Property developers seek GST cut for joint development deals on TDR

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Developers are seeking relaxation on GST for joint development transactions on Transfer of Development Rights (TDR).

For residential projects, currently, GST is being paid by the developer on the value of undivided share of land (UDS) pertaining to unsold area of the project as on the date of receipt of occupancy certificate. As no input credit is available for this amount remitted, this adds to the project cost for the developer and impacts the profit margins.

Bijay Agarwal, Managing Director, Salarpuria Sattva, told *BusinessLine*, "In the forthcoming Budget, if there is a relaxation on GST for joint development transaction on TDR, it will be a huge benchmark for developers to take up projects for development," he added.

Developers are now inclining towards outright purchase or development management models based on market outlook and capital structure

"Even for commercial projects, GST is paid on the value of developer's share of UDS at the time of entering into the joint development. This amount paid can be used as input cost for the sale of commercial units before obtaining the OC. But as most commercial projects are not sold under the unit method, but are rather capitalised for rental income, GST again becomes a cost for the developer," explained Ravindra Pai, Managing Director, Century Real Estate Holdings.

He further said, "Therefore, developers are now inclining towards outright purchase or development management models based on market outlook and capital structure."

Rajesh Binner, Founder and CEO, Yield Asset Real Estate Tech Pvt Ltd, a proptech company, said, "The GST input credit on rent received has to be allowed for commercial office space developers."

"The government should also promote proptech companies by providing Credit Guaranteed loans to build blockchain implementation of property records. Since the growth of start-ups is likely to have a positive bearing on commercial real estate, it is important for the government to address the concerns of these prop tech and fractional investment start-ups too," he added.