

BUDGET REAL ESTATE

Rooting for affordable

In spite of not having populist ingredients, the recipe for real estate presented by the FM has received a thumbs up this year



Geetu vaid

The severe blow of demonetisation dealt to the real estate sector and pressures of the “poll season” had raised hopes that the Finance Minister will go an extra mile to placate the “sore” stakeholders with Budget-2017. But it was not to be so. Steering clear of the populist sops, the FM kept the focus sternly on affordability and Housing for All thereby bringing the hitherto neglected segment of small and affordable housing in limelight.

The announcements made by the FM on February 1 involving the realty sector hint at a long-term vision for a strong, transparent and people-friendly real estate sector. The end users surely have an upper hand and their position is going to be strengthened more once RERA is implemented.

How real estate stands to gain

- Infrastructure status for Affordable Housing.
- New goal post for affordable housing as instead of Built up area carpet area of 30 and 60 sq m will be now qualify an affordable housing project.
- Developers will get tax breather on unsold stock as they will be paying capital gain tax in the year a project is completed.
- Holding period for capital gains tax for immovable property reduced from 3 years to 2 years.
- Indexation for capital gain shifted from 01-04-81 to 01-04-2001.
- 1 crore rural houses to be constructed by by

By giving infrastructure status to affordable housing the FM sent across a clear message to the private builders to climb down from their “high priced” ivory towers and build for the masses. Industry status for the sector as well as single-window clearance have been the long-pending demands of the sector, but it was the affordable housing segment that has been accorded this status. Thus, developers going in for affordable projects will have access to funding easily and by tweaking the area norms for affordable units and extending the deadline for completing these projects from three to five years the FM has made affordable more attractive and lucrative even for big builders.

The one-year tax break for unsold inventory that has received the completion certificate has also given developers reason to cheer. A record outlay of almost Rs 4 lakh crore in the infrastructure sector, massive increase in allocation for Pradhan mantra Awaas Yojana (PMAY) for rural areas; target of 1 crore houses to be completed by 2019, increasing Credit-linked Subsidy Scheme of PMAY from 15 years to 20 years are all going to give a boost to affordable housing segment.

Though the Budget has been received positively by the industry mavens, there are certain pain points that can't be ignored in the din of euphoria. Easing of approvals and faster clearances, the issue of land prices, rationalising circle rates have remained unaddressed so far.

And while the government's focus remains on homes in the price bracket of Rs 20 to Rs 40 lakh, those looking for mid-segment homes and those investing in second homes for tax rebate and future price appreciation are not going to have much to cheer about.

The budget fine print indicates the biggest tax arbitrage via setting off loss from second home has been taken away now. This is not a positive move for individual buyers. Earlier one could buy a second home by taking a loan and show a loss via differential between interest paid on mortgage minus rent received from the property. The loss could be adjusted against income from salary or other income. Now the adjustment has been restricted to Rs 2 lakh only, which is negligible for individuals with high income. This is going to make investing in second home unattractive and will suck out investors as well as the salaried class who used to invest in a second property to save tax.

The lame change in the individual tax rates is also not going to give a boost to home sales.

Thus, the chances of the residential real estate receiving an immediate boost are slim for the developers and the homebuyers, too, will have to wait for some more time to reap the benefits of price rationalisation.

2019.

- National Housing Bank to re-finance loans worth Rs 20,000 crore loans for individuals.
- Indra Awas Yojana to be extended to 600 districts.
- Pradhan Mantri Awas Yojana allocation jacked up to Rs 23,000 crore
- Total allocation for the infrastructure sector is Rs 3,96,135 crore

What it missed

- Lack of provisions for increasing the tax deduction for interest paid on housing loans
- Additional benefits for first-time homebuyers
- Relook at SEZ policy or further tax relief for SEZ.
- Benefits for growth of commercial real estate.

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voices

"The industry wholeheartedly congratulates the Finance Minister for presenting a growth oriented budget, thereby setting the tone and direction for investments in the country. Providing infrastructure status to affordable housing is a significant step and the move will lower the cost of funds for developers, benefits of which will ultimately be enjoyed by the end users. Considering that real estate is the single largest employment generator after the agriculture sector, perhaps, government should have provided infrastructure status to the entire sector. Nevertheless, this is a step in right direction." — **Rohtas Goel, Chairman and Managing Director, Omaxe Ltd**

"The definition of affordable housing has been changed to make it more practical to build and market. Now, we can expect focus on building more affordable housing projects. R rural housing will also get a big push. The borrowing costs for the homebuyers have already come down significantly. All these factors will be considerably significant in helping to expedite the decision of those who have been deferring their decision to buy homes. This will make investment in the real estate sector lucrative providing a surge in consumption demand. Having said that 2017 will be the year of affordable housing." — **Pankaj Bansal, Director, M3M Group**

"Getting Industry status has been a long standing demand of the real estate sector. As a result developers can access foreign funds at a cheaper cost by way of debt and with industry status, banks will be willing to lend more to projects. Also, with reduction in income tax slabs, and reducing interest rates the purchasing power of home buyers is bound to increase. Increased and efficient spending towards infrastructure is welcomed by the sector." — **Prateek Mittal, Chairman of Real Estate & Infrastructure ASSOCHAM**