

Online Coverage

<https://www.indiatoday.in/budget-2019/infrastructure/story/budget-2019-higher-tax-incentives-to-revive-ailing-real-estate-sector-1561222-2019-07-03>

Budget 2019: Real estate sector seeks higher tax incentives for buyers, developers

The key demands of the real estate sector include higher tax relief on home loan interests apart from increase deduction limit under Section 80(C) of the Income Tax Act.



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Growth in the real estate sector has been sluggish over the past few years. (Photo: Image for representation)

HIGHLIGHTS

- Tackling liquidity crisis could hold the key to solving real estate crisis
- Another option is to introduce measures to boost foreign investments in the sector
- Real estate experts have also asked for more tax benefits for builders and buyers

India's real estate sector has been witnessing a gradual slowdown since the Narendra Modi-led government had announced demonetisation in 2016.

Further reforms like Real Estate Regulation and Development Act, 2016 (RERA) and GST-- implemented to streamline issues in the sector--have not achieved desired results, said sectoral experts.

Several real estate brokerages and experts said the effects of government reforms introduced over the past few years still continue to trouble the sector, which contributes highly to India's GDP.

But the output of the real estate sector has dampened drastically over the past five years despite the government's numerous policy changes and amendments to pull the sector out of a crisis.

To add to the woes, the recent liquidity crunch coupled with a slowdown in consumer demand has further weakened the outlook of real estate in India.

In such a scenario, here are some ways the government can solve the existing problems plaguing real estate:

Tackling liquidity crisis

Reduced property demand is a direct result of lower liquidity in the market. The government should maintain its focus on refinancing non-banking financial companies (NBFCs) as it led to a delay in the completion of many real estate projects.

According to ANAROCK Property Consultant Chairman Anuj Puri, over 5.6 lakh real estate projects stalled across 7 top-tier cities in India. He said the government should focus on refinancing NBFCs/Housing Finance Companies as it is the primary source of funding for most developers.

Not just NBFCs but bank lending has also dried up after a series of major loan defaults were reported last year. The government, Puri suggests, should also instruct banks to free up lending to project developers.

IBC rejig

Real estate industry experts have been asking the government to refine reforms introduced for the sector including RERA and Insolvency and Bankruptcy Code (IBC).

Daizy Chawla, Senior Partner, Singh & Associates, said there IBC has not met the objective for which it was enforced.

"Now from the main budget for 2019-2020, a lot of favorable interventions is expected. We hope that the decision W.R.T home buyers to be continued as the financial creditor will be decided because at present many real estate companies are under the threat of IBC due to the application of single home buyer," she said.

Chawla went on to say that IBC has also been used by some as an "arm twisting technique" and the government should look to fill the loopholes.

"Many changes recently proposed by IBBI can be considered to be included vide budget like last chance to promoters before the corporate debtor actually goes to liquidation due to non-availability of resolution plan, cross border insolvency, etc," she said.

More tax benefits for buyers, developers

Since the sector has faced a major slowdown, Puri also recommends the government to offer more tax incentives to buyers and builders.

One of the key demands Puri mentioned is higher tax relief on home loan interests apart from increase deduction limit under Section 80(C) of the Income Tax Act. Not just Puri, many other real estate experts have asked the government to extend tax holiday for the affordable housing sector.

Amit Gupta, Managing Director, Orris Infrastructure Pvt Ltd recently opined in an article that the real estate sector has been subdued since the rollout of RERA and GST. Gupta also wrote that the sector has also demanded an extension of the exemption provided under the Special Economic Zone Policy (SEZ Act 2005) for occupiers beyond 2020.

Gupta also asked the government to extend tax benefits to developers since each real estate sector project generates high employment. He explained that both taxpayers and developers need "direct tax benefits" which can be achieved by way of reduction in income tax slabs or higher tax deduction in housing loan rates.

Higher foreign investments

As the government is expected to announce a concrete roadmap to provide a boost to sectors, it could announce measures to boost investments. The sector has earlier requested the government to grant it an 'industry' status and allow external commercial borrowings (ECB).

Real estate bodies have also called for incentives to attract high foreign investments. The budget announcement could add incentives for foreign investors, especially NRIs, to add more capital in the real estate market.

<https://www.financialexpress.com/budget/budget-2019-from-easing-of-ecb-norms-to-industry-status-real-estate-seeks-big-sops-from-budget/1629743/>

Budget 2019: From easing of ECB norms to industry status, real estate seeks big sops from Budget

By: Sanjeev Sinha | Updated: July 5, 2019 9:50:06 AM

Budget 2019 India: With both banks and NBFCs unwilling to lend to the sector, easing of ECB (external commercial borrowing) norms would provide some relief to a cash-strapped industry and help tide over the liquidity crunch to prevent further spiralling of the crisis through stalled projects.



Budget 2019-20: The pain-point in the real estate sector is the residential segment, where delivery challenges, liquidity issues and massive unsold inventory have dampened the sentiments of both the developers and buyers.

Union Budget 2019 India: It's budget time and when everyone – from the common man to big business houses – is pinning their hopes on the new Finance Minister and Modi 2.0, why should the realty sector remain far behind? The real estate sector has lots of expectations from this budget, more because it is facing a downturn for a long time and has also got hit hard by some recent policy decisions.

So, if the government wants to realise its dream of 'Housing for All by 2022,' then giving some major boost to the sector has become the need of the hour. This has become a necessity because the real estate sector is one of the major contributors to the GDP growth and can help the Modi government resolve the shortfall in job creation quite a bit. Whatever be the case, industry players seem to be betting big on this budget for the upliftment in the sentiments in the sector. Industry experts say that while the government had taken some positive steps in the Interim Budget 2019 to support the real estate sector, the NBFC crisis has severely impacted access to capital, which remains the Achilles heel of the realty sector. With both banks and NBFCs unwilling to lend to the sector, easing of ECB (external commercial borrowing) norms would provide some relief to a cash-strapped industry and help tide over the liquidity crunch to prevent further spiralling of the crisis through stalled projects. "In addition to short-term support, the real estate sector needs more comprehensive financial solutions with flexibility and risk aligned to the sector's business cycles. While industry status has been a long-standing demand, the sector also needs more flexibility in dealing with stressed assets, tax-friendly instruments designed to encourage investment, special status for HFCs (housing finance companies) at par with banks and geography-based fiscal incentives for sectors like logistics," says Aashish Agarwal, Senior Director, Valuation & Advisory Services at Colliers International India.

The pain-point in the real estate sector is the residential segment, where delivery challenges, liquidity issues and massive unsold inventory have dampened the sentiments of both the developers and buyers. While the government has been trying to stimulate demand through the Monetary Policy, the elephant in the room is the lack of investor interest in the under-performing residential asset class. During H1 2019, private-equity inflows into real estate stood at \$3.9 billion, representing a 26% increase over the corresponding period last year. 73% of this capital has gone to the office and retail sectors. The government can create an enabling policy framework to facilitate and regulate the use of residential assets for rental housing, homestay aggregation, student housing and co-living, all of which are emerging business models that could revive investor interest in residential property.

“The government should also consider extension of the tax benefits on SEZs (Special-Economic Zones), which have the potential to create new jobs in the information technology sector. Extension of tax benefits under Section 80-IBA for affordable housing projects will also be required to achieve the government’s objectives of Housing for All by 2022. Broadly, the industry seeks policy support in the areas of investment, tax reforms to stimulate demand and structural solutions around capital, all of which have the potential to generate economic activity, create new jobs and enhance net revenues for the exchequer,” says Agarwal.

Hit hard by the recent policy decisions as well as slowdown in the sector, the developer community also has many expectations from the Union Budget.

“The Interim Budget 2019 has had a positive impact on the real estate sector. The government had provided industry status to affordable housing which gave a boost to the segment across cities. However, the grant of ‘industry status’ has been a long-standing demand of the realty sector. Once granted, this will facilitate availing legitimate finances from banks & other financial institutions along with faster approvals and transparency. The cost-benefit of obtaining low-cost loans from within the system can be passed on to the consumer,” says Ashish Sarin, CEO, AlphaCorp.

Ashish Arora, director-distribution, Viridian RED, says, “The long-standing demand of hassle free approval mechanism should be taken into consideration and a one-stop solution should be established. Though the previous interim budget had announced incentives to strengthen the investment in real estate, so far the sector has witnessed only one REIT listing. We believe that the government should improvise the timelines of investment from 3 years to 1 year for capital gains taxation. This would encourage larger investment participation for the commercial sector.”

Developers also expect the government to abolish stamp duty in the upcoming budget. “As we all know that the stamp duty and registration charges continue to remain a burden for the buyers. They are keeping the buyers away from the market and are impacting the sector as well. Bringing the stamp duty under the purview of GST will further enhance the condition of the real estate sector,” says Amir Husain, president-sales and marketing, Orris Infrastructure Pvt Ltd.

A single window clearance system is also on the wishlist of many developers. “Offering a single window clearance system will be a big support to the real estate sector. It has been a long-standing demand also. The presence of such a structured system will help in the timely delivery of projects and also help in obtaining relevant certificates without the lapse of time that adds to the delay. We have high hopes that the government will bring this system to facilitate the swift approval process, which would benefit the realty sector,” says Ravish Kapoor, MD, Elan Group.

Thus, while the list of expectations could be a long one, there are a few that are easy to achieve while others could be directional in nature setting tone for long-term stabilized growth. In the end, the government needs to weigh various options and adopt those that suit the macro parameters of the sector as well as the economy.

<https://www.zeebiz.com/india/news-budget-expectations-last-minute-hopes-of-businesses-from-nirmala-sitharaman-104391>

Budget expectations: Last-minute hopes of businesses from Nirmala Sitharaman

Budget 2019 expectations: All eyes are now on Finance Minister Nirmala Sitharaman as only a few hours are left for her maiden budget presentation.



Budget 2019 expectations: All eyes are now on Finance Minister Nirmala Sitharaman as only a few hours are left for her maiden budget presentation. All sectors of the economy have huge expectations from the first budget of the second term of PM Narendra Modi-led Union Government. Sharing expectations of the infra sector, Amir Husain, President-Sales and Marketing, Orris Infrastructure Pvt. Ltd, told Zee Business Online, "We expect the government to abolish the stamp duty in the upcoming budget. The stamp duty and registration charges continue to remain a burden for the buyers. These charges are acting as a deterrent for many buyers and keeping them away from the market. This, in turn, impacts the sector's growth. Bringing the stamp duty under the purview of GST will not only enhance the condition of the real estate sector but will also boost buyers' confidence."

Jugal Kataria, Chief Financial Officer, Satin Creditcare Network Ltd, said Indian economy has been in need of major reforms from many years now. "In the 2019-2020 budget, we expect that the government may announce major financial sector reforms which shall drive momentum to India's bigger goal of becoming the USD 5 trillion mark."

Parag Kulkarni, Managing Director, A. O. Smith India, said, "Growth is an area, which we are sure is top on this government's priority and this budget should address that. One key sector which we believe needs addressal is the residential real estate sector and the expectation is that this budget would provide a much-needed fillip to the sector. It generates large scale employment as well as helps multiple industries , who are invested in India."

Anil Yendluri, CEO of Krishnapatnam Port said, "Reducing international transshipment and making direct calls to Indian ports is imperative in encouraging domestic growth in the shipping sector. Ports, unlike other industries, is not a standalone industry and is an ecosystem where a lot of entities converge and work together and grow. The government should therefore also consider incentives to boost Indian shipping companies such as a reduction in tax to set up freight stations, while also helping players scale up road and rail infrastructure to accelerate evacuation and thereby reducing congestion and enhancing efficiency."

According to Yendluri, Krishnapatnam Port has the highest amount of transshipment on the east coast, and it aims to become the new emerging mainland transshipment hub for India on the lines of Colombo and Singapore if the agenda of the ease of doing business is pushed by the government.

Pranay Goyal, Managing Director, Wedevelopment, said, "The housing sector is one of the largest contributors to the nation's GDP. The government has taken several measures to address the housing needs of millions by focusing on the 'Housing for All by 2022' mission, through movements like RERA, cut in GST, etc. In the upcoming budget, we hope the government takes more development-friendly initiatives for the betterment of the market sentiment. Along with the input tax credit, lucrative tax incentives should be passed on towards the development side, which will bring relief across the spectrum of the development cycle and not just sales. This will ultimately impact the very concept of affordable housing."