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Tax rationalisation, liquidity enhancement top real estate sector's Budget wishlist

While measures announced by the government in 2020 to kickstart the economy have been in right direction, the real estate sector is hoping for upcoming Budget to give a shot on the arm for the beleaguering sector

Rukmini Rao | January 25, 2021 | Updated 15:06 IST

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The real estate sector contributes nearly 8 per cent to the economy

Through the course of 2020, the Centre announced several measures such as moratorium on equated monthly instalments, restructuring of loans of real estate companies at project level, setting up of Swamih fund - rescue capital for affordable and mid-income housing projects - along with capital infusion to the National Housing board to help Indian real estate sector . The Reserve Bank of India also announced massive repo rate cut of 140 basis points over the course of time, leading to lowest home loan interest rates in over 15 years.

Anuj Puri, Chairman - ANAROCK Property Consultants says though these measures were proactive and commendable - but not surprisingly, given the depth of pain in the real estate sector - they don't seem to be enough. The sector contributes nearly 8 per cent to the economy.

"The housing industry needs focused measures to further bolster demand in 2021. This year, the demands go beyond the usual suspects of single-window clearance and industry status," he says .

According to industry body National Real Estate Development Council (NAREDCO), the need to meet 'Housing for All' demand has to be supported by innovative fiscal impetus and robust outlays. "The fiscal impetus announced under Aatmanirbhar Bharat has led to renewed consumer demand that led to the emergence of green shoots in Indian economy and real estate sectors," says Dr. Niranjana Hiranandani, National President, NAREDCO.

Its main recommendations include :

Rationalisation of Tax - Including enhancing loan to value (LTV) ratio up to 90 per cent across the board for home loans for affordable houses of Rs 30 lakh or less and extending it to middle and high income groups. Also allowing interest on home loans for income tax deductions without any ceiling and bringing long term capital gains at 10 per cent and reducing the period of holding house property to up to 12 months from existing 24-36 months to qualify as a Long-term Capital asset.

Affordable Housing - Enhancement in HRA Tax Exemption and increasing the completion period to six years for affordable housing, while enabling concessional lending rate for Affordable Housing Projects.

Promote Rental Housing - Increase in deduction of 30 percent from the annual rental income (for purpose of maintenance) to 50 per cent, which could encourage people in investing on residential properties for giving it out on rent.

Stress Fund - On the lines of SWAMIH, setting up of more of such stress funds will help the last mile funding for stressed and stalled projects.

Liquidity Measures - One Time Restructuring of Loans can play an important role if the requirement of the unit being 'standard unit' is done away with and restructuring is permitted for all units as per mutual agreement with the financing enterprise and the borrower .

Also, allowing External Commercial Borrowings for Special Economic Zones, including extending notification date for IT/ITeS SEZs and withdrawal of Minimum Alternate Tax.

According to Bijay Agarwal, MD, Salarpuria Sattva, following the implementation of GST the taxes on transfer of development rights to develop the land has resulted in significant reduction of residential or commercial projects .

"During this budget if there is a relaxation on GST for joint development transaction on T.D.R, it will be a huge benchmark for developers to take up projects for development. Thus, will also bring huge employment directly and indirectly in the country," he adds.