ANALYSIS OF IMPACT OF GST AND RERA ON RESIDENTIAL BUILDING CONSTRUCTION PROJECTS IN PUNE REGION

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ABSTRACT

Construction industry is considered one of the major and valuable industries for economic development and growth in India. It is very popular fact that there is time and cost overrun in most of construction projects in India. The previous literatures studies were divided into two main groups which are: factors causing cost overrun (increasing of the cost) and factors causing time overrun (delay) in construction project. The aim of this project is to analyse the impact of GST and RERA on the city of Pune. The objectives of the topic will be achieved through quantitative approach where a valid questionnaire will be distributed online and offline to owner, consultant, and contractors and project management companies. The Responses received from the consultants, owners, office engineers and project managers within construction industry of Pune region will be analysed using Relative Importance Index Factor and some major factors that show the impact of RERA and GST on the Construction Industry in Pune Region will be highlighted. The Collection of Data will be done on various sites and the data will be analysed by Relative Importance Index (RII) Method. This Analysis of Data collected shows a trend that is followed into the Construction Industry. The GST and RERA impacts on the Construction Industry in Pune Region has been significant. Aim of the Project is to show this impact on various factors. Not only this but also the questions and the factors which are really important for the people who actually work in industry are known to us. Construction Industry relies on the factors which are enlisted in the following Report. Not only this factors but many factors which silently influence the Industry could be found out due this Analysis.

Keywords: Construction industry, RERA, GST, RII, Analysis.

I. INTRODUCTION

Real Estate Regulation and Development Act (RERA) and Goods and Services Tax (GST) are two important and significant government policies that have made a revolution in the real estate industry in India and had an effect on the home-buying process. The aim of GST is to establish a standardized and neutral taxation system. RERA on the other hand addresses issues such as delays and fraudulent practices in the construction industry to bring about better management and transparency.

GST implementation has had transformative effects on transactions of property. Previously, developers used to transfer tax costs to homebuyers, which led to potentially fraudulent activities. However due to introduction of GST, all applicable taxes have been replaced by a unified tax system, which ensures clarity and eliminates fraud.

1. RERA – Real Estate Regulatory Act

The Real Estate Regulatory Bill (RERA) was firstly proposed in the year 2013. In order to protect interest of the consumers, the act puts in certain operational rules for real estate developers which will cultivate an environment of trust and efficiency in the sale and purchase of property. The bill made it mandatory for every state to establish a Real Estate Regulatory Authority and Appellate Tribunal by April 2017, which are now already set up and working accordingly. The tribunal oversees the registration of all projects over 500 sqm or 8 Apartments. Similarly, it is also responsible for solving buyer and sellers’ disputes in case of breach of contract.

2. GST : Goods And Service Tax

Goods and Service Tax seeks to transform India with “One Nation, One Market, One Tax” principle and all signs indicate that India’s Real Estate Sector won’t be left out of the transformation. The real estate sector is one of
the most pivotal and emerging sectors of the Indian economy. It is stated that after agriculture sector, construction industry is the largest employment generating industry. It contributes an average of 5-6% to the GDP and is expected to grow at 30% compounded annually. GST is expected to have a positive impact and outcome on the industry as a whole and is expected to simplify the taxation compliance.

II. OBJECTIVES OF WORK

1. To study the MahaRERA act.
2. To determine the primary factors influencing the GST and RERA in major construction projects in Pune region.
3. The evaluation of the impact of RERA and GST through quantitative analysis by conducting survey on construction sites located in Pune, Maharashtra.
4. To propose awareness regarding RERA and GST.
5. To study the taxation system based on GST for the construction industry.

III. LITERATURE REVIEW

Before stepping to the actual survey work, the available published materials related to RERA and GST were studied carefully. Also brochures, published project reports of this system, booklets and books available on internet were studied and reviewed. Following articles were studied and reviewed during this project work.

1] Gokhale Siddhi Sunil, A. T. Pawar
Feasibility Analysis of Impact of GST and RERA on Building Construction Projects and Real Estate Sector at Pune Region
In this article author discussed about the reduction of project cost by application of GST. Also GST has granted transparency in real estate sector playing a major role in reducing black money.

2] Harsh Bhushan
Impact of RERA in Real Estate Sector in India: An Analysis.
In this research paper author can say that with the introduction of the Real Estate Act, transparency and efficiency of project has been increased. Also the introduction of concept of ‘reserve account’ and various other mandatory requirements under the Real Estate Act.

3] Shekhar Pawar, Hemanshu Ahire
Study of impact in Construction Project due to introduction of RERA in Pune
In this article the author stated that RERA is attracting more number of buyers and investors in the real estate market hence it is marking a positive outlook for the Indian real estate sector. As per survey conducted by them, due to MahaRERA builders are more likely to be negative because mostly builders are facing financial problems. Author also stated that customers are positive due to MahaRERA, but have doubt in quality of construction and flat purchasing process.

4] Nivedita S Karnawat Asst. Prof. Harshita Ambre
Study on Impact of RERA and GST on Construction Sector
In this article author discussed about the major victim of the real estate sector which are developer/promoter. The author also stated that the competition in the real estate sector have been increased. Indian real estate sector is improving towards global standards and practices. According to the study of author for ready possession projects, only the construction cost i.e. the material cost and labour cost affect the cost of a property whereas other indirect taxes like value added tax, GST, service tax are not applicable, whereas for new projects the new taxes are applicable.

IV. JOURNEY OF GST IN INDIA

The journey of GST began in year 2000 when a committee was set up to draft law. 17 years was passed from then for the Law to evolve. 2017 was the year when the GST Bill was passed in the Lok Sabha and Rajya Sabha. On 1st July 2017 the GST Law was implemented.

2000: Prime Minister Vajpayee set up a committee to draft GST Law.
V. IMPORTANCE OF GST

- Removing cascading tax effects.
- Higher threshold for registration.
- Composition scheme for small business.
- Online simpler procedure under GST.
- Lesser compliances.
- Defined treatment for e-commerce
- Increased efficiency in logistics

VI. SIGNIFICANCE OF RERA

1] Enhanced Transparency
RERA guarantees most extreme straightforwardness in each land exchange by making it compulsory for manufacturers and designers to give convenient, exact, and exhaustive data about the undertaking so purchasers can go with an educated choice while buying any property.

2] Standardized Carpet Area Calculation
RERA has standardized a cross country estimation of floor covering region on which land designers can sell properties. It indicates the real usable region inside walls instead of the space prior to concluding the whole design of the property.

3] Promptness In Project Delivery
One of the biggest impacts RERA has had on the real estate industry is strictly enforcing the project delivery timeline for developers to help buyers set realistic expectations for the possession of the property.

4] Establishing Escrow Account
To guarantee the funds are used exclusively for their expected reason during property improvement, RERA guarantees that manufacturers put a specific level of assets for property improvement in the escrow account.

5] Eliminating False Advertisement
RERA guidelines guarantee that designers can’t add deceiving data while advertising the property. All the data remembered for the special material should be precise and recorded with RERA to keep clients from being survivors of deluding commercials.

VII. CONCLUSION
While RERA and GST will gradually impact the manner in which the land business works in India, they have likewise opened up a couple viewpoints that need broad thought. One such issue is the obligation of designers to accommodate workmanship for underlying deserts for a time of five years. Not at all like previously,
designers will currently need to make a consecutive guarantee with providers in case a test comes up. Beginning from the agreement to execution lastly giving over, documentation must be obviously spelled out. To save himself from the aggravation of unfortunate development, he should monitor organizations he leads business with and the nature of materials he acquires. The end client would, obviously, benefit from this superior ingenuity.

GST in India gives the hotly anticipated speculation of the roundabout assessment structure. The money constituent of the structure development economy will decrease because of the execution of GST in India. To profit ITC, project workers should buy unrefined components from GST registered merchants, bringing about better expense consistence. Under GST, the work contract is considered as a help, and consequently, the arrangement plot isn’t accessible. Worker for hire’s compliances and costs will increment as they will adhere to the guideline tax collection framework.

GST affirmation on works contract as a help has brought lucidity. Be that as it may, the absence of subtleties in the space of info tax break (ITC) and creation plans could prompt questions. With everything taken into account, GST ought to affect the development area in a positive way, according to a rate point of view as well as on estimating of different items, but in a long run. With the presentation of GST and RERA, the Business will benefit as there will be finished administration and straightforwardness which will guarantee that purchasers are getting the right, great quality items. The undertaking conveyance would be on time and the manufacturer will have to ensure that the items introduced in the tasks are of unrivaled quality or will then confront activities. This will be a decent move as organizations with great quality items and presumed organizations will just get by. The long term guarantee will guarantee the utilization of high quality items. For settling the issues, we should accomplishment a global standard same like those rehearsed in Germany. During pandemic circumstance the property states were steady, not expanded however due decline in that frame of mind in enrollment land area developed progressively.

VIII. REFERENCES


