost	1,650	1,850	2,350	3,000	4,000	5,000	6,000
G. Current Input Available to Developer on account of Service Tax- Assuming 40% of Cost towards Services / Capital goods	99	111	141	180	240	300	360
H. Current Net Outgo of Taxes (E-G)	66	109	189	370	860	1,350	1,840
I. Current Unabsorbed VAT and Excise on Goods - Assuming 40% of construction Cost towards Goods - Effective unabsorbed Avg VAT and Excise duty - 20%	132	148	188	240	320	400	480
J. Total Tax Cost under current Indirect Tax Regime including Unabsorbed Taxes on account of non availability of Set Off under Central Excise Act and State VAT Act (H+I)	198	257	377	610	1,180	1,750	2,320
K. Tax Cost under GST regime - Assuming full credit available (D-G-I)	129	221	391	780	1,840	2,900	3,960
L. Increased Tax cost under GST (K-J)	-69	-36	14	170	660	1,150	1,640
Increase in % on Sale Price	-2.3	-0.9	0.2	1.7	3.3	3.8	4.1

2. MCHI and its members are committed to pass on full benefit of input credit to all existing and new buyers in line with the requirement and spirit of GST law and also to mitigate the impact of GST on customers to maximum extent.
3. However, it can be seen from above table that post introduction of GST, flats with Selling price above Rs 6000 PSF is having adverse impact ranging from 1.7% to 4% of selling price even after passing full benefit of input credit to customers.
4. For ongoing projects, where substantial construction cost is already incurred, there would be only a small incremental input credit available on balance construction cost resulting into even larger impact on customer entering to buy in such projects.
5. Therefore, metro cities especially Mumbai where we have high land cost, GST rate @ 12% on total value without land abatement would result into higher cost.

6. You would kindly appreciate that currently Stamp duty @ 5% / 6% is separately applicable on sale of flats. Hence, GST @ 12% on entire Sale value of flat (including land) is resulting into double taxation on land. MCHI would like to submit the recommendation with regard to having an abatement of land for the purpose of chargeability of aggregate GST, without which the entire levy of GST on real estate would be unconstitutional.
7. Therefore, we would request for your sympathetic consideration and support in overall interest of consumers and industry to make following recommendations to GST council that necessary provisions should be incorporated in GST law by making suitable changes either by way of abatement on transaction value to deduct the value of land (as available in present tax regime) or amend the valuation provisions by framing any one of the following scheme for exclusion of land
- **Adoption of actual cost or ready reckoner value whichever is higher:** It is recommended to allow the deduction for the value of land or interest in the land charged to the customer or the value published in ready reckoner by the respective Government authorities for the purpose of stamp duty calculations, whichever is higher, in case where it is identified separately.
  - **Standard Deduction Method:** Presume a standard deduction towards value of land between a range of 0% to 40% based upon the different tiers of cities and the value of units. To ensure that land abatement is not resulting into loss of state exchequer, following limits may be laid down:
    - If selling price is less than Rs. 6000 PSF - Nil
    - If selling price is from Rs. 6000 - 15000 PSF - 30%
    - If Selling price is from Rs.15000 and PSF - 40%

Yours faithfully,  
For CREDAI-MCHI



**Dharmesh Jain**  
President



**Nainesh Shah**  
Hon. Secretary



**S. S. Hussain I.A.S. (Retd)**  
Chief Executive Officer

Copy for necessary consideration:

To,  
**Shri Arun Jaitley**  
Hon'ble Union Finance Minister  
Ministry of Finance,  
Room No 134, North Block,  
New Delhi - 110-001

**Shri Venkaiah Naidu**  
Hon'ble Union Minister for Urban Development  
& Housing and Urban Poverty Alleviation  
Government of India  
Nirman Bhawan  
New Delhi - 110-011

✓ **Shri Prakash Mehta**  
Hon'ble Minister of Housing  
Government of Maharashtra  
Mantralaya,  
Mumbai - 400-032

✓ **Shri Sudhir Mungantiwar**  
Hon'ble Minister of Finance & Planning and Forest Department  
Government of Maharashtra  
Mantralaya, Mumbai.

**Smt. Vanaja N. Sarna (I.R.S.)**  
Chairman  
Central Board of Excise and Customs  
Department of Revenue,  
Ministry of Finance  
Government of India  
New Delhi

**Dr. Hasmukh Adhia (I.A.S.)**  
Secretary  
Department of Revenue  
Ministry of Finance  
Government of India  
New Delhi

**Shri Dinesh Kumar Jain (I.A.S.)**  
Additional Chief Secretary  
Department of Finance  
Government of Maharashtra  
Mantralaya, Mumbai

28/6/2017

लिपिक

मंत्री, गृहनिर्माण  
यांचे कार्यालय, महाराष्ट्र शासन  
मंत्रालय, मुंबई ४०० ०३२

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मंत्रा, वित्त, नियोजन व वन यांचे विभाग  
महाराष्ट्र शासन, मंत्रालय  
मुंबई ४०० ०३२

Pallavi  
28/6/17