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Real Estate seeks additional fund

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Bengaluru | Monday, Feb 8 2016 IST

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The real estate sector has sought additional allocation of funds by the Union Government for infrastructure development in the coming budget so that it can lead to offering middle and lower middle class affordable housing in bigger cities.

Surendra Hiranandani, Chairman & Managing

Director, House of Hiranandani today said, with the governments House for All by 2022 initiative under way, it was imperative to allot new land on the outskirts of metropolitan areas in order to promote affordable housing.

Incidentally, the governments 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.

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Mr Hiranandani said the government had taken positive steps with the announcement of smart cities, increase in FDI and Housing for All-2022 that have boosted the sentiments of both buyers and developers. We are optimistic that the upcoming budget will address key administrative, financial and tax reforms that will spur growth in future, he reasoned.

The CMD also urged the government to grant industry status to the real estate sector, which has been a long pending demand. This allows Developers 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.

Mr Hiranandani sought additional interest exemption/tax-saving on housing loans, as the current tax deduction limit of Rs two lakh was not sufficient, considering the inflation rates prevailing today.

The government should look at increasing the interest deduction limit to Rs three lakh for new home buyers. Similarly, tax concessions on house insurance premiums can be introduced to encourage end users to insure their homes, he pointed out.

The real estate sector also sought simplification of taxes, promotion of Promote REITs (Real Estate Investment Trusts) and removal of 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 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, he added. UNI RS KVV AK 1610

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