A Project report on

"A PROJECT ON IMPACT OF GOODS AND SERVICE TAX ON CONSTRUCTION INDUSTRY"

A PROJECT SUBMITTED TO

UNIVERSITY OF MUMBAI FOR PARTIAL COMPLETION OF DEGREE IN BACHLEOR OF COMMERCE [ACCOUNTING AND FINANCE]

UNDER FACULTY OF COMMERCE

BY

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Mohanlal Raichand Mehta College of Commerce

Diwali Maa College of Science

Amritlal Raichand Mehta College of Arts

Dr. R.T. Doshi College of Computer Science

NAAC Re-Accredited Grade 'A+' (CGPA : 3.31) (3rd Cycle)

Sector-19, Airoli, Navi Mumbai, Maharashtra 400708

Academic year – 2023-2024

ACKNOWLEDGMENT

To list who all have helped me is difficult because they are so numerous and the depth is so enormous.

I would like to acknowledge the following as being idealistic channels and fresh dimensions in the completion of this project.

I take this opportunity to thank the **University of Mumbai** for giving me chance to do this project.

I would like to thank my **I/C Principal, Dr.B.R.Deshpande Sir** for providing the necessary facilities required for completion of this project.

I take this opportunity to thank our **Coordinator Asst. Prof. DR. Kishor Chauhan** for their moral support and guidance.

I would also like to express my sincere gratitude towards my project guide **Asst. Prof. DR. Kishor Chauhan** whose guidance and care made the project successful.

I would like to thank my **College Library**, for having provided various reference books and magazines related to my project.

Lastly, I would like to thank each and every person who directly or indirectly helped me in the completion of the project especially **my Parents and Peers** who supported me throughout my project.

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Certificate

This is to certify that **MEGHA ANANT KADU** has worked and duly completed his Project work for the degree of Bachelor in Commerce (Accounting and Finance) under the Faculty of Commerce in the subject of **Management control** and his project is entitled, **"**A PROJECT ON IMPACT OF GOODS AND SERVICE TAX ON CONSTRUCTION INDUSTRY**"**. Under my supervision.

I further certify that the entire work has been done by the learner under my guidance and that no part of it has been submitted previously for any Degree or Diploma of any University.

It is his own work and fact reported by her personal finding and investigations.

Guiding Teacher.

ASST. PROF. DR. KISHOR CHAUHAN.

Date of submission:

<u>Declaration by learner</u>

I the undersigned **Miss. Megha Anant Kadu** declare that the work embodied in this project work titled <u>IMPACT OF GOODS AND SERVICE TAX ON CONSTRUCTION INDUTRY</u> forms my own contribution to the research work carried out under the guidance of Name of the guiding teacher is **ASST. PROF. DR. KISHOR CHAUHAN** is a result of my own research work and has not been previously submitted to any other University for any other Degree/ Diploma to this or any other University.

Wherever reference has been made to previous works of others, it has been clearly indicated as such and included in the bibliography.

I hereby further declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct.

Name and Signature of the learner
MEGHA ANANT KADU

Certified by
ASST. PROF. DR. KISHOR CHAUHAN.

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CHAPTER – 1
INTRODUCTION

1.1 INTRODUCTION

In Construction industry, there has always been a need to improvise the way of working to achieve better results, saving in time, energy and cost. In doing so, there are lot of shortcuts taken, lots of time saving activities are conducted which results in inadequate data regarding all aspects of the projects. There are certain things which are completely absent when it comes to documentation of all the project data on completion of project. In all these things, there exists a scope of improvement, in order to regularize this, the finance ministry has put up Goods & Service Tax (GST) in order to regularize the construction sector. Introduction of Goods & Service Tax (GST) by the government of India has led to a lot of ambiguity in the Construction industry because it's not only a new thing to deal with but, it will also regularize the so called "Unorganized Sector".

To arrive at a conclusion, detailed studies starting from the gestation phase to the handover phase would depict in detail where are the area of concern where the cost of project has affected due to GST implementation. These studies not only give a clearer picture of what all area of concern are to be seen to eliminate the unnecessary cost but it will also help the project manager to analyze and form such schedules that are met with as per the scheduled cost and time frame to nullify the effects of cost variation in the building construction industry. So, to get a clear picture of increase or decrease in cost due to GST, detailed study of a project before and after GST is done for a check in cost variation.

A single tax structure is definitely a welcome move and the introduction of Goods and Services Tax (GST) seeks to do just that by way of amalgamating a large number of Central and State taxes into a single tax. GST will not only address the concerns of double taxation but will also help in reducing the overall tax burden on goods and services. Furthermore, it will also help in making Indian goods competitive internationally thus providing a much-needed boost to the economy

1.2 GST Advantages:

- **Transparency and Accountability**: - GST will lend a whole lot of transparency in the real estate sector while also playing a major role in minimizing unscrupulous (black money) transactions. Currently, there is a huge percentage in every projects where expenditure goes unrecorded on the books. GST by curbing the practice of fake billing on purchase-side will help cut down cash component in construction, which in turn, will help in boosting stakeholder's confidence.

- **Input Tax Credit** :- Although the GST rate of 18% on the supply of works contract in the construction sector may be higher than the previous rates, the regime of local composition schemes is over, though now they are eligible for full input tax credit. However, many of the listed construction services such as constructions of dams, roads etc. which were previously exempted are now under the GST purview. This basically means the average construction contract in the previous regime which used to hover around the **11–18%** range is now chargeable at a flat rate of **18%**. As a matter of fact, if you take exempted services into consideration, this marked difference is more pronounced, like certain infrastructure services are no more exempt in current regime. Having said that, thanks to the availability of input tax credit, the construction sector is expected to benefit in the long run. This is because, under the GST regime, the input tax credit on the raw materials would result in an overall neutral tax incidence for construction services

1. In the **GST** system, when all the taxes are integrated, it would make possible the taxation burden to be split equitably between manufacturing and services.

2. **GST** will be levied only at the final destination of consumption based on **VAT** principle and not at various points (from manufacturing to retail outlets). This will help in removing economic distortions and bring about development of a common national market.

3. **GST** will also help to build a transparent and corruption free tax administration.

4. Presently, a tax is levied on when a finished product moves out from a factory, which is paid by the manufacturer, and it is again levied at the retail outlet when sold.

5. **GST** is backed by the **GSTN**, which is a fully integrated tax platform to deal with all aspects of **GST**.

Overall, GST is expected to help bring a lot of required transparency and accountability. Moreover, owing to the expected free flow of credit, developers should be able to enjoy an increase in overall margin. Whether these benefits trickle down to the consumers is yet to be seen as the pricing in this sector tends to be dictated by market forces rather than costing policies. Looking from the consumer point of view, the one primary advantage would be in terms of decrease in the overall tax burden on goods and increased transparency in tax system. GST will also help in eliminating unnecessary paperwork while eliminating time wastage spent by good suppliers at various state borders. One thing for sure is, the impact of GST will be felt albeit after a while.

1.3 Impact of GST on real estate:

The construction of a complex building, civil structure, or a part thereof, intended for sale to a buyer, wholly or partly, is subject to 12 per cent tax with full input tax credit (ITC), subject to no refund in case of overflow of ITC. In other words, residential construction services, will invite GST at the rate of 12 per cent, which will apply to developers selling residential units before completion of construction to the home buyers.

According to the JM Financial report on GST, for states with non-composite VAT (Karnataka, Tamil Nadu, Andhra Pradesh), the transaction value changes marginally from 10-11% to 12% under the new regime. With input cost credits available, developers in these regions may witness improvement in margins in case no price revision takes place (subject to the anti-profiteering clause).

Abhishek Anand , assistant vice-president (Equity Research), JM Financial Ltd, explains: "In the current regime, states with composite VAT require developers to pay lower VAT rates on the total property value without any input tax benefit (Maharashtra, Haryana) or partial benefit (intra state offset- Bangalore). Under this regime, developers pass on the transaction cost – VAT (1%) and service tax (4-5%) to buyers (total 5-6%). Developers get offset for only the input service tax component. In the GST regime, the transaction cost increases to 12%, with input credit available on both, services and material. Property transaction costs will increase by 6%, in case no input credit is passed on by developers. If developers pass on the input credit to buyers, the property price increase could be restricted to 1-2%." If the developers pass on the credits completely and bring down the base prices, then, home buyers may marginally benefit under the GST regime. Nevertheless, stamp duty will continue to be applicable, irrespective of whether the property is under-construction or constructed, in the pre-GST and post-GST regime.

With the introduction of the Goods and Services Tax (GST), the total incidence of tax will increase from 5.5 per cent to 12 per cent. However, developers will be able to avail of input credit, on all the goods and services purchased and spent in the construction of the property.

The prices of input materials can also be volatile. Cement and steel prices can soar, without warning. Similarly, sand is always in short supply and not available in the monsoons. Hence, it is likely that these industries may not pass on the entire benefit of tax credit.

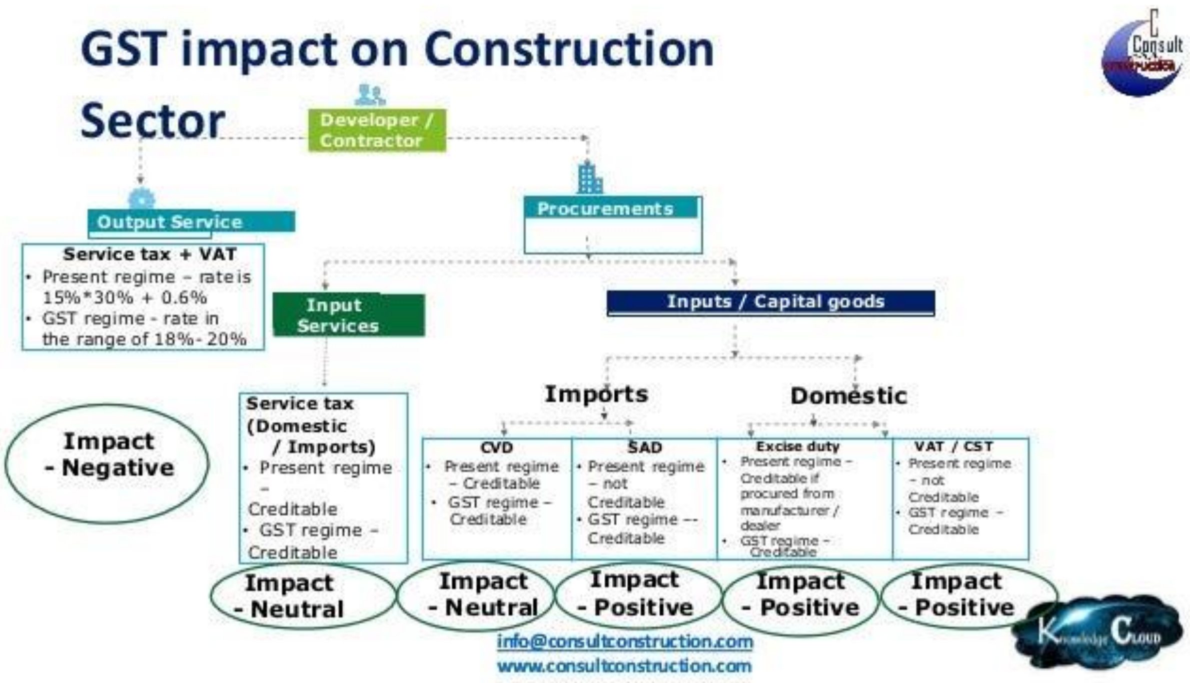
Another important factor that needs to be examined, is the stage of construction. If the project is at an advanced stage, where substantial cost has already been incurred before the application of the GST, very little input credit will be available and very less benefit will be passed on. If the project is at an early stage, more benefits can be passed on.

1.4 GST on under construction property – Affordable housing:

It is important to note that housing projects (affordable housing is currently exempted from service tax and a clarification is expected from the government for exemption from GST), then, affordable homes may become cheaper under the GST regime.

Government directs builders not to charge GST on affordable housing:

The government, on February 7, 2018, asked builders not to charge any Goods and Services Tax (GST) from home buyers, as the effective GST rate on almost all affordable housing projects is eight per cent, which can be adjusted against the input credit. It said builders can levy GST on buyers of affordable housing projects, only if they reduce the apartment prices after factoring in the credit claimed on inputs. In its last meeting on January 18, 2018, the GST Council had extended the concessional rate of 12 per cent GST, for construction of houses under the Credit- Linked Subsidy Scheme (CLSS) to promote affordable housing, which has been given infrastructure status in 2017-18 Budget. The effective GST rate, however, comes down to eight percent, after deducting one-third of the amount charged for the house/flat, towards land cost. This provision was effective from January25,2018.



1.5 Impact of GST on property prices – Luxury segment:

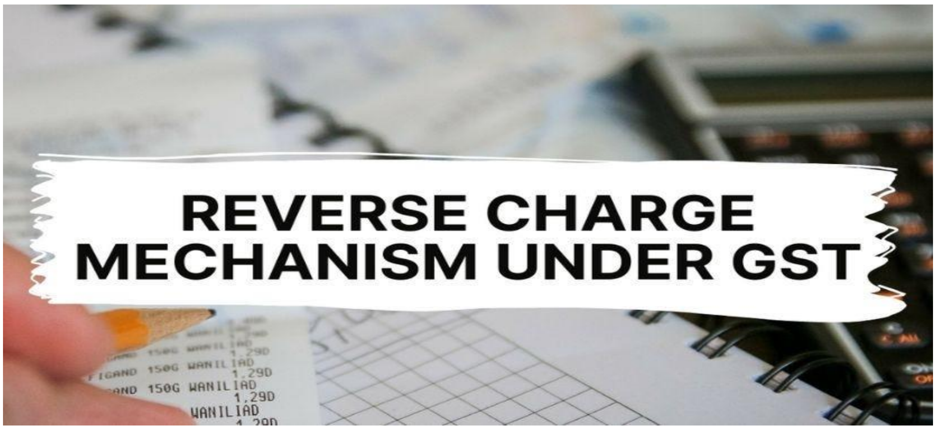
In the case of a premium properties, while the basic construction cost may come down a little, but as the input tax credit is limited to 12 per cent, it will not be sufficient to bring down the fresh tax liability to nil because of the taxes paid on other expenditures.

GST rates for real estate – Input materials

HSN	Description of goods	Rate
Chapter 72	Steel	18%
2523	Cement	28%
6802	Marble & granite	28%
2515	Blocks of marble & granite	12%
Chapter68	Sand lime bricks and fly ash bricks	12%
2505&2517	Natural sand ,pebbles, gravel	5%

44Under the tax regime, many of the construction materials are under the 18 and 28 per cent slab. For example, steel and steel products, are mostly in the 18 per cent segment and cement and prefabricated structural components for building or civil engineering, are in the 28 per cent slab. However, as the input tax credit is available on products utilized for construction, the overall tax incidence should be neutralized.

1.6 Reverse charge mechanism in GST and its impact on construction costs:



The mechanism, where the recipient of services pays the service tax, is called as ‘reverse charge mechanism’ (RCM). The same concept, with wider application, has been borrowed from the service tax laws in the Goods and Services Tax (GST) regime.

A developer has to pay GST on services availed, like those provided by a person who is located in a non-taxable area, services provided by goods transporters, legal services provided by an individual or firm, etc. The developer also has to pay GST under the reverse charge mechanism, on the services provided by government or local authorities, like municipalities, etc. Nevertheless, some of the services provided by the government, like renting of premises, specific services provided by the postal authorities, transport of goods by railways or by state transport undertakings, etc., are outside the scope of the GST, similar to the service tax regime.

A significant departure under the GST laws, compared to the erstwhile service tax provisions, is that under the reverse charge mechanism in GST, a person who is registered under the GST has to pay GST on all the services and goods that are procured from a person who is not registered under GST.

This has significantly expanded the scope of the reverse charge mechanism for all taxable persons and it will adversely affect the developers. Moreover, the tax payable under the reverse charge mechanism under the GST, cannot be adjusted by the developer against the input credit available from the GST paid on the inputs, but has to be paid by cash/bank payment. So, under the GST, the builder worse off, due to the dual effect of the levy of GST on the services availed from unregistered person, as well as the requirement to discharge the reverse tax on goods received from unregistered suppliers. This will certainly increase the costs for the developer, especially the small developers who were availing goods and services from unregistered suppliers earlier and were not bearing the cost of taxes to that extent.

1.7 GST on ready properties:

If the OC for the project has been received, then, no GST will be applicable. A CRISIL report points out that at present, a developer pays excise tax and VAT, on inputs like cement and steel, at 27.7 per cent and 18.1 per cent, respectively, which vary from state to state. Now, under the GST regime, cement and steel will be taxed at 28 per cent and 18 per cent, respectively, while other inputs like paint and white goods, will be taxed at 28 per cent. The final product – the housing unit – will be taxed at 12 per cent, with credit for taxes paid on inputs. As the tax levied on the entire cost including the land will be 12 per cent, the amount would be sufficient to provide for the input credit for developers. Hence, a buyer opting for a ready-to- move-in apartment, is saved from the tax burden.

However, the tax calculations under the GST regime, for the real estate market, are not so simple. For example, the GST on under-construction projects will be charged to home buyers on the sale price but the credit can be availed by the developers, only on the cost of construction. As the builder will have to pay the GST on the full project and the input availed is only on the construction cost, there may be a gap that is no less than 30 percent Consequently, construction property the developer will hike the prices in that proportion, to make sure this gap is bridged.

GST on property rentals:

“Credit/set-off of input GST is available to a developer, if the sale is executed prior to obtaining the completion certificate or prior to first occupancy. However, this credit is not allowed if the developer chooses to rent out the property. Hence, we might see a spike in commercial rentals,” explains Amit Sarkar, partner and head – indirect taxes, BDO India

GST has also been levied on the renting of residential property, for use as an accommodation. Consequently, tenants may witness a hike in rent payment under the GST system, as there is no service tax applicable on residential properties, in the existing system.

Here’s how the GST will impact the tax computation on rental income:

With the clubbing of taxes on goods and services, under the GST regime, the confusion about levy of separate tax on service and goods is done away with.

Unlike under the service tax regime, the threshold limit for applicability of GST has been increased from Rs10 lakhs to Rs20 lakhs. So, many of the landlords who were covered under the service tax regime, will go out of the indirect tax net, under the GST. It may be interesting to note that for the purpose of computing the aggregate limit of Rs 20 lakhs under the GST, all the taxable, as well as exempt goods and services supplied, shall be taken into account. So, unlike the service tax regime, where it is only the taxable services, which are taken into account for determining whether you have crossed the basic threshold, under the GST, the value of all the service and goods supplied in India, as well as exported, whether taxable or exempt, are taken into consideration for the Rs20-lakh limit. The GST is proposed to be levied at 18 percent on the letting-out of commercial properties.

There is one more major tax implication under the GST, with respect to rent on commercial properties. The parliament has borrowed the concept of ‘reverse charge mechanism’ from the service tax regime, under the GST. However, unlike in the service tax regime, where the reverse charge mechanism is applicable in case of services and is not extended to the sale or manufacturing of goods, the same is made applicable for goods as well as services, under the GST regime. A person who is registered under GST, who gets supplies of goods or services from a person who is not registered under GST, will have to pay the GST under the reverse charge mechanism. Under the service tax regime, there is no provision of reverse mechanism, with respect to the rent paid by the lessee. The proposed GST provisions, due to the increased rate and the levy under the reverse mechanism, will eventually make it costlier to take any commercial premises on rent.

Will GST make home loans expensive?

Before evaluating the likely impact of the GST on home loan costs, it is important to understand the components that will be impacted by the increased rates under the GST. The main cost of taking a home loan, is the interest payment on the money. This cost will not change, as there is no service tax or GST on it. Similarly, any stamp duty charged in connection with the documentation of the home loan, will not change with the GST, as stamp duty is not subsumed under the GST.

However, there are various charges that are levied by lenders on home loans. First and foremost is the processing fee that is paid at the time of taking the home loan. At present, it is 15 per cent but it will go up by 3 per cent under the GST, to 18 per cent. This is generally a one-time cost and its overall impact on your home loan tenure, will be insignificant. The banks may also recover other charges like advocate fees, valuation charges, etc., in connection with the home loan, which will go up proportionately.

Like the processing fee paid at the time of application, you may have to pay prepayment charges, in case you decide to prepay the home loan before the completion of its tenure or shift the home loan to another lender. This is generally payable; in case the home loan is taken under a fixed rate of interest. For floating rate home loans, banks cannot levy any prepayment charges. Housing finance companies can, however, levy the prepayment charges, if you decide to shift the home loan to another lender. However, for payment of the home loan from your own resources, the housing finance companies cannot levy any prepayment charges.

The lenders can also charge you for any EMI default, either due to return of the cheque or ECS return, on which the GST rates will go up. So, it is practically on all the charges that are recovered by the lenders that the GST rates will go up by 3percent

.How are banks affected by the GST?

Construction Industry has two major Game Change one in form of RERA and now GST impact. The old litigation in work contract and many landmark decision on service tax and vat laws now no more valid. The construction entity to rework on cost structure by doing post and pre GST impact analysis.

They say 'Change is the only constant' but in order to succeed, change is not only constant but it is also inevitable. After many reforming initiations like "Housing for all" and RERA, the next thing that Real Estate along with all other sector is looking forward to is the Goods and Services Tax. GST is set to get implemented on 1st July 2017. There are various goods and services which will have different rates prescribed by GST, which may impact their cost. A homebuyer henceforth will have to pay 12% GST to purchase a under construction house. If we look at the current scenario, real estate sector was heavily taxed, therefore 12% single tax structure is definitely a welcome move. We believe that existing multiple indirect taxes on the sector is higher and tax impact under GST would be neutral. While the impact of GST on various sectors and goods is now known, industry experts are still divided over how GST will impact real estate going ahead as clarity on the tax slabs for services is still awaited.

Together with RERA, GST will go a long way in ensuring transparency in the realty sector and growing buyer confidence. The existing channels include issues of multiple taxation, amounting to indirect taxes and no uniformity. GST coupled with Real Estate Regulatory Act that has come into effect on May 1, 2017, would ensure efficiency in the realty sector. GST will free homebuyers and investors from the hassle of paying several state taxes at different levels, therefore removing the double taxation impact. Therefore 12% tax rate under GST regime looks favourable to the industry.

If we talk about nitty-gritty's of the GST for real estate sector, in some cases, even input credit will be more than the GST levied on the finished product, but a developer can claim a maximum credit to the extent of the GST he would be paying on the finished product. As per the provisions of GST, it can be expected that GST may lead to input cost deflation for construction industry as credit of taxes paid on various inputs used in the construction activities will be available which is not available in current tax regime.

GST is also likely to boost foreign investment and benefit the NRI community for investment in real estate because of a seamless all-inclusive channel available. The simplification of taxation is probably the most positive aspect of GST and it will promise well for foreign investments. It will also raise the confidence of the NRI market to invest in Indian real estate.

From the consumer point of view, the major advantage would be in terms of decrease in the overall tax burden on goods. Currently it is estimated about 25%-30%. GST will help in free transport of goods without stopping at the state borders for long hours for payments of state tax or entry tax from one state to another state. This will reduce in paperwork to a great extent as well.

The implementation of the GST, will bring some tax savings for the lenders, as the input credit with respect to the services availed, as well as goods purchased, will be available for set off, against the GST output taxes liability. However, the reverse charge mechanism, which is borrowed from the service tax regime and which is expanded under the GST, will adversely affect the profitability of banks. Moreover, lenders are now required to register in all the state under the GST, whereas, under the service tax regime, they could have obtained one centralised registration. This will significantly increase the compliance costs of the lenders and affect their profitability.

Grey areas in the GST that could determine the final price of properties

It is still not clear what would be the abatement available for the land cost, for calculating service tax on under-construction projects. The abatement rules, as applicable under the service tax regime and the input tax credit facility for developers, will determine if the effective tax incidence on real estate, is lower or higher under GST.

Effectively, the composition scheme allowing for abatement against cost of land to the extent of 75 per cent of the house cost, for residential units priced under Rs 1 crore and less than 2,000 sqft, makes the effective rate at 3.75 per cent. In other cases, the abatement goes down to 70 per cent, making the effective rate at 4 per cent. This will go a long way, in determining whether GST is tax neutral or tax adverse for real estate.

In addition, as states have different state-level taxes, the implication of GST may not be uniform, across all states.

Strong case for bringing real estate under GST: Finance minister Arun Jaitley

Finance minister Arun Jaitley, while delivering a lecture at Harvard University on October 12, 2017, has said that the real estate sector should, ideally, be brought under the ambit of the

Goods and Services Tax (GST). “The one sector in India, where maximum amount of tax evasion and cash generation takes place and which is still outside the GST, is real estate. Some of the states have been pressing for it. Impact of GST may vary according to the type of project and construction methods as only under construction flats are taxable under GST and input credits on sales of under construction flats are available to set off. At this stage, it is difficult to comment exactly on which type of projects will have more impact and which type of project will have more benefits. Therefore to analyse the type of project beneficial under new tax regime, it is advisable for developers and promoters to conduct GST impact analysis programmed before implementing GST Systems.

As per the provisions of GST ITC Rules, input taxes paid on various elements used for the business (in our case construction activities) will available to offset against the tax liability i.e. GST collected from the buyers against the sale of under construction flats subject to certain restriction.

It can be said that developer or promoter needs to pay only differential tax liability to the Government Body. Developer or Promoter has to collect taxes from customers from time to time and he is eligible to take input tax credit on goods as well as services used for construction activities. GST will help cut cash component in construction as products have to be sourced from registered vendors to get input tax credits.

Though under GST tax rate on under construction flats will increase to 12% from tax under current regime i.e. 5.5% (Service tax and vat rate under Maharashtra State) but input tax credit made available to promoters/ developers will reduce the impact of tax liability on cost of the projects. Also GST will subsume various taxes like vat, service tax, excise duty, entry tax, LBT (Octroi Duty in Mumbai) will also help to reduce administrative cost of developers. Under GST regime also Stamp Duty will be applicable on sale of flats and units.

Since the tax incidence on various monuments stones, aluminum, glass, ceramic, lamps and fittings are in the bracket of 18-28%, it can be expected that cost of luxury projects and commercial projects may rise if input set off not utilized properly. As the higher rate of tax will lead to increase in cost of construction activities. Most of the construction material falling is under the 18% and 28% slab.

Currently under VAT system in Maharashtra, tax exemption is not available to affordable housing scheme. As per the announcement from Finance Ministry in media it has been expected that there will be no tax under GST for housing projects which comes under Affordable Housing scheme. Also for avoiding extra burden of tax liability on inputs and input services used for projects covered under Affordable Housing scheme should be allowed to be exempt. This will ensure cost inflation impact is not passed by promoters/developers to customers who purchase residential units under the Affordable Housing scheme personally believe that there is a strong case to bring real estate into the GST," Jaitley said. The finance minister said the move would benefit consumers, as they will only have to pay one final tax on the whole product. "As a result, the final tax paid on the whole product under the GST, would almost be negligible," he said.

Will GST on real estate benefit home buyers and the sector?

There are many issues and grey zones that need to be ironed out, before becomes. Niranjan Hiranandani, president of NAREDCO, maintains that bringing real estate under GST's ambit, will benefit the consumers who will only have to pay one final tax on the whole product.

However, if the GST slab for real estate is finalized above 12 per cent, then, home buyers and developers may take a hit, at a time when property prices are already Moreover, the finance minister will also have to convince states to come on board, to create a consensus. This maybe particularly tough, in states where real estate transactions are major source of revenue for the state, through stamp duty and property registrations.

One year of GST: Gains and losses

Home buyers in the affordable housing segment, specifically, homes of up to 60 Sq metres carpet area in size, have benefited significantly from the reduction of GST by four per cent (from 12 per cent to eight per cent). However, even almost a year after GST's implementation, the only real clarity that exists for property buyers is on the prevailing GST rate of 12 per cent, on under construction projects. There is still confusion about the amount of rebate that a prospective home buyer is entitled to, on the back of the pass-over of ITC. The confusion is not only about the percentage of ITC but also on the mode and tranche of the rebate. On their part, developers are stating that they have to do multiple calculations, to arrive at ITC and will pass it on, only during the final tranches.

Refund to customer on cancellation

Present regime:

- Rule 6(3) of **Service tax Rules, 1994**permits Builder to adjust service tax refunded to customer on cancellation of flats/ units against his tax liability of the month in which refund is made

- No time limit for such adjustment

GST regime:

- Whether builder is entitled to issue credit note u/s 34 and claim the tax adjustment? Provision speaks of deficiency of service and not "non-provision of service"
- Does this mean that adjustment of GST refunded on advance against GST liability is not permissible?
- Section 54(8)(c) permits refund of tax paid on supply which is not provided either wholly orpartially

Debit note and Credit note in Works Contract- DN and CN should be issued by supplier only U/s 34 of GST Act

Sale of Completed flats – Reversal of ITC

- Section 17(2) provides that where goods or services are used partly for effecting taxable supplies and partly for exempt supplies, ITC credit attributable to taxable supplies can only betaken
- Exempt Supply is defined u/s 2(47)] to include non-taxable supply• Non-taxable supply is defined u/s 2(78) of the Act to mean:
    - o Supply of goods or services or both
    - o Which is not liable to tax under CGST or IGST Act
- Section 17(3) specifically includes sale of building and sale of land as exempt supply
- Sale of completed flat will be exempt supply for the purpose of reversal of ITC u/s 17(2) of the Act from start of the project.
- Also builder may liable to pay interest on such reversal of credit for the period starting from the date of completion certificate till date of actual reversal.

Free Supplies by the Builder to the contractor

• A supply without consideration to non-related persons is not "supply" as

defined u/s 7 of CGST Act

• As such activity is not a supply, same will not be liable to GST

• It is not an exempted supply as defined u/s 2(47) of CGST Act

• It is not wholly exempt u/s 11 of CGST Act

• It is not a Nil rated supply

• It is not a non-taxable supply as defined u/s 2(78) of CGST Act

ITC reversal may not be required

ITC Overflow- Refund

Not allowed in capacity of builder. Builder can use overflow credit,

- In other project as set of for
- Get Income tax deduction as write off to Profit and Loss account.

GST is definitely reducing developers' construction costs, by negating double or triple taxation to a more moderate level, through input tax credit. While there are no significant variations in the overall taxes, GST has certainly eliminated the tax-on-tax system. Also, shady transactions are being minimized considerably, bringing in transparency and accountability into the sector.

However, end-users have not received a consummate benefit because of the inherent ineffectiveness of the anti-profiteering provisions. They will only benefit, if the base property prices are reduced and the developers pass on the tax credits to their customers. While the tax-on-tax has been eliminated with the advent of GST, the overall outgo from home buyers' pockets seems to have increased, considering that even after passing on of ITC, they may have to pay three to four per cent more than in the earlier service tax + VAT regime.

GST on maintenance charges of housing societies

Under the earlier service tax regime, housing societies were required to register themselves under the law of service tax, if the aggregate of maintenance charges levied by the housing society exceeded Rs10 lakhs in a financial year. However, under the Goods and Services Tax (GST) regime, this limit has been doubled to Rs 20 lakhs. So, if the aggregate of maintenance charges levied by the housing society exceeds the threshold of Rs20 lakhs in a financial year, it has to register itself under the GST laws and obtain a registration number.

While computing the limit of Rs20 lakhs, even the exempt items like recovery of property tax and electricity charges from the member, are to be taken into account. So, a housing society has to collect GST from its members, if the aggregate of the charges during a financial (whether subject to GST or not) exceeds Rs20 lakhs. Even though the threshold limit for registration is Rs20 lakhs for a housing society, it is not required to levy GST, if the amount of maintenance charge for each of the flat or office does not exceed Rs7,500 for month.

GST not applicable on sale of flats after issue of completion certificate, Finance Ministry clarifies:

The Finance Ministry, on December 8, 2018, said the GST will not be levied on buyers of real estate properties, for which the completion certificate is issued at the time of sale. However, the Goods and Services Tax (GST) will be applicable on sale of underconstruction property or ready-to-move-in flats, where the completion certificate is not issued at the time of sale, it said.

“It is brought to the notice of buyers of constructed property that there is no GST on sale of complex/ building and ready-to-move-in flats, where the after the by the competent authority,” the ministry said in a statement.

It further said affordable housing projects like Jawaharlal Nehru National Urban Renewal Mission, Rajiv Awas Yojana, Pradhan Mantri AwasYojana or any other housing scheme of state governments, attract eight per cent GST, which can be adjusted by the builders against its accumulated input tax credit (ITC).

For buyers, this means that either their purchase cost will increase, if they decide to purchase such a property, or the overall spread of options will reduce. After all, not all unsold ready-to-move-in properties may possess a completion certificate.

Developers, on the other hand, may be left with no choice but to absorb the GST charges in ready-to-move projects that have not been given completion certificates. If they attempt to pass this additional burden on to their buyers, their ready-to-move-in units that do not have completion certificates will be at par with under-construction projects, in terms of the cost to buyers. The burden of unsold inventory in the primary market is likely to increase, as more home buyers may now consider buying resale units, which are exempt from GST.

However, this announcement may be a blessing in disguise for the secondary market, as buyers eyeing ready-to-move-in units will now certainly evaluate this option, rather than paying 12 per cent GST on first purchase units.

Unfinished home GST hurts:

The goods and services tax (GST) on real estate projects under construction is squeezing the cash flow of realtors as many buyers are waiting for finished homes or opting for old ones to escape the tax, multiple stakeholders have told The Telegraph.

Buyers of under-construction properties, including flats, across the country are being asked to pay as GST 12 per cent of the agreement value. But no GST is levied after the project obtains the completion certificate.

The GST is actually paid to the government by the builder who gets a refund on his inputs. Under normal circumstances, the builder need not have passed on the entire GST to the buyer because of the refunds.

But the problem has arisen because of the way the project cost has been broken up. Land cost is fixed at one-third or 33 per cent of the project cost and is kept out of the GST rate.

But in cities and on their peripheries, land accounts for a bigger share of the cost. In a project where land cost is more than 33 per cent, the deduction continues to stay at one third of the cost. This means that builder gets taxed for a portion of the cost for which he does not get a refund, and he passes that on to the buyer.

The real estate market condition has ensured that the buyer can now afford to wait. A perceptible stagnation in the property market has convinced buyers that there is little risk in waiting for a project to be completed. In a rising market, consumers close deals as early as possible for fear that the prices will rise by the time a project is finished. Along with the stamp duty and the registration fee of 7.1-8.1 per cent and the 12 per cent GST, the cumulative incidence of tax goes above 19 per cent for an underconstruction project. Before the GST was launched, a service tax was levied in addition to the stamp duty and the registration fee. But the service tax rate was only 4.5 per cent.

“Why pay extra when I can save on GST, which can be quite substantial for a premium property?” asked Abhik Mitra, an investment planner with the National Stock Exchange, who recently bought a ready-to-move-in apartment in a project off EM Bypass.

A Kasbah resident said he liked two under-construction projects in the neighbourhood but balked at the prospect of paying the GST. He ended up buying a 15-year-old flat.

“My family members were against buying an old property. But I went ahead. Although I have to spend on refurbishing the flat, the cost is still lower since I didn’t have to pay the GST,” he said.

Real estate players described it as a “challenging environment”. “It is quite a challenging environment. Buyers are in the wait-and-watch mode, especially for projects that may be delivered within a year. Since property prices are not showing runaway increases, the buyers are ready to play the waiting game,” said Harsh Patodia, chairman and managing director of Unmark Group, a partner in the Trump Tower project in Calcutta.

The postponement of the closure of deals is having an adverse effect on the cash flow. The finishing work before the handover constitutes close to 40 to 60 per cent of the cost developers bear.

The restricted cash flow is forcing builders to dig into their reserves to complete projects.

Banks, wary of non-performing assets in construction, are unwilling to lend readily. Non-banking finance companies, which played saviour for realtors in the absence of banks, too are facing a liquidity crunch and have become thrifty.

A well-known project on EM Bypass near Ruby Hospital found its sales tripling after it received the completion certificate from municipal authorities earlier this year. But till then, it had to contend with a cash flow problem.

The same rule applied to the service tax also but since the tax was not so steep as the GST, it did not have as high an impact as the new levy.Besides, new regulation has closed a loophole some builders and buyers were exploiting. They were flirting with the tactic of leaving the sale agreement unregistered while construction was going on to avoid paying the service tax and, after June 30 last year, the GST.

However, the Real Estate Regulatory Authority (Rera), introduced earlier this year in Bengal, made registration of the sale agreement mandatory.

Nandu Belani, president of the developers' association Credai (Bengal), is not complaining about prices. "In a mature market, prices should not go up fast. But sales should happen, which has been hit badly because of the GST. The cash flow has to be there," he said.

In order to speed up sales, some builders are absorbing the GST and offsetting the loss with the input tax credit received on the materials (cement, bricks, etc) consumed or contracts given. Some builders are lowering the prices to cushion the buyer from the tax.

Sushil Mohta, past president of Credai Bengal and owner of Merlin Projects, underscored the problem that limits builders' ability to pass on the benefit without squeezing the profit margin.

Mohta said: "In Calcutta proper, the land component in the total project cost is much higher than one-third. The higher the land cost, the lower our ability to pass on the benefit of the abatement to the consumers. This is why high-end projects are suffering the most and new launches have come down."

Basant Parekh, managing director of Orbit, which deals in premium and luxury projects, said that investors had disappeared. "Investors come in during the under- construction phase. But they are wary of paying the 12 per cent GST, which is not recoverable after completion," he said.

Parekh flagged a fundamental issue: the government should consider why the stamp duty and GST are both being imposed on property transactions. "The stamp duty is charged under the transfer of property act. The GST is charged treating it as goods. There should be a single tax," he said.

Some sources said the policymakers' inability to decide when a project becomes an asset could be at the root of the perceived anomaly. Stamp duty is levied on an asset and the GST on goods and services. Since goods and services are at play while a building is being constructed, the GST is levied at that stage. Credai has made representations to the Union finance ministry to reconsider the decision but no result has come of them yet, Mohta said.

1.8 Conclusion

As a home buyer, it pays to know what the implementation of GST might bode for home prices moving forward.

1. With GST, there should be a once-off increase in property prices across the board

2. While developers may not bill home buyers for GST, they could transfer the costs implicitly via the sale price

3. The overall price increase for new residential properties could be marginally lower than that for new commercial properties.

The secondary home market should see a knock on effect in prices. One of the most complex areas of the tax levied by the Centre and the States is works contract and sale of property. Currently, such transactions are broken into three parts – the value of goods and materials, value of services and value of land. The States apply VAT to the goods portion and the Centre taxes the services portion, with no explicit tax on the transaction value of land. In GST regime, there will not be any concept of manufacture, sale or service etc. There will be only one concept i.e. 'Supply'. All the supplies will be categorized as Supply of goods or Supply of Services. Construction activities will be 'works contract' which is being categorized as 'Services'. All builders and developers in India will be collecting and paying CGST and SGST (i.e. Central GST and State GST. The place of supply of the service is the location of the immovable property

CHAPTER – 2

OBJECTIVES OF THE STUDY

2.1 PROBLEM STATEMENT

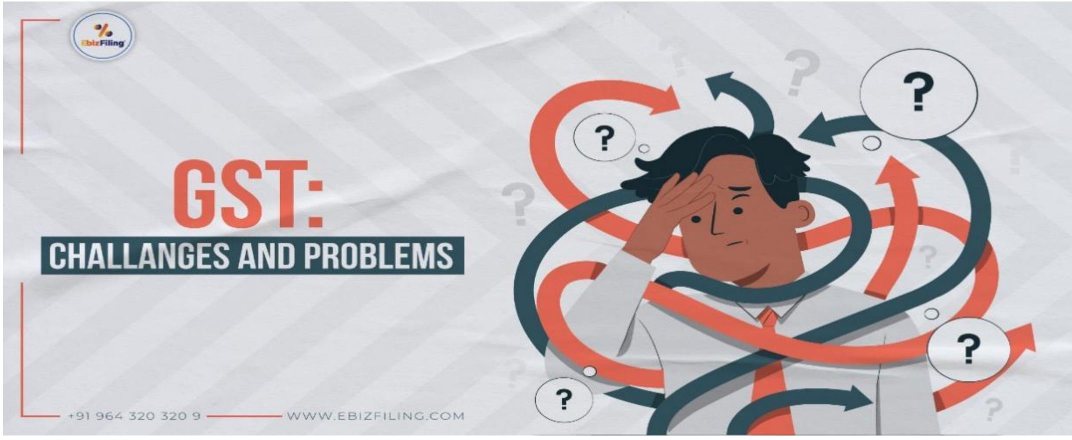
India is a federal country where Indirect Tax is levied by Federal and State Government. Value Added Tax is levied by State Governments. Every State has authority to decide the Tax rate and to control the Tax system as per their convenient. The Taxation power has been well defined in Indian Constitution. The Constitution (122nd Amendment) Bill that seeks to usher in a Goods and Services Tax (GST) regime in the country will finally be taken up for discussion in Parliament. Finance Minister Arun Jaitley has been affirming that India will implement GST from 1st April 2016. It can be looked as simplification of Taxes in country and avoiding unnecessary complexities. India is a federal country which has various Tax regimes and structure, where Tax is levied by both Governments. After the implementation of GST all the Indirect Taxes will be subsumed under an umbrella, it will be a milestone in the history of Indirect Tax reform. In this paper, an attempt has been made to examine the major features of GST. This paper has also focused on the problems likely to be faced by Central and State Governments.

GST is deemed as one of the steps in making India as a country which has a high income tax system, comprehensive, efficient, transparent and business-friendly. It is also considered the world's best tax system based on the implementation of the country which has implemented the GST.GST has just being applied in India. The government and its crew are still in their way to spread out the information of GST in order to combat confusion among people. Sales and contracts are made almost every day and some of these transactions required people to pay the GST. It is an issue if people are still unaware or confuse with the tax system of GST and become worst when people ignore and boycott not to pay the tax. GST is a popular issue that is being discussed by people day to day, it is necessary to know whether the students are aware of the government's plan and do they have knowledge on this issue. Therefore this study makes an attempt to analyze the College Student's Awareness and Knowledge on the Implementation of Goods and Services Tax (GST) in Savakis.

The concept of Goods and Services Tax (GST) is the biggest tax reform in decades throughout the world in many countries, but India has just started implementing it to meet its target of rolling out goods & services tax (GST). The research intends to focus on understanding concept of goods and service tax and its impact on Indian economy. Accordingly the objectives of this study are:-

• To highlight the needs of Goods and Services Tax in India

• To study the impact of GST on Indian Economy.



2.2 OBJECTIVES OF THE STUDY

1. To study the concept of Goods and Services Tax (GST) and its impact on Indian Construction Industry.

2. To understand how GST will work in India.

3. To know the advantages and challenges of GST in Indian context.

4. To know the benefit of goods and service tax to economy, business and the industry and consumers.

2.3 ADDITIONAL RESEARCH QUESTIONS

The study focuses on extensive study of secondary data collected from government websites, various national and international journals and articles, publications, conference papers, government reports, newspapers, magazines which focused on various aspects of tax structure and GST. Traditionally India's tax regime relied heavily on indirect taxes. Revenue from indirect taxes was the major source of tax revenue till tax reforms were undertaken during nineties. The major argument put forth for heavy reliance on indirect taxes was that the India's majority of population was poor and thus widening base of direct taxes had inherent limitations.

But the Indian system of indirect taxation is characterized by cascading, distorting tax on production of goods and services which leads to hampering productivity and Slower economic Growth.(GST). This paper throws an insight into the Goods and Service Tax concept and its impact on Indian economy.

2.4 LIMITATIONS OF STUDY

Every scientific study has certain limitations and the present study is no more exception. These are:

- The sample size was small and cannot be applied to the entire population.
- GST is new launched tax system so some complications are faced by the peoples.
- The sample size is very small compared to the total population of the region.
- The study was conducted with the basic assumption that the information given by the respondent is factual and represents their true feelings and behaviour.
- It is very difficult to check the accuracy of the information provided.
- Since all the products and services are not widely used by all the customers it is difficult to draw realistic conclusions based on the survey

CHAPTER – 3
LITERATURE REVIEW

3.1 LITERATURE REVIEW

● **(Saira et al, 2010) ,** Based on the history of the implementation by the other countries around the world, most of the countries received a positive impact in terms of their revenue, despite the success of GST implementation the Malaysian citizens still feel uncertain with the GST, (Sairaetal, 2010). The findings from the study showed that the majority of Malaysians not convinced with the GST system,

● **Dr. R. Vasanthagopal (2011) ,** Conducted a study on , " GST in India : A big leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be positive step in becoming Indian economy . Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of Indirect Tax System in Asia also.

● **According to Torgler (2011) ,**tax morale is important to taxpayer awareness. On the other hand, research by Tekeli (2011) using multiple regression analysis show that tax morale has insignificant relationship on tax awareness. A Tekeli (2011) conclusion is supported study by regarding cause and consequences of tax morale.

● **Research by Mustapha and Palil (2011)** , stated that the influence of compliance behaviour towards individuals' awareness has been proven in various researches. From the findings of Razak and Adafula (2013); Santi (2012) they found that taxpayers' awareness is significantly associated with tax compliance and this is also supported by study Jatmiko (2006).

Dr. R. Vasanthagopal (2011) studied "GST in India: A Big Leap in the Indirect Taxation System" and concluded that switching to seamless GST from current complicated indirect tax system in India will be a positive step in booming Indian economy. Success of GST will lead to its acceptance by more than 130 countries in world and a new preferred form of indirect tax system in Asia also. GST was first introduced by France in 1954 and now it is followed by 140 countries .

Most of the countries followed unified GST while some countries like Brazil , Canada follow a dual GST system where tax imposed by central and state both. In India also dual system of GST is proposed including CGST and SGST .

Govinda Rao (2009) "Goods and Service Tax – Some progress towards clarity" the author in his article express his views on the first empowered committee report of state finance ministers of Goods and Service tax to be implemented in India. He also explains salient features, shortcomings of the proposed GST. He suggests that the proposed GST model should overcome the shortcomings of VAT system. He also throw light on the challenges faced in the implementation of GST in India.

Ehtisham Ahmed and Satya Poddar (2009) studied "Goods and Service Tax Reforms and Intergovernmental Consideration in India" and found that GST introduction will provide simple and transparent tax system with increase in output and productivity of economy in India. But the benefits of GST are critically dependent on rational design of GST.

Dr. R. Vasanthagopal, (2011)"GST in India: A Big Leap in the Indirect Taxation System", found that the positive impacts are dependent on a neutral and rational design of the GST. Balancing the conflicting interests of various stakeholders, complete political commitment for a fundamental tax reform with a constitutional amendment, the method of valuation for levying the tax is to be required.

Jana V. M., Sarma& V Bhaskar (2012) "A Road Map for implementation of Goods and Service Tax", from the study it is found that the steps to be undertaken to implement the comprehensive tax system i.e., GST. The authors have thrown light on the constitutional amendment required for the implementation of GST in India.

Beri Yogita (2012) "Problems and Prospects of Goods and Services Tax (GST) in India" in this article the author say that India has witnessed with number of tax reforms since Independence. The implementation of GST will become major indirect reform in India though is subsumes many existing indirect taxes like central excise duty, customs duty, service tax, additional duties etc. by implementation of GST there will be levy of central taxes both on goods and services which integrates and widen the tax base.

Jana V. M., Sarma& V Bhaskar (2012) studied "The Road Map for implementation of Goods and Service Tax". He found that the steps to be undertaken to implement the comprehensive tax system i.e., GST. The authors have thrown light on the constitutional amendment required for the implementation of GST in India.

Saayed Mohd Ali Taqvi (2013) studied the challenges and opportunities of Goods and Service Tax in India. He explained that GST is only indirect tax that directly affects all sectors and sections of our country. It is aiming at creating a single, unified market that will benefit both corporates and economy. He also explained the proposed GST model will be implemented parallel by the central and state governments as Central GST and State GST respectively.

Syed Mohd Ali Taqvi (2013) "Challenges and Opportunities of Goods and Service Tax in India" the researcher explains the GST is only indirect tax that directly affect all sectors and sections of our country. It is aiming at creating a single, unified market that will benefit both corporates and economy. He also explain the proposed GST model will be implemented parallel by the central and state governments as Central GST and State GST respectively.

● **Pall et al. (2013) , s**tudy by using multiple regression analysis, the researchers found out that there are significant relationship between awareness and tax knowledge. When individuals have knowledge related to the tax systems, people will be more willing to respect the tax systems and improved individuals' awareness. Further, Jatmiko (2006) also conclude that awareness can be developed from the knowledge and the understanding. Palil et al. (2013) and Jatmiko conclusions is also supported study by Tayib (1998) identified that individuals' awareness towards the tax system can increase when the individuals has knowledge about the tax. This makes tax knowledge and tax awareness has significant relationship and when the individuals or the taxpayers have knowledge about it and it will make it easier for them to study and follow the tax rules.

● **Djawadi and Fahr (2013) ,** This study is pointed out that knowledge about tax is important to increase the thrust of authorities and citizens.
The researcher used structure equation modelling to examine the relationships between tax awareness and tax knowledge and researcher found that tax knowledge has positive relationship with tax awareness . Hence, taxpayers will be more aware about tax system when they have knowledge and understanding towards the tax system.

AgogoMawuli (2014) studied "Goods and Service Tax-An Appraisal" and found that GST is not good for low-income countries and does not provide broad based growth to poor countries. If still these countries want to implement GST then the rate of GST should be less than 10% for growth.

Jai prakash (2014) in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax setoff, subsuming of several taxes in the GST and phasing out of CST. Responses of industry and also of trade have been indeed encouraging. Thus GST offers us the best option to broaden our tax base and we should not miss this opportunities to introduce it when the circumstances are quite favourable and economy is enjoying steady growth with only mild inflation.

Nitin Kumar (2014) studied "Goods and Service Tax- A Way Forward" and concluded that implementation of GST in India help in removing economic distortion by current indirect tax system and expected to encourage unbiased tax structure which is indifferent to geographical locations.

Nishitha Guptha (2014) in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development. Hence GST may usher in the possibility of a collective gain for industry, trade, agriculture and common consumers as well as for the Central Government and the State Government.

Saravanan Venkadasalam (2014) analysed the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries. Philippines and Thailand show significant negative relationship with their nation's development. Meanwhile, Singapore shows a significant positive relationship.

Girish Garg, (2014) - "Basic Concepts and Features of Good and Service Tax in India", it is found that GST is the most logical steps towards the comprehensive indirect tax reform in our country since independence. GST will create a single, integrated Indian market to make the economy stronger. Under GST, the taxation burden will be divided equitably between manufacturing and services, through a lower tax rate by increasing the tax base and minimizing exemptions. Through this it is likely to improve tax collections and Boost India's economic development by breaking tax barriers between States and integrating India through a uniform tax rate.

Pinki, Supriya Kamna & RichaVerma (2014) Goods and Service Tax - Panacea for Indirect Tax System in India "it is found that the GST is India's most ambitious indirect tax reform plan, which aims at removing the cascading effect of tax. The movement of GST was declared in 2008 and supposed to be in force by 2010. Due to various reasons it could not be in force. GST has been implemented in more than 150 countries which will leads to economic growth of the country.

● **Pinky Supriya Kamma and Richa Verma (July 2014) studied, "** Goods and

Service Tax “Panacea for indirect tax system in india “ and concluded that the new NDA government in India’s positive towards implementation GST and it is beneficial for central government, state government and as well as for consumers in long run if its implementations backed by strong it infrastructure.

● **Agogo Mawuli (May 2014) studied, “**Goods and Service Tax An Appraisal “and found that GST is not good that low income countries and does not provide broad based growth to poor countries. If still countries want to implement GST then the rate of GST should be less than 10 % for growth.

● **Boonyarat et al. (2014),** the researcher used Structure Equation Modeling (SEM) to examine the relationships between tax awareness and tax knowledge and the researcher found out that tax knowledge has positive relationship with tax awareness. Hence, taxpayers will be more aware about tax system when they have knowledge and understanding towards the tax system.

● **Nishitha Guptha (2014)** in her study stated that implementation of GST in the Indian framework will lead to commercial benefits which were untouched by the VAT system and would essentially lead to economic development.

● **Jai Parkash (2014) .** in his research study mentioned that the GST at the Central and the State level are expected to give more relief to industry, trade, agriculture and consumers through a more comprehensive and wider coverage of input tax set-off and service tax set off, subsuming of several taxes in the GST and phasing out of CST.

● **Venkadasalam (2014),** has analysed the post effect of the goods and service tax (GST) on the national growth on ASEAN States using Least Squares Dummy Variable Model (LSDVM) in his research paper. He stated that seven of the ten ASEAN nations are already implementing the GST. He also suggested that the household final consumption expenditure and general government consumption expenditure are positively significantly related to the gross domestic product as required and support the economic theories. But the effect of the post GST differs in countries.

● **International Journal of Scientist research and management (2014)**
Girish Gargh Assistant Professor from PGDAV College University of Delhi has published paper titled Basic Concepts and Features of good and service tax in India. In this paper he has given the outline of GST and what does this tax system wants to achieve with threats and challenges opportunities that the free market economy can bring.

ShefaliDani (2015) has suggested that GST administration is an irresolute endeavour to legitimize backhanded expense structure. Roughly more than 150 nations have executed GST idea. The legislature of India must examination the GST administration set up by different nations and furthermore their aftermaths previously actualizing GST. IT is the need of hour that, the legislature must make an endeavour to protect the huge poor populace of India, against the expansion because of execution of GST. GST will disentangle its current roundabout duty framework and should be xpel wasteful aspects made by the current heterogeneous expense framework, just if there is a reasonable agreement over issues of edge constrain, income rate, and incorporation of oil based commodities, power, alcohol and land.

Srinivas K. R (2016) in his article "Issues and Challenges of GST in India" mentioned that central and state governments are empowered to levy respective taxes as per the Indian constitution which is likely to change the complete scenario of present indirect taxation system. GST will be a compressive indirect tax structure on manufacture, sales and consumption of goods and services throughout India, to replace the various indirect taxes levied by the both the governments.

● **Mohammad Ali Roshidi (2016),** conduct a study on "Awareness and perception oftaxpayerstowardsGoodsandServiceTaximplementation.Thestudyattemptstofind out what level of awareness and perception to GST taxpayers in Malaysia. This study only consist of 256 civil service servants of the secondary school teachers in the kaulakangsar, Perak. Data collected using questionnaire. The result shows that moderate and majority of respondents give a high negative perception to the GST. The eventually causes the majority of respondents did not accept implementation of GST in Malaysia.

● **International Journal of innovative studies in sociology and humanities (2016) ,** A study on impact of GST after implementation Milan-deep Kour and his co-authors Assistant Professor from Eternal University himachal Pradesh talks about the impact of GST and implementation of it, its benefit and challenges. He also emphasizes that GST is going to change things in current situation.

● **Ahamd et al. (2016),** found that the level of awareness of the GST is still not reached a satisfactory level. This is because the study involved only general questions that should be known by the respondents as end users. This cause the respondents gave high negative perception of the impact of implementation of GST. The respondents received less information and promotion of the authorities. Most of the respondents were unclear whether the goods and services are not subject to GST. Furthermore, due to the lack of information on GST, the respondents had a high negative perception. Therefore, the government must convince that GST will not have a lasting impact on the public as particularly convincing end users that no increase in prices of goods and services.

Poonam (2017) in her study cleared that in the system of indirect taxation GST plays a very important role. The cascading and double taxation effects can be reduced by combing central and state taxes. Consumer's tax burden will approximately reduce to 25% to 30% when GST is introduced and then after Indian manufactured products would become more and more inexpensive in the domestic and international markets. This type of taxation system would directly encourage economic growth. GST with its transparent features will prove easier to administer. With the above reviews we can assume that GST is a tax reform which will change the scenario of the country as a support for this review study.

● **Times of India (26 July, 2017)**, page no 1&17 it is stated that Sweet makers are confused with fixing the tax for their product as the ingredients used in the sweets. are taxed separately as raw material and as finished goods the products its taxing is different ex. Plain burfi is 5% taxed but chocolate burfi is fixed with 28%. Plain burfi mixed with other dry fruits is of 12%. This taxing system makes the Sweet makers to get confused on how much GST to be fixed for which product.

● **Times of India dated (27 July, 2017) ,** stated that the GST implication across different places for the same product has wider differences which the consumers are unaware, resulting them in surprise. Ex A Rasamalai sold in counter at a shop is taxed with 5% but if it is served in the hotel it is taxed with 18% this has resulted in difference of consumers shopping to purchase the similar products

● **Shakwipee (2017) ,** A study conduct on the inquring the level of awareness towards GST among the small business owners in Rajasthan State, found that the main areas to be focused include training errors and computer software availability.

● **Vineet Chauhan (2018),** Conduct a study on " Measuring Awareness about implementation of GST." A study survey of small business unit of Rajasthan State in India. The study seeks to evaluate the awareness of the business owners about GST difficulties they face to encase of the current awareness about it. 148 small business owners were analyses in order to identify the awareness about GST from Rajasthan state and the kind and extent of relief provided and the implementation of the provision under GST Law.

● **Bar hate (2018),** found that people have no doubt whatsoever regarding the proposed benefits of GST irrespective of their business type, legal status of business for the reason being they feel irritated by the present system which appears to be cumbersome. Most respondents believe that GST will bring monetary gains to their business and do not anticipate any significant boost in tax compliance costs. Interestingly, respondents expect the spending on tax compliance to go down after GST is implemented. The lack of information coupled with the apathy towards reforms may paralyze the speedy implementation of this system especially in small towns where still not a single orientation programs have been planned and executed till date by competent authorities.

● **Poonam (2018)**, The biggest problems in Indian tax system like Cascading effect & tax evasion, distortion can be minimized by implementing GST. After amalgamation of local state and central taxes competitiveness of industry, exporter and company will increase. The extra revenue which can be generated from broaden tax base structure can be utilized for the growth of nation.

CONCLUSION

GST will swift government focus on depending direct tax (income) to indirect tax. Definitely due to small income in tax collection base, GST will be a strong boost to government revenues. Hopefully with these amount of revenue challenges that the government face in term of deficit budget and debt can be clear by 2020.

As it is a consumption tax, it appears that Malaysian GST will also act as an effective dragnet for tax evaders and illegal immigrants who pay no income tax. The payment made to BRIM recipient will offset most of the GST's impact on the poor.

GST will give some impact on consumer expenditure due to rise in goods and services price, however with increase of revenue government spending aspect to be more and firm will continue to invest as export goods will exempted from tax. GDP will increase when government spending and investment increase. Hopefully the implementation of GST can provide good platform for the country to become develop country with high income.

CHAPTER – 4

Collection Of Primary Data

4.1 METHODOLOGY

Research is a logical and systematic search for new and useful information on a particular topic. Research methodology is a systematic way to solve a problem. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomenon are called research methodology.

About my Research Problem:

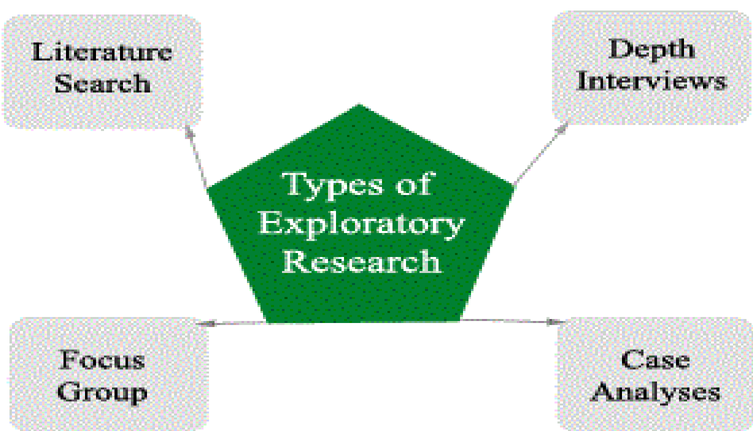
The present research is exploratory in nature. Since GST is a new phenomenon in India, there are hardly any studies in this area. Specially there is a huge gap of empirical and behaviour studies on GST in India. The study tries to find the significance of popular perception regarding GST.

4.2 RESEARCH DESIGN

A good research design has characteristics, problem definition, time required for research project and estimate of expenses to be incurred the function of research design is to ensure that the required data are collected and they are collected accurately and economically. A research design is purely and simply the framework for a study that guide the collection and analysis data. In this project the two basic types of research design are used

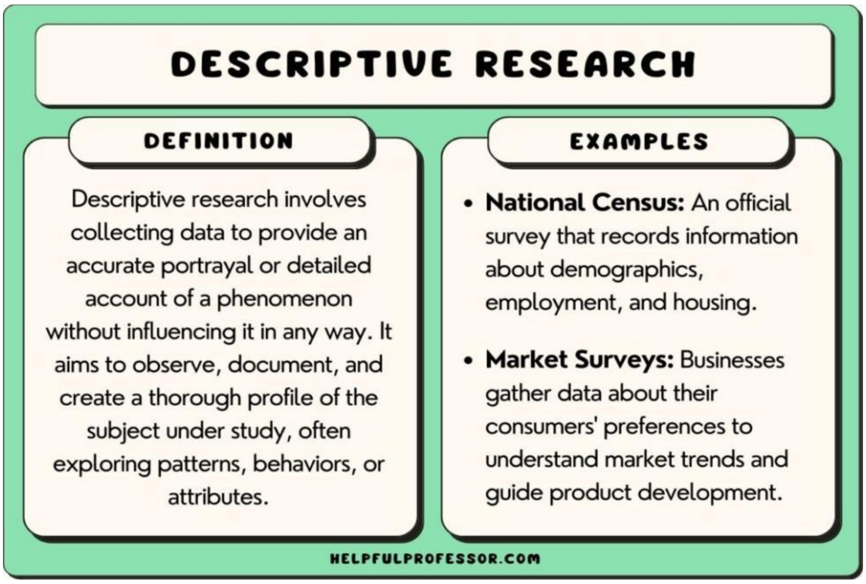
➢Exploratory Research:

All research projects must start with exploratory research. This is a preliminary phase and is absolutely essential in order to obtain a proper definition of problem in hand. The major emphasis on the discovery if ideas and in sights. The exploratory study is particularly helpful in breaking broad and vague problems in to smaller, more precise sub problem statements. Exploratory research is also used to increase the familiarity with the problem under investigation.



➢Descriptive Research:

It is the design that one simply describe something such as demographic characteristics of people. The descriptive study typically concerned with determining frequency with which something occurs or how two variables vary together what, when and why apex of the research. It requires formulation of more specific hypothesis and the testing through statically inference technique. This is the research design of the study and then it comes to develop the research plan, which means that what to do before going for the actual interpretation and it is discussed below.



How to Calculate GST on Under Construction Flat 2019?

You have almost skimmed every possible and necessary information on the latest updates on real estate current GST rates. Therefore now you can somehow scrutinize well and will be able to figure out how to calculate the GST on a flat purchase. Let us make it easier for you to know the GST rate on under construction property by breaking the calculation process into steps. Scroll down.

1. The ones who are about to purchase residential flats for them, the government has offered relief. You are subjected to pay 18% of GST on the under construction property.

2. Out of this 18%, deduct 1/3 and rest is the payable GST rate i.e., 12%. The deduction made is of land value which is tax-free in GST.

3. Now the 33rd GST amendment comes into the picture. It slashed the 12% GST to 5% on the under construction property and ready to move in flats with no CC

issuance.

4. This 5% of GST on under construction property will be there only in the absence of ITC Input Tax Credit).

5. During the calculation of GST for under construction property, the whole amount is being considered i.e., the value of building and land too.

6. The GST will always be applicable for under construction properties.

A single tax structure is definitely a welcome move and the introduction of Goods and Services Tax (GST) seeks to do just that by way of amalgamating a large number of Central and State taxes into a single tax. GST will not only address the concerns of double taxation but will also help in reducing the overall tax burden on goods and services. Furthermore, it will also help in making Indian goods competitive internationally thus providing a much-needed boost to the economy.

- **Compliance and Efficiency:-** Thanks to the abolition of various central, state and local taxes, GST will permit quicker and easier transfer of goods between states. By implementing a uniform tax structure, the entire real estate sector will stand to benefit thus improving the tax compliance. GST will also inadvertently replace most indirect taxes, with a single tax, thereby ensuring an overall efficient taxation system.

- **Double Taxation:-** The Real estate sector was plagued with several issues regarding multiple taxation which amounted to over 25 percent in indirect taxes. GST will break the shackles of double taxation by freeing home buyers and investors from the hassle of paying several state taxes at different levels.

- **Stamp Duty and Registration:-** The remaining hurdle is that Stamp duty is not to be subsumed under GST and hence will continue as it is today. There is no provision for input tax set off available for the stamp duty paid for the land which basically goes against the entire premise of GST. Moreover, there would be no change in registration charges as well on real estate sale transactions. The silver lining as such is that GST will subsume the service tax and value added tax (VAT) charges which were payable on sale of under-construction properties.

TAXABILITY OF WORKS CONTRACT UNDER PREVIOUS TAX REGIME

- Various provisions were in place to separately determine the value of taxable goods and taxable services in the total consideration of a works contract.

- VAT was charged on the value of sale of goods component and Service Tax was charged on the value of service component

- Cascading effect of different taxes. For Example:- Software

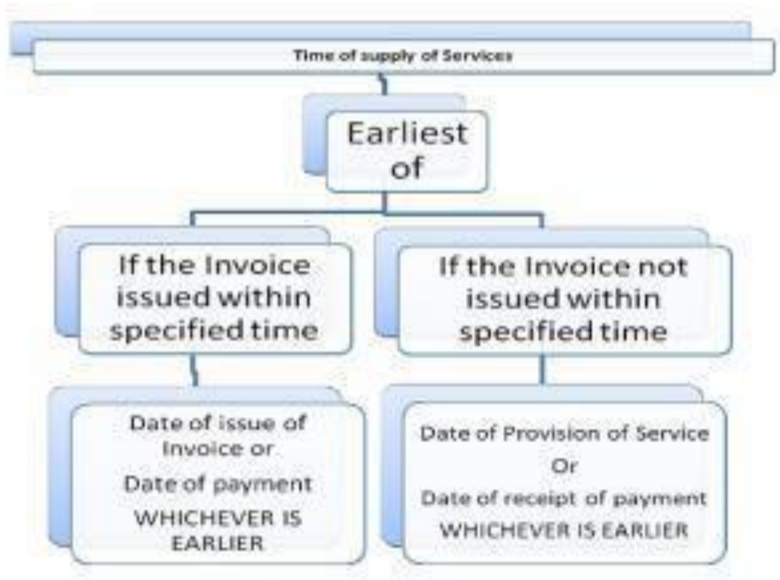
 Confusions and legal disputes

IMMOVABLE PROPERTY

a) Land&

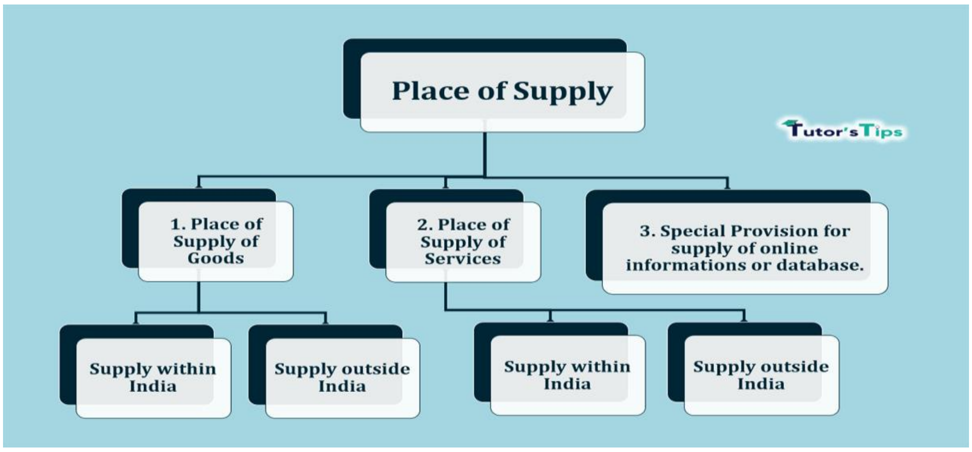
b) Building (other than under construction sale of flats/unit)

TIME OF SUPPLY OF SERVICE



PLACE OF SUPPLY IN GST

 The place of supply of the service is the location of the immovable property. Example-If site is at New Delhi and office is at Gujarat. Immovable property is build up in New Delhi, hence It will be the place of supply of services.



INPUT TAX CREDIT ON WORKS CONTRACT UNDER GST

 Input Tax Credit of GST paid on Works contract will be allow

 the output supply is also Works Contract, and;

 When the Contract is for construction of Plant and Machinery.

Apart from the above two, **no Input Tax Credit** will be available for works contracts for construction of immovable property. For Example- Hotel.

Input Tax Credits — Implications

Procurement Pre-GST Position Post-GST Position Materials •No Cenvat Of Excise Duty, CVD, Paid On Materials

• No VAT Credit On Materials

Full ITC Available Input Services Cenvat Credit Of Service Tax Was Available Full ITC Available Capital Goods Cenvat Credit Of Excise Was Available In Two Trenches Full ITC Available In The Year Of Receipt

ABATEMENT AND COMPOSITION SCHEME

- No abatement is till now available for works contracts under GST.
- Works Contractor cannot opt for composition scheme as a works contract is treated as a **supply of services**.
- For supply of services, only restaurant business are allowed to be registered under Composition Scheme.

Sale Of Flats And Units- Under Construction4.50%1%5.50%18% (1/3 Reduction Of Land) Joints Development- Owner Area4.50% To 6%NIL4.50% To 6%18% (1/3 Reduction Of Land) Rehabilitation Of Flats6%NIL6%18%

ISSUES

Pre GST- Joint Development (Area Sharing)

Land Owner transfers certain percentage of development potential to Developer
In return Developer gives owners flat to Land Owner, also developer sales his developed flats to customers.

Present regime:

1. **Service tax:**

- Flats allotted to Land owner — service tax payable under works contract category or construction service on the value of development potentials received

- Saleable flats — service tax payable on sale of under construction units

1.**VAT:**

- Not payable on flats allotted to land owner as it amounts to barter

- Payable on saleable flats under construction

CONTINUOUS SUPPLY OF SERVICE

It means a supply of services which is provided or will be provided continuously or on recurrent basis under a contract for a period exceeding three months with periodic payment obligations

Where the due date of payment is ascertainable from the contract Time of supply shall be the due date of payment..

Where the due date of payment is not ascertainable from the contract Time of supply it will be earliest of

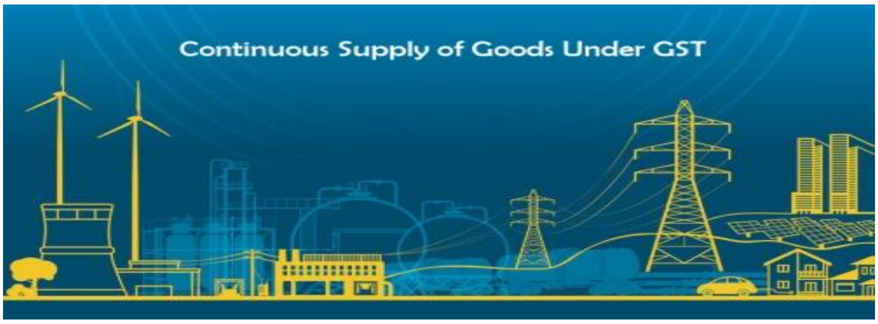
1) date of receipt of payment or

2) the date of issue of invoice

Where payment is linked to the completion of an event Time of supply it will be earliest of

1)date of receipt of payment Or

2) completion of event where payment is linked to completion of event.



Time of supply:

* Receipt of development rights amounts to advance receipt of consideration in kind

* Hence, date when irrevocable rights are received will be time of supply

* Receipt voucher has to be issued by developer to owner on receipt of development right
Valuation to be done as per GST Valuation Rules
Taxable @ 18% or 18% (after deducting land value) depending on facts of the case
Area Sharing Agreement- Section 7(1) a, “Supply Means” Supply made and Agreed to be made

Taxability of saleable flats:
Taxable on transaction value under construction service category @ 18% (after deducting land value)

Taxability of development rights in the hands of owner
Transfer of development rights by landlord can be said in course or furtherance of business
As per Schedule II Entry (2) License to occupy land to builder is supply
Refund to customer on cancellation

Present regime:
Rule 6(3) of Service tax Rules, 1994 permits Builder to adjust service tax refunded to customer on cancellation of flats/ units against his tax liability of the month in which refund is made No time limit for such adjustment

GST regime:
Whether builder is entitled to issue credit note u/s 34 and claim the tax adjustment?
Provision speaks of deficiency of service and not “non-provision of service”
Does this mean that adjustment of GST refunded on advance against GST liability is not permissible?

Section 54(8)© permits refund of tax paid on supply which is not provided either wholly or partially Debit note and Credit note in Works Contract- DN and CN should be issued by supplier only U/s 34 of GST Act Sale of Completed flats — Reversal of ITC
Section 17(2) provides that where goods or services are used partly for effecting taxable supplies and partly for exempt supplies, ITC credit attributable to taxable supplies can only be taken Exempt Supply is defined u/s 2(47)] to include non-taxable supply Non-taxable supply is defined u/s 2(78) of the Act to mean: Supply of goods or services or both Which is not liable to tax under CGST or IGST Act

Section 17(3) specifically includes sale of building and sale of land as exempt supply
Sale of completed flat will be exempt supply for the purpose of reversal of ITC u/s 17(2) of the Act from start of the project.

Also builder may liable to pay interest on such reversal of credit for the period starting from the date of completion certificate till date of actual reversal. Free Supplies by the Builder to the contractor

A supply without consideration to non-related persons is not "supply" as defined u/s 7 of CGST Act As such activity is not a supply, same will not be liable to GST
It is not an exempted supply as defined u/s 2(47) of CGST Act

It is not wholly exempt u/s 11 of CGST Act

It is not a Nil rated supply

It is not a non-taxable supply as defined u/s 2(78) of CGST Act

ITC reversal may not be required

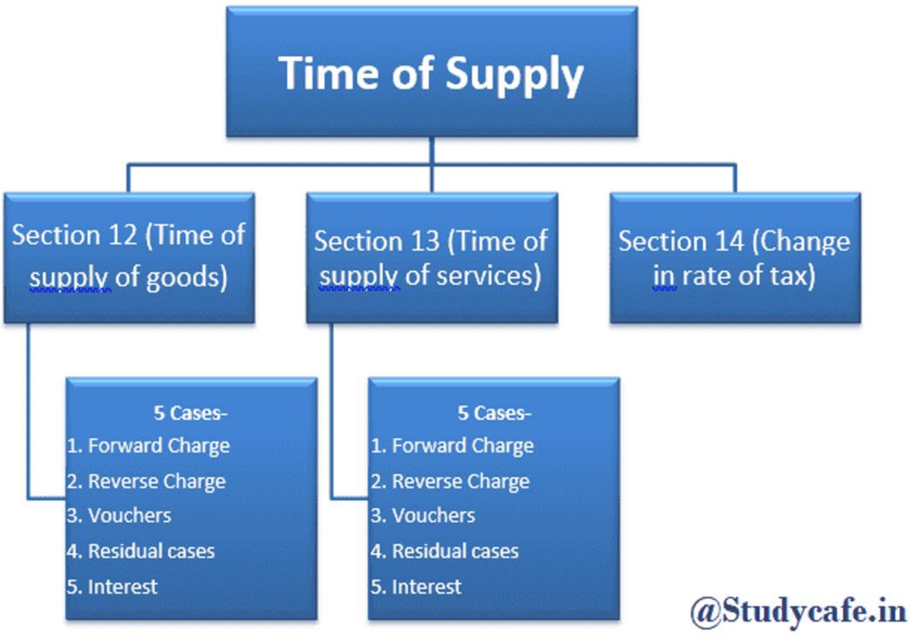
ITC Overflow- Refund

Not allowed in capacity of builder. Builder can use overflow credit,

In other project as set offor

Get Income tax deduction as write off to Profit and Loss account.

Subcontract of construction
Sub contractor are not works contractor but composite supplier. Hence ITC overflow is not applicable to subcontractor he will get refund



Impact on ongoing projects

The provisions relating to treatment of ongoing contracts on appointed day are contained in Section 142 (10) and 142 (11) of the CGST Act 2017

1) If the goods or services are being supplied on or after the appointed date in pursuance of the contract entered prior to the appointed date, then tax would be levied under GST.

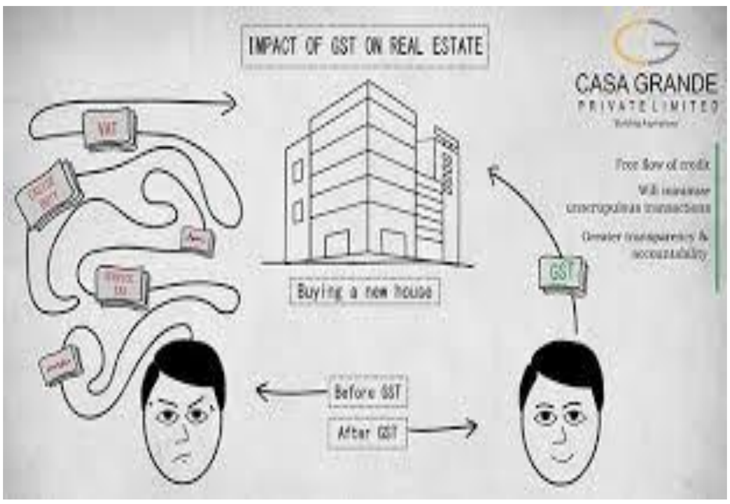
2)If the goods or services are supplied before the appointed date and VAT was livable on such transaction on account of Sale of goods or Service Tax was livable on account of provision of services, no tax will be required to be paid under GST.

3)If the consideration has been received prior to appointed date in respect of such supply and tax has already been paid under current regime, no tax would be required to discharged /paid under GST.

4) If any VAT and Service Tax has been paid on any supply under the existing laws, but the supply of goods and/or services is to be received under GST scheme, then the tax already paid shall be allowed as credit under GST and the supplies when made shall be taxed under GST as well. This clause covers specifically works contract transactions. For example: If an invoice is raised on 30th June 2017 and the supply is for the month of June 2017 and July 2017 and VAT and Service Tax have been paid, then such VAT and Service Tax paid shall be allowed as credit in GST proportionate to the month of July 2017; and when supplies are made in July 2017, they shall be put to tax under GST.

IMPACT ON CONSTRUCTION AND REAL ESTATE SECTOR

- Positive Impact
- Easy Compliance
- Availability of Input Tax Credit
- Possible reduction in prices
- Excise Duty, VAT, Service tax get replaced by GST



4.3 RESEARCHEXECUTION

SAMPLINGTECHNIQUES
Basis of Convenience Sampling (Non-Probability)

STASTICAL TOOLS

Following MS Office tools are being availed while preparing the project:

 MS Excel: Pictorial & graphical representation of data

 MS Word: Preparation of project & other reports

METHODS FOR PRESENTATION OF DATA

 Traditional method of data representation i.e. Pie chart, Barchartetc.

 Average of responses – No. of Responses/Total Responses*50

Sample size:

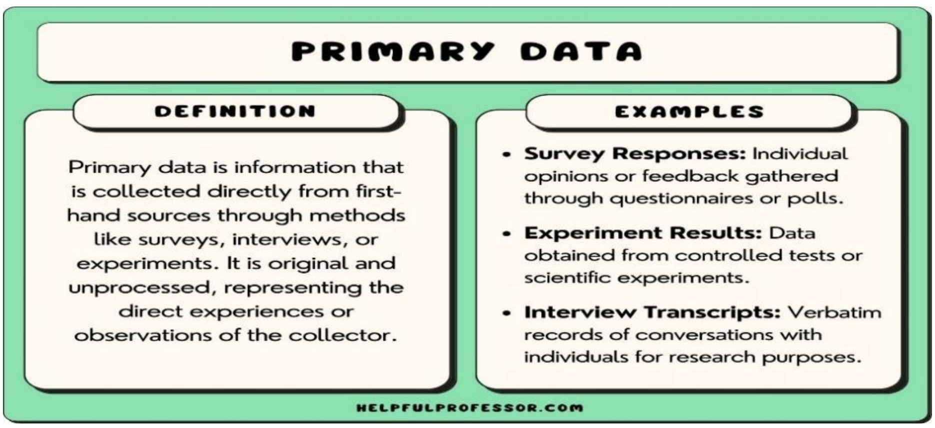
The sample size shorted out from the population (universe set) is 100 nos. to draw the conclusion of the study. Sampling Technique: The Project will be non-probability sampling. Research Type: The project will be exploratory research type.

4.4 ANALYSIS OF DATA:

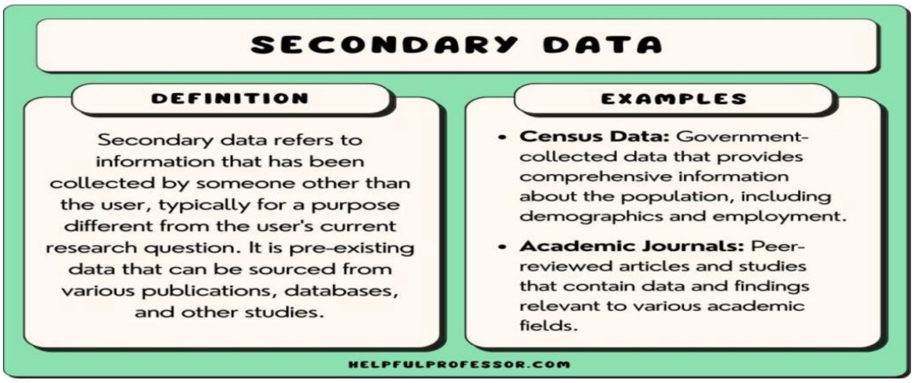
DATA COLLECTION SOURCES

Primary Data:

Primary data is basically the live data which I collected on field while doing cold calls with the customers and I shown them list of question for which I had required their responses.



Secondary Data:
Secondary data for the base of the project I collected from intranet and from internet, magazines, newspapers etc.

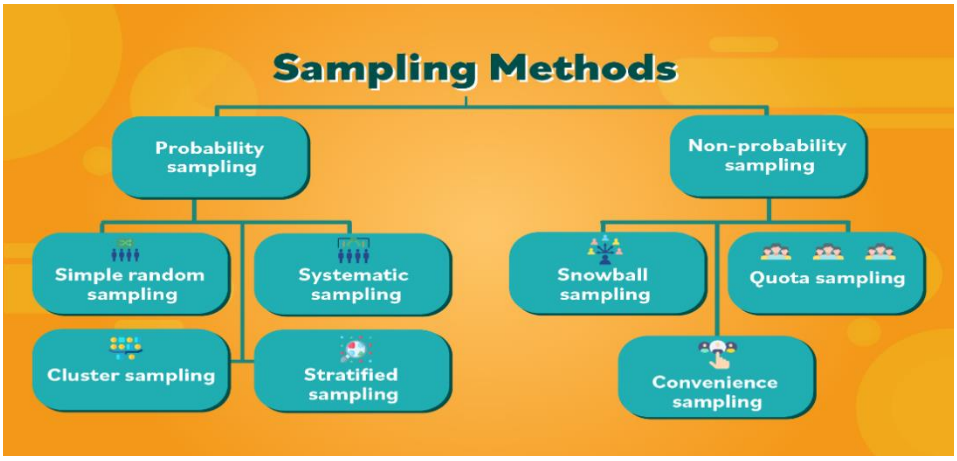


SAMPLING TECHNIQUE:

Sampling Technique

Sampling techniques can be broadly classified in to two types:

- Probability Sampling.
- Non Probability Sampling.



Tools for analysis

- Bar chart (Bar charts will be used for comparing two or more values that will be taken over time or on different conditions, usually on small dataset)
- Pie-chart (Circular chart divided in to sectors, illustrating relative magnitudes or frequencies)

Tools and Techniques

As no study could be successfully completed without proper tools and techniques, same with my project. For the better presentation and right explanation I used tools of statistics and computer very frequently. And I am very thankful to all those tools for helping me a lot. Basic tools which I used for project from statistics are-

- Bar Charts

- Pie charts

- Tables

Bar charts and pie charts are really useful tools for every research to show the result in a well clear, ease and simple way. Because I used bar charts and pie cahrtsin project for showing data in a systematic way, so it need not necessary for any observer to read all the theoretical detail, simple on seeing the charts any body could know that what is being said

CHAPTER – 5
RESEARCH METHODOLOGY

5.1 INTRODUCTION

Research Methodology refers to the systematic process followed by researchers to design, conduct, and analyse study. It involves the selection of appropriate methods, tools, and techniques for collecting and interpreting data. Common steps include defining the research problem, reviewing literature formulating hypotheses, choosing a research design, collecting data, analysing result, and drawing conclusion. The choice of methodology depends on the nature of the research, objectives, and available resources. Common methodologies include qualitative, quantitative, or mixed method approaches.

The research methodology for studying the goods and service tax could involve a combination of qualitative and quantitative methods. Research objective, literature review, formulate hypotheses, research design, sampling, data collection, data analysis, interpretation of results, conclusion and recommendation, documentation and reporting.

Throughout the process, consider engaging with industry experts, tax professionals and construction business together diverse perspective of the impact of GST.

5.2 Types Of Research Methodology

In researching the impact of Goods and Services Tax (GST) on the construction industry, various research methodologies can be employed. Here are different types of research methodologies suitable for studying GST in the construction sector:

1) **Quantitative surveys**
Conduct surveys among construction firms to gather quantitative data on aspects like cost structures, revenue changes and compliance challenges post-GST implementation

2) **Financial analysis**
Perform a financial analysis of construction companies statement to understand how GST has influenced their financial performance, cash flow and profitability.

3) **Documentary analysis**
Analyse relevant documents such as tax filling, project contract, and financial report to track changes and challenges related to GST compliance and cost structure.

4) **Survey of tax professional**
Gather insights from tax professionals specializing in the construction industry to understand the challenges they face in advising clients and insuring GST compliance

5) **Policy analysis**
Analyse relevant GST policies and regulations to understand the legislative framework and its implications on the construction industry.

Choosing the appropriate combination of these methodologies will depend on the specific research questions, objectives, and available resources. A well-designed research methodology will contribute to a comprehensive understanding of how GST influences the construction industry.

5.3 Analysis Of Research Methodology

Analysing the research methodology employed in studying the impact of Goods and Services Tax (GST) on the construction industry involves evaluating the chosen methods and their appropriateness for the research objectives. Here's an analysis:

1) **Quantitative surveys**
Strengths – provides numerical data for statistical analysis offering a broad overview of industry trends.
Weaknesses – may oversimplify complex issues, lacking the depth provide by qualitative methods.

2) **Financial analysis**

Strengths – offers objectives insights into the financial impact GST on construction industry

Weaknesses – limited in capturing qualitative aspects and may not explain causation

3) **Field observation**

Strengths - provides a first hand understanding of on site practices and challenges
Weakness - limited by the observer prospective and may not capture broader industry trend

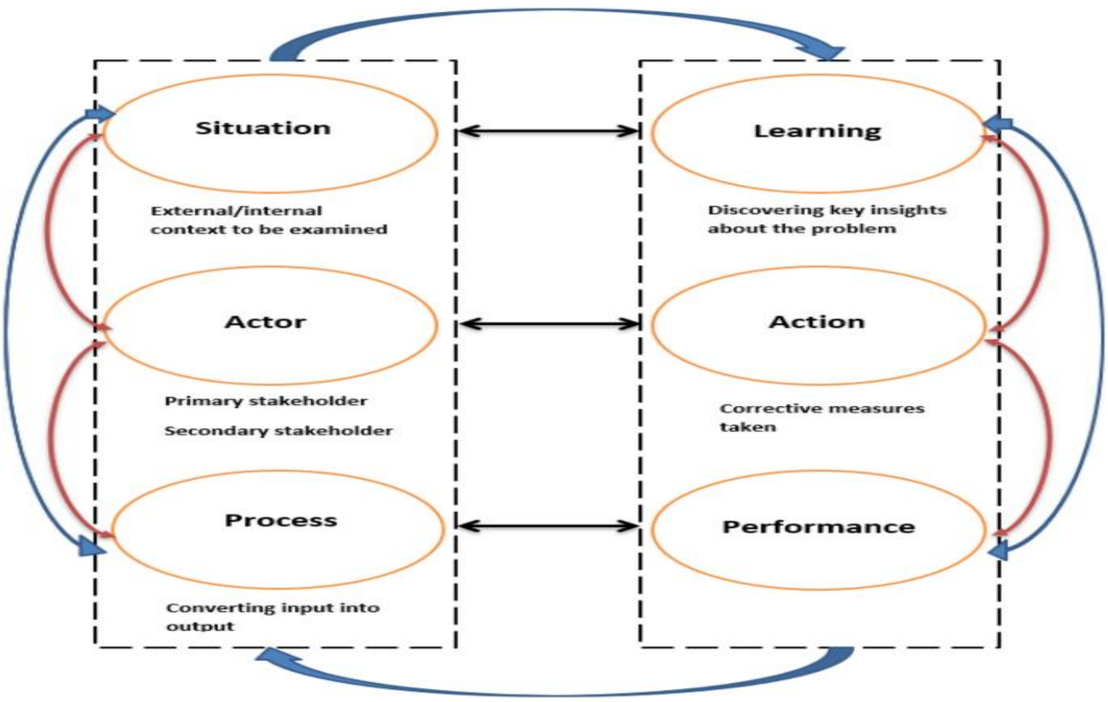
4) **Mixed method approach**

Strengths – offer a comprehensive understanding by combining quantitative and qualitative insights
Weakness – requires carefully integration of method and may demand more resources

5) **Comparative analysis**

Strengths – highlights changes over time and enable the identification of causal relationship
Weakness- require meticulous data collection and may be influenced by external factor

In summary, the effectiveness of the research methodology depends on the research questions and objectives. Combining multiple methods can enhance the overall robustness and validity of the findings, providing a more nuanced understanding of how GST affects the construction industry.



5.4 Objectives of Research Methodology

The objective of studying the impact of Goods and Services Tax (GST) on the construction industry can be multi-faceted and may include:

1) Examining compliance challenges

Investigate the challenges construction companies face in complying with GST regulation, including documentation, filling procedures and overall adherence to tax requirement

2) Understanding cost structure

Analyse how GST has affected project costs, material prices, and overall cost structure with in the construction industry

3) Identifying industry trend

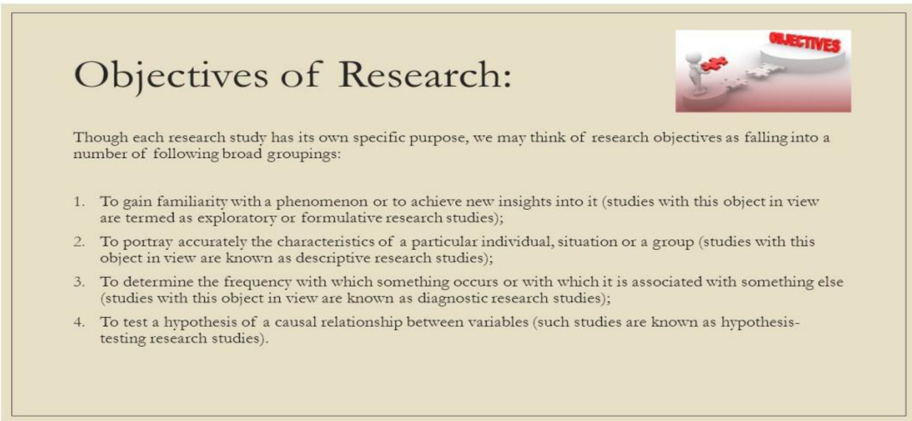
Identify trend within the construction sector post-GST, such as shifts in business strategies, market dynamic or collaboration pattern

4) Facilitating decision making

Equip industry professionals and policymakers with insight to make informed decision that enhance the overall efficiency and sustainability of the construction sector under GST.

5) Contributing to academic knowledge

Contribute to academic knowledge by filling gaps in existing literature and advancing understanding of the complex relationship between tax policies, such as GST, and industry dynamic



Defining clear and specific objectives will guide the research methodology and ensure the study provides valuable insights into the impact of GST on the construction industry.

5.5 conclusion

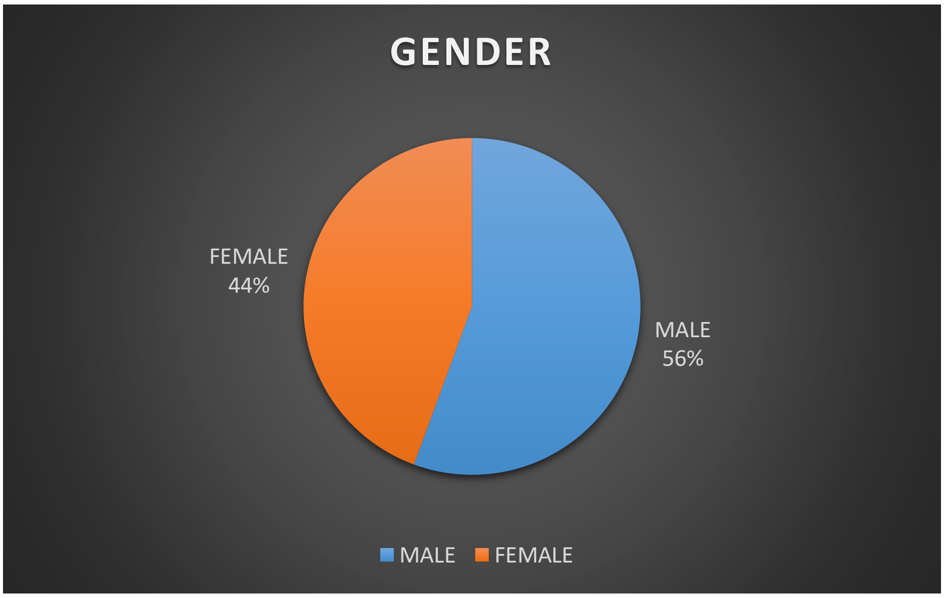
In conclusion, the study on the impact of Goods and Services Tax (GST) on the construction industry aims to provide a comprehensive understanding of how this taxation policy has influenced various aspects within the sector. The research objectives encompass evaluating financial implications, examining compliance challenges, understanding changes in cost structures, exploring operational shifts, identifying industry trends, and assessing the impact on both small and large enterprises.

Through a well-designed research methodology, including quantitative surveys, financial analysis, case studies, interviews, and other methods, the study seeks to capture the multifaceted nature of the impact

CHAPTER- 6
ANALYSIS OF DATA

Q1. Gender

particular	**No. Of Respondent**	**percentage**
Male	30	55.6%
Female	24	44.4%
TOTAL	54	100%

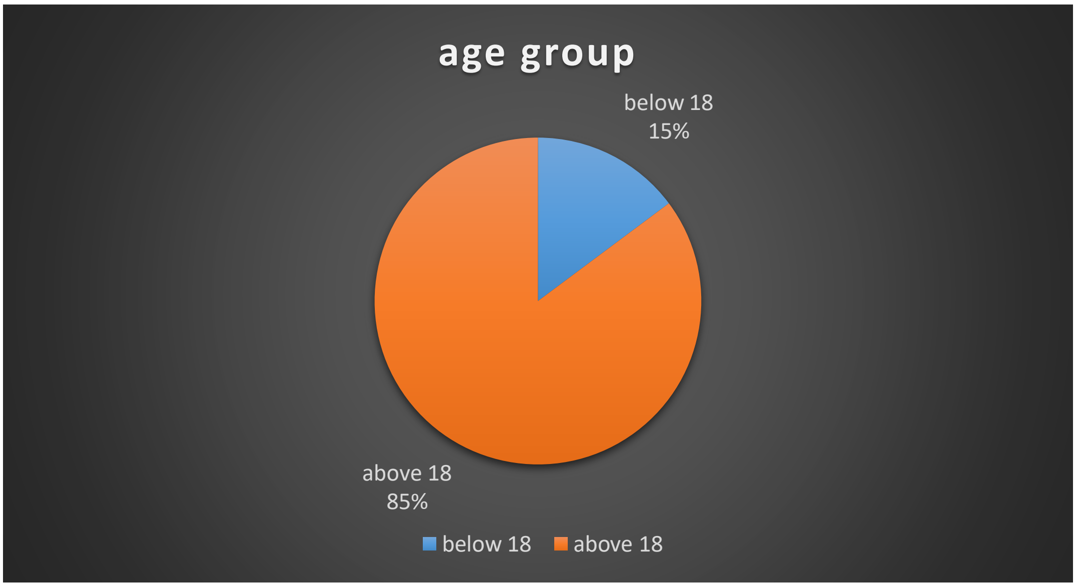


Interpretation: 55.6% of them are male.

44.4% of them are female

Q2. Age Group

particular	**Number of respondent**	**percentage**
Below 18	8	14.8%
Above 18	46	85.2%
Total	54	100%

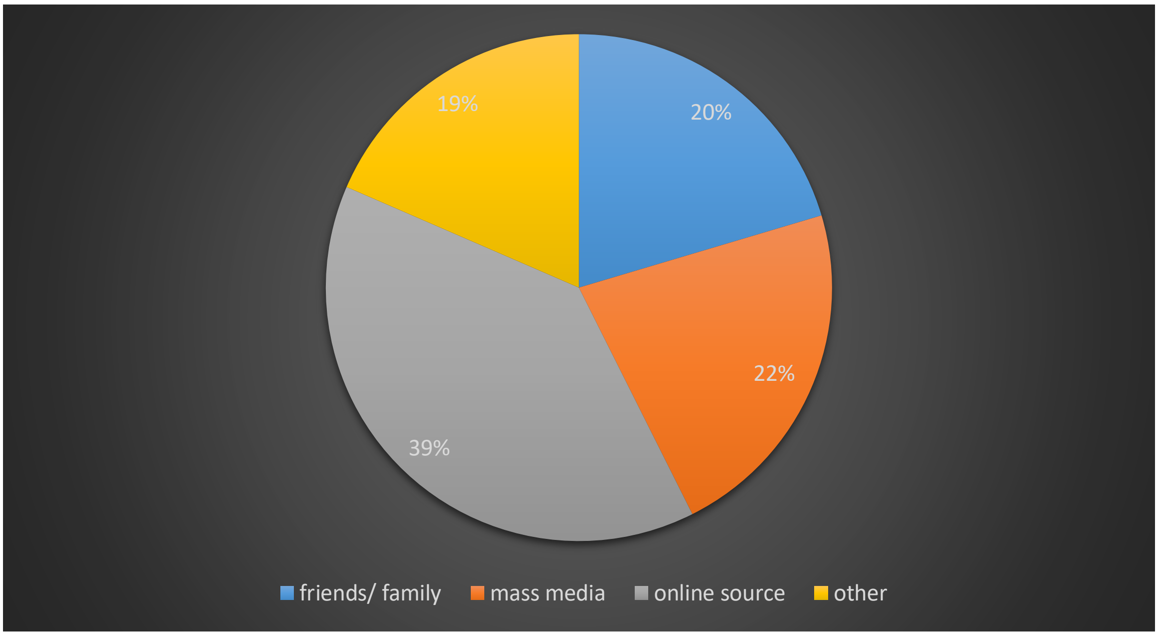


Interpretation: 14.8% of them are Below 18

85.2% of them are above 18

Q3. How do you get know about GST? From

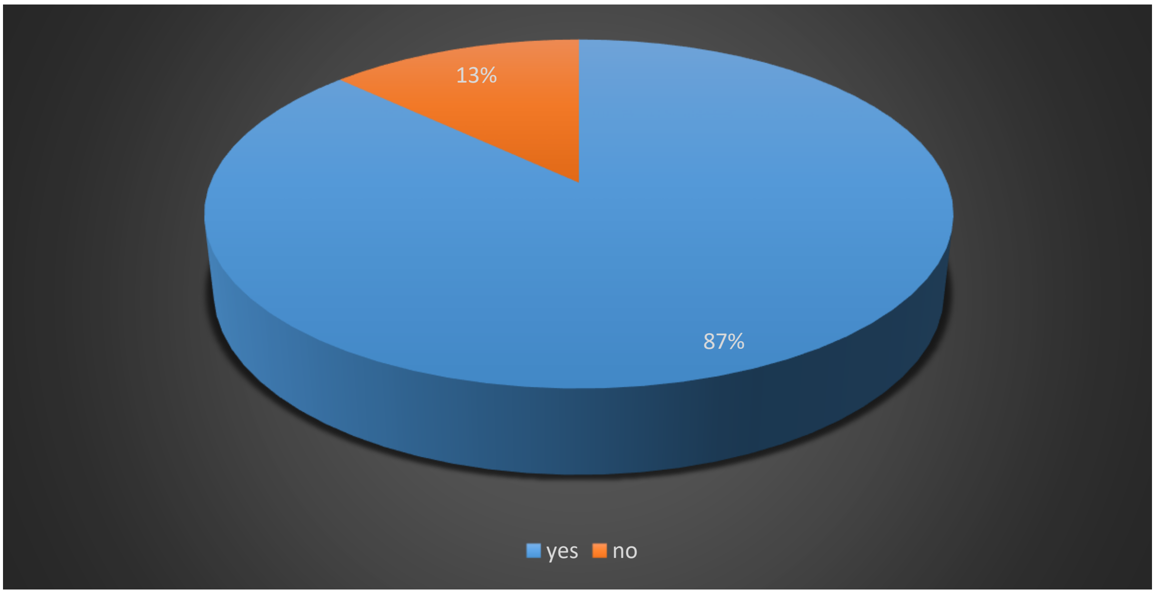
particular	No of respondent	Percentage
Friend/ family	11	20.4%
Mass media	12	22.2%
Online source	21	38.9%
Other	10	18.5%
Total	54	100%



Interpretation: Most of the Client knows about GST From online source

Q 4 do you agree with implementation of GST in india?

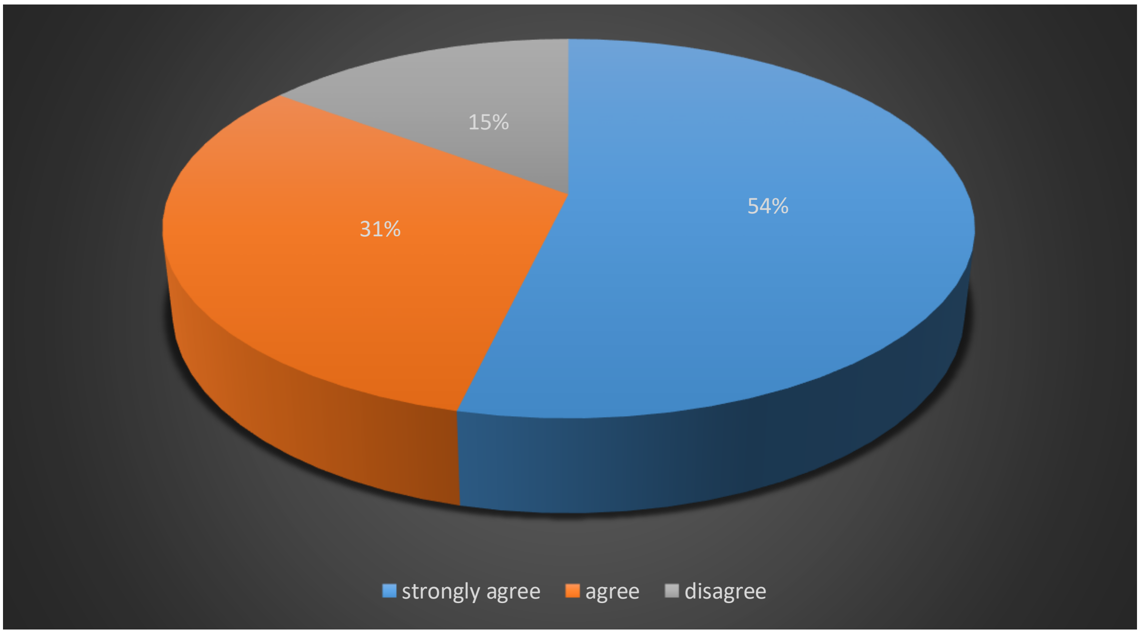
particular	No of respondent	Percentage
Yes	47	87%
No	7	13%
total	54	100%



Interpretation: Most of the Client agree about the implementation of GST in India.

Q5. Does the land acquisition cost get affected?

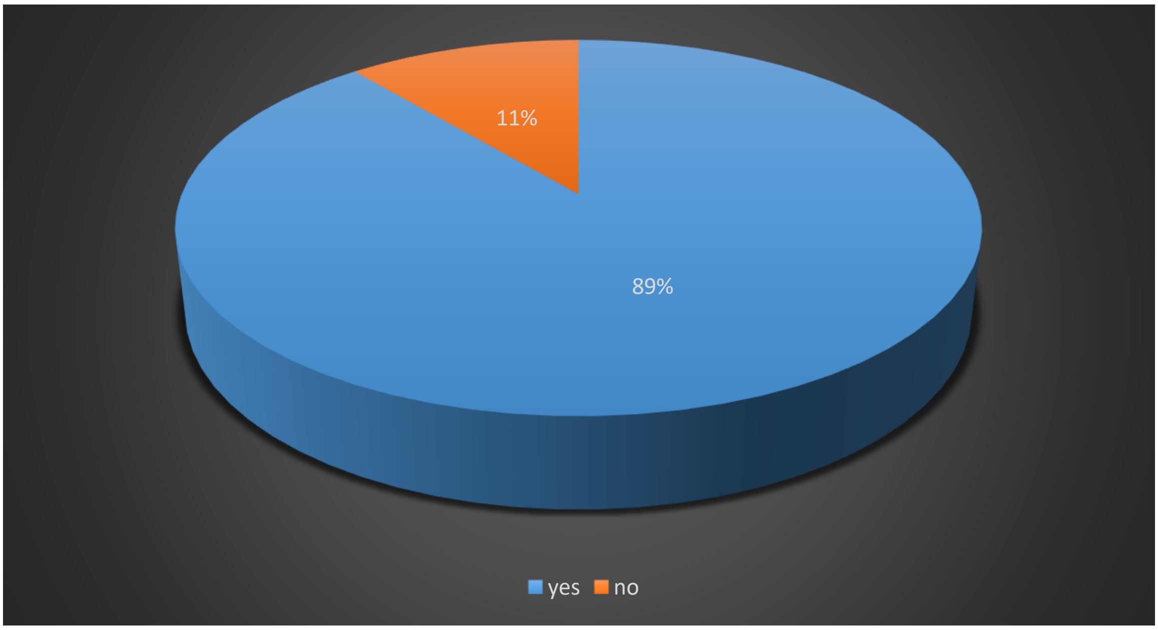
particular	**No. of respondent**	**percentage**
Strongly agree	29	53.7%
Agree	17	31.5%
Disagree	8	14.8%
total	54	100%



Interpretation: From the above diagram it is stated that most of the persons are strongly agreed that the land acquisition cost has been increased strongly .

Q6. Do you think all businesses need to be registered under GST?

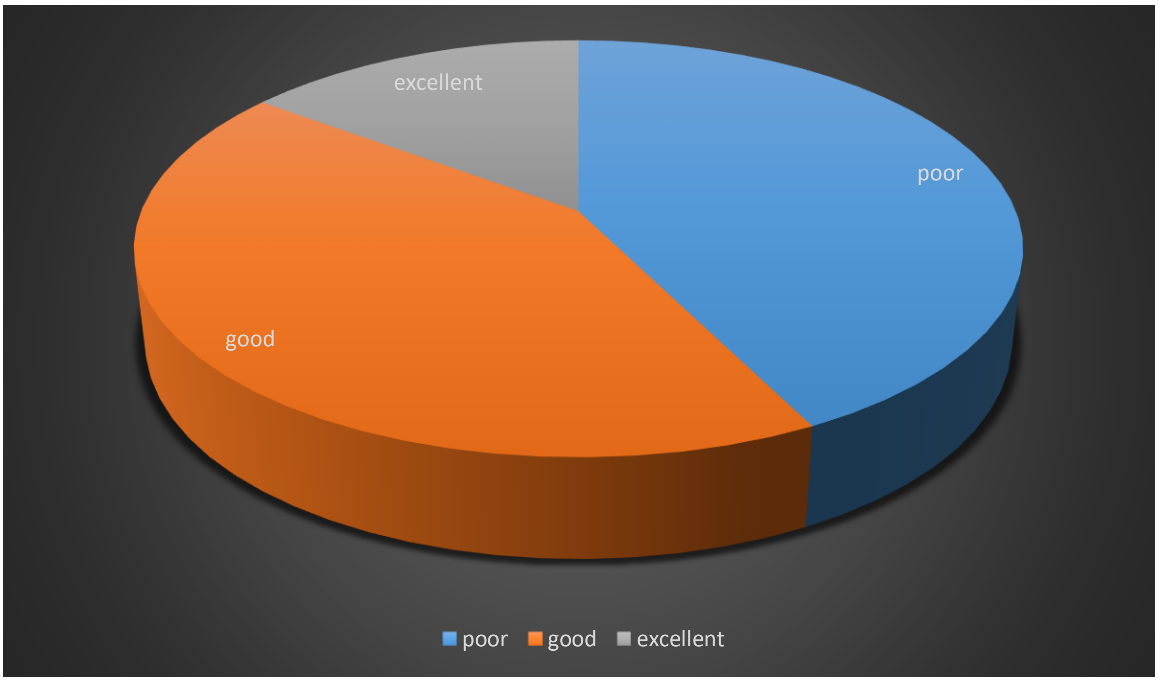
particular	No. of respondent	Percentage
Yes	48	88.9%
No	6	11.1%
total	54	100%



Interpretation: 89% user think that all businesses need to be registered under GST

Q7 how was your experience using GST?

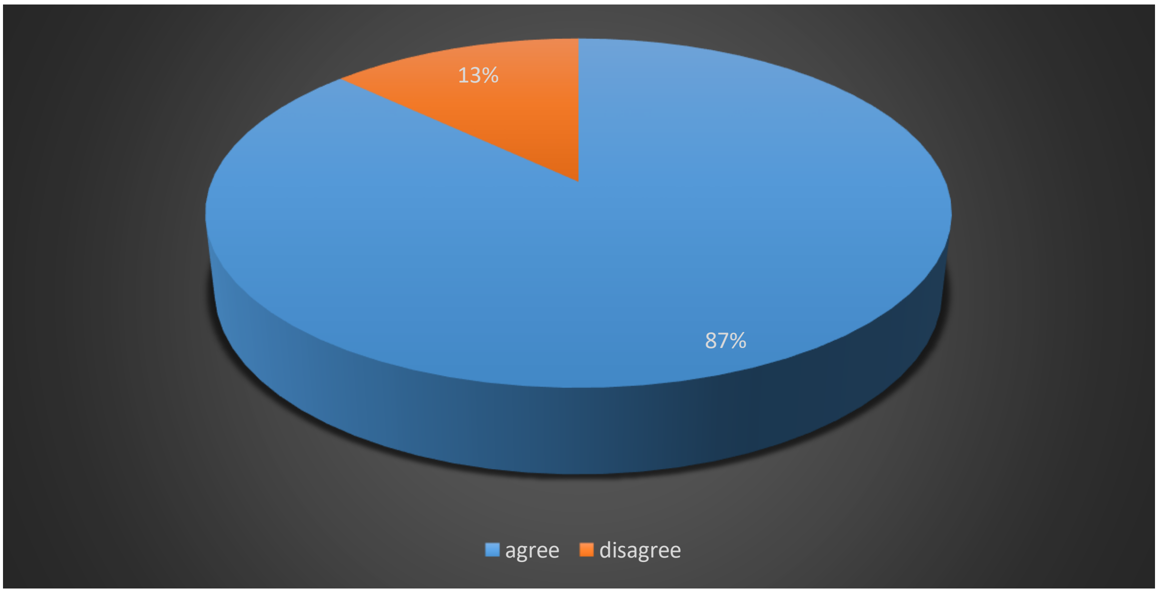
particular	No. of respondent	Percentage
Poor	23	42.6%
Good	23	42.6%
Excellent	8	14.8%
total	54	100%



Interpretation: From the above graph shows that Most of customer says good for Using GST

Q8. GST will affecting small business very badly?

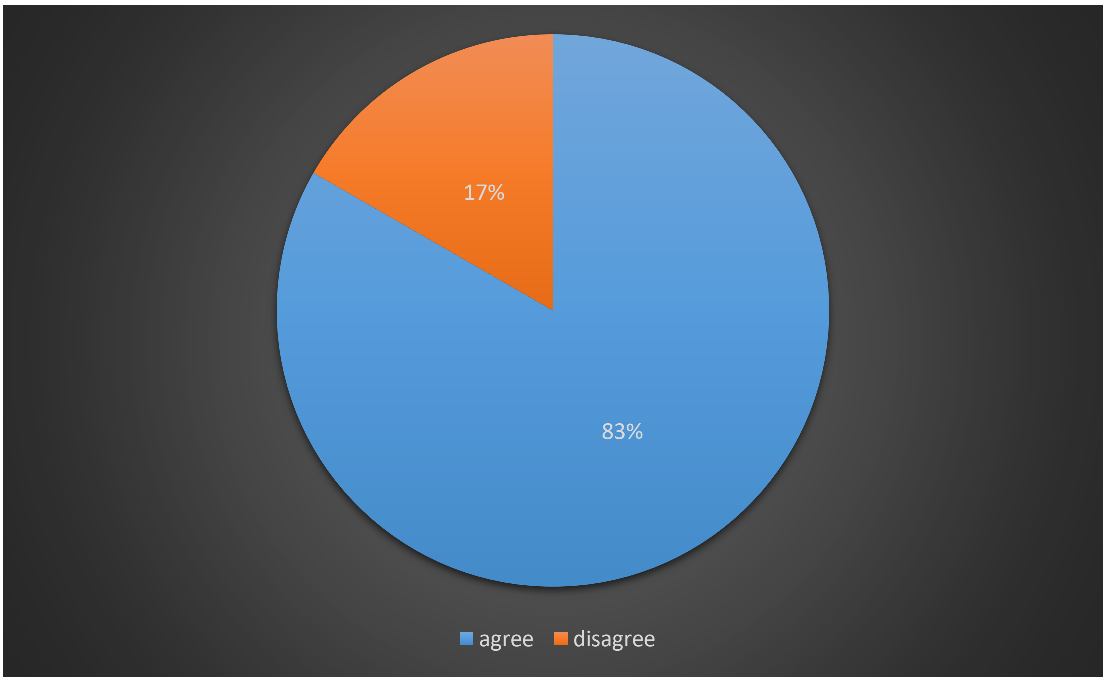
particular	**No. of respondent**	**percentage**
Agree	47	87%
Disagree	7	13%
total	54	100%



Interpretation: 87% customer are Agree that **GST will affecting small business very badly.** 13% customer are disagree that **GST will affecting small business very badly.**

Q9. GST has increased the tax burden on common man?

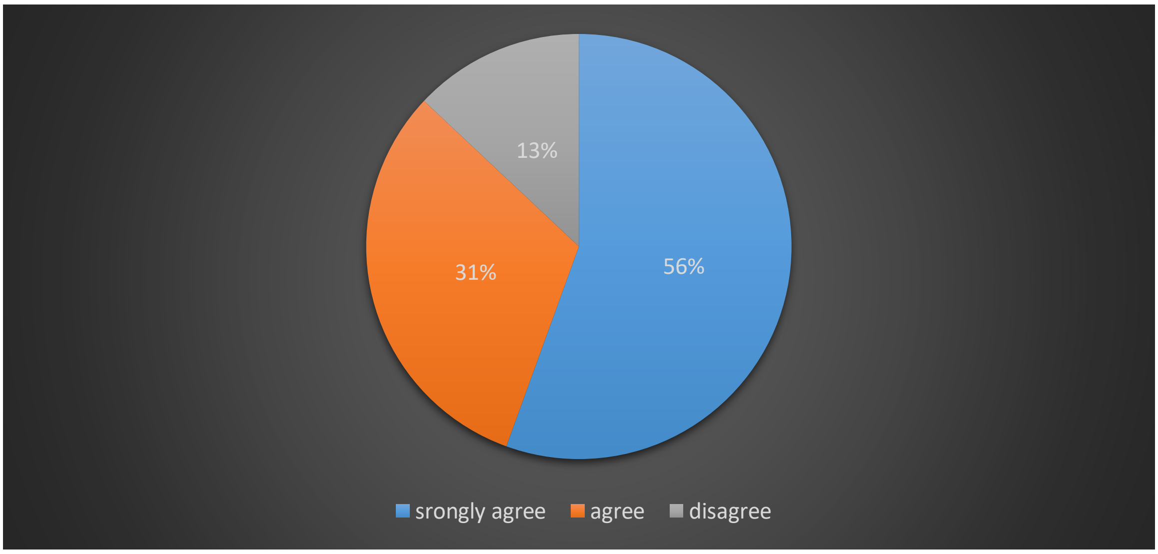
particular	No. of respondent	Percentage
Agree	45	83.3%
Disagree	9	16.7%
total	54	100%



Interpretation: 83% customer are Agree about **GST has increased the tax burden on common man.** 17% customer are Disagree about **GST has increased the tax burden on common man.**

Q10. GST has increase the tax burden on construction industry?

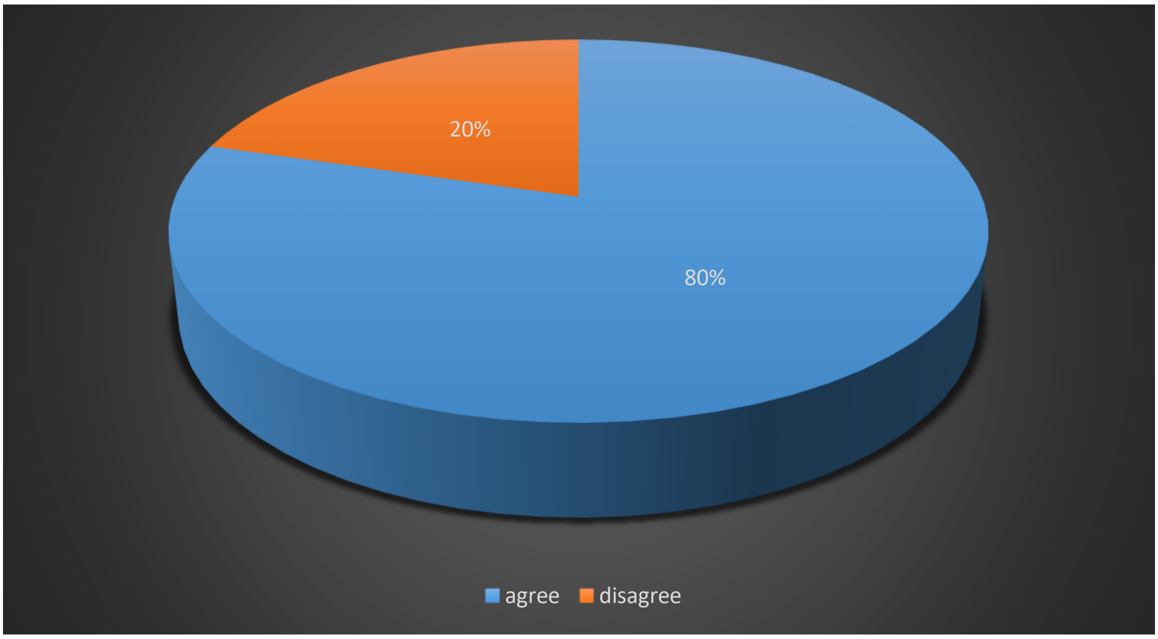
particular	**No of respondent**	**Percentage**
Strongly agree	30	55.6%
Agree	17	31.5%
Disagree	7	13%
total	54	100%



Interpretation: 56% customer are strongly Agree about **GST has increased the tax burden on construction industry.** 31% customer are agree about **GST has increased the tax burden on common man. And remain are disagree.**

Q11 GST affect the indian construction market negatively?

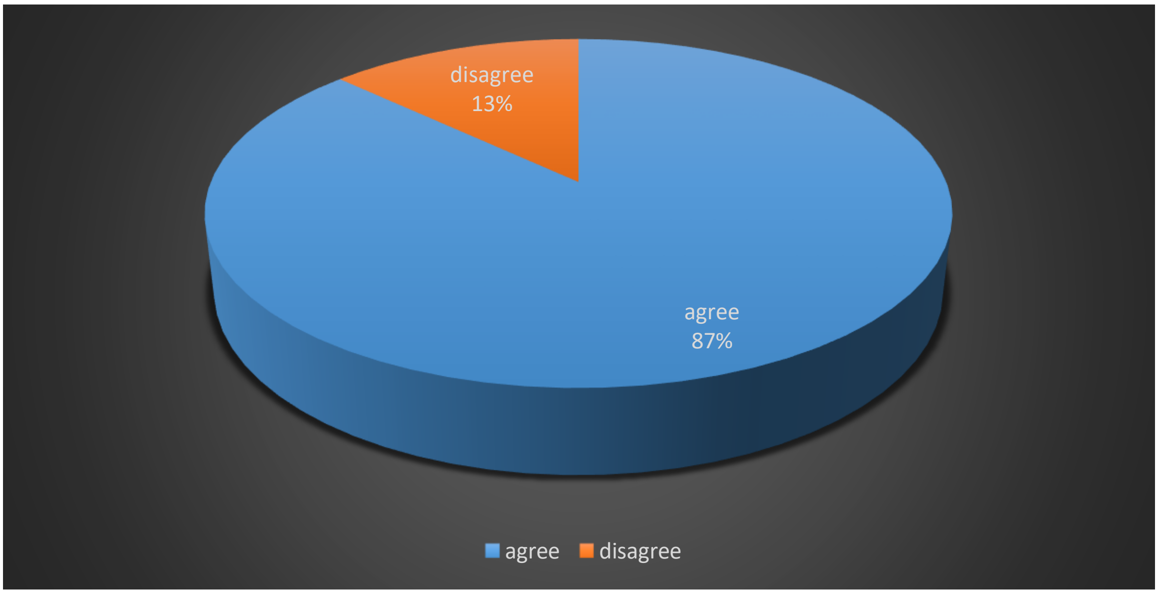
particular	No of respondent	Percentage
Agree	43	79.6%
Disagree	11	20.4%
total	54	100%



Interpretation: most of the customer are agree that **GST affects the Indian construction market.**

Q12. GST Will cause increase in the cost for material procurement?

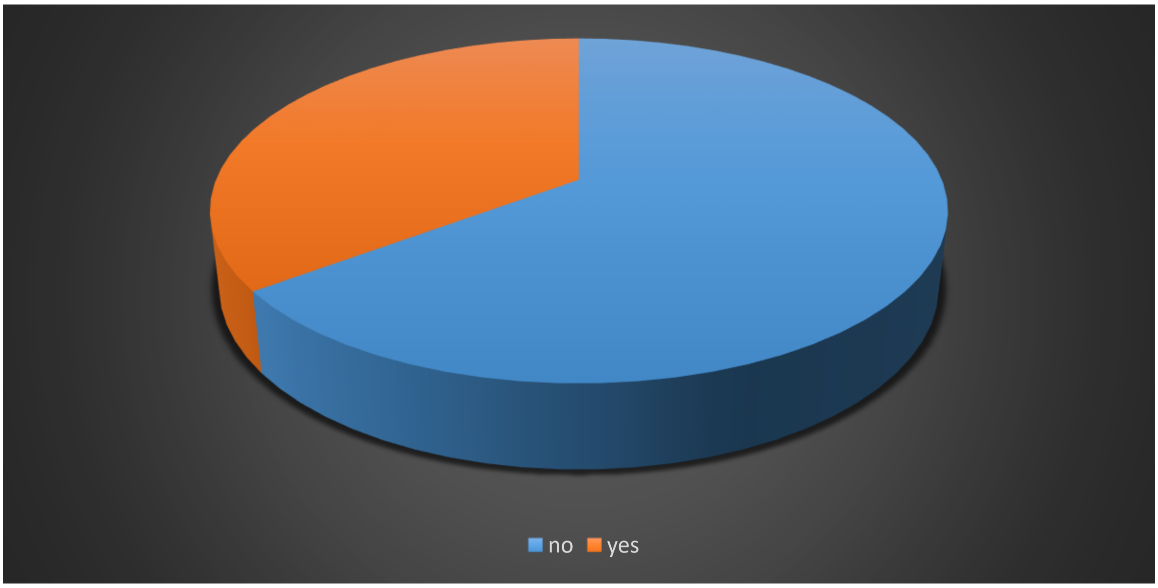
particular	**No. of respondent**	**Percentage**
Agree	47	87%
Disagree	7	13%
total	54	100%



Interpretation: Most of the customer are agree that **GST will cause an increase in the cost of for material procurement.**

Q13 GST will make the construction project slower?

particular	No of respondent	Percentage
Yes	19	35.2%
no	35	64.8%
total	54	100%



Interpretation: From the above graph shows that most of our respondents are disagree that **GST will make the construction projects slower.**

CHAPTER – 7
FINDING & SUGGESTION

7.1 FINDING

GST shall be the mother of all Indian tax reforms of this centaury and it would subsume most (if not all) of the existing Central and State level taxes on supply of goods and services. Accordingly, GST would have a significant impact on business environment and its operations. When undertaking oversight of organizational readiness to adopt GST, independent directors need to focus on the following aspects:

1 GST will have a multi-fold impact on operations – Besides the fiscal impact and tax compliance, GST will have an impact on cash flows, product pricing, supply chain arrangements, procurement, revenue recognition and the IT systems. It is therefore important to assess whether the organization is undertaking a holistic impact assessment of GST encompassing all of the above.

2 Assess the impact on financial results – GST will have an impact on the financial statements; for example the top-line may get reduced in some cases (e.g. traded items) due to elimination of tax cascading. The gross margins will also undergo changes as Cost of Goods Sold may undergo changes as a result on input tax credits. For listed companies, these changes will need to be factored in quarterly forecasts and earning releases to the stock markets.

3 Monitor the impact on cash flows – Most of the planning in GST will revolve around optimizing cash flows. The impact will be as a result of GST on imports, stock transfers and changes in point of taxation/tax credits.

4 Organisations may need to re-design certain aspects of their Supply Chain – The concept of mere supply of goods and services trigger tax liability under GST as opposed to sale under the present VAT, will impact Sourcing, Production and Distribution aspects of the Supply Chain. For instance, sourcing considerations would involve revisiting sourcing mix (local, inter-state and imports), stock transfer policy and renegotiation of vendor price due to the GST impact. From a production perspective, GST impact would vary depending upon the manufacturing and distribution arrangements e.g. own/ job-work/ contract manufacturing. The “Place of Supply” rules will determine state where GST is to be deposited.

5 Understand the linkages, differences for companies implementing IFRS – For companies implementing IFRS, the requirements under IFRS vary with those under GST. Organizations will need to consider necessary re-alignments within their IT systems to effectively manage these differences. For instance, there could be possible differences between GST levy date and date of revenue recognition, accounting for multiple element arrangements (e.g. the invoice value includes a supply and maintenance element), accounting for barter transactions, reconciliation of GST on stock transfers with accounting records etc.

6 Understand the implications on product pricing, marketing and HR – The impact of GST needs to be considered in the margins of various stakeholders in the distribution chain to ensure that GST does not negatively impact product pricing and consequently market share. This calls for a reassessment of exchange, discount and incentive schemes. From a HR perspective, there may be a need to reconsider the indirect tax management structure, training requirements of key indirect tax personnel depending upon the impact assessment.

7 Assess if the IT systems are geared to address GST requirements effectively with minimal manual workarounds – The Audit Committee should at the outset require management to undertake necessary enhancements to IT systems so that the necessary systemic alignments are in place to manage GST MIS requirements. Changes in the system are likely to be required primarily on account of change in taxes/ tax rates, availability of credits for input taxes on purchases including inter- state purchases and Import GST, availability of cross credits for goods and services and GST on stock transfer.

Tax policies play an important role on the economy through their impact on both efficiency and equity. A good tax system should keep in view issues of income distribution and at the same time, also Endeavour to generate tax revenues to support government expenditure on public services and infrastructure development. The ongoing tax reforms on moving to a goods and services tax would impact the national economy, International trade, firms and the consumers.

There has been a good deal of criticism as well as appraisal of the proposed Goods and Services Tax regime.

By the above discussions one can reach following conclusion:-

- The macroeconomic impact of GST is significant in terms of growth effects, price effects, current account effects and the effect on the budget balance.
- In developing open economy with growing service sector, a change in the tax mix from income to consumption-based taxes is likely to provide a fruitful source of revenue.
- The proposed structure will simplify the procedure which will end up with equal opportunity for all the markets and in other hand will leads reduced tax evasion.

It is preferred every economy must adopt GST at national level to make their economy attractive for foreign investors. By implementing GST, the developing economy like India can achieve sustainable and balanced development. Slowly, India shall move to join the world wide standards in taxation, corporate laws and managerial practices and be among the leaders in these fields.

- It can also be concluded from the above discussion that GST will provide relief to producers and consumers by providing wide and comprehensive coverage of input tax credit set-off, service tax set off and subsuming the several taxes. It can be further concluded that GST have a positive impact on various sectors and industry.

The proposed Goods and Services Tax (GST) is said to replace all indirect taxes levied on goods and services by the Government, both Centraland States, on ceitisimplemented. The GST will consolidate all State economies. It will be one of the biggest taxation reforms to take place in India once the Bill gets the official green signal. The basic idea is to create a single, cooperative and undivided Indian market to make the economy stronger and powerful. The GST will make a significant breakthrough paving way for an all-inclusive indirect tax reform in the country.

In the year 2000, for the first time the idea of initiating the GST was made by the then BJP Government under the leadership of Atal Behari Vajpayee. An empowered committee was also formed for that, headed by Asim Das gupta (the then Finance Minister of the West Bengal Government). The committee was formed to design the model of the GST and at the same time inspect the preparation of the IT department for its rollout. In 2011, the previous United Progressive Alliance (UPA) Government also

introduced a Constitution Amendment Bill to facilitate the introduction of the GST in the Look Sabha but it was rejected by many States.
The GST is basically an indirect tax that brings most of the taxes imposed on most goods and services, on manufacture, sale and consumption of goods and services, under a single domain at the national level. In the present system, taxes are levied separately on goods and services. The GST is a consolidated tax based on a uniform rate of tax fixed for both goods and services and it is payable at the final point of consumption. At each stage of sale or purchase in the supply chain, this tax is collected on value-added goods and services, through a tax credit mechanism.
While RERA and GST will slowly change the way the real estate industry operates in India, they have also thrown open a few aspects that need extensive deliberation. One such issue is the liability of developers to provide for workmanship for structural defects for a period of five years. Unlike in the past, developers will now have to create a back to-back warranty with suppliers in case a challenge comes up. Starting from the contract to execution and finally handing over, documentation has to be clearly spelled out. If a developer wants to save himself from the pain of poor construction, he will have to keep tabs on agencies he conducts business with and the quality of materials he procures. The end user would, of course, benefit from this improved diligence. GST in India provides the long awaited generalization of the indirect tax structure. The
cash constituent of the building construction economy will reduce due to the execution of GST in India. To avail ITC, contractors must purchase raw materials from GST-registered vendors, resulting in better tax compliance. Under GST, the work contract is considered as a service, and hence, the composition scheme is not available. Contractor's compliances and costs will increase as they will follow the standard taxation system. GST confirmation on works contract as a service has brought clarity. But the lack of details in the areas of input tax credit (ITC) and composition schemes might lead to disputes. All in all, GST should impact the construction sector in a positive manner, not only from a rate perspective but also on pricing of various products, albeit in a long run.

7.2 SUGGESTION

The following are the suggestion made based on the results of the study.
Some suggestions for better administrative machinery to handle the implementation of Goods and Services Tax Act in India are:

- Standardization of systems and procedures.
- Tax relief in case of branch transfer
- Well defined procedures in case of Job works
- Uniform dispute settlement machinery.
- Adequate training for both tax payers and tax forcers.
- Re-organization of administrative machinery for GST implementation.
- Building information technology backbone – the single most important initiative for GST implementation.
- Uniform Implementation of GST should be ensured across all states (unlike the staggered implementation of VAT) as many issues might arise in case of transactions between states who comply with GST and states who are not complying with GST

7.3 CONCLUSION

In conclusion, the impact of GST on the construction industry has been multifaceted. While it aimed to streamline taxation and enhance transparency, challenges such as increased compliance burdens and initial disruptions were evident. However, over time, the industry adapted to the new tax regime, with potential long-term benefits in terms of efficiency and reduced tax cascading. The full extent of GST'. impact on construction is still unfolding, and ongoing monitoring and adjustments may be necessary to optimize its effects on this vital sector.

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