What real estate industry expects from Union Budget 2021?

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Ankit Sharma • ETRealty • Updated: February 01, 2021, 10:09 IST

NEW DELHI: Touted as one of the most important budgets in recent times, expectations from Finance Minister Nirmala Sitharaman's budget 2021 are flying high.

The dynamics of the real estate sector and its stakeholders witnessed a significant impact due to the covid-19 pandemic; however, the industry experts expects that the Union Budget 2021 would pave the way for opportunity and recovery.

Both the developers and buyers hope that the Budget 2021 will introduce reforms like tax sops and correction in prices which will further benefit and stabilise the industry.

The Economic Survey 2020, presented by FM on Friday pegged the GDP growth at 11 per cent in FY22.

Budget includes detailed statement of the estimated revenues and expenditures to be incurred by the government in a particular fiscal year.

Following are the various measure industry expects:

Circle rates

For the real estate sector the 20% deviation from the circle rates announced by the finance minister last year until June 2021 for homes costing upto Rs 2 crore, should not be time bound and needs to be extended for all real estate asset classes. The same will allow developers to offload the massive build-up of unsold inventory costing more than Rs 2 crore, says Kaushal Agarwal, chairman, Guardians Real Estate Advisory

Stamp duty for land purchase in affordable housing should be reduced or removed for next few years to promote the launch of such homes" says Pradeep Aggarwal, founder & chairman, Signature Global Group.

GST

The industry has been requesting for a GST removal on under construction homes to bring it on parity with ready homes which have no GST levy, says Amit Goyal, CEO, India Sotheby's International Realty.

Ashok Mohanani, president, NAREDCO Maharashtra on the other hand look forward to re-introduction of GST with input tax credit on under-construction properties which will generate the demand among homebuyers.

The government may accede to industry's demand of allowing set off of GST paid on input materials during the construction phase against rent and other income from property upon completion. The lack of input credit is currently seen as a dual tax levy on asset owning commercial real estate developers that rely on leasing or rentals," adds Vivek Chandy, joint managing partner, J Sagar Associates.

Since the implementation of GST on transfer of development rights (TDR) is being interpreted for application of GST on transfer of right to develop the land. Due to this amendments, most of the projects either residential or commercial has reduced significantly. 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," says Bijay Agarwal, MD, Salarpuria Sattva.

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Income tax

"On the aspect of housing demand, Section 80 C tax deduction on home loan principal repayment does not provide for a focused benefit on housing. A separate annual deduction of INR 150,000 will provide the much-needed fillip to opt for house purchase," says Shishir Baijal, chairman and MD, Knight Frank India.

To boost demand and provide relief to home buyers, we expect tax rebates for them such as a revision of the cap of Rs. 2 lakhs to a substantially higher number on housing loans under section 24(b) of the Income Tax Act. This would result in increased savings and provide a boost in clearing premium stocks. There is also a need for revising the affordable housing cap of Rs. 45 lakhs to a higher number considering the prices of land and construction in metro cities, says Ravindra Pai, MD, Century Real Estate.

Rent

The period of exemption from levy of tax on notional rent, on unsold inventories, needs to be extended to 3-5 years from two after receiving the occupation certificate.

CLSS

"To support the home buyers, we expect the Government to extend Credit Linked Subsidy Scheme (CLSS) of PMAY for middle income group, as well. The sector also demands to extend both, 100 percent tax deduction under section 80 IBA and the additional tax deduction of up to Rs 1.5 lakh for interest payments on housing loans taken for the affordable housing scheme, at least by a year till the market stabilizes," says Murali Malayappan, chairman and MD, Shriram Properties.

"The deadline for the credit linked subsidy scheme (CLSS) should be extended by two years up to 31st March 2023. Additionally, given the relatively higher house prices in major cities, the upfront amount of the CLSS subsidy should be increased to INR 3.5 lakhs (from the current level of Rs 2.3-2.67 lakhs depending on the income category) with corresponding enhancement in income criteria which shall make the subsidy amount more significant in comparison to the house value," says Baijal.

REIT

The budget should also promote greater uptake of new efficiency measures, such as the use of contract saving schemes or Real Estate Investment Trusts (REITs), which will increase the viability of housing schemes across the nation and unlock new investment opportunities, says Nimish Gupta, managing director (South Asia), RICS.

For REIT, the government should reduce the timelines of investment from three years to one year for long-term capital gains taxation; thereby ensuring larger retail investor participation and easing a long-term funding challenge for such projects," says Baijal.

Stress fund

The government may also make provisions for direct infusion of funds in the sector through existing channels like SWAMIH funds. Also another fund as SWAMIH funds-II should be launched which should be state centric and where in state institutions can contribute 50% of capital. This should have the regional offices in respective states to fund only to projects in Tier 2 & 3 cities which are untouched till date, under current fund," says Pradeep Misra, CMD, REPL.

We urge the government to offer a special package with a mid to long term horizon for the real estate sector to recover and embark on a sustainable growth path. This package should consider not only affordable and mid segment housing, but also other asset classes such as commercial offices, SEZs, IT parks, industrial parks, warehousing & logistics parks, and organised retail developments, amongst others because the sector is an ecosystem that thrives on cohesivity. Sankey Prasad, chairman & MD at Colliers International India

Affordable housing

Technology import (like aluminum shuttering used in AFW) for construction of affordable housing from other countries should be free from custom duty. Also, GST on material and services used in affordable housing should be reduced to 50% or brought to single digit, says Pradeep Aggarwal.

Building material cost

A reduction in the GST on building materials from the current 18% to 5% will be a game-changer, says Ashish R Puravankara, managing director, Puravankara.

Cement which is a vital raw material for infrastructure and real-estate currently attracts GST of 28% which is the rate at which luxury items are taxed. A reduction in GST for cement would be a welcome announcement for the sector, says Pavitra Shankar, executive director, Brigade Enterprises.

Tiles industry

The current GST rate of 18% is way more than the desired 12% - a request which the government can consider. The government should also consider including Natural Gas under the tax regime, which at this point, is not considered for inclusion. Natural gas is approximately 18–20% of the total cost and is one of the cleanest sources of fuels, says Himanshu Jindal, CFO, Orientbell Tiles.