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An Analysis of Impact of GST in Real Estate Sector

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Abstract

In this article we are going to deal with the role of GST in the real estate sector, and the impact of GST in that sector. The year 2017 brings a huge change in the financial side of our nation, and it leads to so many protests among the people of our nations. The reason for the huge changes and the protests is only because of the three letter abbreviations "GST". The GST is an indirect tax replacing so many indirect taxes in India such as the excise duty, VAT, services tax, etc. The GST foots his leg in all the products and its sales, and it didn't even leave the Real estate sector. The present analysis was made through a random through a random and convenience sampling method where the survey was taken from common public, professionals, etc. The sample size in the present analysis is 200 samples, the independent variables in this analysis are gender and age, the dependent variables are reliable. The research tools used in the present paper such as graphical representation was also used to analyse the study. The objective of the research is to know about the people's opinion about the gst impact in the real estate sector, and to know what are the changes happening in the real estate sector due to implementation of GST, to know whether gst is making a positive or negative impact in the real estate sector.

Keywords: GST, tax, indirect tax, real estate, implementation, changes, independent, etc.,

Introduction

GST (goods and service tax) is an indirect tax, which replaces the places of VAT, excise duty, services tax, etc.. The GST (Goods and

Service Tax) Act was passed within the Parliament on 29th March 2017 and came into effect on 1st July 2017. the 101st constitutional amendment act added the gst into the constitution. The GST affects all the sales and prices of the products in India, the gst is not paid by the sellers, the gst is paid by the consumers or buyers. It leads to so many protests across our nation. This is because the gst is implemented in all products form 1 rupee to 1 lakh rupee products, due to this type of approach gst people initially hate this GST. The GST didn't leave the real estate sector, it also makes it effective in the real estate sector. With much fanfare, the GST regime was launched in India on Dominion Day , 2017. Touted to be the most important tax reform in India after Independence, the GST subsumed multiple indirect taxes, to supply a consistent regime to the taxpayer. Initially, the GST for land was kept higher but the Narendra Modi-led government, which launched the revolutionary tax regime, reduced the rates in 2019. This was done during a bid to form properties cheaper to the commoner and to spice up its ambitious 'Housing for All by 2022' target.

The gst rate changes from before March 2019 to after April 2019 the Changes in the rate of GST are

property type	GST rate till March 2019	GST rate from April 2019
affordable home	8% with ITC	1% with ITC
Non-affordable home	12% with ITC	5% with ITC

While the new rate without input tax credit (ITC) will apply on all new projects, builders got a one-time choice to pick between the old and therefore the new rates by May 20, 2019, for his or her ongoing projects. This offer was valid just for projects which were incomplete as on March 31, 2019. The government's decision came, after the developer community raised concerns on

the liabilities within the absence of ITC. The aim of this research is to know about the impact of gst in the real estate sector.

Objectives

- To know the impact of gst in real estate sector
- To know the people opinion about the gst in real estate sector
- To know about the tax system in real estate sector
- To know about the recent changes of tax system in real estate sector

Review of literature

1. Sankalp SRIVASTAVA deals with The Metamorphosis of the oReal Estate Sector in India After the Implementation of GST and RERA , The Real Estate engineers need to give the favorable position to the clients. While land experts feel that costs will spike post-RERA, charge assortment experts feel that as time goes on GST will reduce down expenses of properties. On which side the costs will swing, it has all the earmarks of being reality will surface ultimately. ("GST Rates on Real Estate" n.d.)
2. Priyanka Sahni did a comparative study as goods and service tax (GST) VS current indirect tax environment in India and impact of GST on real estate sector. She has tried to make a comparison of the Current Indirect Tax Environment in India and the proposed GST and also tried to determine the impact of GST on the Real Estate Sector. ("Website" n.d.)
3. CA Garima Jain deals with the GST rates on the real estate sector, and the types of Real Estate Transactions and the deal with the periodical changes of gst in real estate sector. (Sahni 2017)
4. Subrata Das deals with past - GST impact on the logistic and real estate sector, In the segment of indirect taxation, GST is a single tax on the supply of goods and services, right from the manufacturer to the ultimate consumer. Credit of input tax which is paid at each stage, is to be available in the subsequent stage of value addition. That is why GST is considered as a tax only on value addition at each stage. ("Website" n.d.)

5. Dr. D. K. Parmar deals with Impact of goods and service tax (GST) on Indian estate sector. A single indirect tax which covers all goods and services will, in the long run, increase tax collection by making it easier for retailers and several other businesses to comply and also moderate overall taxation levels. That said, it should be remembered that the favourable effects of this new taxation regime will become evident only within 2-3 years of its implementation. ("Website" n.d.)

6. Gokhale Siddhi S did a feasibility analysis of impact of GST and RERA on building construction projects and real estate sector in Pune region. Development industry is viewed as one of the major and important ventures for financial turn of events and the development in India. It is mainstream that there is time and cost invading a large portion of development ventures in India. The point of this exploration is to examine the effect of GST and RERA on the city of Pune. ("No Title" n.d.)

7. Sankalp Srivastava deals with Evaluation and identification of factors affecting the growth of real estate market in India, he evaluates and identifies the various factors and also knows the effect of critical factors on the growth of the real estate market in India. ("No Title" n.d.)

8. Hera Antoniadis deals with GST perspectives and real property, The multifaceted nature of GST for genuine property is featured with the differing treatment of business and private deals and rental. The offer of a business property is named either an available inventory or a GST free stock; while the business lease is viewed as an available stockpile as it were. ("No Title" n.d.)

9. Dr. Agrawal Ruchira deals with the Real estate sector in India-challenges and opportunities, The real estate is the third biggest business (after horticulture and assembling) in India and by and by utilizes more than 40 million labor force. India's development industry will keep on extending over the figure time frame (2016-2020), with interests in private, framework and energy ventures proceeding to drive development. (Agrawal 2017)

10. Dr. Anand Prakash deals with Impact and Implications of GST on Various Industries in Indian Economy, The principle reason for GST is to achieve the single assessment framework for the production and the offer of merchandise at the both focal and the state level in the nation. The GST is predominantly executed to eliminate any remaining expenses like VAT (Value-Added Tax), Excise obligation and Sales Tax. ("Website" n.d.)

11. Arpit Kulshrestha deals with Impact of GST on Real Estate Sector in India. GST, which has been executed from first July 2017 has worried the vast majority of citizens and vendors because of its consistency necessities. How it influences the duties in land area got various perspectives from industry specialists. Starting the article, it will attempt to call attention to the issues included which will help in a superior comprehension of the various perspectives. ("Website" n.d.)

12. Santosh Dalvi deals with the GST reforms a must to help real estate sector sustain growth momentum, Real estate can be considered as a barometer of the 'real' health of an economy. The growth in real estate not only creates direct and indirect employment but also aids growth in various ancillary industries. As per IBEF, the sector's contribution is expected to reach 13 percent of the Indian GDP by 2025. ("GST Reforms A Must To Help Real Estate Sector Sustain Growth Momentum" n.d.)

13. Hakim Lakdawala deals with How Reduction In GST Rates For New Projects Will Help In Recovering The Real Estate Sector, The real estate sector in India had been facing significant headwinds due to the COVID-19 crisis. (Lakdawala n.d.)

14. CS Deepak Pratap Singh deals with Real Estate Sector and GST, The Real Estate Sector is the fastest growing sector all over the world as well as in India. The Real Estate Sector has employed or given employment to the major workforce in the country and has contributed a lot in the GDP of the country. ("Website" n.d.)

15. Abhimanyu Dhamija deals with what was the impact of GST on Real Estate, Real estate is one

of the most important sectors of the Indian economy and accounts for 6-8% of its GDP. With the implementation of GST, the country stands to witness some significant changes in this sector. ("Website" n.d.)

16. CA. Susmit Das deals with an Overview of GST in the Real Estate Sector, This shift of focus has significantly contributed to the connotation of urbanization which has subsequently assisted in the growth of the real estate sector. Further, rising income levels and a large population base have also given a major boost to this sector. ("[No Title]" n.d.)

17. Hakim Lakdawala deals with, How Reduction In GST Rates For New Projects Will Help In Recovering The Real Estate Sector, The real estate sector in India had been facing significant headwinds due to the COVID-19 crisis. The on-going labour shortage, costs for sanitization, low offline sales have deteriorated the situation. (Lakdawala n.d.)

18. Gireesh Chandra Prasad deals with the cut of home price on gst which was asked by the builders, in November 2020, the NAA confirmed previously issued orders to two other builders to pass on the benefits of tax credits to customers but dropped proceedings to impose penalty. ("Builders Told to Cut Home Prices, Pass on GST Gains" 2020)

19. Manasa Reddy deals with the GST Impact on Real Estate Industry, she deals with the new rules of GST which was implemented in April 1st 2019 and she deals with the percentage of GST, and he has done so many works on the basis of this Implication of GST in India on the real estate sector. ("Website" n.d.)

20. Abhishek Naik and Surabhi Prabhudesai deals with, A Dissection Of The Recent GST Changes on real estate sector, they aims to analyze in detail, the important changes brought about by the said notifications, which have come into effect from 1st April, 2019, vis-à-vis the position previously in effect. (Naik 2019)

Research methodology

The present paper was analysed through the non-doctrinal research methodology and empirical and descriptive method of research

was used. The present analysis was made through a random through a random and convenience sampling method where the survey was taken from common public, professionals, etc. The sample size in the present analysis is 200 samples, the independent variables in this analysis is gender and age, the dependent variables are reliable. The research tools used in the present paper such as graphical representation was also used to analyse the study

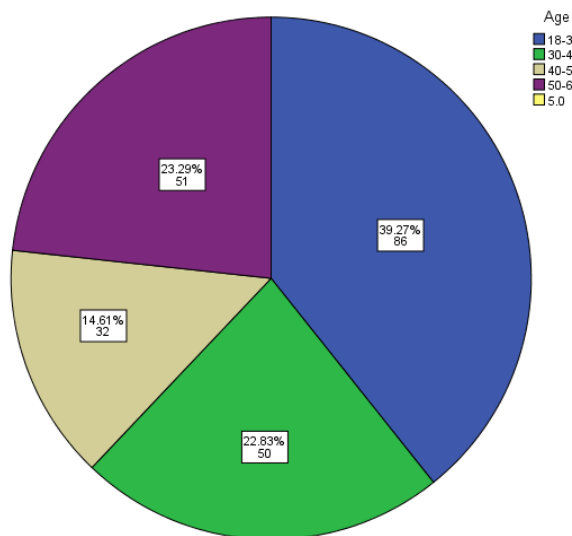
Hypothesis

Ho: The gst didn't make huge changes and impact in real estate sector

Ha: The gst makes a huge changes And impact in real estate sector

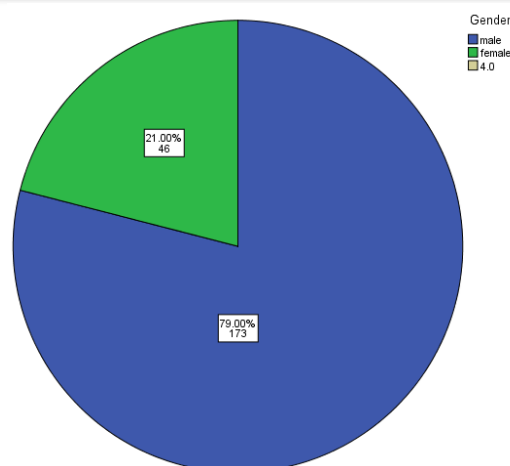
Analysis

Figure :1
age



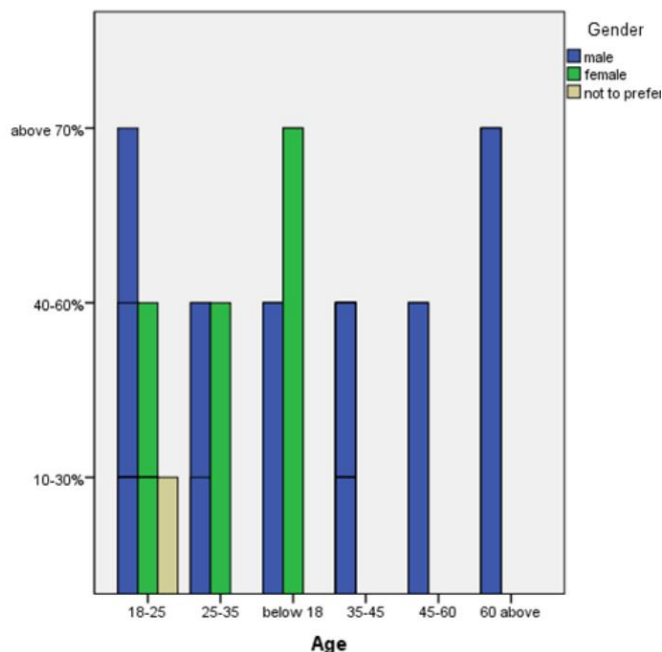
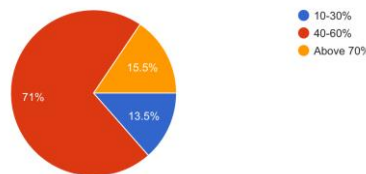
There are about 39.27% of people are from the age group between 18-30 and 22.83% of people from age group 30-40, and 14.61% of people from the age group 40-50, and There are about 23.29% of respondents are from the age group between 50-60 and there is no person is from the age group above 60

Figure : 2
gender



There are about 173 respondents of 200 are male that is 79% of the respondents and 46 respondents of 200 is form female that is 21% of the respondents

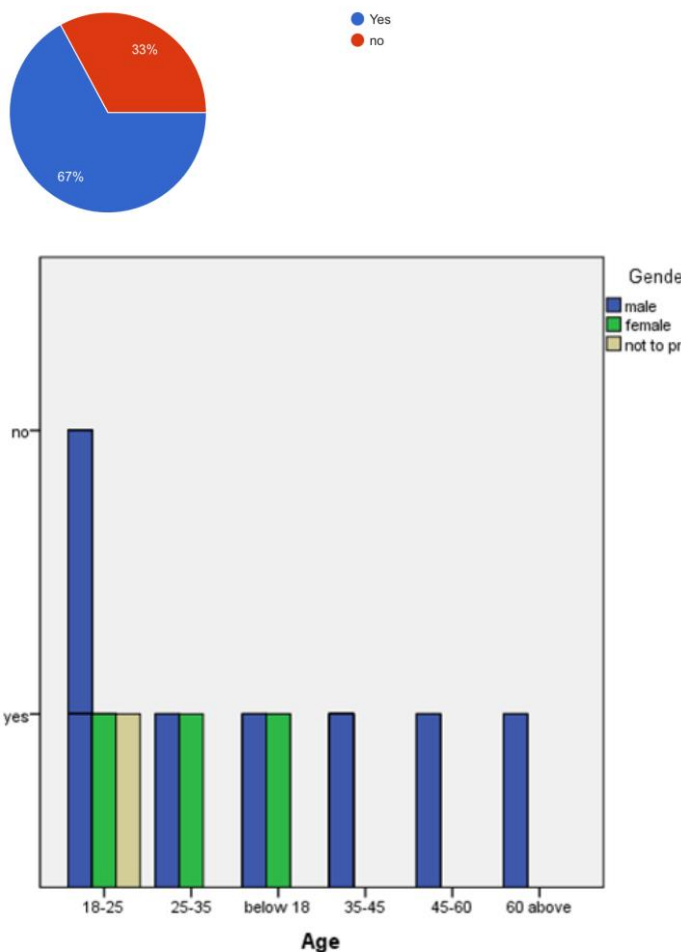
Figure : 3
Age : percentage of gst affects the real estate sector



Legend : It shows about the opinion of people at different age about the impact of gst in real estate sector .

Figure :4

Is the gst comfortable to the buyer in the real estate sector compared with the old tax system?



Legend : It shows the agreement and disagreement of different ages of people about the comfortability of the buyer in the real estate sector compared with the old tax system.

Results

From the figure 1 we can able to know that the most of the members responded in the survey is the people in the age group between 18-25 after this the people in the age group between 50-60

From figure 2 we are able to know that the most of the members who responded to my research is male members, nearly 79% of people which means 173 members out of 200 is male members.

From the figure 3 that all the male members of age between 25-35 , 35-45, 45-55 and below 18 give the percentage between 40-60% that gst affects the real estate sector.

From figure 4 that all persons except the male members in the age group between 18-25 agrees that the gst is comfortable to the buyer in the real estate sector compared with the old tax system except the persons between 18-25 disagrees.

Findings

At first the GST rate of the real estate sector was high but after the **'Housing for All by 2022'** target by the Narendra Modi led government, the GST rate will become lesser than from April 2019. The rate of GST is reduced from 8% to 1% and 12 % to 5% for affordable and unaffordable homes. In Spite of these I found some ways about the **tax avoidance**, such as selling of buyed home after 36 months as long term capital gain to avoid more tax etc., and also I found that the GST makes it easier to pay tax compared with the old tax system , which means the GST promotes and fulfills the canon of convenience and simplicity.

Limitations:

The major limitation of my studies is the sample frame. The sample frame is an online based questionnaire here .The restriction of sample size is also another major drawback. The physical factors are what is the most impactful and a major factor limiting the study. The reacher cannot be able to go directly and know about the opinion of the people , via online by using social media only the reacher is able to contact people and know about their opinion this is one of the major drawbacks.

Discussion

In this research I the researcher collected nearly about 200 responses at different age groups about their opinion on the impact of GST on the real estate sector. The first question is at what percentage that the gst affects the real estate sector , and the second question is agreement and disagreement of people about the question of Is the gst comfortable to the buyer in the real estate sector compared with the old tax system. From the survey most of the responses come from the people in the age group between 18-25 compared with other age groups. And compared with female responses,

more male members give their responses in this research. There are about 79% of male members out of 100% in this survey. From figure 1 we come to know that the most of the people rate the percentage of gst affects the real estate sector is above 40-60% so from this we can conclude that the gst affects more in real estate sector. When we come to the figure 2 we come to know that the all the male and female and others answered yes except the the male members of the age group between 18-25, so from this we concluded that the gst is comfortable for the buyers of real estate sector compare with old tax system this is because most of the people answered yes in the survey that the gst is comfortable to them compare with old taxes.

Conclusion and suggestion

From the survey and the research I came to know and concluded that the implementation of GST makes changes and give some effects in real estate sector and also it is comfortable to the buyer to pay tax compare with old tax system, in the year 2017 gst was implemented in india and it replaced the indirect taxes such as VAT, excise duty and service tax etc., and the gst tax is put in all selling products except some products such as petroleum, alcohol etc., the gst is collected from the purchasers as an indirect tax. The New GST rates have been introduced in the 33rd GST council meeting held on 24th February which came into effect from April 01, 2019. In that meeting the gst for real estate is formed, and it makes changes in the indirect tax for the real estate sector. So from my research and survey I concluded that the gst makes changes and makes some effects in the real estate sector. I suggest that the new gst rules is very much good compare with old gst and old taxation system but even though in the new gst system the input tax credit system is not there, It is a great disadvantage to the regular buyer and sellers of real estate sector, so I want to include the ITC in the new gst rules.

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