



INTERNATIONAL JOURNAL OF TRENDS IN EMERGING RESEARCH AND DEVELOPMENT

Volume 2; Issue 4; 2024; Page No. 234-237

Received: 18-04-2024
Accepted: 24-05-2024

A study on indirect taxes on real estate during the pre and post GST regime and real estate transactions-taxability of under GST

¹Jyoti Joon and ²Dr. Praveen Mittal

¹Research Scholar, Department of Commerce, Maharaja Agrasen Himalayan Garhwal University, Uttarakhand, India

²Professor, Department of Commerce, Maharaja Agrasen Himalayan Garhwal University, Uttarakhand, India

Corresponding Author: Jyoti Joon

Abstract

The industry is currently prepared for the new GST. Consumers are waiting for the proper time to sign the contract while developers take all essential safety and preparation precautions. Even though the GST has been in place for two years, this study aims to provide some insight into how indirect property taxes have affected the pre- and post-GST governments. An example of property is real estate. Property is the right to own and utilize something. Real property, to use a legal term, is the right to own and utilize land for a period of time that could be as long as a lifetime or more. According to the law, all other property is personal property. According to the legislation, a 999-year lease that has an expiration date but is not measured by a life is less time-consuming than a property conveyance whose duration is determined by a life or by multiple lives. We use the phrases in their precise legal connotation when referring to real estate. When we refer to real estate as a commodity and a business, it encompasses all of the different aspects of the industry that attract the interest of those who pursue it professionally. It also includes interests that, in the eyes of the law, are not real property, such as leases, mortgages, and other similar arrangements.

Keywords: Indirect Taxes, Real Estate, GST Regime, Real Estate, Transactions-Taxability, Property

Introduction

The introduction of the new tax, known as the "Goods and Services Tax" (GST), on July 1, 2017, completely altered all facets of the Indian economy. Since India's independence, this has significantly altered its tax structure and given the indirect tax system a makeover. The major goal of the GST is to streamline the convoluted tax system that applies to the provision of goods and services. At first, some of the short-term adverse effects were affected by the adjustments although with some difficulty. With the exclusion of additional problems/obstacles, both technical and the perception of low-income activities by expanding debt, decreasing prices, global inflation, free movement of commodities, etc., the prior indirect tax structure had the challenges of duplication and tax evasion. By making the credits more noticeable, the GST eliminates the effect of tax cascading. Making sure that firms function as tax-exempt is the goal. It also attempts to end the contentious tax system between the institution and the national Government and

prevent tax evasion. The GST has increased the tax base for the collection of indirect taxes while also streamlining the tax calculation procedure. Almost every sector of the economy is impacted by the use of GST, either directly or indirectly. Since the Great Recession of 2008–09 with demonetization activity, the Indian real estate market has been dealing with slower sales, increased costs, and stagnant pricing until recently.

Real Estate

Real estate is not a career because it is a business. Although it is commonly implied that real estate is job, it is actually a business. Demonstrable skill can be applied to science, craftsmanship, or the ability to determine how to be valuable to others, to benefit as much as possible from the work or individual who uses it; and the business is conducted largely for profit, with the profit going to the owner of the business. Gaining access to specific knowledge is what expertise entails. Real estate is a type of property

that includes both undeveloped land and built-up areas, such as buildings, roads, and utility infrastructure. Title to land ownership, construction, and natural resources like minerals, plants, animals, water, etc. are granted by property rights.

Types of real estates

Real estate comes in a variety of forms, each with a unique function and use. The primary groups are:

- Residential
- Land.
- Commercial
- Industrial

Understanding how the industry functions and which major categories each one represents will be made easier by reading the following.

1. **Land:** The basis of all true wealth is the land. Undeveloped and uninhabited land are typically referred to as "land." In order to increase traffic and boost property values, developers buy land, merge it with other buildings (referred to as the Assembly), and rebuild it.
2. **Residential:** Homes for families, single people, or groups of people make up residential housing. The majority of individuals are familiar with this class of assets because it is the most prevalent sort of asset. Family homes, flats, condos, city houses, and other types of lodging are also available within the compound.
3. **Commercial:** The land and structures that businesses employ to conduct their daily operations are referred to as commodities. Examples include lodging in the form of shopping centers, lone stores, office buildings, parking lots, and hotels.
4. **Industrial:** The term "industrial real estate" refers to land and buildings that are frequently utilized by industrial firms for tasks including producing machines, erecting structures, conducting research and development, transporting goods, and logistics.

Examples of real estate

After outlining the four major categories, it is appropriate to provide some instances of various actual asset kinds.

Single: Family housing is any residence intended just for a single family.

Multiple family accommodations: Any housing complex created for multiple families.

Attachments: Any component that is attached to another (not free) Each unit in a building with multiple units is referred to as a flat or apartment. Typically, the limit of the locked or locked doors defines the boundaries of the flat. In homes with many rooms, it can be found most frequently.

Each apartment in a multi-family home is a distinct apartment or unit, and they are frequently found in separate multi-story buildings.

Condominium (Condo): A structure made up of separate apartments owned by different people.

Adjacent House

A standalone structure with no connections to other structures (the "home" with a theory) Portable homes, which can be transported using a flatbed truck, are in category

Caravan: A vehicle with wheels and a fixed seat

Villa: A structure with only one room and typically a flat roof

Huts are composed of mud, clay, bamboo, and other materials.

Research Methodology

Research is a series of organized actions to learn and construct a model or process / process of discovering concrete problem findings backed up by texts and data so that its objectives are developed and continue to make recommendations / disruptions for usage. The investigation was "a concerted effort to seek new facts," according to Redman and Mory. "A scientific and methodical search of pertinent information on a particular subject" is the definition of research. A scientific and methodical procedure is built through the in-depth study of facts and figures in research. It aids in the resolution of real-world issues and fosters fresh understanding of the various fields of knowledge. Research is defined as "an in-depth investigation or enquiry, primarily by searching for new facts in any subject of expertise" by the Advanced Learner's Dictionary of Current English.

Sampling Methods

The sample procedures used in statistical studies refer to how the researcher chooses a sample from the population that will be studied. If the sample wasn't chosen at random, it might be skewed, and the information might not be representative. There are various choices for selecting a sample, some good and others bad.

The study's sampling framework

The information about indirect taxes has been gathered from the Pre and Post GST guides in accordance with the specified goals. Data on 10 cities to assess the effects of GST on prices and apartment construction as well as the impact of GST on India's GDP are available from various government and non-government sources, along with new changes to the GST laws that have been in effect since February 2019.

Sources of Data

The secondary data used in this study were gathered from a variety of journals, periodicals, publications, and newspapers.

Data analysis tools

Using the proper statistical and accounting methods, the data has been evaluated and interpreted. In the appropriate context, mathematical techniques like Minima, Maxima, Means, Standard Deviation, Correlation, Chi Square Test, Z Test, and Analysis of Variance (ANOVA) are utilized.

A variety of indirect taxes on real estate during and after the GST regime

The information gathered from the manuals on GST

compliance in countries where the Goods and Service Tax (GST) is charged on the delivery of goods and services will be used to analyze the various new and old informal taxes. All value additions are subject to the comprehensive, categorized Indian Goods and Services Tax Act. The following table lists the tax rates that were in effect during the VAT regime and are currently in effect under the GST regime.

GST impact on real estate prices

A sample of ten significant Indian cities was purposefully chosen for the study in order to represent North, South, East, West, and Central India. Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Jaipur, Kolkata, Lucknow, Mumbai, and Patna are the cities in question. Data are gathered from the most trustworthy sources, in particular NHB Residex. To oversee the creation of indices and new practices for the creation and dissemination of indices, the NHB RESIDEX (TAC) Technical Advisory Committee was established. It is made up of representatives from the Indian government's Department of Housing and Urban Poverty Alleviation, Department of Finance, Department of Statistics and Program Implementation, National Housing Bank, Banks, HFC, Builders organization, Reserve Bank of India, and a number of renowned statistical experts.

Results and Discussion

Indirect taxes on real estate during the pre and post GST regime

The supply of goods and services is subject to the Goods and Services Tax (GST). Every value addition in India is subject to the comprehensive, multi-stage Goods and Services Tax Law, which is dependent on destination. A single domestic indirect tax law, known as GST, applies to the entire nation. There is a method for claiming the credit for tax paid on the purchase of input materials in the case of the Goods and Services Tax. In the end, every time a person is qualified for the input tax credit, the sale price is decreased and the buyer's cost price is decreased due to a lower tax burden. Consequently, the ultimate client will pay less in taxes. The following table lists the tax rates that were in effect during the VAT and GST regimes, respectively, based on the goals that were established.

Taxability of real estate under vat Regime

Table 1: Taxability of real estate under vat regime

Nature of Duty	Tax Rate (Percentage)	Time of Payment of Tax
VAT	1.00- 4.00	On Sale of Under Construction Properties
Service Tax	4.50	
Registration Charges	0.50- 1.00	
Stamp Duty charges	5.00- 7.00	

Source: IJRE, March 2018

Note that state-to-state differences exist in VAT, registration fees, and stamp duty fees. On properties that were finished or ready for sale, VAT was not applied. The Cenvat Credit on inputs used to construct a building, a civil structure, or any portion thereof was also prohibited under the previous indirect tax system. The taxability of real estate is described as follows under the GST regime:

Real estate transactions -taxability of under GST

Table 2: Real Estate Transactions - Taxability of Under GST (Prior To 1st April, 2019)

Particulars	Applicability	Rate of Tax (Percentage)	Input Tax Credit
On under construction Properties for Homes Purchased under credit linked subsidy scheme	Applicable as supply of services as per Schedule I of CGST Act 2017	8.00*	Available
On Under Construction services other than above	Applicable as supply of services as per Schedule I of CGST Act 2017	12.00	Available
On resale properties	N/A	-	N/A
On Land purchase and sale	N/A, As per Schedule III, sale of land is neither supply of goods nor services	-	N/A
Works contract	Applicable	18.00	Available
Composite supply of works Contract	Applicable	18.00	Available
Composite supply of works	Applicable	12.00	Available

Source: GST Rules/Amendments

*NOTE: The homes purchased under the Credit-Linked Subsidy Scheme (CLSS) attracts 12% GST rate. The applicable rate will be 8% after cutting the 1/3rd amount towards the cost of land.

From the above analysis, the following could be Envisaged

1. Prior to the introduction of the GST, all buyers, including the final consumer, were required to pay tax on tax, a practice known as the cascading impact of taxes.
2. The cascade impact has been eliminated by the GST by giving input tax credit.
3. At each stage of the transfer of ownership, only value addition is taken into account when calculating tax.

The impact of recent changes (2019) in GST on real estate

The most recent modifications or alterations to real estate are currently being debated in this manner, as was anticipated from one of the objectives. New GST rates for residential constructions were introduced in February 2019 and went into effect in April 2019.

Conclusion

Many analysts believe that the GST's overall effects have had diverse effects on the industry, while others argue that there has been little change and that the benefits and drawbacks are mutually reinforcing. One should not dispute that the new tax structure has brought about a good change in the industry that was troubled by the previous tax system, despite the fact that real-time statistics confirming GST's real-time impact on the real estate and construction industries can only be collected sometimes. A reasonable initial step in developing research is problem definition and design. Investigations only start when something is unsatisfactory, when conventional beliefs are inadequate or

questioned when facts are required to clarify an unidentified human ambiguity, and when it is possible to make negative assumptions. A issue is all that someone has when an investigation first begins. The construction sector currently makes up up to 11% of the country's total GDP, with the expectation that it will contribute 13% of the country's total GDP by 2025. This enormous number compels researchers to look into the effects of GST in this area. The industrial sector contributes roughly 29% of the nation's total GDP.

References

1. Debenham Tie Leung. The India story: A real estate overview. 2011. p. 18–48.
2. Sharma S. Scenario of the real estate market in India. *International Journal of Research in Social Sciences (IJRESS)*. 2012;2(6):46–58.
3. Mittal A, Bhargava K. An overview of real estate. Maheswari & Co.; c2011. p. 2–21.
4. Anbalagan C, Shivaram BV. A study on problems and prospects of investment in real estate in India. *KKIMRC Journal of Research in Commerce and Accounting (JRCA)*. 2012;1(2):1–22.
5. Bardhan A, Kroll CA. Globalisation and the real estate industry. Presented at: Sloan Industry Studies Annual Conference; 2007 Apr; Cambridge. p. 2–21.
6. Reiss DA. Globalisation is the key to real estate industry growth. *Insider's Perspective, Real Estate Issues*. 2002 Fall/Winter; p. 2–8.
7. Nelson AJ. Globalisation and global trends in green real estate investment. 2008 Sep;No. 64:29–34.
8. Schulte KW, Schulte-Daxböck G, Holzmann C, Wiffler M. Internationalisation of real estate education. Presented at: Cano Conference; 2005 Apr 16–21; Egypt. p. 79–84.
9. CRISIL Research. India real estate overview. 2010 Mar. p. 60–69.
10. CB Richard Ellis. Indian real estate overview. CBRE-AMCH Initiative; 2010. p. 8–24.
11. Mittal A, Bhargava K. An overview of Indian real estate. Maheswari & Co.; 2011. p. 4–5.
12. Parida S. Real estate in Indian context: Opportunities and challenges. *Abhinav Journal of Research in Commerce and Management*. 2012;2(2):39–47.
13. Mittal A, Bhargava K. An overview on real estate. 2011. p. 27–28.
14. Research Analytics Team, KPMG in India. Market perspective. 2011. p. 22–48.
15. Araloyin FM, Olatoye O. An analysis of real estate consumers' perception of service quality in real estate agency practice in Lagos metropolis, Nigeria. *Journal of Economics and International Finance*. 2011;3(3):139–145.
16. Sharma S. Scenario of the real estate market in India. *International Journal of Research in Social Sciences (IJRESS)*. 2012;2(6):46–58. (Duplicate of #2; kept for record.)
17. Anbalagan C, Shivaram BV. A study on problems and prospects of investment in real estate in India. *KKIMRC International Journal of Research in Finance and Accounting (IJRFA)*. 2012;1(2):28–52. (Duplicate of #4 with journal variant.)
18. Chandrasekar V, Sanghi G. Indicators of real estate

- cycle: Implications for India. 2012. p. 12–17.
19. Myllyma L. Market analysis of Spanish real estate market in Costa Blanca area. 2012. p. 18–48.

Creative Commons (CC) License

This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY 4.0) license. This license permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited.