



LEGAL ALERT

GST BENEFITS EXTENDED TO AFFORDABLE HOUSING SCHEME

Through **Notification No. 1/2018 - Central Tax (Rate)** dated 25th January, 2018 the Government of India has extended the benefit of a reduced GST Rate on Affordable Housing Project.

What is Affordable Housing Project?

- Notification F. No. 13/6/2009-INF, dated the 30th March, 2017 defines Affordable Housing as a housing project using at **least 50% of the Floor Area Ratio (FAR)/ Floor Space Index (FSI) for dwelling units with carpet area of not more than 60 square meters.**
- Further, "Carpet Area" shall have the same meaning as assigned to it in clause (k) of **section 2 of the Real Estate (Regulation and Development) Act, 2016.**

GST Benefits for Affordable Housing Project

- Notification No. 1/2018 - Central Tax (Rate) dated 25th January, reduces the GST rate on low-cost houses up to a carpet area of 60 sq.mt. per house in an affordable housing project to **12%.**
- Further, one third abatement of the total value would be allowed in the case involving transfer of land or undivided share of land, making the **Net GST rate to 8%.**
- However, such a GST Rate is only applicable to the Low-Cost Houses up to a carpet area of 60 sq.mt. in the affordable housing project, **whereas the houses being more than a carpet area of 60 sq. mt. in the same project, would not be getting the benefit of reduced GST benefit.**
- Further benefit is extended by way of Works Contractors providing the service in such affordable housing projects, whereby a **reduced GST Rate of 12%** would be chargeable on low cost houses up to a carpet area of 60 sq.mt. in the affordable housing project.
- **The above Notification is applicable from 25th Jan, 2018.**

SPCM's Comments

- A welcome initiative by the Government of India to extend the GST benefits to the Real Estate Sector. The reduction in GST Rate by 4% shall be a relief to the already struggling Real-Estate industry and consumers at large.

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