

Booking home before July may let you escape 3% tax

Those looking to buy a house would do well to book one before July, when the new service tax levy on construction service will come into effect. The cost of flats will go up 3.3% of the total purchase consideration once service tax begins to be levied on construction. The government is considering exempting from tax flats booked before the notification of the expanded construction service, a finance ministry official told ET. "There is a case for giving relief to buyers who booked their houses before the service is notified... We are examining it," he said. The government plans to include charges such as development fee, parking fee and premium location charges usually paid at the time of completion of construction in the base price. Only 33% of the base price of the flat will be chargeable to service tax levied at the rate of 10%, taking the effective tax to 3.3%.