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Karnataka to Impose 1% Fire Cess on New High-Rises; Experts Raise Concerns Over Added Tax Burden

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– Categories: Real Estate



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The Karnataka government is set to introduce a new fire safety cess of 1% on the capital value of newly constructed high-rise buildings. This levy, aimed at bolstering the state’s fire-fighting infrastructure, will apply to residential, commercial, and mixed-use towers approved after the rule is notified.

The decision was recently approved by the state cabinet and is part of a broader push to enhance fire safety readiness in the wake of increasing fire incidents in high-density urban areas. The cess is expected to generate significant revenue for the Karnataka State Fire and Emergency Services Department, which has long been facing a shortage of modern equipment and manpower.

According to officials, the 1% fire cess will be calculated on the total capital value of the project and will be collected during the building plan approval or occupancy certificate process. The funds raised will be earmarked exclusively for improving fire stations, purchasing advanced fire-fighting vehicles, training personnel, and maintaining safety equipment.

However, real estate developers and taxation experts have expressed concern over the move. They argue that the cess could escalate project costs and ultimately raise prices for homebuyers. “This comes on top of existing levies such as GST, stamp duty, and infrastructure charges,” said a Bengaluru-based property analyst. “A cumulative tax burden could dampen affordability and slow down new launches.”

Developers also pointed out that the industry is still recovering from pandemic-induced disruptions and rising input costs. They warn that introducing another financial obligation could strain margins and affect overall housing demand, especially in the affordable and mid-segment categories.

While fire safety is a critical concern, experts are urging the state to consider a more balanced approach, such as incentivizing safety compliance through subsidies or partial reimbursements for retrofitting older buildings.

The state government is expected to issue detailed guidelines on the cess’s implementation soon, including how it will be collected, utilized, and audited. Industry bodies are likely to seek consultations before the final notification is released.