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## Impact of GST rate rationalization on the Real Estate sector

Navigating GST changes in the real estate  
and construction ecosystem



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The GST Council's 56th meeting marks an important step in India's tax reform journey. The decision to rationalize GST rates on key construction inputs reflects the government's intent to provide an impetus to the sector, which is a critical driver of infrastructure and employment.

The reduction of GST on cement to 18% and on select wood-based products and sand-lime bricks to 5% is a welcome move that can ease input costs and improve cost efficiency, particularly for self-construction and developer-led procurement models. These changes align with the broader objective of making housing more accessible and promoting transparency in pricing.

While the reform is positive, its impact may vary across stakeholders. Standalone homebuilders are likely to benefit immediately, whereas for apartment buyers, the effect depends on the developer's procurement strategy and ability to pass on savings.



## Impact analysis

### Industry impact

- **GST rate reductions:** The reduction in the GST rate on cement from 28% to 18% and on select wood-based products and sand-lime bricks from 12% to 5%, may lower procurement costs.
- **Rate increase on specific works contracts (from 12% to 18%):**
  - Offshore oil and gas works contracts
  - Government projects with more than 75% earthwork
  - Subcontracted services linked to the above projects
- **Procurement model implications:**
  - While the output GST on real estate remains unchanged and the Input Tax Credit (ITC) on residential projects continues to be restricted, there could still be savings on account of reduced GST on key procurements.
  - Turnkey contractor models may see limited impact because contractors already offset ITC against the 18% output GST on works contracts.
  - Developer-led procurement may deliver measurable cost savings on key procurements and create room for commercial negotiations.

### Consumer impact

- **Standalone homebuilders:** They stand to gain immediate relief where cement and related inputs constitute a significant share of construction costs.
- **Apartment buyers and commercial occupiers:** Benefits are likely to be contingent on the developer's ability to pass on the savings on account of the reduced tax rates.

## Highlights

Sand-lime bricks,  
select wood-based  
products

12%  5%

Before

Now

Cement

28%  18%

Before

Now

Offshore oil and gas  
work contracts,  
government projects  
with >75% earthwork,  
subcontracted works  
linked to the above

12%  18%

Before

Now



## Impact analysis

### Way forward for developers

- **Procurement consideration:** Negotiate vendor pricing on goods impacted by the reduction in tax rates.
- **Contracting playbook:** Refresh EPC/turnkey and subcontract clauses to reflect revised GST rates, price variation triggers, and responsibility for pass-through.
- **Documentation:** Maintain working papers that show assumptions, tax computations and rationale on pass-through to address any later queries.

## Highlights

**Immediate relief to home builders**

**Benefit to apartment buyers/ commercial occupiers depends on the developer passing on the savings**

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