

NDTV PROFIT

Housing prices to go up by 2.5%

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Real estate industry on Thursday hailed the concession announced by the government on service tax but said housing cost will still go up by about 2.5 per cent.

However, the developers were disappointed that their demand to exclude land cost while calculating the service tax was not met.

In his reply to the Lok Sabha, finance minister Pranab Mukherjee on Thursday offered tax relief on the construction of real estate complex, which has been brought under ambit of service tax, by increasing the rate of abatement from 67 per cent to 75 per cent of the gross value, including the land value.

"It's a good relief for small buyers," DLF group executive director Rajeev Talwar said.

He, however, said the industry was asking for more concessions, mainly exclusion of land cost from the service tax component.

CREDAI, the apex realtors body, chairman Kumar Gera said "its unjust because the abatement which is meant to cover land cost is not fair".

Gera said land cost should have been excluded from the service tax. He said the property prices would increase by about 2.5 per cent as the tax is always payable by consumers.

Parsvnath Developers chairman Pradeep Jain also thanked the finance minister for the relief and hoped that the government will consider excluding land cost at a later stage.

Omaxe Chairman Rohtas Goel also expressed similar views saying it would have been better if land cost would have been excluded from the ambit of service tax.

"Reduction of abatement to 75 per cent will reduce slight burden on customer, but still buyer has to pay extra 2.57 per cent approximately," Raheja Developers managing director Naveen Raheja said.

With on Thursday's announcement, service tax of 10 per cent will be levied on 25 per cent of the gross sale value of property compared to 33 per cent proposed in the budget in February this year. This means property prices would rise by about 2.5 per cent.