

# A COMPREHENSIVE STUDY ON THE ROLE OF GST IN THE DEVELOPMENT OF THE REAL ESTATE SECTOR IN INDIA

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**Abstract:** The Goods and Services Tax (GST), implemented in India in 2017, represents a major reform in the indirect tax system and has had a significant impact on the real estate sector. This study examines the role of GST in the development of the real estate sector in India by analyzing its effects on tax structure, construction costs, compliance requirements, and pricing transparency. GST replaced multiple indirect taxes such as VAT and service tax, thereby reducing tax cascading and improving uniformity in taxation. The study highlights that GST is applicable mainly to under-construction properties, while completed properties with occupancy certificates are exempt. The revised GST rate structure for residential and affordable housing has influenced housing affordability and buyer demand. However, the withdrawal of input tax credit for residential projects has increased construction costs for developers. Commercial real estate projects continue to benefit from input tax credit under GST. Overall, GST has enhanced transparency, formalization, and regulatory discipline in the real estate sector. The study concludes that GST has contributed positively to the sustainable development of the real estate sector in India.

**Keywords:** GST, Real Estate Sector, Tax Reform, Input Tax Credit, Affordable Housing, Market Development, India

## INTRODUCTION

The Goods and Services Tax (GST) is a comprehensive and destination-based indirect tax system introduced in India on 1 July 2017, marking one of the most significant fiscal reforms since Independence. GST was implemented through the Constitution (One Hundred and First Amendment) Act, 2016, which empowered both the Central and State Governments to levy tax concurrently on the supply of goods and services. The legal framework of GST is governed by the Central Goods and Services Tax Act, 2017 (CGST Act), the Integrated Goods and Services Tax Act, 2017 (IGST Act), the Union Territory Goods and Services Tax Act, 2017 (UTGST Act), and the respective State GST Acts.

Prior to GST, India's indirect tax structure was characterized by a multiplicity of central and state-level taxes such as excise duty, service tax, value added tax (VAT), central sales tax (CST), entry tax, octroy, luxury tax, and entertainment tax. This fragmented system resulted in tax cascading, lack of transparency, compliance complexity, and inefficiencies in tax administration. GST was introduced with the primary objective of subsuming these multiple taxes into a single, unified tax regime, thereby creating a common national market and eliminating barriers to inter-state trade and commerce.

Under the GST law, tax is levied on the "supply" of goods and services, which is the taxable event replacing earlier concepts such as manufacture, sale, or provision of service. GST operates on the principle of value addition, wherein tax is collected at each stage of the supply chain, but input tax credit (ITC) is allowed for taxes paid on inputs, input services, and capital goods. This mechanism ensures that tax is ultimately borne by the final consumer, thereby avoiding the cascading effect of taxes and improving pricing efficiency.

India follows a dual GST model, which is unique among federal countries. Under this model, both the Centre and the States levy GST simultaneously on the same transaction. For intra-state supplies, tax is levied in the form of CGST by the Central Government and SGST by the State Government. For inter-state supplies, imports, and exports, IGST is levied by the Central Government, which is later apportioned between the Centre and the Destination State. This structure ensures fiscal autonomy of States while maintaining uniformity in the tax system.

A key feature of GST is its destination-based consumption tax principle, under which tax revenue accrues to the State where goods or services are consumed rather than where they are produced. This has significant implications for revenue distribution among States and promotes balanced regional development. Furthermore, GST introduced a technology-driven compliance system through the Goods and Services Tax Network (GSTN), which facilitates registration, return filing, tax payments, invoice matching, and refunds through an online platform, thereby enhancing transparency and reducing human intervention.

GST law also provides for multiple rate slabs to balance revenue needs with social equity. Essential goods are taxed at lower or nil rates, while luxury and demerit goods attract higher rates, along with compensation cess where applicable. The law incorporates provisions for composition scheme, anti-profiteering measures, e-way bills, and audit and assessment mechanisms, aimed at simplifying compliance while ensuring revenue protection.

Overall, GST represents a paradigm shift from a fragmented indirect tax system to a harmonized, transparent, and efficient tax regime. By broadening the tax base, improving compliance, and promoting formalization of the economy, GST seeks to enhance ease of doing business, strengthen cooperative federalism, and contribute to sustainable economic growth. However, continuous

rationalization of rates, simplification of procedures, and resolution of sector-specific challenges remain crucial for realizing the full potential of GST in India.

## REAL ESTATE SECTOR

The real estate sector under the Goods and Services Tax (GST) regime occupies a unique position because of the constitutional treatment of land and buildings in India. Under the GST law, not all real estate transactions are taxable. As per Section 7 of the CGST Act, 2017 read with Schedule III, the sale of land and sale of a completed building—that is, a building for which a completion certificate has been issued by the competent authority or which has been first occupied—are treated as neither a supply of goods nor a supply of services. Consequently, such transactions are kept completely outside the ambit of GST. The legislative intent behind this exclusion is to respect the constitutional framework where land is a state subject and to avoid double taxation on immovable property transactions.

However, GST becomes applicable where a real estate transaction involves construction intended for sale before completion. As per Schedule II of the CGST Act, the construction of a complex, building, civil structure, or part thereof, including a complex intended for sale to a buyer wholly or partly, is deemed to be a supply of services if consideration is received before the issuance of the completion certificate or before first occupation, whichever is earlier. Thus, under-construction property is taxable under GST, whereas completed property is not. This legal fiction treats the entire construction activity as a service, even though goods such as cement, steel, and other materials are involved in the process.

## WORKS CONTRACT

Works contract services related to immovable property also play a significant role in real estate taxation under GST. As per Section 2(119) of the CGST Act, a works contract involving construction, erection, commissioning, or installation of an immovable property is specifically classified as a supply of services. This classification eliminates the earlier disputes under the VAT and service tax regime regarding the segregation of goods and services in construction contracts. Under GST, the entire value of a works contract relating to immovable property is taxed as a service, and the applicable GST rate depends upon whether the project is residential or commercial.

## RESIDENTIAL REAL ESTATE

With effect from 1 April 2019, the GST rate structure for real estate projects was significantly revised. For residential real estate projects, GST is levied at a concessional rate of 1% for affordable housing and 5% for other residential housing, both without the benefit of input tax credit (ITC). Affordable housing is defined based on carpet area and value thresholds, with the maximum value capped at ₹45 lakh and carpet area limits of 60 square meters for metro cities and 90 square meters for non-metro cities. If any of these conditions are not fulfilled, the housing unit is treated as non-affordable and taxed at 5%. These reduced rates were introduced to simplify compliance and ensure that tax benefits are passed on to home buyers.

## RESIDENTIAL PROJECT

Category	GST Rate	Input Tax Credit (ITC)
Affordable Residential Housing	1%	✗ No ITC
Other Residential Housing	5%	✗ No ITC

## AFFORDABLE HOUSING CONDITIONS

Type	Metro	Non-Metro
Carpet area	≤ 60 sq.m	≤ 90 sq.m
Value	≤ ₹45 lakh	≤ ₹45 lakh

- ✓ If any condition fails, flat becomes non-affordable.

## COMMERCIAL REAL ESTATE

In the case of commercial real estate, GST treatment differs based on the nature of the project. Commercial units forming part of a residential real estate project (where commercial area does not exceed 15% of total carpet area) are taxed at 5% without ITC. However, pure commercial projects such as office buildings, shopping malls, and IT parks are taxed at 12% with full input tax credit. This distinction reflects the policy decision to allow ITC only where output supplies are fully taxable at standard rates, thereby avoiding revenue leakage.

Type	GST Rate	Input Tax Credit (ITC)
Commercial units in Residential Real Estate Project (RREP)	5%	✗ Without ITC
Commercial project (shops, malls, offices & IT Parks)	12%	✓ With ITC

Valuation of real estate supply under GST is governed by Notification No. 11/2017–Central Tax (Rate), which provides a deemed deduction of one-third of the total consideration towards land value. GST is payable on the remaining two-thirds of the transaction value, irrespective of the actual value of land. This uniform deduction was introduced to avoid valuation disputes but has also been a subject of litigation where actual land values significantly differ from the prescribed deduction.

### INPUT TAX CREDIT (ITC) IN REAL ESTATE

Input tax credit is one of the most contentious issues in real estate under GST. Section 17(5) of the CGST Act specifically blocks ITC on works contract services and goods or services used for construction of immovable property where the property is intended for sale or for own use, except where such works contract is used for further supply of works contract services. As a result, developers opting for the 1% or 5% concessional GST rates on residential projects are not eligible to claim ITC. ITC is allowed only in the case of commercial projects taxed at 12%. The blocking of ITC increases the overall project cost, but the government's rationale is that the lower tax rate compensates for the denial of credit.

### REVERSE CHARGE MECHANISM (RCM) IN REAL ESTATE

To prevent tax evasion and ensure tax compliance in the construction supply chain, the GST law introduces the 80% procurement rule for residential projects. Under this rule, a promoter is required to procure at least 80% of inputs and input services from registered suppliers. If there is a shortfall, GST is payable by the promoter under the reverse charge mechanism (RCM) at 18%. Cement purchased from unregistered suppliers attracts GST at 28% under RCM, irrespective of the 80% threshold. This provision ensures that taxes are paid at all stages of the construction process.

### JOINT DEVELOPMENT AGREEMENTS (JDAS)

Joint Development Agreements (JDAs) are another important aspect of real estate under GST. In a JDA, the landowner transfers development rights or Floor Space Index (FSI) to the developer in exchange for a share in the constructed property or revenue. As per notifications issued under GST, the liability to pay GST on the transfer of development rights or FSI is placed on the developer under reverse charge, and the tax becomes payable at the time of completion of the project. When the developer hands over constructed flats to the landowner, such transfer is treated as a supply of construction service and taxed accordingly, based on the value of similar flats sold to independent buyers.

### PLACE OF SUPPLY – REAL ESTATE SERVICES

The place of supply for real estate-related services is determined under Section 12(3) of the IGST Act, 2017, which provides that the place of supply is the location of the immovable property. As a result, GST on real estate transactions is always levied as CGST and SGST, even if the supplier and recipient are located in different States. IGST is not applicable in such cases, as the immovable property is fixed at a specific location.

- ❖ Section 12(3) of IGST Act  
Place of supply = Location of immovable property
- ❖ Even if supplier & recipient are in different states, GST is CGST + SGST, not IGST.

### REGISTRATION UNDER GST FOR BUILDERS & DEVELOPERS

Registration under GST is mandatory for builders and developers engaged in taxable supplies if their aggregate turnover exceeds the prescribed threshold limit. The composition scheme is not available to builders or developers. Regular compliance includes filing periodic returns such as GSTR-1 and GSTR-3B, maintaining project-wise records, complying with reverse charge provisions, and ensuring correct valuation and tax payment.

- ❖ Registration is mandatory if:
  - ✓ Engaged in taxable real estate supply
  - ✓ Aggregate turnover exceeds ₹20 lakh (₹10 lakh for special states)
- ❖ Composition Scheme NOT available for builders.

### REVIEW OF LITERATURE

**Dr. Rupa Khanna Malhotra (2021)** examined the transition from the earlier indirect tax regime to GST in the real estate sector, highlighting the shift from multiple taxes (VAT, service tax) to a unified GST framework. They note that real estate services, being a hybrid of goods and services, created challenges in defining taxable events, but GST helped reduce cascading taxation effects and aimed to benefit both builders and buyers.

**Shipra Sayal (2020)** discusses the divergence between expectations and actual outcomes following GST implementation. Initially, GST was expected to streamline taxation and improve transparency. While uniform tax slabs simplified compliance, issues such as eligibility for Input Tax Credit (ITC) and differential rates (e.g., 1% for affordable housing, 5% for residential without ITC, and 12% for commercial with ITC) influenced sector costs and pricing dynamics in unforeseen ways.

**Abhisek Singhvi & Prabhakar Narwane (2020)** focus on ITC's influence on real estate prices. Their research highlights that while ITC can theoretically lower overall project costs, limitations on its eligibility in residential real estate have constrained its benefits, resulting in mixed effects on final property pricing structures.

**Priyanka S. Pawar & Dhananjay S. Patil (2023)** show that GST, alongside RERA, affects construction timelines and costs — critical determinants of real estate project viability. Their findings suggest that tax compliance and cost overruns under GST have important implications for project delivery, especially in urban markets like Pune.

## SIGNIFICANCE OF THE STUDY

The study is significant as the real estate sector plays a vital role in India's economic growth, employment generation, and infrastructure development, and the introduction of GST has fundamentally transformed its indirect tax structure. This study helps in understanding how GST has replaced multiple pre-GST taxes and its impact on project costs, pricing, affordability, and overall sectoral development. It provides valuable insights into whether GST has achieved its objectives of simplification, transparency, and reduction of tax cascading in the real estate sector. The study is useful for policymakers in evaluating the effectiveness of existing GST provisions and in framing suitable reforms. It also benefits real estate developers and professionals by highlighting compliance issues, input tax credit implications, and practical challenges. Further, the study is important for homebuyers and investors as it examines the effect of GST on property prices and consumer confidence. From an academic perspective, the study contributes to existing literature by offering a focused analysis of GST's role in the development and formalization of the real estate sector in India.

## STATEMENT OF PROBLEM

The real estate sector in India has long been affected by a complex indirect tax system, leading to tax cascading, lack of transparency, and high compliance costs. Although GST was introduced to simplify taxation and promote efficiency in the real estate sector, its actual impact on development, pricing, and affordability remains unclear. Frequent changes in GST rates, restrictions on input tax credit, and complex compliance provisions have created practical difficulties for developers and professionals. There is also uncertainty regarding the extent to which GST benefits have been passed on to homebuyers. Hence, a systematic study is required to evaluate the effectiveness of GST in the development of the real estate sector in India.

## OBJECTIVES OF THE STUDY

- ✓ To study and evaluate the role of Goods and Services Tax (GST) in the development and transformation of the real estate sector in India.
- ✓ To examine the structure and provisions of GST applicable to the real estate sector in India.
- ✓ To evaluate the impact of GST on construction costs, project viability, and pricing of residential and commercial properties.

## RESEARCH METHODOLOGY

The present study adopts a descriptive research approach. The data and information required for the study have been collected exclusively from secondary sources, including official journals, publications of the Central Board of Indirect Taxes and Customs (CBIC), government reports, official websites and portals, and relevant published literature.

## ROLE OF GOODS AND SERVICES TAX (GST) IN THE DEVELOPMENT AND TRANSFORMATION OF THE REAL ESTATE SECTOR IN INDIA

It seeks to examine how the introduction of GST has influenced the structural, operational, financial, and regulatory framework of one of the most significant sectors of the Indian economy. The real estate sector contributes substantially to India's GDP and employment generation and has strong backward and forward linkages with industries such as cement, steel, construction materials, banking, and infrastructure. Prior to GST, the sector was burdened with multiple indirect taxes such as Value Added Tax (VAT), service tax, central excise duty, entry tax, octroy, and luxury tax, resulting in a complex and non-transparent tax system. GST was introduced with the objective of creating a unified, simplified, and transparent indirect tax regime, thereby bringing fundamental changes to the real estate sector.

GST has played a significant role in simplifying the taxation structure of real estate by subsuming multiple indirect taxes into a single tax framework. Earlier, developers were required to comply with different tax laws across states, leading to high compliance costs and administrative inefficiencies. With GST, the uniform tax structure across India has reduced ambiguity, improved compliance, and enhanced ease of doing business for real estate developers. The removal of cascading taxes has helped in rationalizing pricing mechanisms and ensuring a more systematic flow of tax credits within the supply chain. This simplification has been particularly important for large developers operating across multiple states, as it has enabled better financial planning and project execution.

One of the most important aspects of GST's impact on real estate lies in its effect on property pricing and buyer transparency. Under GST, tax is levied mainly on under-construction properties, while completed or ready-to-move-in properties with an occupancy certificate are kept outside the GST ambit. This distinction has influenced buyer preferences, with increased demand for completed projects due to the absence of GST. Additionally, the introduction of concessional GST rates for affordable housing has supported government initiatives such as "Housing for All," making home ownership more accessible to middle- and lower-income groups. By clearly defining tax rates and categories, GST has reduced uncertainty for buyers and promoted informed decision-making.

GST has also significantly impacted the cost structure of real estate projects, particularly in terms of construction inputs and services. Construction materials such as cement, steel, tiles, electrical fittings, and sanitary ware are taxed under GST, along with professional services like architecture, engineering, and project management. While the availability of input tax credit (ITC) initially helped developers reduce overall tax costs, subsequent policy changes restricting ITC for residential projects have altered the benefit structure. Despite this, GST has contributed to better cost accounting, improved documentation, and greater financial discipline within the sector. Over time, rationalization of GST rates on construction materials has helped reduce project costs and improve operational efficiency.

Another critical role of GST in the real estate sector is its contribution to formalization and transparency. The GST framework mandates digital invoicing, proper documentation, and regular tax filings, which have reduced the scope for unaccounted cash transactions and tax evasion. This shift has encouraged the growth of organized and compliant developers while discouraging unregulated and informal practices. Enhanced transparency has increased buyer confidence and improved the credibility of the real estate sector, which had long suffered from trust deficits. Institutional investors and financial institutions now view the sector as more reliable due to improved regulatory compliance and clearer tax structures.

GST has also influenced the investment climate and long-term development of the real estate sector. A transparent and predictable tax regime is crucial for attracting domestic and foreign investment. GST has helped in aligning India's real estate taxation system with global standards, thereby making the sector more attractive to foreign direct investment (FDI) and real estate investment trusts (REITs). Improved tax clarity has reduced legal disputes and compliance risks, encouraging long-term capital inflows. This has supported the growth of commercial real estate, including office spaces, retail complexes, and logistics parks, which are essential for India's urban and economic development.

The role of GST in the development and transformation of the Indian real estate sector has been substantial and multidimensional. GST has simplified taxation, enhanced transparency, encouraged formalization, improved compliance, and contributed to long-term sectoral stability. While certain challenges remain, particularly in relation to input tax credit and non-GST levies, GST has laid a strong foundation for a more organized, transparent, and investor-friendly real estate market. Studying and evaluating this role is essential to understanding the evolving dynamics of the real estate sector.

## STRUCTURE AND PROVISIONS OF GST APPLICABLE TO THE REAL ESTATE SECTOR IN INDIA

It focuses on understanding the legal framework, rate structure, scope of taxation, exemptions, compliance requirements, and special provisions governing real estate transactions under the GST law. The real estate sector occupies a unique position under GST, as it involves a combination of goods, services, and land, requiring special treatment within the indirect tax framework. The GST law seeks to balance revenue generation with housing affordability and sectoral growth, making the examination of its structure and provisions essential for academic and policy analysis.

Under GST, real estate transactions are treated primarily as a supply of services, except for the sale of land and completed buildings. As per Schedule III of the Central Goods and Services Tax (CGST) Act, 2017, the sale of land and the sale of buildings after issuance of a completion or occupancy certificate are neither considered a supply of goods nor a supply of services and are therefore outside the scope of GST. This provision clearly distinguishes taxable and non-taxable real estate transactions and forms the foundation of GST applicability in the sector. Consequently, GST is applicable only to under-construction properties, where construction services are provided before completion.

The GST rate structure for real estate has undergone significant reforms to simplify taxation and promote housing affordability. With effect from 1 April 2019, concessional GST rates were introduced for residential projects. Affordable housing projects are taxed at a lower rate, while other residential projects attract a slightly higher rate, both without the benefit of input tax credit (ITC). Commercial real estate projects, including offices, shops, and malls, are taxed at higher standard GST rates with ITC availability. This differentiated rate structure reflects the policy intention to encourage affordable housing while maintaining revenue neutrality in commercial developments.

A key provision under GST applicable to the real estate sector relates to the input tax credit mechanism. Input tax credit allows developers to claim credit for GST paid on construction inputs such as cement, steel, and professional services. However, following the 2019 reforms, ITC has been restricted for residential real estate projects opting for the concessional tax rates. This provision has significantly impacted the cost structure of residential projects and developer pricing strategies. In contrast, commercial real estate projects continue to enjoy ITC benefits, making them relatively more tax-efficient under GST. GST law also prescribes specific valuation provisions for real estate transactions. Since land is not taxable under GST, the value of land is deemed to be one-third of the total amount charged for construction services, and GST is levied on the remaining two-thirds portion. This standard deduction simplifies valuation but has been subject to debate regarding its fairness and accuracy in reflecting actual land values across different regions. Nevertheless, this provision provides uniformity and administrative convenience in determining the taxable value.

Another important structural aspect of GST in real estate is the time of supply and place of supply provisions. GST liability arises at specific stages such as receipt of advance payment, issuance of invoice, or completion of construction milestones. Place of supply is determined based on the location of the immovable property, ensuring that GST revenue accrues to the state where the property is situated. These provisions ensure clarity in tax liability and prevent inter-state disputes in real estate taxation. The GST framework also includes registration and compliance requirements specifically relevant to real estate developers and contractors. Developers are required to obtain GST registration if their aggregate turnover exceeds the prescribed threshold. They must file periodic returns, maintain project-wise records, and comply with anti-profiteering provisions to ensure that tax benefits are passed on to home buyers. These compliance measures aim to improve transparency, accountability, and governance in the real estate sector.

In addition to core GST provisions, certain exemptions and special schemes apply to the real estate sector. Pure sale of land, completed properties, and certain affordable housing projects promoted under government schemes may be exempt or subject to concessional treatment. However, stamp duty and registration charges continue to be levied by state governments outside the

GST framework, which increases the overall tax burden on property transactions and highlights a structural limitation of GST applicability in real estate.

## IMPACT OF GST ON CONSTRUCTION COSTS, PROJECT VIABILITY, AND PRICING OF RESIDENTIAL AND COMMERCIAL PROPERTIES

It seeks to analyze how GST has influenced the financial economics of real estate projects in India. Construction cost, project feasibility, and final property pricing are interrelated factors that determine the sustainability and growth of the real estate sector. GST, by replacing multiple indirect taxes with a unified tax structure, has brought fundamental changes in the taxation of construction materials, services, and project execution, thereby directly affecting both residential and commercial real estate developments.

GST has had a significant impact on construction costs by restructuring the taxation of key inputs such as cement, steel, bricks, tiles, electrical fittings, plumbing materials, and construction-related services like architecture, engineering, and labour contracts. Under the pre-GST regime, these inputs were subject to excise duty, VAT, service tax, and entry taxes, leading to cascading taxation and inflated costs. GST has streamlined this structure by allowing taxes paid on inputs to be set off against output tax through the input tax credit (ITC) mechanism. Although GST rates on some construction materials are relatively high, the elimination of cascading effects and improved credit flow has helped bring greater cost transparency and efficiency in procurement and cost accounting.

However, the impact of GST on construction costs differs between residential and commercial projects, primarily due to differences in input tax credit availability. For residential real estate projects, especially after the 2019 GST reforms, developers opting for concessional GST rates are not allowed to claim ITC. This restriction has increased the effective construction cost for residential projects, as GST paid on inputs becomes an embedded cost. As a result, developers are required to absorb these costs or partially pass them on to home buyers. In contrast, commercial real estate projects continue to enjoy full ITC benefits, which helps offset input taxes and reduces the overall tax burden, making construction more cost-efficient in the commercial segment.

GST has also influenced the viability of real estate projects, which depends on cost structures, tax incidence, cash flows, and demand conditions. The restriction of ITC for residential projects has impacted project viability, particularly for affordable and mid-income housing projects where margins are already thin. Developers face increased working capital requirements due to GST payments on inputs without corresponding credits. This has affected smaller developers more severely, leading to industry consolidation and favoring larger, organized players with better financial capacity and compliance systems. On the positive side, GST has improved financial discipline, documentation, and transparency, which enhances long-term project viability and investor confidence.

In commercial real estate, GST has had a relatively positive impact on project viability. Since GST paid on construction inputs and services is creditable, developers can efficiently manage tax costs, resulting in improved profitability and cash flow management. Commercial properties such as office spaces, shopping malls, and business parks are often leased, and GST paid on construction can be set off against GST collected on rentals. This seamless credit flow has improved the attractiveness and financial feasibility of commercial real estate projects, especially for institutional investors and Real Estate Investment Trusts (REITs).

The impact of GST on pricing of residential properties has been mixed and varies across project stages and segments. For under-construction residential properties, GST is directly applicable and becomes part of the purchase cost for buyers. Although concessional GST rates were introduced to reduce the tax burden, the absence of ITC has limited the extent of price reduction. In some cases, GST has increased the effective cost of housing compared to the pre-GST regime, particularly in non-affordable housing segments. However, GST has enhanced price transparency by clearly showing tax components in property pricing, reducing ambiguity and hidden charges for buyers.

In the case of commercial properties, GST has generally resulted in more efficient pricing. Since developers can claim ITC, the tax burden is not fully passed on to buyers or tenants. GST on commercial leasing allows tenants to claim input tax credit if they are registered under GST, thereby reducing the effective cost of occupancy. This has made commercial real estate pricing more rational and aligned with business taxation principles. As a result, GST has supported the growth of organized commercial real estate and improved competitiveness in office and retail segments.

Overall, GST has brought structural changes in cost management, pricing strategies, and project planning within the real estate sector. While it has improved transparency, compliance, and long-term efficiency, the immediate impact on construction costs and pricing has been uneven, especially for residential projects due to ITC restrictions. Project viability under GST now depends heavily on project type, size, location, and tax planning efficiency. Evaluating this impact provides valuable insights into how GST has reshaped the financial dynamics of residential and commercial real estate in India and highlights areas where further policy rationalization may be required to achieve balanced sectoral growth.

## LIMITATIONS OF THE STUDY

- ✓ The findings of the study are constrained by frequent amendments in GST laws and policies affecting the real estate sector.
- ✓ Limited access to detailed financial and tax data of real estate developers restricts the depth of quantitative analysis.
- ✓ The study is confined to a specific time period and may not capture the long-term impact of GST on the real estate sector.

## CONCLUSION

The study concludes that The Goods and Services Tax (GST) has significantly transformed India's indirect tax system and influenced the real estate sector by reducing tax cascading and improving transparency and compliance. GST has supported the formalization and regulation of real estate activities, enhancing buyer confidence and market discipline. Rationalized GST rates, especially for residential and affordable housing, have encouraged housing demand and aligned with the "Housing for All" objective. However, the withdrawal of input tax credit for residential projects has increased developers' costs, affecting pricing and

profitability. Despite these challenges, GST has promoted accountability and standardized taxation practices. Overall, GST provides a strong foundation for the sustainable and long-term growth of the Indian real estate sector.

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