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As per market estimates, sales momentum has picked up since 2019 across categories including affordable, mid-income, and premium housing. With the continued momentum, rates are bound to increase. However, prices will remain range bound, experts say. This favours buyers looking to invest now.



BUDGET 2020 HOLDS a steady course!

Union Budget 2020-21 has continued its focus on affordable housing. Its mega outlay for big infrastructural projects will help the real estate sector indirectly, as this would spur the construction of residential and commercial spaces

Though real estate has not got much, directly, from Union Budget 2020, there are certainly some announcements that will help revive the real estate sector. **There are three key take-aways from Budget 2020 for the real estate sector.**

Affordable housing, for instance, continues to be the Budget's focal point in the sector and reinforces the Modi government's mission to provide "Housing for all by 2022". The earlier tax exemptions for both homebuyers and developers have been extended for another one year.

The government proposed measures to improve liquidity for NBFCs and HFCs. This is welcome for the sector, which has been struggling with liquidity crisis. Boost to growth of infrastructure and transport are positive steps to ease living in suburban parts of the cities.

The additional deduction of up to Rs 1.50 lakh under Section 80EEE against interest paid on loans taken for purchase of an affordable house, set to lapse on March 31 this year, has been extended till March 31, 2021. The current rule also incen-

tivizes developers of affordable housing who can avail 100% deduction of the profits and gains derived from such projects. The benefits under Section 80IBA are available till March 31, 2020, which has been extended by another year.

"With the real estate sector witnessing a shift in consumer behaviour that favours the growth of affordable and mid-income housing, this measure will immensely benefit the market," **Ankush Kaul**, president (sales and marketing) of Ambience Group, said.

Apart from this, to facilitate transactions in the currently subdued markets where property prices have fallen below the value calculated on the circle rate of the area, the finance minister has given some relief. Currently, while taxing capital gains and business profits for developers in respect of transactions in real estate, if the consideration value is less than circle rate-based value of the property by more than 5%, the difference is counted as income in the hands of both the purchaser and the seller.

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BUDGET 2020 HOLDS a steady course for sector

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Suppose that in an area a house-owner sell it for Rs 1.2 crore but the value of the property based on the circle rate of that area is Rs 1.3 crore, the difference in the price of Rs 10 lakh, is more than the 5% of the price based on circle rate and, hence, will be treated as the income for both the buyer and seller and accordingly taxed.

Because the difference is more than 5% of the value based on the circle rate of the property, this penal provision will be applicable under the current tax law. This has become a big problem for developers, as this affects the transaction.

To redress this problem, the government has allowed this differential to 10% of the value calculated based on the circle rate, up from 5%. Thus, if the transaction value is up to 10% lower than the value based on the circle rate, the difference will not be treated as income in the buyer's and seller's hand. In the present example, the difference of Rs 10 lakh is within the 10% of the value based on the circle rate.

This will address the problem in areas like Friends Colony, Noida, and other micromarkets where the market rates are more than 10% lower than the circle rates.

Manoj Gaur, MD of Gaur's Group, said: "The Union Budget seems to be a mixed bag from the sector's (real estate) perspective. Simplification of I-T regime with reduced rates and no exemptions, extension of measures announced for affordable housing by one more year are some of the positives for the sector. At the same time, the long-pending demand of the real estate sector has not been met. We have been asking for industry status for the whole sector and single-window clearance for smooth operations0020— the government did not comment on these requirements."

RK Arora, CMD of Supertech Ltd, said: "After many years, we have seen a budget that is as welcome as this one is. The government has extended Rs.1.5 lakh tax benefit on interest paid on affordable housing loan to March 2021, which is good for real estate sector. Reduction in income tax for individuals will also boost real estate sector, as more people



will buy property." "Extension of additional tax deduction of Rs 1.5 lakh on affordable housing worth up to Rs 45 lakh by 1 year is a step in the right direction. Similarly, an extension of capital gains on affordable housing by 1 year is also welcome," **Pradeep Aggarwal**, founder and chairman of Signature Global, said.

"Considering that most homebuyers fall in the lower and mid-income segments, this tax benefit will boost demand substantially," **Ramesh Nair**, CEO and country head of JLL India, said.

"The Budget's announcement of Rs 100 lakh crore for infrastructural development will boost real estate in Tier II and Tier III cities," **Abhishek Bansal**, executive director of Pacific Group, said.

Rakesh Yadav, chairman of Antriksh India, says: "There are many measures in the Budget that are going to help the sector grow. Focus on infrastructure and economic growth in this Budget will lead to more activity in the commercial segment, as the demand for offices will grow."

Pankaj Bansal, director of M3M Group, says: "Abolishing dividend distribution tax (DDT) was necessary to protect shareholder's interest, and it was announced. It provides a level playing field to Indian companies as dividends will now be taxed at the hand of shareholders, a taxation norm common in many countries across the world. The measure

will further attract FDI and boost commercial realty."

"The extension of benefit under Section 80 EEA to avail additional Rs 1,50,000 interest deduction on housing loans for first-time buyers is a good step made by the finance minister. Along with tax incentives, the FM has also enhanced the spending capacity of homebuyers. These measures will encourage buyers to go for their own home," **Rahul Singla**, director of Mapsko Group, said.

Parveen Jain, VC of Naredco and CMD of Tulip Infratech, said: "This is a progressive Budget and gives positive impetus to affordable housing, tax relief for lower- and middle-income groups, and development of infrastructure. Demand in the sector is expected to increase with the announcement of more hospitals, educational institutions, among others."

Ankur Gupta, joint MD of Ashiana Housing Ltd, said: "The middle-income and affordable-housing segment will see a continuous boost with the finance ministry's announcement for the sector. Other factors like liquidity crunch, funds at lower rates, additional foreign investments, single-window clearance, etc, should also have been a focal point in the finance minister's agenda, as these drive a steady, speedy growth of the sector."

—**AK Tiwary** (With inputs from **Devsh Chandra Srivastava, Mamta Sinha**)