

## Notifications giving effect to the recommendations of the GST Council

### **Recommendations made by the GST Council for the Housing Sector to promote Affordable Housing for the masses come into force**

In its 25th Meeting held on 18th January, 2018, the GST Council had made several important recommendations for the Housing Sector which have come into force with effect from 25th January, 2018. The recommendations are expected to promote affordable housing for the masses in the country.

One of the important recommendations made is to extend the concessional rate of GST of 12% (effective rate of 8% after deducting one third of the amount charged for the house, flat etc. towards the cost of land or undivided share of land, as the case may be) in housing sector to construction of houses constructed/ acquired under the Credit Linked Subsidy Scheme (CLSS) for Economically Weaker Sections (EWS) / Lower Income Group (LIG) / Middle Income Group-1 (MIG-1) / Middle Income Group-2 (MIG-2) under the Housing for All (Urban) Mission/Pradhan Mantri AwasYojana (Urban).

Credit Linked Subsidy Scheme (CLSS) is one of the components of Housing for All(Urban) Mission/Pradhan Mantri Awas Yojana (PMAY) (Urban). Under this component, subsidy would be provided on home loans taken by eligible urban poor (EWS/LIG/ MIG-I/ MIG-II) for acquisition and construction of house. Credit linked subsidy would also be available for housing loans availed for new construction and for addition of rooms, kitchen, toilet etc, to existing dwellings as incremental housing. The carpet area of houses constructed under this component of the mission would be up to 30 square meters for EWSA, 60 Square Meters for LIG, 120 sqm for MIG I and 150 Sqm for MIG II. The benefit of Credit Linked Subsidy Scheme may be taken by the Economical Weaker sections or Low/Middle Income Groups for purchase of houses under any project. The maximum annual income for eligibility of beneficiaries under the scheme

can be up to Rs.18 lakhs. It covers a very large section of population which aspires to own a home.

So far, houses acquired under CLSS attracted effective GST rate of 18% (effective GST rate of 12% after deducting value of land). The concessional rate of 12% was applicable only on houses constructed under the other three components of the Housing for All(Urban) Mission/Pradhan Mantri AwasYojana (Urban), namely (i) In-situ redevelopment of existing slums using land as a resource component; (ii) Affordable Housing in partnership and (iii) Beneficiary led individual house construction/enhancement. The exemption has now been recommended for houses acquired under the CLSS component also. Therefore, the buyers would be entitled to interest subsidy under the Scheme as well to a lower concessional rate of GST of 8% (effective rate after deducting value of land).

The GST Council has also recommended that the benefit of concessional rate of GST of 12% (effective GST rate of 8% after deducting value of land) applicable to houses supplied to existing slum dwellers under the in-situ redevelopment of existing slums using land as a resource component of PMAY may be extended to houses purchased by persons other than existing slum dwellers also. This would make the in-situ redevelopment of existing slums using land as a resource component of PMAY more attractive to builders as well as buyers.

The third recommendation of the Council is to include houses constructed for 'Economically Weaker Section (EWS)' under the Affordable Housing in partnership(PMAY) under the concessional rate of GST of 8% (effective rate after deducting value of land). This will support construction of houses up to 30 sqm carpet area.

The Fourth Recommendation of the Council is to extend the concessional rate of 12% to services by way of construction of low cost houses up to a carpet area of 60 sqm in a housing project which has been given infrastructure status under notification No.13/06/2009 dated 30th March, 2009. The said notification of Department of Economic Affairs provides infrastructure status to Affordable Housing.

Affordable Housing has been defined in the said notification as a housing project using at least 50% of the FAR/FSI for dwelling units with carpet area of not more than 60 sqm. The recommendation of the Council would extend the concessional rate of 8% GST(after deducting value of land) to construction of flats/ houses of less than 60 sqm in projects other than the projects covered by any scheme of the Central or State Government also.

In addition to the above, in order to provide a fillip to the housing and construction sector, GST Council has decided to give exemption to leasing of land by Government to Governmental Authority or Government Entity. [Government Entity is defined to mean an authority or board or any other body including a society, trust, corporation, (i)set-up by an Act of Parliament or State Legislature; or (ii) established by any Government, with 90% or more participation by

way of equity or control, to carry out any function entrusted by the Central Government, State Government, UT or a local authority].

Also, any sale/lease/sub-lease of land as a part of the composite sale of flats has also been exempted from GST. Therefore, in effect, the Government does not levy GST on supply of land whether by way of sale or lease or sub-lease to the buyer of flats and in fact, gives a deduction on account of the value of land included in the value of flats and only the value of flat is subjected to GST.

It may be recalled that all inputs used in and capital goods deployed for construction of flats, houses, etc attract GST of 18% or 28%. As against this, most of the housing projects in the affordable segment in the country would now attract GST of 8% (after deducting value of land). As a result, the builder or developer will not be required to pay GST on the construction service of flats etc. in cash but would have enough ITC(input tax credits) in his books to pay the output GST, in which case, he should not recover any GST payable on the flats from the buyers. He can recover GST from the buyers of flats only if he recalibrates the cost of the flat after factoring in the full ITC available in the GST regime and reduces the ex-GST price of flats.

The builders/developers are expected to follow the principles laid down under Section 171 of the GST Act scrupulously. The above changes have come into force with effect from 25 January 2018.

#### **GST Council recommends granting relief from GST on services provided by the Resident Welfare Associations (RWAs) to their Members**

In its 25th Meeting held on 18th January, 2018, the GST Council had recommended several measures granting relief from GST on a number of goods and services. One of the important reliefs granted by the Council is to enhance the limit of contribution made by members of a Resident Welfare Association (RWA) for the purpose of exemption from GST.

The Council had recommended that the limit may be enhanced from Rs.5,000 to Rs 7,500 per month per member. Services provided by RWAs(unincorporated body or a registered non-profit entity) to their members were hitherto exempt against contribution of up to an amount of five thousand rupees per month per member. Requests were received from several quarters to enhance the contribution limit of five thousand rupees per month per member for exemption.

As a result, RWAs shall be required to pay GST on monthly subscription/contribution charged from its members if such subscription is more than Rs.7,500 per month per member and the Annual Turnover of RWA by way of supplying of services and goods is also Rs. 20 lakhs or more.

Under GST, the tax burden on RWAs will be lower for the reason that they would now be entitled to Input Tax Credit (ITC) in respect of taxes paid by them on capital goods(generators, water pumps, lawn furniture etc.), goods (taps, pipes, other sanitary/hardware fillings etc.) and input services such as repair and maintenance services. ITC of Central Excise and VAT paid on goods and capital goods was not available in the pre-GST period and these were a cost to the RWA.

The Notifications giving effect to the above recommendations of the GST Council have been issued and have come into force on 25th January, 2018. Accordingly, from 25 January 2018, the services provided by Resident Welfare Association to its members against contribution-up to an amount of Rs 7,500per month per member have been exempted from GST.

#### **GST rate on admission to amusement parks and ballet etc, reduced from 28% to 18%.**

In its Meeting held on 18th January, 2018, the GST Council had recommended reduction of GST rate on services by way of admission to Amusement Parks including theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet from 28% to 18%. These services hitherto attracted GST @ 28%. Requests were received from several quarters that amusement parks promote social wellness and beget fun and learning for children and their families in a real active entertainment and therefore, the rate may be reduced to 18%.

The notifications giving effect to these recommendations of the Council have been issued on 25th January, 2018. Accordingly, admission to amusement parks including theme parks, water parks, joy rides, merry-go-rounds, go-carting and ballet is now taxable at the lower rate of 18%.

It is expected and hoped that States do not raise the tax on entertainment and amusement levied by the local authorities (Panchayats/ Municipalities/ District Councils) so as to increase the tax burden on the amusement parks. This will ensure that the rate cut in GST is passed on to the children and families.

#### **GST Council recommends relief in GST on Circus, Dance and Theatrical Performances**

In its Meeting held on 18th January, 2018, the GST Council has recommended that for the purpose of GST exemption, the threshold price limit of Admission Ticket for circus, dance, theatrical performances including drama or dance, award functions, pageants, concerts, musical performances, and recognized sporting events may be increased from Rs. 250 per person to Rs.500 per person. The Council has further recommended that admission to planetarium may also be given the benefit of this threshold exemption up to Rs.500 per person.

The Notifications giving effect to the recommendations of the Council have been issued on 25th January, 2018. Accordingly, from 25th January 2018, the Admission Ticket to circus, dance, theatrical performances including drama or dance, award functions, pageants, concerts, musical performances, recognized sporting events and planetarium up to Rs.500 per person have been exempted from GST. This measure is expected to promote such cultural and sports events in the country.

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**Warm regards,**

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