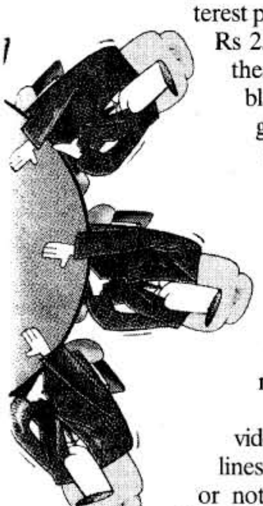
Budget give real estate one push?

ANUJ PURI, *chairman & country head, JLLM:* All said and done, the government is already on the right track by considering the hiking of IT exemption available for interest payment on home loans to Rs 2.5 lakh a year. However, there are still a number of blanks to be filled. The budget should make high-priority provisions for the laying down of necessary infrastructure so that new areas can be opened up. The concept would be to create and link up satellite settlements to main cities that will help tackle the demand-supply mismatch.



The budget should provide clarity on the STPI guidelines whether they will remain or not, or whether they have changed. It should offer clarity on the introduction of a real estate regulator, since the fact that India is now a member of the global village makes higher levels for transparency imperative. This regulator may not necessarily decide on rates, but should put down firm principles in terms of property dealings and also quality parameters in terms of rating of constructions.

The budget should free the rental income yielded by commercial premises from service tax. It should extend the tax holiday under Section 80-IA (4) (iii) for developers who build, operate and maintain industrial parks so that the compromised IT industry gets a shot in the arm.

It should finally and decisively enable the entry of FDI into the real estate sector.

The budget should reintroduce tax exemption for developers who construct flats of smaller size with tax benefits, offer incentives to developers to concentrate more on affordable housing and rationalise stamp duty registration charges for land so that obtaining land for affordable housing becomes more feasible for developers.

NAVIN M RAHEJA, *MD, Raheja Builders:* Real estate sector to be accorded infrastructure status given the critical role it plays in the infrastructure development.

The high lending rates of banks should further be reduced from the existing range of 14–16 per cent to 8–10 per cent. This will incentivise utilisation of credit for fuelling expansion plans of developers and revive the sector with adequate supply of affordable credit in the market. Home loan rates to reduce to 6 to 7 per cent to encourage end users.

Government must encourage and expedite the process of formation of the REMF's/REIT's in India. These instruments are time tested modes of efficient equity financing. Open external commercial borrowings should be allowed for large projects. The long term funds should be allowed to invest in housing finance companies.

Section 80-I-B should be restored under which the developers had the benefit of income-tax sops on the profits derived from investments.

Service tax on rentals to be done away with since it leads to double taxation (income/corporate tax plus service tax) and discourages investment in the sector, something which the government would do well to avoid at this stage.

Exhorbitant external development charges, license fees and other government levies to be rolled back. EDC charges in many states have on an average grown by over 50 per cent per annum, in addition to mind-boggling amounts coughed up by developers in the form of license fees for projects as well as other government levies. The government needs to seriously re-think on the hefty increases carried out in recent years and roll back these rates so that the sector can get breathing space and is able to revive.

There should be single window and online clearances and automatic environment clearance. The projects may be given online approvals and licenses within the prescribed acts and bylaws as long as they qualify all the laid down parameters instead of present slow and bureaucratic process full of red-tapism. This will considerably cut down the cost thus making housing affordable.

Anuj Puri

Navin M Raheja

Rohtas Goel

Abhisheck Lodha

ROHTAS GOEL, *CMD, Omaxe:* Developers are facing acute liquidity crunch and finding difficulties in servicing debts. Restructuring allowed up to June 2009 has provided immense relief. As the recovery is likely to take more time, further restructuring should be allowed, wherever required.

Section 80 IA of IT Act exempts 100 per cent income from infrastructure projects from income tax for ten consecutive assessment years. Group housing and integrated township development should be brought with in the definition of infrastructure and added in explanation under sub section 4. The sector should be granted status of industry for all concessions, rebates and easy finances for giving proper boost to a very important sector of economy.

As per the Section 24 of IT Act, deduction on account of interest payment on housing loans is 100 per cent for rented dwelling units and Rs 1.5 lac for owner occupied houses.

There should be Dedicated Affordable Housing Fund like the Infrastructure Fund for EWS/LIG housing and lend to developers at cheap rate.

The risk weight on housing loans upto Rs 30 lakh with LTV upto 75 per cent is 50 per cent and above Rs 30 lac it is. 75 per cent both for banks and HFCs but Capital adequacy requirement (CAR) for HFCs is 12 per cent against 9 per cent for banks.

There should be parity between banks and HFCs as far as RW and CAR are concerned.

Service Tax on complex services was introduced through Finance Bill 2005. It is an additional burden on home buyers and deterrent for housing development. Residential housing projects should be taken out of service tax net.

ABHISHECK LODHA, *Director, Lodha Group:* The government needs to bring fiscal deficit under control and spell out a long-term plan to bring the fiscal deficit to the norms approved in the Fiscal Responsibility Bill.

It should introduce IT exemption u/s 80 IB of the IT Act, for profits earned from sale of units in affordable housing projects, that is, projects in which the cost of the units is Rs. 25 lakhs or less.

It should increase affordability by reducing costs of input materials through rationalisation of duties and taxes and reduction of import duties. Specifically, ensure lower delivered cost for cement, steel, aluminum (windows) and timber products.

It should also implement proposal of the Housing Ministry to give 25 per cent subsidy towards cost of infrastructure for affordable housing projects of 25 acres or more.

The government should provide funds to start a National Construction Skills Training Institute with 4 centres being setup initially (Mumbai, Delhi, Kolkatta and Hyderadad) to provide free / low-cost training to construction workmen to improve their productivity and enable them to earn higher wages.

(Compiled by PRAVEEN K SINGH)