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GUEST COLUMN

"We Had Anticipated More for the Real Estate Sector"

February 6, 2018

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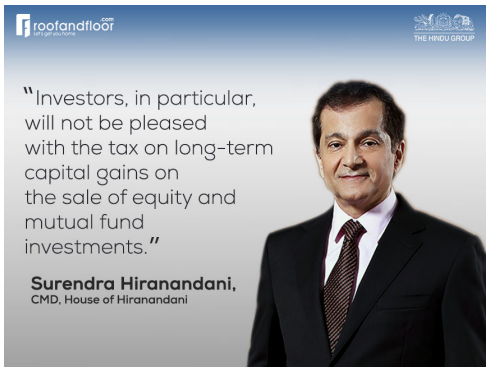

I would term this year's budget as a pro-farmers budget with a slew of measures directed at improving productivity in agriculture. This budget truly focused on uplifting the life of the 'aam aadmi'. Look at these measures:

- Increase in MSP for crops
- Thrust on organic farming
- Doubling of expenditure allocated to the food processing sector
- Liberalisation of agricultural exports
- Creating state-of-the-art facilities at food parks
- Push to the fisheries and allied sector
- Sops for senior citizens

The introduction of various schemes in these areas will certainly bridge the rural-urban divide in the future. The announcements in the areas of healthcare, in particular, are path-breaking and will empower the poor and underprivileged sections of the society.

While there was no direct benefit to the real estate sector from the budget, some of the measures announced will positively impact the sector.

The announcement of a dedicated affordable housing fund in the National Housing Bank (NHB) could act as a catalyst in the government's vision of "Housing for All by 2022".

> The move to allow a variation of 5% between transaction value and circle rates for computation of capital gains will not impact transactions significantly in any of the metropolitan cities in India.

The massive push for improvement in infrastructure, including significant capital expenditure for roads, railways and development of smaller airports will indirectly benefit the real estate sector in the long run.

One of the concerns is the inability to meet the fiscal deficit in spite of surpassing the divestment target. New measures adopted for reducing the deficit might push up the yields, leading to higher interest rates for both corporations and households.

> Investors, in particular, will not be pleased with the tax on long-term capital gains on the sale of equity and mutual fund investments.
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We could see some flight of capital from equity to the real estate class on the back of this move. The salaried class too stood to gain very little as the standard deduction of Rs 40,000 will provide nominal benefits to them.

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while undermining the importance of real estate to the economy.

This article is contributed by Surendra Hiranandani, CMD, House of Hiranandani

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