

Budget Check-list For The Real Estate Sector

A tax-friendly budget complemented by recently announced interest rate cuts means growth as it will boost consumption demand in a big way



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Much has happened since last year's rural focus finance budget eleven months ago. Contrary to popular belief, the Indian realty sector is growing at a steady pace. There were apprehensions that the recent demonetization move of the government has had a slow-down effect. In-fact, this move is bound to benefit the sector in the long term. It will bring in accountability, transparency and help the sector shake off the historical taint long associated with it. There were some major realty reforms in 2016 with RERA, REITS, GST, Benami Transactions (Prohibition) Act etc. changing the contours of the real estate sector.

Continuing with the trend, there are huge expectations from the government which is making the right moves creating the right atmosphere for the sector. The budget 2017 will be a crucial affair. Here are a few measures if implemented right can provide tremendous growth opportunities for the sector:

1. A tax-friendly budget

A tax-friendly budget complemented by recently announced interest rate cuts means growth as it will boost consumption demand in a big way. This high purchasing power will mean people opting for real estate as an opportunity for returns, as interest rates on deposits are expected to decrease making them less lucrative. People may prefer to invest in real estate provided tax treatments are rationalised. Currently Rupees 2 lakh is allowed as deduction on account of interest. We expect a substantial increase in the limit.

2. Interest subvention on home loans

PM Narendra Modi has offered interest subvention of 3 per cent and 4 per cent for loans of up to Rs 12 lakh and Rs 9 lakh, respectively, under the Pradhan Mantri Awas Yojana (PMAY). But, these subventions are aimed at buyers in Tier 3 cities. Offering interest subvention on larger amounts of loan will benefit buyers in big cities and boost housing demand.

3. Higher deduction on home loan EMIs

Salaried persons get house rent allowance (HRA) as a component of their total salary, and can claim a deduction. This deduction can be substantial where the salary and its HRA component are on the higher side. However, self-employed and people drawing lump sum pays without HRA can only claim a maximum deduction of Rs 2,000/month under Section 80GG. The Budget can and should look to correct this irregularity.

4. Reset Priority housing

While the govt. has defined the sizes - 30 sq m for metropolitans and 60 sq m for urban markets - these units are mostly targeted at the lower income group. This needs to be extended to meet expectations of the growing urban middle class.

5. Infrastructure tag for affordable housing

If we want housing for all by 2020, re-categorizing affordable housing as infrastructure is imperative as this will ensure fair concessions for both private companies and government agencies.

6. Standardization of construction material

Addressing this will ensure that cartel, like in, cement and other supporting industries can be controlled which is affecting the cost of housing.

7. Streamlining of stamp duty structures

This is in tandem with the expectation that the registered value of the property will increase post demonetisation and higher rate expected post implementation of GST.

8. GST: Restrictions on credit need to be addressed

The Goods and Services Tax should have an overall positive impact on the sector. Duplicity of value-added tax and service tax will be eliminated. However, restrictions on credit and rational rate of tax commensurate with prevailing tax structure in the model draft law should be addressed for a seamless flow.

9. An Industry status for the sector

This demand that has been pending for some time. Real estate industry provides job to both skilled and semi-skilled population of the country apart from numerous support industry gets benefited and incentivise to opt for make in India initiative of the government. Affordable housing can also become a reality quickly and efficiently if cheaper financial options are available for real estate developers.

10. Private sector support for "Housing For All"

Income tax benefits can be extended to corporates when they expand through new construction. Like many manufacturing and research industries are benefited for taking up projects in new territory, real estate projects should also be promoted in industrial cities including Tier 2 & Tier 3 cities to attract local population stay and work in the same Geography.

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