

News monitored for: Centrum Capital

COVER STORY ■ ■

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The real estate sector is sensitive to many of policies that are announced both for various industries and individuals. The realty sector is just emerging from a prolonged and painful slowdown, and is looking for all and any signs of light at the end of the tunnel. This fact makes Union Budget 2016 all the more critical, and the real estate industry has many expectations from it.



property is purchased from capital gains, its construction must be completed within three years of its sale to avail exemption. There can be delays by developer in such cases too. These deductions should be brought at par and the construction timeline should be extended from the current three years to five years.

1. **Relaxation of DDT in REITs:** REITs in India was announced in the last budget but has not seen a single listing. This is due to the existence of dividend distribution tax. REITs has the potential to single-handedly revive the Indian real estate sector. The government should do away with the DDT in the Budget to promote REIT. To aid the faster revival of the real estate sector as well as to provide a significant boost to the economy in general, the Budget must address this issue
2. **Single window clearance:** Currently, developers need to take a number of approvals before they can launch a project which takes up a lot of time and money. Single window clearance to project will save lot of time and money for developers & end customers.
3. **Allocation for infrastructure development:** The previous budget gave priority to affordable housing. However, to make this happen it is essential that the upcoming budget allocates a specific amount for building infrastructure and improving connectivity in the peripheral areas of cities, especially the metros. This will encourage more developers to enter this segment.
4. **Tax deduction limit on housing loan and house insurance premiumsto be increased:** The government should increase the tax deduction limit for housing loans. Given the ticket sizes in cities like Mumbai, the current limit of Rs 2 lakh is very low. Also, tax concessions on house insurance premiums could be introduced to encourage end users to insure their homes.
5. **Increase the limit of house rent deduction:** HRA, a component of total salary, is claimed as a deduction. This deduction can be substantial in cases where the salary and its HRA component are higher. However, self-employed persons or salaried persons without HRA component can only claim a maximum deduction of Rs 2,000 a month under Section 80GG. The Budget could address this anomaly.
6. **Offer financial protection from project delays:** It is essential that the Union Budget pays attention to this need. On purchase of an under-construction property, the buyer can claim tax benefits only upto Rs. 2 lakh after possession, that too, if the construction is completed within three years. The benefit reduces to Rs. 30,000 if the developer delays construction beyond 3 years - and they have to pay higher interest. Home buyers purchasing their first property for self-use additionally have to also pay rent. The Union Budget should make a provision to allow tax benefit from the time they start paying interest on housing loans instead of allowing it post-possession. This will ease their monetary burden considerably and make increase the velocity of home loan disbursements. Similarly, if an under-construction
7. **Cheaper funds from banks:** Currently, developers face multiple challenges in accessing funds in the domestic market and the interest cost and collateral values are very high. This has been one of the major hurdles faced by the sector.
8. **Provide clarity on GST implementation and eCommerce:** A specific date for the implementation of GST should be announced. This major reform is expected to simplify the tax structure of our economy. eCommerce, a booming sector, does not have a clear definition or laws currently. A common definition as well as law is needed to govern this sector and help companies operate more efficiently. Such a move will help start-up firm up their investment plans.
9. **Impact of GST:** If implemented properly, the impact of GST will be positive as it will enhance ease of doing business in the country due to the uniformity in the tax across all states which will also lead to the transparency in the real estate sector. Currently, a developer/ builder incurs various types of costs during the construction phase; such costs have different indirect tax components, i.e. customs duties, VAT/ CST, excise duty, service tax, etc. Most of the aforesaid taxes are costs in the system as many of them (i.e. customs duties, CST, service tax etc) are not creditable either to the developer/ builder or to the end-customer. Such non-creditable costs are one of the major causes which bring tax inefficiency. Also stamp duties are levied on multiple levels like development agreements, booking agreements and so on when purchasing a property.
10. **Impact of Real Estate Regulatory Bill:** The Real estate bill will be a game changer for the Indian real estate market as it will not only protect the consumer but also encourage the individual buyer to invest in the real estate market. Hence, once implemented real estate bill will act as a regulator of all the practices in real estate sector creating the more structured and transparent environment for buyers and investors to invest in.

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