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# GST cut on contracts for affordable hsg

## No Price Impact For Home Buyers: Experts

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**New Delhi:** The government has reduced GST rate on work contracts for affordable housing to 12% from 18% fixed earlier. But it is unlikely to have any impact on prices of affordable housing for buyers, industry experts said as GST rate for buyers to purchase a finished house remains at 12%.

In a notification issued on Tuesday, the government said GST on composite supply of work contracts for affordable housing up to carpet area of 60 square metres in a project approved by a competent authority will be 12%, including the state GST.

CREDAI president Jaxay Shah said the new rate is only for work contractors. If a developer involves a work contractor for his project, his cost will be reduced by 6%. But in the affordable segment, developers construct projects themselves to be cost-efficient. Therefore, the cost for developers will remain the same.

And on top of that, home buyers will continue to pay GST at 12% on affordable housings. Of course, he will get the credit for taxes paid on inputs.

### GST on print ads depends on contract terms

**New Delhi:** The Centre on Wednesday clarified GST rates applicable on selling of space for advertisement in print media. The rates applicable would depend on terms of the contract between a newspaper, the advertisement agency and the client.

It said that selling of space for advertisement in print media attracts 5% GST. "If the advertisement agency works on principal-to-principal basis, that is, buys space from the newspaper and sells such space for advertisement to clients on its own account, that is, as a principal, it would be liable to pay GST at the rate of 5% on the full amount charged by advertisement agency from the client," a finance ministry statement said citing examples.

But, if the advertisement agency sells space for advertisement as an agent of the newspaper on a commission basis, it would be liable to pay GST at 18% on the commission it receives from the newspaper. The input tax credit (ITC) of GST paid on such sale commission would be available to the newspaper. "However, if the advertisement agency supplies any service other than selling of space for advertisement, such as designing or drafting the advertisement, and such supply is not a part of any composite supply, the same would be liable to tax @18%. If such supplies are part of any composite supply, the rate applicable for the principal supply shall apply," it added. TNN

In GST regime, when a developer sells a house to an end-user, GST will be calculated at 18% on the two-third value of the house. The net rate would be 12% of total price of the house. The abatement of one-third of the value of the house is given to adjust the land price, which neither comes under goods or nor services category.

Shah said that if the government wants to pass on the benefit to the end users, it must reduce the GST paid

by customers. Earlier, the GST charged by a contractor and developer were both at 18%. Because of abatement of 33% for land value, the net GST chargeable by a developer from the end customer worked out to 12%.

Now, developer will pay 12% to the contractor. But will charge GST at 18% from the end customer, which becomes 12% after abatement. Shah said CREDAI will be writing to the government to address the anomaly.

