

AN AFFORDABLE BUDGET

The Union Budget 2019-20 accords priority on affordable housing segment, but fails to fulfil many of the demands of realtors, say experts

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Providing a big boost to the affordable housing segment, the Union Budget for 2019-20 has unveiled a roadmap to provide a boost to the affordable realty segment. The pace of construction of affordable housing has immensely increased over the last four years that has provided a fillip to creation of affordable stock in the country, which currently sees high demand. Affordable housing gets further encouragement in the form of additional tax deduction of ₹1.5 lakh beyond ₹2 lakh of interest paid on loans borrowed up to March 31, 2020 for purchase of an affordable house valued up to ₹45 lakh.

For realisation of the goal of 'Housing for All' and affordable housing, a tax holiday has already been provided on the profits earned by developers of affordable housing. Also, interest paid on housing loans is allowed as a deduction to the extent of ₹2 lakh in respect of self-occupied property.

These measures, besides sustained investment in the Pradhan



Mantri Awas Yojna will continue to support the housing market in the country.

Welcoming the budget, Satish Magar, president, CREDAI National, says, "Finance Minister in her maiden Budget has marshalled all resources to the cause of 'New India'. She has exercised utmost discipline to avoid populism. I am personally happy that Government acknowledges the contribution of private sector and the tax payer in

nation building."

Praising the government for its move to reform the archaic rental laws, Magar maintains, "It is heartening that CREDAI's long standing proposals to reform archaic rental laws and promote public housing on government land figure among the immediate policy agenda outlined by the finance minister."

There are a host of measures to boost financial sector. Boosting

capital of PSBs, reforms on corporate bonds announced. Rs. 1 lakh crore guarantee by the government to banks for purchasing high rated pooled assets of sound NBFCs may ease the current liquidity constraints.

Another key step announced in the budget is that the regulation of Housing Finance Companies is being returned from National Housing Bank (NHB) to RBI. Ravindra Sudhalkar, ED & CEO, Reliance Home Finance, "I welcome the government's move to shift regulation of housing finance companies to the RBI as it would infuse greater stability and provide policy support to addressing issues of lack of liquidity. The proposal of providing ₹70,000 crore for recapitalisation of public sector banks will also enable them to lend more to the sector."

Speaking about the incentives offered to the real estate sector, Niranjana Hiranandani, president, NAREDCO, hopes that the initiative to promote rental housing and Housing for All by 2022 would be highly successful. "The government's idea to provide affordable housing



HITS

- Interest deduction up to ₹3.5 lakh for affordable housing, as against ₹2 lakh earlier, is available till March 31, 2020
- Laying down a roadmap for rental housing is a step in right direction
- By allowing FIs and FPIs to invest in debt papers of NBFCs will create and give a boost to the much needed liquidity to the NBFCs
- Increased thrust on education is likely to boost the student housing asset class
- Direct tax increased by over 78% from ₹8.38 lakh crore in FY 2013-14 to around ₹11.37 lakh crore in FY 2018-19. Growing at double digit rate every year
- Credit Guarantee Enhancement Corporation to be set up in 2019-20 to enhance source of capital to finance infra projects
- The allocation of ₹100 lakh crore for infrastructure development in the next five years is a move in the positive direction
- Those without Pan Card are now allowed to file income tax returns by quoting their Aadhar number
- Public infra and affordable housing to be taken up through innovative instruments such as joint development and concession on land parcels held by Central Public Sector Enterprises



MISSES

- No industry status to the sector, a long-pending demand of developers
- No single window clearance for the real estate sector
- Failed to announce sufficient key initiatives and measures to bring investors back to real estate market
- Increase in customs duty on various raw materials such as PVC, vinyl floor etc. may put additional pressure on the pricing of residential real estate
- Withdrawal of ITC abolishment in GST and lowering of GST rates of primary input materials was ignored

will be a possibility in almost all the cities where there is a paucity of land. The additional incentive of ₹1.5 lakh on interest on loans borrowed under the affordable housing would give a boost to the real estate sector further. The government's proposal to invest more than ₹100 lakh crore for infrastructure over the next five years is also a welcome move," he pointed out.