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Headline: Budget Reaction: Affordable housing. While the government's focus remained towards promoting affordable housing, mid and high income housing continues to be adversely impacted by high levels of taxation, both direct & indirect

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Budget reaction: Affordable housing

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While the government's focus remained towards promoting affordable housing, mid and high income housing continues to be adversely impacted by high levels of taxation, both direct & indirect. Effective 12% GST payable by the end buyer towards purchase of a new house dampens the sale velocity of projects. In no other country, whether developed or developing, is the level of taxation this high for property transactions.

When we add to this additional stamp duty of 5-6 percent payable to state governments as well as other high premiums payable for development in cities such as Mumbai & NCR, the government in effect & indirectly ends up becoming a significant economic partner in the project (33% -40%) with no investment / consideration. If we want to make homes affordable for the public at large (ie not just for lower income families), this is where the solution lies. Given that a real estate purchase is a high ticket item for any middle income family, we hope that GST levels are rationalised in future budgets.

The author of this article is Mr. Vaibhav Jatia, Managing Director, Rhythm ResiTel
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