

Tax sops to liquidity enhancement: Here's what the real estate industry expects from Budget 2021

Budget 2021

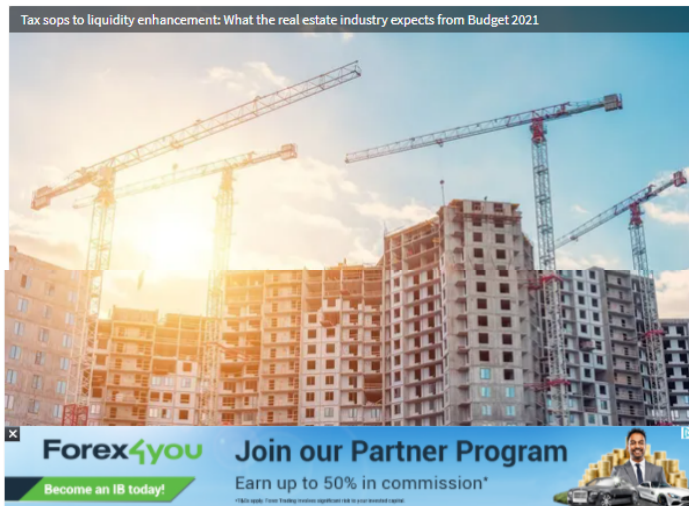


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New Delhi: Hit hard by the Covid pandemic and the subsequent lockdowns, the nation's real estate sector is betting big on this year's budget for the revival of the sector. Besides contributing majorly to the GDP, it is also one of the biggest employers in the country. The sector has been instrumental in the economic growth and stability of the nation.

One of the long-standing demands of the real estate sector is to be provided with the industry status. It will help in fundraising for projects from various schemes.

The key job-creating sector that accounts for about seven per cent of the country's gross domestic product (GDP), has been marred by large inventory and subdued demand over

the past few years and is in desperate need of a revival.

Tax sops

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KT Jithendran, CEO, Birla Estates said: "2020 has been nothing short of a rollercoaster ride. However, policymakers made sure that they responded with the much-needed agility to help industry players tread a much smoother path to recovery and growth. And we are hopeful that the upcoming budget will accelerate this process and push the industry into revival mode imminently. We believe reforms like the reintroduction of GST Input Tax Credit to decrease tax liability and infuse affordability, more efficient tax rebates and interest payment deductions for homebuyers, will bring the fence-sitters back in the market and aid in stimulating liquidity."

"This is not only important to push for growth in the housing sector but also to uplift the ancillary industries from slowdown, as the increase in demand will have a domino effect on their progression. Overall, we hope that the Budget 2021' will come bearing such fruits, with a larger focus on ease of doing business- translating into an announcement of industry status, single-window clearance, etc., and break the industry's slowdown chain once and for all," Jithendran added.

Allocation of stress funds & encourage lending

Experts think that setting up of stress funds will help the last mile funding for stressed and stalled projects. Sudarshan Lodha, Co-founder of Strata said: "Considering a stress fund can help generate cash flow for developers thereby helping build the supply side of the industry."

"Alternatively, encouraging banks and NBFCs' to lend to commercial real-estate projects or take over and restructure stalled projects will also go a long way in kick-starting the economy. Similarly, properties that are not sold but developed for leasing, GST at 18 percent should be reconsidered as it is a huge liability for the developers as it pushes the cost of construction and poses further challenges in the wake of a liquidity crunch," he added.

Infusing liquidity

In its bid to help the real estate sector survive this unprecedented health crisis, the government did announce various measures in the recent past which were directed towards infusing liquidity and strengthening consumption, thereby giving a push to economic recovery.

"We expect the upcoming budget to further relax income tax norms, push more reforms in GST and announce industry status to the real estate sector. The sector also expects the government to unleash a series of reforms and consumption boosters to increasing credit off-take from banks to ease liquidity," said Lincoln Bennet Rodrigues, founder and chairman, Bennet & Bernard Group.

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.

Reduction of stamp duty

Residential, malls and hospitality have been significantly impacted by the pandemic, while the residential sector has shown some signs of recovery. Since the lockdown was lifted, states such as Maharashtra announced a welcome reduction in stamp duty and premiums, giving the residential sector a boost.

Rajesh Binner, Founder and CEO, YieldAsset Real Estate Tech Pvt Ltd., said: "Stamp duty needs to be reduced and while Maharashtra has taken the lead in this, implementation of the same by other states too would be welcome."