





Articles (<http://www.99acres.com/articles/>) » Property Punditz (<http://www.99acres.com/articles/property-punditz>)

What should the government focus on in Budget 2016?

By Surendra Hiranandani, Chairman & Managing Director, House of Hiranandani
February 8, 2016  66

 Share on   +

The government has taken positive steps with the announcement of smart cities, increase in Foreign Direct Investments (FDI) and "Housing for All-2022" that have boosted the sentiments of both buyers and developers. We are optimistic that the upcoming union budget will address key administrative, financial and tax reforms that will spur growth in the future.



(<http://www.99acres.com/microsite/articles/files/2016/02/Surendra-Hiranandani-Founder-and-Managing-Director-House-of-Hiranandani.jpg>) Union Budget is one of the most awaited events every year. With the real estate sector eyeing game-changing reforms this fiscal, I have listed few key points that should be looked into by the government in the Budget 2016.

1. Granting 'industry status' to the real estate sector.

Getting industry status has been a long pending demand of the real estate sector as developers can avail finances at cheaper rates from financial institutions that will spur economic growth. Currently, most industry rules are applicable to the sector, but denial of industry status for funding will only worsen the slowdown in demand because of erosion of capital.

2. Provision for additional interest exemption/tax-saving on housing loans.

The current tax deduction limit of Rs 2 lakhs is not sufficient considering the inflation rates prevailing today. The government should look at increasing the interest deduction limit to Rs 3 lakhs for new home buyers. Similarly, tax concessions on house insurance premiums can be introduced to encourage end users to insure their homes.

3. Simplification of taxes: Promote REITs (Real Estate Investment Trusts) and remove roadblocks such as DDT (Dividend Distribution Tax).

There hasn't been a single REIT listing in India since its inception and we attribute this to the existence of Dividend Distribution Tax (DDT), currently 15 per cent. Removal of DDT (tax levied on the dividend paid to investors) will result in a rush of investment in REITs and this could prove to be decisive for the sector. Additionally, REITs offer the benefits of diversification, safety and easy exit. Simplifying the tax system will provide a major lift to the industry.

4. Additional allocation of funds for infrastructure development will lead to affordable housing.

With the government's 'House for All by 2022' initiative under way, it is imperative to allot new land on the outskirts of metropolitan areas in order to promote affordable housing. Incidentally, the government's target to provide 20 million houses over the next six years can be met if the government and the developers join in the hip in creating unique urban townships. Meanwhile, the government must allocate an amount exclusively for developing infrastructure and improving connectivity in the peripheral areas of cities, especially the metros.

Authors' Note: The author has always envisioned a change in the real estate landscape of India and the dynamic aspirations of the people. Some of his revolutionary achievements range from the introduction of copper plumbing in India, to the use of fly ash in concrete. He has been globally recognized for his contribution to the real estate sector with

numerous awards and invitations at key seminars. The American Concrete Institute honored him for his excellence and contribution to the field, particularly for adapting the best in foreign technology to the skills of India's engineering and labour artistry. The Indian Plumbing Association conferred upon him a fellowship in recognition of his contributions to the plumbing profession. He is also an eminent member of Royal Institution of Chartered Surveyors.