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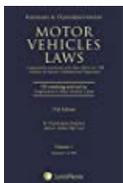
# DNA EXCLUSIVE: 'Cut redevelopment GST to 1% to buoy realty', says Sudhir Mungantiwar

State Finance Minister Sudhir Mungantiwar tells Council to help out shaky sector



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The financial capital's cash-strapped realty sector received support from Maharashtra Finance Minister Sud Mungantiwar to pull it out of its current slowdown. In his Wednesday's representation to the GST Council, Mungantiwar has sought tax relief, an increase in threshold limit for affordable homes and the benefit of input credit tax in the Mumbai Metropolitan Region (MMR).

In his submission, accessed exclusively by DNA, he has also suggested reduction in the GST levied on the redevelopment of old, dilapidated buildings and slums from 5% to 1%.

The argument is that construction of homes through the Slum Rehabilitation Authority (SRA) does not yield significant return to the developer as s/he has to hand over the new houses to the original residents at no charge while bearing the cost for redevelopment.

Further, the Minister emphasized the need to increase the threshold for affordable homes to Rs 75 lakh from present Rs 45 lakh in MMR. "Mumbai is the most densely populated metropolitan city in India, with 21,205 persons per sqkm," he said. "When one talked of smart city, it implied that the workplace would be close to one's residence to save time lost in commute. Thus, the state government decided to provide affordable houses near commercial areas in the metropolitan region.

<b>Resuscitation Efforts</b>
The state finance minister urged the body to reduce the GST levied on redevelopment under the SRA scheme to 1% from the existing 5%
He also emphasised the need to increase the threshold for affordable homes to Rs 75 lakh from the present Rs 45 lakh in the Mumbai metropolitan region

However, it has been difficult to stick to the guidelines (an area of up to 60 sqm, with a ceiling of Rs 45 lakh) and thus it should be raised to Rs 75 lakh." Mungantiwar said only 10 to 20% of apartments were sold in the construction stage and many builders were left with constructed units and no prospective buyers.

"If the benefit of input tax credit (ITC) was held back from the sector, the crisis would deepen, and banks would also be affected, along with the builder and developer. Thus, in the transition period, the GST Council needs to allow a rate of 12% and 8%, as applicable, along with ITC," he urged.

Ramesh Prabhu, chairman of the Maharashtra Society Welfare Association, said if the Finance minister's suggestions are accepted by the GST Council, it will provide a leg-up to the realty sector and also for slum redevelopment. "Currently, it is not clear whether GST is applicable on the redeveloped portion given to existing slum dwellers. This clarification will also help developers," Prabhu said.

Anand Gupta, the spokesperson for the Builders Association of India, weighed in on the suggestions, saying that the industry has been in recession for almost two years and implementation of Mungantiwar's ideas would bring some relief.

Mungantiwar accepted that though revenue was a concern for the Council, the overall industry would benefit if an environment was created where people were enabled to obtain good quality housing at affordable rates, unlike the government's redevelopment projects.

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