

Ref No.106/R-42/8948

Dated:-12January, 2011

To,

Shri Ashok Chawla,
Finance Secretary
Ministry of Finance
Room No.-130, North Block,
New Delhi-110001

Subject: - Service Tax on preferential locations.

Ref: Section 65(105) (zzzzu) of the Finance Act, 1994 and (TRU-II) D.O. letter F. No.334/1/2010-TRU dated 26-2-2010

Dear Sir,

We would like to draw your attention on the introduction of service tax on the services, relating to the preferential location of the real estate units, provided or to be provided to a buyer by a builder of a residential complex/commercial complex or any other person authorized by such builder.

Since the last quarter of 2008, Real Estate Industry has witnessed significant downturn due to various factors such as global economic recession, high interest cost of the borrowings, reduction in LTV on the housing loans and increase in risk weightage on high loans, higher input cost of raw materials and manpower, severe liquidity problem etc. Cumulatively, these factors led to severe drop in the demand for commercial and residential segments (except low/mid segments residential units), thus causing great distress to the real estate developers and other associated & ancillary industries.

Further, the levy of Service Tax on preferential locations is causing dissuasion among the limited prospective buyers of the real estate units and proving to be an added detrimental factor for the real estate sector to sustain in this critical period of economic downturn.

We request your esteemed office to evaluate the practical applicability and efficacy achieved by this service tax and demand necessary amendment in proposed budget-2011 in order to provide relief to the real estate sector.

Thanking you in anticipation of a favorable action.

For Indian Industries Association

(D S Verma)
Executive Director