

Budget 2020: Will buyers invest in a house if exemptions on home loans are done away with?

Experts say move may prove counterproductive to housing demand.

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Budget 2020 has proposed two tax regimes. One which allows for tax benefits on housing loan and an alternative personal taxation regime, which does not allow any tax benefits on the interest and principal components of a loan under Sections 24 and 80C.

FM Nirmala Sitharaman has hinted that all exemptions may gradually be removed.

"We have provided both with the intention that in the long run, we will be gradually able to remove

all exemptions and the entire framework of personal income tax will be simple. There will be a very low rate without difficulties in compliance," she told reporters after the Budget presentation.

This, say real estate experts, could have a negative impact on homebuyers' sentiment, especially those who were contemplating availing a housing loan. It may even end up being counterproductive for the entire real estate sector which is still struggling to cope with liquidity and demand issues.

There may be a silver lining ahead

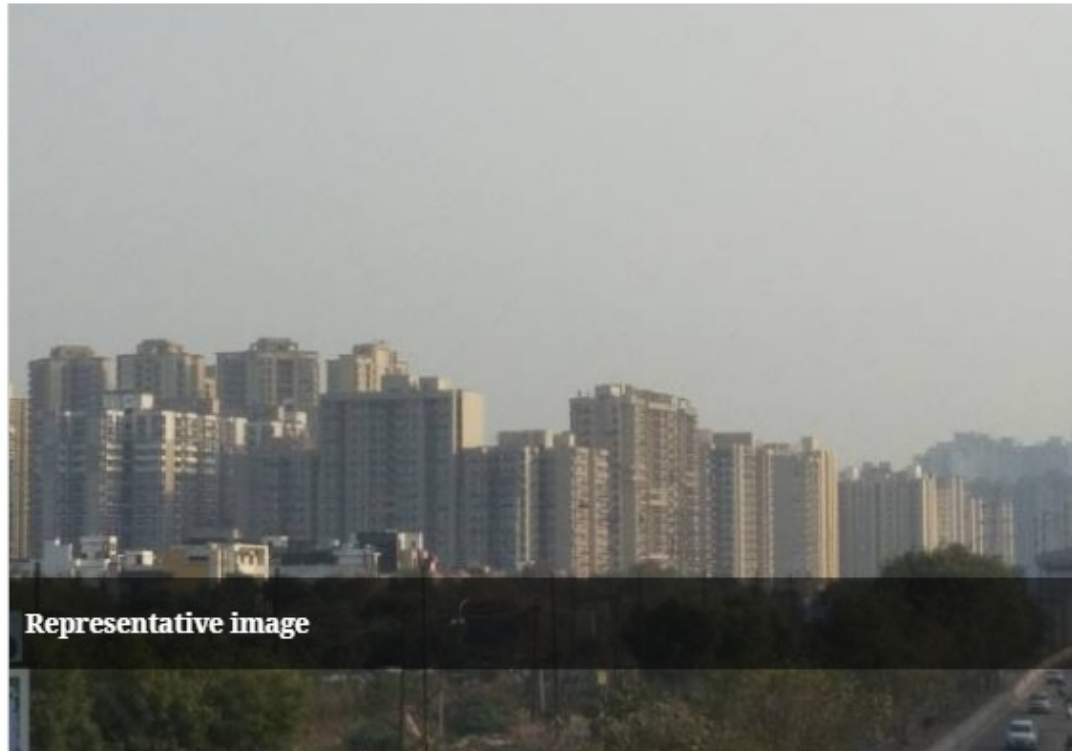
Having said that, even if this were to happen, the real estate market will skew further in favour of end-users. With housing continuing to be one of the primary sources of social security in India, demand for affordable and mid-income housing projects will continue to sustain irrespective of these disruptions.

With the real estate sector already undergoing a consolidation in the residential space post RERA/GST implementation and the NBFC funding crisis over the last 24 months, end-users will continue to gravitate towards the affordable and mid-income housing launches of large, organised developers, said ICICI Securities in its Budget 2020 analysis.

Some realtors and real estate experts are of the view that subsidies on affordable housing are there to stay.

"While there were no demand boosters or one-time restructuring of loans for realtors, Budget 2020 will have a neutral impact on the sector this year," Manoj Gaur, Managing Director, Gaur's Group.

The realtors' body Credai is planning to make a representation to the government soon with regard to continuing with the exemptions and subsidies offered to the real estate sector and promoting affordable housing going forward, he said.



Representative image