

Budget 2022: Govt should make deep policy reforms to accelerate growth in realty demand

Hit hard by the pandemic, the real estate sector is looking for a forward-thinking Union Budget that focuses on bolstering the sector's role in India's economic growth and making the realty market more appealing to investors and customers.

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Real estate is one of the key pillars of Indian economy contributing around 8% to 9% to the overall GDP. Almost two years after the outbreak of COVID-19, the sector is coming to terms with the way the pandemic has rewritten every expectation of how people live, work, and interact. Consumer mindsets have undergone a dramatic change and brought segments like affordable housing and mid-segment homes into the forefront. Besides residential and commercial real estate, warehousing, co-working spaces, and data centers have also gained a lot of traction in recent years and is also likely to be in focus in 2022.

“The government must acknowledge the important role played by the sector and make deep policy reforms to accelerate growth in realty demand. It is expected that Union Budget 2022 will play a supportive and enabling role,” says Bijay Agarwal, MD, Sattva Group.

Holistically, the current industry scenario has made real estate development costlier, and it is challenging to manage the cost and the funding thereof, from time to time. Hence, few changes in GST become imperative for creating a positive impact on all real estate asset classes.

“The mandatory changes expected from the Budget 2022 are waiving of GST on Transfer Development Rights (TDRs) (both government allotted and privately purchased) and Joint Development Agreements (JDAs), new provisions for encouraging rental housing, ease of tax holiday provisions, and cost definitions in Affordable Housing, single-window clearances, input tax GST credit for commercial real estate and additional interest rate deduction on home loans. We are also hoping to see some relaxation in provisions for REITs in commercial real estate and reduction of the income tax burden on long-term capital gains,” adds Agarwal.

Hit hard by the pandemic, the real estate sector is looking for a forward-thinking Union Budget that focuses on bolstering the sector's role in India's economic growth and making the realty market more appealing to investors and customers.

"Low home loan interest rates, as well as customer-friendly schemes and initiatives, have clearly benefited the sector's expansion in 2021, and we expect that future announcements and measures will have a beneficial long-term impact. It is critical that the government considers expanding income tax benefits in order to make it more lucrative. We also expect the administration to respond to calls for a single-window clearance system. The necessity for an online single window clearance is urgent, as it would speed up the multiple approval procedure. An online single window clearance solution is urgently needed also to increase system transparency. We are optimistic that the government would shape its policy actions to promote real estate demand even further this year," says Santosh Agarwal, CFO and Executive Director, Alpha Corp.

Increase in tax benefits to boost home loan affordability is among the top budget wishes of developers.

"Real estate buyers are looking forward to an increase in the tax rebates. India is a country of young people. 66% of the young Indian population – below 35 years of age — are emerging as young millennial borrowers of home loans. It is also true that the home loan market is driven by young borrowers within the age group of 26-35 years – about 25% — and also by people in the age group of 36-45 years – about 28%. These are all active home-loan audiences and jointly account for 53% of annual originations. The average ticket size of a home loan of young borrowers has continued to increase over the last 5 years, with a CAGR of 6.2%. The ticket size continues to increase more for women than men. The cumulative active home-loan base of these borrowers has continuously grown over the last 3 years at a CAGR of 3.5%. The demand towards investments in real estate from these young millennials will only increase with the relaxation in taxes and rebates by the government in the Union Budget 2022," says Pankaj Bansal, Director, M3M India.

Developers say despite severe healthcare infrastructure constraints, the government geared up to combat the pandemic with proactive measures in line with global approaches. They, therefore, believe that the Union Budget 2022 will be pivotal in defining the way forward for the Indian economy amid the ongoing third wave of the Covid pandemic.

“We expect this budget to be a reformist and pro-growth as the last year’s budget. There were numerous announcements for the infrastructure sector last year and that need to be sustained. However, there is a need for some substantial measures for the real estate sector to create multiplier effects because the real estate segment creates jobs and growth in multiple. A single step of increase in the tax-free limit on the interest paid on home loans under Section 24 from the current Rs 2 lakh to 100% of interest paid for three years will be the biggest booster this industry can expect. This one step will see the surge in liquidity, investment and sentiments all of which our industry needs now more than ever,” says Vivek Singhal, CEO, Smartworld Developers.

Shashank Vashishtha, Executive Director, eXp India, says, “The Union Budget 2022 is expected to give new impetus to the real estate sector and uplift various industries. The challenges of the pandemic are still in place and to sustain growth, the government should bank on policies and measures that attract foreign investments and accelerate capital inflow. To encourage the potential buyers who are willing to go ahead with their purchase decision this year, the government should give tax reliefs on home loans and also focus on tax slabs reconsideration and a single-window clearance system. This will encourage buyers and sellers and boost the momentum for sustainable economic growth.”

Fast-tracking infrastructure redevelopment projects will give a boost to the economy and also help the government achieve its aim of making India a \$5-trillion economy by 2025.

“As we enter the New Year, we look optimistically at new growth prospects for the Indian real estate sector. The challenges faced due to the disruptions during the unprecedented pandemic have given way to new opportunities of business expansion. With challenges have risen opportunities and with disruptions have emerged resilience. With expectant anticipation, we are confident that the new budget will reflect these trends. We are also hopeful, that input-cost of the infrastructure development sector will see significant changes in the GST bracket,” observes Mohit Jain, Managing Director, Krisumi Corporation.

“As the government looks to incentivize the production of raw materials and encourage real estate development initiatives, we anticipate that the infrastructure redevelopment projects will also be fast-tracked. Focusing on these real estate development opportunities will definitely give a massive boost to the Indian economy, as the government looks to push towards its aim of making India a 5-trillion economy in the near future,” Jain adds.