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## Budget 2016: Tax sops top real estate sector's wish list

Push to REITs, affordable housing also on agenda.

BY SWET SARIKA



Shah Junaid/VCCircle



Indian developers want the government to increase tax exemptions and offer a range of other incentives to revive a sector where project delays and high property prices have crimped demand.

The real estate sector is going through a prolonged sales slowdown due to weak sentiment among buyers that has also pushed inventory to alarming levels. Developers and analysts say the Budget 2016-17, to be tabled in parliament on February 29, must provide impetus to bring back the sales momentum.

While the last budget had nothing much for developers, who were looking for measures to boost consumer sentiment and encourage low-cost housing, it had brought cheer to private equity firms by according tax pass-through status to realty funds and capital gains tax rationalisation on REITs. ([Click here](#) to read more).

Here is a list of the main expectations this year:





Individuals should also get tax benefits once they start paying interest on loans and not after they get possession, as is the case now.

Anuj Puri, chairman and country head at consultancy JLL India, said buyers of under-construction property can claim tax benefits of Rs 2 lakh after possession if construction is completed within three years. The benefits reduce to Rs 30,000 if the builder delays construction beyond this period, he added.

Higher tax exemption on loans and a hike in personal income tax exemption will help fence-sitters to make a decision, feel experts. The construction timeline should also be revised from three years to five years from tax calculation perspective, they say.

### **REITs**

India allowed Real Estate Investment Trusts in 2014 but the country has yet to see any REIT listing thanks to tax issues. The government needs to do away with the dividend distribution tax (DDT) – tax levied on the dividend paid to investors – to make REITs a reality, feel experts.

“Removal of DDT 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,” said Surendra Hiranandani, chairman and managing director, House of Hiranandani.

### **Affordable housing**

The BJP government has pushed affordable housing under its flagship ‘Housing for All’ scheme but it also needs to offer incentives, say experts. Developers feel they need cheaper, long-term and wider avenues of funding to develop affordable housing. Also, the government needs to allocate funds to develop infrastructure and connectivity to peripheral areas of metro cities, where most of these projects are likely to come up.

Geetamber Anand, head of industry body CREDAI, suggests a tax rebate for the sector to achieve the housing mission target. “The government can reduce the sector’s burden by relaxing the 33 per cent taxation and double taxation that is being levied. In order to achieve what it has set out for, it should give interest subvention of 3 per cent for at least three years on home loans,” he said.

### **HRA for self-employed**

Experts also feel that the housing rent allowance for self-employed people should be increased to give them enough disposable income. As of now, self-employed persons can claim a maximum deduction of Rs 2,000 a month.

### **Tax parity for investors**

From alternate investment fund (AIF) perspective, experts feel that the anomaly in tax rates for domestic and international investors should be sorted out. Industry representatives have submitted a presentation to the Reserve Bank of India in this regard.

“Domestic investors are at a disadvantage because they have to pay full tax compared to tax benefits to international investors. While we need dollar capital, the regime should not discourage domestic investors,” said Sunil Rohokale, managing director, ASK Property Investment Advisors.

### **Institutional investors in realty AIFs**

To ease fund constraints, experts feel the government should allocate a fixed corpus out of long-term institutional capital such as pension funds for real estate private equity funds. Currently, government pension or retirement funds don’t have any fixed corpus for investment in real estate.

The industry has also reiterated its long-pending demand for infrastructure status, which helps in accessing capital at competitive rates; a single-window clearance mechanism for



speedy implementation of projects; and implementation of the Goods and Services Tax to avoid multiple taxation.