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To,  
Smt. Nirmala Sitharaman ji,  
Hon'ble Finance Minister,  
Government of India.

Reg-AD  
11/6/2025

**Sub: Request for GST Exemption on Free Rehabilitation Flats under Statutory  
Redevelopment Projects in Mumbai**

Respected Madam,

On behalf of CREDAI-MCHI, the apex real estate industry body in the Mumbai Metropolitan Region (MMR), we convey our sincere appreciation for your visionary leadership in driving India's economic transformation.

We write to you with urgency on a matter that directly affects the viability of urban redevelopment projects in Mumbai city where over 50% of the population resides in slums or dilapidated housing, and redevelopment is a statutory and economic imperative.

**The Issue: GST Demand on Free Rehabilitation Units**

As per existing redevelopment policy under DCPR 2034, private developers are statutorily mandated to construct and hand over free residential units to eligible slum dwellers, tenants, and society members. In return, they are granted additional FSI, enabling them to build sale flats to recover the cost of the project.

Despite this clear statutory framework, GST authorities have recently sought to levy GST on the free rehabilitation flats, treating the additional FSI as a form of consideration. The GST demand presents a legally ambiguous challenge, significantly impacting real estate affordability and undermining the government's slum redevelopment initiatives, while failing to generate substantial tax revenue, especially due to the following reasons:

**Key Grounds for Exemption**

No Consideration from Beneficiaries

The rehab flats are provided free of charge to existing occupants. The additional FSI is granted by the government under statutory regulation not by the beneficiaries and cannot be construed as consideration under GST law.

**Double Taxation without Input Tax Credit**

The entire cost of construction of rehab flats is cross-subsidised by the sale component, on which GST is paid in full. However, due to the concessional rate (1% or 5%) applicable on residential projects, developers are not entitled to claim Input Tax Credit (ITC) on construction materials and services.

Any further imposition of GST on free rehab flats without availability of ITC leads to double taxation and further escalates unrecovable costs, contrary to the very architecture of GST as a value-added tax.

**Statutory Obligation, Not Commercial Supply**

Developers are legally obligated under DCPR 2034 and schemes like Regulation 33(5), 33(7), and 33(10) to construct rehab units. These are not voluntary supplies or barter transactions but compliance with urban planning statutes and hence cannot be treated as a taxable supply.

**Maharashtra Chamber of Housing Industry**

Maker Bhavan II, 4<sup>th</sup> Floor, 18, V. Thackersey Marg, New Marine Lines, Mumbai - 400 020.  
Tel: 42121421, Fax: 4212 1411/407 Email: [secretariat@mchi.net](mailto:secretariat@mchi.net) Website: [www.mchi.net](http://www.mchi.net)

**Financial Unviability and Deterrent to Urban Renewal**

Imposing GST on the notional market value of rehab flats, especially when developers already absorb input GST costs without credit, leads to thin or negative margins, making projects unviable and deterring private participation in redevelopment.

**Our Humble Request**

In view of the above, we respectfully seek your urgent intervention to issue a clarificatory circular or notification under the CGST Act, 2017, stating that:

"Provision of free rehabilitation flats by developers to existing occupants under statutorily mandated redevelopment schemes shall not be considered a taxable supply under GST and shall be exempt from GST."

This clarity will not only resolve ongoing assessments and litigation, but also strengthen the redevelopment ecosystem, enabling Mumbai to deliver on the vision of safe, resilient, and inclusive housing for all.

We shall remain at your disposal to provide further data, case studies, or engage with your officials to facilitate a constructive resolution.

Thanking you in anticipation

Yours sincerely,

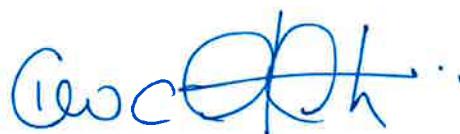
For CREDAI-MCHI



**Dominic Romell**  
President



**Dhaval Ajmera**  
Hon. Secretary



**Keval Valambhia**  
Chief Operations Officer  
Mob: +91 98709 85061

