

Budget 2017-18: Industry demands relaxation in Income tax, standardization of construction material and raising HRA deduction limit

For the long-term, cuts in income tax rate, and possibly in stamp duty for home registration could be measures that may help the real estate industry in getting a jump-start.

Ankit Sharma | Updated: January 17, 2017, 14:18 IST

NEW DELHI: Real estate [industry](#) has high expectation from the upcoming [budget 2016-17](#). Stakeholders are demanding that central government gives relaxation in [income tax](#) rate, provide clarity on [GST](#), raise [House Rent Allowance](#) (HRA) deduction and announce policies to standardize construction materials in order to uplift the real estate industry.

Here is what various stakeholders are demanding from the central government:

Sunil Mishra, Chief Business Officer, PropTiger

It's
time
for
the



Industry to acknowledge that [demonetisation](#) had a severe impact on sales, as potential buyers kept on postponing their purchase decision, waiting for an imaginary fall in property prices. We expect some confidence-boosting measures in the upcoming budget, which will put more money in people's hands, and that itself will bring back home sales to pre-demonetisation levels. Under that, specifically, some cut in the tax rates for middle-income groups will be the most awaited measure.

For the long-term, cuts in income tax rate, and possibly in stamp duty for home registration could be measures that may help the real estate industry in getting a jump-start.

Rattan Hawelia, Founder & Chairman, Hawelia Group

In Union Budget 2017, policies on standardization of major construction material should be addressed so that cartel such as in cement and other supporting industries can be controlled which is affecting the cost of housing to the end user. Moreover, tax clarity on [REITs](#) should be worked on by the Government making it a viable tax structure and thus easing the investment options. All such policy reforms will give momentum to the struggling real estate sector and 2017 can be the year of remarkable progress in real estate.

Anuj Puri, Chairman & Country Head, JLL India

The government should increase the tax deduction limit for housing loans, especially for buyers in metropolitan cities. The current limit of Rs. 2 lakh is insignificant, given the ticket sizes in cities like Mumbai where most houses are priced at Rs. 1 crore and above. Also, tax concessions on house insurance premiums

could be introduced to encourage end-users to insure their homes. Similarly, the tax exemption limit should be increased by about Rs. 1 lakh and be auto-set to match inflationary trends in a financial year.

While the goods and services tax (GST) tax structure has been announced, the real estate industry is waiting with bated breath to see which tax rate is applied to the real estate and construction industry. Clarification would also be needed on the abatement scheme, and whether credit for input tax would be allowed if the composition scheme has been availed by developers.

Salaried persons get house rent allowance (HRA) as a component of their total salary, and can therefore claim a deduction. This deduction can be substantial in cases where the salary and its HRA component are higher. However, self-employed persons and those who draw lump sum pays without an HRA component can only claim a maximum deduction of Rs 2,000 a month under Section 80GG. The Budget can and should address this anomaly.

Sachin Sandhir, Global Managing Director - Emerging Business, RICS

Directly or indirectly, the real estate sector contributes to over 15% of India's GDP. It has been asking for industry status for quite some time now. In its absence, developers are forced to borrow at high interest rates and comply with a stringent evaluation process. Unavailability of funds at a reasonable rate of interest delays the construction process and increases the final cost of homes, negatively impacting the end consumer. Giving industry status to the entire real estate sector, instead of granting infrastructure status only to the affordable housing segment, would help in pushing the housing demand in India. We hope to see this announcement in the upcoming Budget.

For the real estate sector to really grow and execute its projects on time, various government approvals should be given in a timely manner. Developers have for long been demanding single window clearance to remove bureaucratic delays, which in turn delay delivery of homes. Research by RICS indicates that a single-window clearance system would drastically boost the real estate sector in India.

We have not seen a single REIT listing till date because of the presence of multiple taxes. Until tax hurdles are removed for

developers and asset holders, it is highly unlikely that we will see any REIT listing. The government should recognize the capacity of REITs to improve market conditions for the real estate sector and remove the policies constraining their growth. The government should look at:

- Reduced level of taxation of REIT income
- Waiver of capital gains for the developer at the time of transfer of property into REIT
- Removal of service tax on lease premises

Amit Modi, Director, ABA Corp and Vice President CREDAI Western UP

To give boost to the housing demand, the upcoming union budget has to be people friendly budget and the government has to implement Finance Minister's vision of reducing the taxes for the middle class. Hence we are hoping that the forthcoming Union budget 2017 will bring major announcements in terms of improving investment and taxation climate in real estate sector. Infrastructure status to the Housing sector has been a long standing ask from real estate developers across the country, since by adding a clause to the definition of "infrastructure facility" to u/s 80IA of IT Act 1961.

Delay in according an 'industry status' to the real estate, does not make it easy for the sector to avail of legitimate finances from Banks and other financial institutions. Imagine if clean low cost loans could be obtained from the system, then the cost benefit vis-a-vis high interest loans from outside the system can be passed on to the consumer.

Avneesh Sood, Director, Eros Group

This time we are predicting the government to ease the taxation slabs and provide higher spending power to the consumers that will indirectly benefit the economy and the realty sector. Infrastructure will be a crucial side where the government might announce big projects and greater spending. This in return will allow the conversion of rural to urban regions, thereby promoting tier 2 and 3 cities to gain real estate momentum and increase job opportunities.

Deepak Kapoor, President CREDAI-Western U.P. & Director,

Gulshan Homz

Housing for all and affordable housing have been the two major jargons of the government for the real estate sector, where work has been carried out diligently. Its time now to expand these concepts and increase the benefits for other segments of the population as well. At present, only the EWS and LIG segments have access to the PMAY benefits, and still there is a large segment of youth population which is in dire need of an abode at low cost, and they don't fall under such categories. This Budget must focus upon providing such benefit to the masses and provide clarity over projects been covered under this scheme. Industry status for the realty sector has been long awaited and it would be a game changer for the sector if it is granted this time. Also, clarity over the slab of GST where the realty sector will fall is still uncovered. Overall, it is expected that Union Budget 2017-18 will be a common man's budget where positive changes in the income tax structure is highly anticipated.

Ashok Gupta, CMD, Ajnara India Ltd

We are projecting infrastructural development as the core aim of the government for this Budget. Huge amount for infra development may be announced this year as well especially for developing regions of the country falling under AMRUT scheme. Apart from that, GST's proper implementation, relief on income tax, more incentives for digital means of transacting and promoting REITs and InvITs might be amongst the highlights from the upcoming budget. No direct benefits for the sector are expected at this time, as recent rate cuts and affordable housing incentives have already been announced by the government. We might only witness the Budget providing indirect benefits to this sector that will act as a catalyst in the long run.

Dhiraj Jain, Director, Mahagun Group

This Union Budget, policies for allied industries such as steel and cement needs to be standardised as it indirectly affects the cost of housing units. Also, tax deduction limit for housing loans of Rs. 2 lakh is quite less especially for major Tier 1 cities where ticket sizes cross 1 crore in several cases. This limit can be looked upon along with reduction in stamp duty charges to allow higher savings. Finally, changes in the tax slabs are pretty much on the cards that will allow young working class to look upto real estate as an avenue for investment or even residing.

Pradeep Aggarwal, Chairman, Signature Global

Union Budget 2017-18 is expected to bring cheer to the masses in the country. We have just witnessed banks reducing lending rates and the government also promoting affordable housing for EWS and LIG categories by providing special interest rate reductions. This year's budget will focus upon improving infrastructure in the country in order to bring smaller regions into the limelight. Making changes in the income tax slabs will allow higher savings and better spending capacity for the public, thus allowing people to look at real estate as an attractive avenue for residing and investment purpose.

Ashwani Prakash, Executive Director, Paramount Group

This year's budget might not offer much to the realty sector directly as the government has already been offering benefits and incentives during the course of year 2016. Last year itself, a lot has been delivered by the government for the budget housing segment and infrastructure of the country, and this year too infra segment might receive the biggest chunk. Although, single window clearance and industry status is an urgent need of this sector in order to provide the much needed impetus on a larger scale. With RERA and GST to become operational this year, it is imperative that single window clearance is announced across the country.

Vikas Bhasin, MD, Saya Group

For the real estate sector, government is already moving on the right track with timely announcements and policy implementations taking place at a decent pace. Post demonetisation and with the banks reducing lending rates, the government is leaving no stones unturned to achieve its target of Housing for all by 2022. It is important though to reach out to all the possible audience segments and not only the weaker sections of the society. Rebates on income tax, clarity over GST and RERA, easing norms for FDI, making route for REITs and InvITs easier and passage of the long awaited land acquisition bill should be in plan for the upcoming budget session 2017-18.

Sahil Kapoor, Executive Director of RE/MAX India

Post demonetization the expectations are very high from the budget 2017-18 for real estate industry. As the Union Budget is

around the corner, the government should reduce the interest rates as it will benefit the home buyer by lowering their EMIs and will eventually revive the demand of real estate market. In the year 2016-17 budget included some key announcements which was to lower the housing cost and affordable for the individual. In 2017 the government has enforced multiple reforms for the Real Estate Sector. The year will see the industry get into a 360 degree makeover with the brokers and developers becoming more professional and working ethically. With the implementation of RERA - the industry will be customer centric and hence will improve the overall image of the sector. Hope that the real estate industry will benefit from the initiatives taken by the Government.

**Prashant Solomon, Managing Director, Chintels India Ltd.
and Hon. Treasurer, CREDAI NCR**

We look forward to real estate being given Industry Status. This will pave way for increased adoption of industry best practices by the developers and attract further investments in the sector. The long and complex process of obtaining approvals, leads to huge time and cost overruns. A single window clearance will go a long way to ensure that projects remain viable and corporate houses stay invested in the sector.

Amit Goyal, CEO, North India Sotheby's International Realty

We have high expectations from the Union Budget 2017 to give a much-needed impetus to the Real estate sector. The government needs to provide rebates on income tax to lower the tax burden on consumers, provide clarity in GST so as to be in favour of both consumers as well as developers, successful implementation of Real Estate Regulation (RERA) bill, ease Foreign Direct Investment (FDI) norms. We need tax clarity in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) for their better implementation so as to have more investment options for consumers. Single window clearance for property developers is the need of the hour to ensure timely delivery of projects, gain consumer trust & further boost the real estate sector on a large scale.

Ricky Doshi, Founder & CEO, ARD Studio

With the country recently witnessing the demonetization act, there are a number of speculations doing the rounds regarding the upcoming budget. Currently people are facing a lot of

challenges due to the demonetization policy, but, the future seems positive for the construction industry. The RBI has already announced cuts on interest rates, which is a positive sign for the buyers. They can now get [home loans](#) at a cheaper rate than before. All the major banks have announced the revised interest rates for home loans. With banks being more cash rich, there can be more news on the rate cuts that may be announced during the budget. Additionally, there are more policies expected in the near future that will further ease out the entire business of construction industry. There will be more transparency, imposing regulatory measure due to the RERA act that was passed last year. The budget may also include policies regarding low cost housing schemes which would boost the residential construction industry. Policies of infrastructure development will directly impact the construction industry as well, thereby making it an important feature in the upcoming budget.

Pratik K. Mehta, Managing Director, Unishire

Real estate is second largest contributor to country's GDP and yet lacks industry status. Being recognised as an industry can improve the availability of better financing options for the sector which currently is forced to avail funds through NBFCs at much higher interest rates. Hence, we definitely look forward to it in this Budget. Also clarity on GST is long awaited and we look forward at this uncertainty to end. As a sector we hope to fall in the interest rate bracket of 12%.

Most of projects face delays due to pending sanctions and approvals. This bottleneck has not only tainted the sector's image but eventually caused loss and inconvenience to end-users. Hence, single-window clearance with clear timelines for sanctioning any approvals is crucial and important.

Amit Kumar Agarwal, CEO, NoBroker

We expect government to take steps to make it more affordable for individual tax payers to own houses and steps to improve access and cost of capital for developers. The budget should increase the tax deduction limit from current Rs 2 lakh to Rs 4 lakh on interest paid on home loan for 'self-occupied' houses. This will make housing affordable for people buying for end use.

The government should also allow tax deduction on home loan interest in the under-construction phase of the apartment. Currently, it can only be claimed at the completion of

construction in five equal installments and that also is subject to Rs 2 lakh limit. Allowing deduction in the under-construction phase will be make houses more affordable for people especially in the current scenario when liquidity pressures on developers have elongated the construction period.

Pawan Jasuja, MD, FindMyProperty

In 2017 budget announcement, the union cabinet should increase the tax benefit limit for housing loans, especially for the first time home buyers in metro cities like; Delhi, Mumbai, Bangalore etc. As current limit of Rs. 2 lakh is not worth mentioning, tax exemption limit should be increased by about Rs. 1 lakh and be set to match inflationary trends in an economic year. On the other hand the government should focus more on tier 2 & 3 cities for development of affordable housing projects along with better infrastructure facilities because they are future market of real estate. Any kind of efforts and amendments in this track would help the government move closer to its objective of delivering Housing for All by 2022.

Pooja Kundu, Director, PropCurve Private Solution

After announcement of GST tax structure, I expect that the real estate industry will witness low tax implications to keep prices under control and pull more home buyers. After big boost for low cost housing, now it is time to bring low interest conditions for affordable category. Also I expect to hear provisions of finance for buyers and investors of small and medium commercial units which is still untouched and after demonitisation only finance is the route to push commercial purchase.

Ashudeep Batra, ED, Exotica Housing

The the sector is emerging strong from a prolonged slow down and has lot of expectations from this year budget as well. Since real estate promotes lot of business from steel to cement, direct and indirect employment and is believed to be contributing in 5% of GDP. So the government should assign industry status to realty industry for easy financing from institutions.

RERA, Smart city development, FDI and Housing for all etc. have boosted confidence among buyers and developers. After demonitisation, cabinet should allot a dedicated fund for infra and housing at easy rate of interest. Also home buyers buying homes upto 35 lakh could be offered special rate of interest.

Suresh Garg, CMD, Nirala World

The government should pay attention at compact level of taxation of REIT income, and for discount of capital gains for the developer at the time of transfer of property into REIT. The tax benefits for home buyers should be more relaxed since all banks are flooded with money. This could be more revised to comprise all home loans for first time home buyers. For home loan up to Rs. 30.00 lakh, govt. can propose interest rate 1 or 1.5% less to attract more end users under housing for all mission just like low cost housing. Tax benefit on paid interest could be increased upto double for first home buyers under Rs 50 lakh. This will become one of the key drivers to promote end-users to purchase and promote realty industry.

Praveen Jain, President, NAREDCO

Granting of infrastructure status to projects will attract large companies to the sector and inculcate corporate Governance. For the sake of convenience and uniformity in law, the 'built up area' in the Income Tax Act should be replaced by the 'carpet area' as defined in the Real Estate (Regulation and Development) Act 2016.

Real estate should be brought under the purview of GST merging all taxes, duties, charges, cess etc. viz., land use conversion charges (agriculture to non- agriculture and from one land use to other land use), development charges, and subsequent possession related charges (stamp duty, transfer duty, VAT, Service Tax etc.). This will put the sector on high growth path and will help achieve the target of building 2 crore housing units by year 2022 under the Pradhan Mantri Awaas Yojna.

Shubika Bilkha, Business Head, The Real Estate Management Institute

Given the impact that the recent demonetisation initiative has had on the sector, as well as the impact of increased regulatory vigilance, the real estate industry is hoping for added confidence boosting measures in this years budget. With its significant contribution to GDP and overall employment in the Country, the sector has also long awaited 'industry status' that it remains hopeful for in this years budget.

To meet the stipulation of timely delivery of projects under RERA

2016, the need for the introduction of a single window clearance has never been more heightened. Furthermore, with the impending introduction of the GST regime, there is a need for added clarifications to determine the overall impact on the sector.

Additionally, with the regulations under RERA 2016 reducing the opportunity for funding through advance bookings and banks not being able to support financing of land transactions, simplifying the tax regime of REITs has become essential. This will include reducing the level of taxation on REIT income, having a waiver for capital gains tax for REITs on the transfer of property and making leasing of premises more attractive and less subject to the high service tax rates.

KE Ranganathan, President, Sales and Marketing, Roca Bathroom Products

Real Estate sector plays a key role in economic revival and growth in India. Here are few suggestions to drive demand : (a) Higher levels of income tax benefits for first time home buyers, (b) lower the interest rates on housing loans for first time buyers to 5%, (c) fast track all government projects on infrastructure , (d) digitize all land records and registration process to make them easy to do and transparent, (e) implement Real Estate (Regulation & Development) Act 2016 more rigorously to help consumers have faith in builders, (f) Introduction of REITs (Real Estate Investment Trusts) to drive investment in this sector and finally (g) speed up all approval processes to help builders complete projects on time. The Government has a big challenge on hand, post the de-monetisation initiative to revive the economy. Real Estate & Construction sector presents the best opportunity for this. By implementing customer friendly policies, the Government can confidently move ahead in driving GDP growth to 7-8% levels in 2017-18.

Surendra Hiranandani, Chairman & Managing Director, House of Hiranandani

The real estate sector certainly awaits an accommodative stance by the government in the upcoming budget. Even as the GST rates have been finalized and the slabs fixed at 5%, 12%,18% and 28%, the real estate sector awaits to know which tax rate will be applied to the industry. A 12% slab is preferred by the sector as it will reduce the cost of apartments and increase affordability for end users. Developers too stand to gain as this

would positively impact sales in the market. A higher rate of 18% is expected to increase the cost of homes, especially in under construction projects, unless there is clarity provided on the composition scheme (abatement of cost of land), VAT charges if they have been paid by developers for under construction properties).

Apart from this we hope the government raises HRA deduction and provides tax incentives for first time home buyers. The corporate taxes needs to be reduced and Dividend distribution tax must be scrapped. To get returns one has to pay over 55% in taxes which is the highest in the world. It is more profitable today to trade in shares than to invest in creating a business. Entrepreneurs are presently being penalized while trading is encouraged.

Chintan Sheth, Director, Sheth Corp

The Government needs to put in place the single window clearance for projects. While the demand for housing in metropolitan cities is only on the rise, and the industry is not able to bridge the gap between demand and supply quick enough as the already lengthy process of construction is further increased by the difficulty in obtaining permissions.

Mumbai's realty market focuses on the mid and the affordable segment of home buyers. The Government can exempt Income tax for affordable homes built for economy weaker sections and low income groups. The reduction of service tax will take off huge load off the shoulders of home buyers as they are already loaded with several other taxes. We expect the Finance Minister to roll out special incentives for first-time home buyers in the affordable housing category which will help in trimming the financial burden on home buyers and further enhance their buying power.

Also, the Government needs to bring in control and stabilize raw material prices as they have a direct impact on final price of the product. Introduction of GST will help in curbing multiple taxes which is a positive sign for the industry and result in buyers coming forward to buy property.

Akshay Taneja, MD, TDI Infratech Ltd

Clarity of GST as to which tax rate will be applied to the real estate sector is waited. This will define the way real estate sector

will move this financial year. Another important step would be to increase the tax deduction limit for housing loans especially for the buyers in metro cities. If government can take care of these two things in this budget then the sector will definitely witness a boost in sales. This we can say from the latest step where banks have already slashed home loan interest rates.

Prashant Tiwari, Chairman, Prateek Group

Initiatives like Smart Cities, RERA and GST are going to help the real estate sector. However, we are waiting for clarity in initiatives such as GST that would help the sector realise its potential. It would be good if the sector can be granted an industry, the demand that has been pending for quite some time now. Once the industry status is accorded to real estate then it would become easier to make dream of affordable housing for all a reality. As of now the affordable housing target is far behind and it can only become achievable if the sector gets industry status which would pave way for cheaper financial options for real estate developers.

Top 10 policy initiatives that impacted real estate sector in 2016

