



IMPACT OF GST ON BUILDING CONSTRUCTION

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ABSTRACT

The Goods and Service Tax (GST) is the greatest and considerable circuitous expense change since 1947. The principle thought of GST is to supplant existing expenses like esteem included assessment, extract obligation, administration duty and deals charge. GST as it is known is good to go to be a distinct advantage for the Indian economy. The goods and service tax (GST) are a value added tax levied in India on the supply of goods and services. It is a comprehensive multistage, destination based on one nation one tax. Goods & Service Tax has made large scale changes in the working pattern of all the sectors of Indian Economy. One of the sectors is construction industry. GST on construction sector hiked to 18%. The government has hiked the Goods Service Tax Rate for the construction sector to 18% from 12%.

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INTRODUCTION

General: The Construction Sector, often known as an unorganized sector has been hit by it the most as in construction sector, there are large number of activities involved, a big budget is admired initially, intelligence considerate the form management as well as the direction of economic aspects is not done as per the required terms. Often there are alternative taken to deal with the tax boost activities, which is making the construction industry level to the cursed effects of GST on its working and is assign the random sector. There are illusion that construction sector is facing a slow down due to GST, there is a growth in the cost of materials, devices as well as personnel due to GST, but the actual status is being calculation by taking an surviving building if construction as per the old system of tax collection and if the same is constructed as per the GST reigns. Introduction of Goods & Service Tax has made enormous changes in the working pattern of all the sectors of Indian recession. The disparity in the cost is calculated on unit basis to check the effects of GST on Construction Sector.

GST In India: Goods and Services Tax (GST) is an indirect tax which was launched at midnight on 1 July 2017 by the President of India, Pranav Mukherjee and Prime Minister of India, Narendra Modi. The launch was marked by a historic midnight (30 June-1 July) session of both houses of the Parliament convened at the Central Hall of the Parliament with four extra commandments-

-) The Central GST charges
-) The Integrated GST charges
-) The GST charges
-) The Union Territory GST charge.

GST is applicable throughout India which replace multiple cascading taxes levied by the central and state governments. It was introduced as The Constitution (One Hundred and First Amendment) Act 2017, following the passage of Constitution 122nd Amendment Act Bill.

Research Objectives: This study is aim to identify the possible impact of GST implementation towards the construction cost which will then give an influence to the housing developer and the housing value.

Need for Study: Contribution of industrial sector to GDP is 29% of the total GDP. In this 29%, construction industry contributes to 11% of the industry sector. This seems to be a big digit when it comes to revenue generation of the nation.

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WHY CONSTRUCTION INDUSTRY INCLUDED IN GST?: In India, construction sectors are included in the GST tax base because construction sector is a significant contributor to the national economy.

Seamless flow of credits:- In GST regime, all the above duties/taxes (except stamp duty) will get subsumed; therefore, builders should be able to avail the input tax credit of all its procurement of goods/services except for few restrictions. Therefore, it would reduce the tax costs substantially in the construction industry.

Expected Rate of Tax:- The GST council has agreed upon the 4-rate structure for levying tax on various goods and services i.e., 5%, 12%, 18% and 28%. It is expected that the rate of GST that may be applicable on this sector would be mostly 12%.

Multiple Registrations:- Concept of centralized registration for all the projects will end and builders having a site in multiple States would be required to obtain registration in each State from where the construction activity/ supplies are being undertaken even though the project is for a very small period or for a small value. Although, this scenario is in existent in the current law for the state taxes but the same will now be done even for the central taxes.

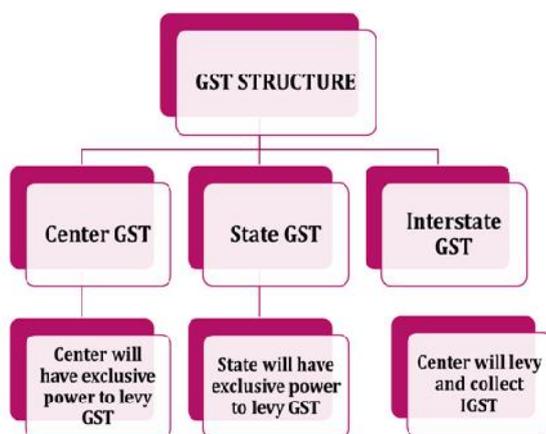
Time of Supply in GST:- Currently, many builders pay taxes on receipt basis (without complying with the point of taxation) in case of service tax i.e., tax is paid only once the monies are received from the customers. However, in the GST regime, tax needs to be paid immediately on earliest of completion of service, rising of invoice or receipt of monies from customers. This could have an impact and could cause blockage of working capital.

LITERATURE REVIEW

Akshay & Tincy Anna Yohannan found out that the GST effect associated on construction capital cost and it influences towards the housing developer and housing property price. And also provide suggestions and initiatives that can soften the GST impact on Kerala. A total of 120 questionnaire were collected, data were analysed using SPSS software. From the analysis it concludes that, building materials, labour cost and prize of building are the major construction impact gain from the GST implementation.

GST STRUCTURE

A dual GST is proposed where both centre and state government of administrator of GST



METHODOLOGY ADOPTED

To begin with, an existing project is selected & all the detailed plans are obtained from the project site. Detailed working of Quantity, Time & Cost is done for the Project by Conducting the study up to Partial Finishing.

-) Process of Working on the Project is as follows:
-) Plan Study & Analysis.
-) Quantity Surveying & Estimation.
-) Documentation of the Quantities.
-) Project Planning & Scheduling.
-) Daily Project Report Analysis.
-) Rate Analysis of all items of Project.
-) Finding Tax Rates & Their Breakup.
-) Working Out for Area Statement.
-) Documentation of Quantities in BOQ.
-) Working out cost of all items.
-) Arriving with comparative results.

DATA ANALYSIS, DOCUMENTATION AND INTERPRETATION.

-) Plot area :- 1998 sq.mt.
-) Location :- Dhankawadi (katraj)pune
-) No of flats per floor –8 flats
-) Project type :- Residential project
-) Construction built up area :- 2282 sq.mt.
-) Built up by PMC :-1476 sq.mt.

MATERIAL AND TAX RATES BEFORE AND AFTER GST

From the department of government, the following tax rates are found out for calculation of comparative cost.it also noted that the rate in blue indicates the increase in cost due to GST and the rate in red indicates the decrease in cost due to GST.

Table 1. Project Details

Sr No	Floor	Total Built-up area		Construction Built-up area	
		Sq.m	Sq.Ft	Sq.m	Sq.Ft
1	Parking floor	457	4919.14	457	4919.14
2	Ground floor	457	4919.14	457	4919.14
3	First floor	457	4919.14	457	4919.14
4	Second floor	457	4919.14	457	4919.14
5	Third floor	457	4919.14	457	4919.14
6	Fourth floor	457	4919.14	457	4919.14
7	Total area	2742	29514.84	2742	29514.84

Table 2. Material rates before GST and after GST

Sr No	Material	Units	MATERIAL GST COMPARISON		Difference
			BEFORE GST	AFTER GST	
1	Cement OPC	Kg	27%	28%	1%
2	Crush sand	Brass	27%	5%	-22%
3	River sand	Brass	27%	5%	-22%
4	Stone metal	Brass	27%	5%	-22%
5	Bricks	Nos	18%	5%	-13%
6	Steel	Kg	18%	18%	0%
7	Oil bond	Liters	27%	28%	1%
8	Glazed tiles	SQ M	27%	18%	-9%
9	White cement	Kg	27%	28%	1%

Table 3. Labour rates before GST and after GST

Sr No	Labour rate	Units	Labour gst comparison		Difference
			Before gst	After gst	
1	Head mason	Nos	12.50%	18%	5.500%
2	Mason	Nos	12.50%	18%	5.500%
3	Carpenter	Nos	12.50%	18%	5.500%
4	Fitter	Nos	12.50%	18%	5.500%
5	Painter	Nos	12.50%	18%	5.500%
6	Electrical technician	Nos	12.50%	18%	5.500%
7	Plumber	Nos	12.50%	18%	5.500%
8	Welder	Nos	12.50%	18%	5.500%
9	Helper	Nos	12.50%	18%	5.500%
10	Colie	Nos	12.50%	18%	5.500%

CONCLUSION

In overall the objective of study has successfully conducted and achieved where the data collected had also been analysis questionnaire based survey was conducted from site engineers, and contractors from various department. While cost increment due to GST and exempt taxes make an issue on developers business capital flows. It can be easily observed from the above calculation that even though is not taken in consideration there has been a considerable, reduction of up to 1.44% of of the project cost by of GST.it can be said that it is a good effect of GST on construction industry. It is also seen that only the labour contracts are at total loss which is to be paid attention by the contractors bidding for labour contract.

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