

Input tax credit sought on leased commercial realty

Press Trust of India

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NEW DELHI : The government should allow commercial real estate developers to set off GST paid on inputs such as cement from the tax liability on rental income to avoid double taxation and give a boost to the office market to help India maintain its advantage in various sectors like IT and startups, realty firms and consultants said on Sunday.

In its Budget recommendation for the 2021-22 fiscal year, industry body Confederation of Indian Industry (CII) has demanded that Section 16 read with Section 17(5) of the CGST Act should be amended to enable the real estate players to avail ITC (input tax credit) on procurement of goods and services during the construction phase where the said immovable property is intended for commercial leasing or renting.

The denial of ITC leads to blockage of funds for a real estate player, it said.

"In case of commercial leasing of properties and outlets at malls, the renting of such premises attracts 18% [GST] which is available as credit to the client. Disallowance of credit during the construction phase leads to the increased cost of construction, working capital loss, increased financing costs impacting the entire supply chain," CII said.

Tata Realty & Infrastructure Ltd managing director and chief executive officer Sanjay Dutt said that as per current GST provisions, input GST credit during the construction phase (for commercial properties) is not available for set-off against output GST



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liability from earning of rental income.

"In other words, the GST charged on input services (like procurement of cement, steel, works contract services, etc) is required to be capitalised to the cost of construction. Since the input GST rates on this score are significantly high (in the range of 18% to 28% for cement, steel and other big-ticket items), the developers are losing/foregoing substantial cash flows on this score," Dutt told PTL.

He demanded that input tax credit should be allowed in commercial real estate properties meant for leasing purposes.

"It would immensely help the commercial real estate developers in conserving significant cash flows and help developers to sustain themselves...if such input GST is permitted to be utilised to be offset against the output GST liability," Dutt said.

This will keep India's competitive edge in the IT & ITES sector and startups through commercial real estate, he added.