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Budget 2022: Realty sector hopes for long-awaited infra status, tax reliefs



Reduction in GST rates of key construction material, an extension of credit linked subsidy scheme (CLSS) and enhancement in interest deduction limits on housing loans are top of realty sector wishlist./Representational image |

Over the past one and a half years, the real estate sector has seen a good turnaround. People have realized the importance of owning a house in the post-COVID era. While the Government has supported and given few benefits like cut off on stamp duty, all-time low home loan rates, the real estate sector is hoping for a slew of sops from the Budget.

Realty players share their wish list:

Anurag Mathur, CEO, Savills India

On the wish list, it will once again be infrastructure status for real estate sector. It has the potential to unlock a host of benefits for boosting foreign as well domestic investment. Reduction in GST rates of key construction material, extension of credit linked subsidy scheme (CLSS) and enhancement in interest deduction limits on housing loans are also highly desirable. Introduction of alternative asset classes in REITs could fundamentally increase both retail and investor participation in the real estate sector.

Aryaman Vir, Founder & CEO, MYRE Capital

Fractional ownership of commercial real estate is uplifting the entire real estate industry, the only concern remains regulation around this space. While REITs are regulated by SEBI, fractional ownership models are still not under the purview of a securities body. Fractional ownership platforms (FOPs) could be considered to be regulated under SEBI which will eventually lead to further growth in the sector. One of the other areas I am expecting relief for is the house property tax. Considering the increased housing cost and the resultant rise in home loan EMIs, this limit should be increased from 2 lakhs to 5 lakhs.

Dr. Atul Goel, MD, Goel Ganga Group & President (Elect.), NAREDCO Pune

The real estate sector is looking at a few tax relaxations such as hike in Rs 2 lakh rebate under section 24, as in the aftermath of the pandemic, the profit margins are already low and developers have to compensate for the lost time. A single window clearance mechanism has remained a demand for many years now.

Dhaval Ajmera, Director of Ajmera Realty & Infra India

The real estate industry seeks continued low interest rates for next 2 to 3 years and GST on the component basis at 8 percent. The government should also focus on changing the definition of affordable housing. It is important to increase the interest cap to Rs. 5 lakh from Rs 2 lakh on housing loan interest rates, in order to reduce the financial burden of taxes for buyers in affordable segment. The above-mentioned factors will help to boost the economy."

Dikshu C. Kukreja, Infrastructure Expert and Urban Planner,CP Kukreja Architects

The impetus on infrastructure spending should continue and be enhanced since that is the backbone to India's growth story and a basic requirement to be able to attract global investment.

Attractive incentives should be introduced across industries especially construction and real estate to encourage environment friendly practices to achieve India's Net Zero goals. There could be a system of fiscal incentives categorised on basis of quantifiable goals achieved by different companies.

Farshid Cooper, MD, Spenta Corporation

While interest rates are already at their lowest, a tax holiday for homebuyers will go a long way in boosting the market sentiment, nudging fence sitters to take a decision. Focus should be given to stalled/ stressed projects, apart from providing impetus to affordable and rental housing as we enter 2022 . This will likely free up capital and provide liquidity to the sector. Additionally, serious thoughts need to be given to GST towards major input materials as the rising cost structure could lead to long term increase in prices thereby softening demand.

Gautam Thacker, President, NAREDCO - Progressive Neral-Karjat Unit

We expect an extension in the time limit u/s 80-IAB of Income Tax where a builder can claim a deduction of an amount equal to 100 percent of the profits and gains derived from such business provided the project is approved by the competent authority on or before March 31, 2022 and the project is completed within a period of 5 years from the date of approval by the competent authority.

Gururaj Bhat, Chief Finance Officer, Karle Infra Pvt. Ltd.

Being into mixed development, our Budget expectations on two areas of developments are as under. *Residential:* The Govt should consider allowing builders to set off the GST at least to the extent of collection against the payment made by them on construction cost, customers would be benefited and the increased sales in the sector can be witnessed wherein the entire inventory/project will be sold. *Office space:* If the government would allowing SEZ developers to have the flexibility to lease out the SEZ office space to Non-SEZ IT companies, the vacant space can be filled which will facilitate the developers to repay the borrowed loan without any default.

Harresh Mehta, CMD, Rohan Lifescapes

Real estate sector in India caters to nearly 250 plus segments across industries and it is also covered by 100+ regulatory laws. There are currently several grey areas when it comes to schemes, taxation, funding and others where the government should provide a helping hand and the same is expected in the upcoming Union Budget 2022. One of the key expectations is some relaxation in taxation slabs which will help the sector flourish by creating new avenues. Union Budget 2022 is expected to deliver the dynamic favorable policy to the housing sector as it is one of the largest sectors when it comes to contributing to steel, cement, employment and other parallel segments.

Kamal Singal, MD & CEO of Arvind SmartSpaces Ltd

For several years, the exemption limits provided under Section 80 C and Section 24 have remained stagnant and have not been indexed to inflation. Providing a separate exception for principal repayments under section 80 C delinked from other categories like PF and insurance will encourage investment in real estate. Another long overdue request from the sector is to be granted industry status. While on the consumer side, interest rates are at an all time low, the same is not true for developers. Access to low-cost funding and easier access to capital will lower the cost of doing business in the sector and will ultimately result in making homes more affordable. Finally, I hope the Budget will address the issue of rapidly rising input costs.

Kunal Sharma, Founder & CEO, Flipspaces

The real estate sector expects the government to award it the long due industry status which will enable raising of cheaper credit from financial institutions. The government should also consider reduction in GST and loan rates along with deduction in TDS rates to provide relief to the reviving sector post the global pandemic. There must be measures and initiatives undertaken to make the sector more technologically advanced thus strengthening the infrastructural backbone of the nation.

Lincoln Bennet Rodrigues, Chairman & Founder, The Bennet and Bernard Company

More tax sops and higher relief on home loan rates will woo broader segment of homebuyers and investors to buy property. The existing tax exemption on housing loans should be raised to give impetus to buyer sentiment. There is specific need for income tax relief on a second home which will benefit home buyers in a big way and also stimulate the real estate sector. The Budget can also support the industry by ensuring reduction in compliance issues. It should also strengthen the existing financing systems to provide liquidity as developers need a rational capital flow to keep up the work process.

Manas Mehrotra, Founder, 315Work Avenue

Taking into consideration the growing demand and gaining popularity of hybrid working, we have major expectation from the upcoming Union Budget that can further accelerate growth of this sector. We expect the government to enable co-working firms to claim input credits on work contract and construction services supplied, as detailed under GST provisions that can enable outflow of cash and can be spared from 18% levy, which is crucial in this pandemic time. The co-working industry also expects special packages and tax relaxations for the start-up sector as this will boost the existing and upcoming start-ups, thereby increasing demand for co-working space.

Nakul Mathur, MD, Avanta India

We would request the finance minister to reduce the TDS deduction rates on coworking spaces as most of the receivables from the client is towards services. It would be best if the finance minister considers to bring coworking spaces into 2 percent TDS slab as in case of services from the present 10 percent. This will immensely help the coworking spaces in management of their cashflows.

Nitin Kansal, CFO, Max Estates Ltd.

We would hope that the upcoming Budget would act as an enabler by accepting the long-standing demand of the commercial real estate sector to receive an input tax credit on GST collected from customers on rentals for built-to-lease properties. This shift would not only boost the CRE business, but would also prove beneficial for various other businesses like retail, hospitality & hotels, malls etc. From a residential real estate lens, a few key relaxations like increase in tax rebates on interest on housing loans and a serious relook at the definition of 'affordable' both from the value of the house as well as its size will provide a much-needed boost to the sector.

Punit Agarwal, MD and CEO of Nirvana Realty

Real estate sector is looking at a few tax relaxations: There should be a revision in Rs 2 lakh Interest rebate under Income Tax Section 24, as in the aftermath of the pandemic, as disposable income has reduced due inflation and salary cuts. Raw material prices have increased by 30% in the last 2 years which is eating away the margin for low cost housing sector, Input credit of GST should be allowed to overcome these losses.

Prashant Solomon, MD, Chintels India & the Hon. Treasurer for CREDAI NCR

In order to improve the overall health of the sector, strengthen financial inflows and reduce delays there is a need for a single-window clearance system. Entitling REITs to invest in residential projects, relaxations in provisions for investing in REITs can also be an essential amendment that the government must take into consideration as it will enable developers and investors access to investment opportunities without spending a lot. Some of the other areas that require attention include tax rebates on housing loan interest rates, GST waiver for under-construction properties, rise in FDI inflow, expanding the government-backed stress fund SWAMIH, the introduction of new mechanisms to ensure ease of acquiring funds for real estate projects and most importantly attaining an industry status.

Ram Raheja, Director, S Raheja Realty Pvt Ltd

Expectations from the upcoming budget are high as the industry is expecting big announcements and policy support for the real estate sector. More tax sops and higher relief on the home loan rates will woo a broader segment of home buyers and investors to buy property. The existing tax exemption on housing loans should be raised to give impetus to buyer sentiment. There is a specific need for income tax relief on a second home which will benefit home buyers in a big way and also stimulate the real estate sector.

Ramani Sastri - Chairman & MD, Sterling Developers Pvt. Ltd

Personal tax relief, either by tax rate reductions or amended tax slabs, is the need of the hour, which has been long overdue. To boost the consumption in this sector, the government should focus on providing more liquidity to the tax payer by raising the ceiling of the rebate on the home loan interest. We also expect input tax GST credit for developers, reduction in stamp duty which has happened in several states and registration charges which make a sizeable difference to the cost of a project, thereby boosting home buyers' sentiment and encouraging them to go in for property purchase.

R K Arora, Chairman, Supertech Ltd

The recent debt crisis in some of the large NBFCs has hurt the real estate sector, which was already grappling with a liquidity crunch. The government has been proactive in resolving the issues pertaining to different segments of the economy, including the real estate sector. However, the liquidity crunch is a serious problem for the realtors, especially the smaller developers. We urge Finance Minister Nirmala Sitharaman to help in mitigating the funding issues for the sector. Giving 'industry status' to the real estate sector could be a small step in this direction. Last mile funding is also required to complete the ongoing projects, so the government should also issue guidelines to existing lenders directing them to provide last mile funding.

Rohan Khatau, Director, CCI Projects Pvt. Ltd. - Rivali Park

To sustain the positive outlook of the real estate sector, we are hopeful that the Union Budget of 2022 will usher in various tax benefits and rapid infrastructure development to magnify real estate in the MMR market. Waivers on GST rates for under-construction properties and incentives are expected to enable private investment in the affordable housing sector. With various financial aids such as the SWAMIH Fund initiative, stamp duty reductions, and low repo rates during the year 2021, the sector has flourished exceptionally.

Rohit Gera, Managing Director, Gera Developments

There is a tremendous amount of inflation in the input costs for all construction projects. As a result, developers will be forced to raise prices for homebuyers. At the same time we have seen a tremendous desire amongst people to increase their size of homes as a result of the pandemic. This is a great time for the government to provide a time bound incentive in terms of a reduced capital gain tax. Increasing the interest deduction as well as standard deduction will also help home buyers at a time when home prices will rise affecting their affordability.

Rohit Poddar, Managing Director, Poddar Housing & Development Ltd.

The Union Budget this year can help the real estate sector by providing some tax relief and waivers, as well as GST reductions on raw materials. Strengthening the sector, which is one of the largest contributors to the nation's GDP, will also enhance allied economic activity, resulting in a beneficial outcome for the economy as a whole. We anticipate that the focus will be on boosting both affordable and rental housing to meet increased demand in the housing sector as a result of the pandemic-induced shift in house buying preferences. Hopefully, the long-overdue designation of the sector as infrastructure would aid in the development of liquidity in the sector.

Rohit Kharche, Director, The Baya Company

Real Estate developers today are extensively focused on meeting the specific needs of younger buyers as the average age of the city's home buyers decreases. One of those requirements is a price that is just right. Additional value can be provided to homebuyers by reducing the amount of taxes paid. The GST reduction/exemption for properties under construction would give a huge boost not only to the real estate sector but also to the homebuyer. This allows larger units to be provided at the same price point, thereby adding value.

Sandeep Runwal - President, NAREDCO Maharashtra and Managing Director, Runwal Group

The Central and State governments rolled out several reforms and incentives during the past year to revive the economy from the ill effects of the pandemic. The Government will continue to put in its sincere efforts in pushing affordable housing. The cap of Rs. 2 lakh per annum against interest rate deduction under section 24(b) of the Act needs to be hiked to at least Rs. 5 lakh along with removing the 45 lakh cap from affordable housing, which will boost the affordable and mid-segment housing in a big way.

Saransh Trehan, Managing Director, Trehan Group

The government should come out with measures to incentivise developers for building townships in smaller towns and cities. Well planned townships will go a long way in improving the standard of people in such areas. The definition of affordable housing needs to be changed as it is nearly impossible to own a decent apartment under Rs 45 lakh in major cities. The Rs 45 lakh ceiling needs to be enhanced significantly to ensure housing-for-all a reality in a shorter time.

Shrey Aeren, MD and Country Head, Berkshire Hathaway HomeServices Orenda India

Give infrastructure industry status to real estate, so that it can raise money from financial institutions easily i.e. raise capital at lower rate, attract equity investments and enable debt refinancing for builders. Reduction on GST paid on input materials which will also help developers retaining assets for rentals/leasing to set off against GST on rent from completed property. Revise home loan deduction limit under section 24 from Rs 2 lakhs to Rs 5 lakhs.

Shrikant Shitole, President - CREDAI MCHI-KDU; and MD, Tycoons Group

We are hopeful that this year's Union Budget 2022-23 will announce certain policy relaxations that can help further boost the real estate industry. For the year 2022, we expect the government to continue providing low bank interest rates on home loans to sustain a positive outlook of the real estate sector. Increasing home interest rate tax deduction from the current ceiling of Rs 2 lakh to Rs 5 lakh can provide the necessary impetus required in the industry. We expect active participation from banks for project financing and hope for the government's intervention to help avail the funding from banks and NBFCs. Furthermore, revised and lowered GST on raw materials such as cement and steel can be a crucial move as it will help stabilise the property prices.

Siddharth Maurya, Resource Specialist, Expertise Real-Estate and Fund Management

Currently, concession can be availed in income tax on up to 2 lakhs paid as interest on home loans. This should be revised and increased to build healthy demand in the sector. Likewise, waivers or reductions should be offered on GSTs on raw materials such as cement, steel, etc. Raw material prices are increasing and reduction in GST rates can give a lot of relief to the developer fraternity. Giving infrastructure status to the sector is also long due as it can help in building liquidity in the sector.

Siraj Saiyad, Director, ARETE Group

The existing tax exemption on housing loans should be raised. Personal income tax could be made easier in terms of heads and filing in the budget. We also expect the Budget will further focus on investments in infrastructure and capacity building.

Sundara Rajan TK, Senior Partner, DVS Advisors LLP

The real estate sector being one of the largest employer, expects the budget to enhance the limit for interest deduction on housing loans, providing interest deduction on loans taken for commercial real estate from taxable income, reduction in GST rate for key input materials, availability of easy funds to the sector etc. Though the direct tax collections have been good, the government has missed targets on other sources of funds such as disinvestment etc and the increasing expenditure, continues to put pressure on the fiscal deficit, which reduces the scope of addressing all these expectations.

Sudhir Pai, CEO, Magicbricks

We are looking at continued revival of demand in the year 2022 and are anticipating the Budget to play an instrumental role. The upcoming Budget hence, is expected to be an enabler in sustaining industry's recovery and inducing growth, through reduced GST (on construction materials and property purchases), easy availability of finance, and proposal for waivers, thereby supporting the industry that is the second largest employment creator after agriculture and a contributor of 6 percent to India's gross domestic product (GDP).

We expect a review on the slab of affordable housing to Rs. 50-60 lakhs, as this would expand the benefits for homebuyers. We also urge the Central Government to support the low home loan interest rate regime for the time being, as it is helping even the fence-sitters to buy property and has been driving recovery of the real estate industry. A reduction in TDS deduction rates on co-working spaces would also give some relief to the section that has received a major set-back during the pandemic. Further, various state governments should also continue to support the real estate sector by keeping the Stamp Duty and Circle Rates low.

Suren Goyal, Partner, RPS Group

The current ceiling of Rs 45 lakh for classifying as affordable housing needs to be looked into. It should be enhanced to Rs 75 lakh at least. Also, the building raw material cost has gone up significantly in the last few years, particularly since the COVID outbreak. The finance minister needs to announce some measures to cool off raw material prices and lowering taxation on these should be considered in the upcoming budget, at least in the short run.

Vaibhav Jatia, Managing Director, Rhythm ResiTel

While the government has made considerable efforts to boost affordable housing through interest rate subsidies and income tax benefits for the home buyer, the overall high level of taxation continues to be a major issue for the real estate sector as a whole. Effective GST of 12 percent on sale of apartment to the end buyer deters developers to seek input tax credit and instead they choose to go under the composite GST scheme of 5 percent. Therefore GST paid by developers on cement & steel (28 percent and 18 percent respectively) etc effectively gets added to the construction cost. This level of taxation is surprisingly high, especially considering stamp duty of 5 percent+ (across different states) payable on purchase of property as well as capital gains tax on sale.

Vishal Kanodia, MD, Kanodia Group

We expect key relaxations in taxes, reduction of GST from the existing 28 percent. For raw materials like-coal, clinker, gypsum, etc. the industry is mostly dependent upon rail services. Hence, we are expecting the cement industry to be a priority for the railway sector.

Since we are a power-intensive industry, therefore, we expect a subsidized rate of electricity in the budget this year. India is not just the second-largest manufacturer of cement the world over, but also the second-largest consumer of it. Its growth is derived from the housing sector's growth and the sector is also an indirect beneficiary of the govt. spending on infrastructure. This certainly makes the sector crucial for India's growth story.

Vikas Bhasin, MD, Saya Homes

The real estate industry is expecting a robust revival in housing demand this year. We are anticipating a favourable and enabling Union Budget this year focussing on a few key tax benefits, ease of liquidity, GST exemptions, and raw material price reductions. It is the right time to provide industrial status to the real estate sector so that it may access lower-cost credit facilities from banks.

Vineet Goyal, Jt MD, Kohinoor Group

The real estate sector is a major contributor to economic growth and the second-largest employer in the country. For the past two years, the adverse effects of pandemic have hit every sector, at the same time the realty sector has seen steady growth in the Q3 of 2021 with a rise in sales numbers. While the government's positive initiative such as low-interest rates and reduction on stamp duty has largely supported the sector's revival. At the same time, it is expected from the government to address the challenges faced by the investors and developers by encouraging NBFC's and banks to provide money for commercial real-estate projects or take over and restructure stalled projects will help in kick-starting the economy. Also, to encourage more NRI investments in the country, the government should consider measures such as a reduction in the income earned from the long-term capital gains.

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