

IN THE NEWS
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Shiv Nadar as guest

The MORNING STANDARD

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PERSONAL FINANCE

₹4,193 cr

was pulled out by overseas investors from Indian capital markets so far in September, but the trend is expected to reverse with the recent government announcements

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Time and tide perfect for investing in a new home

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"YOU should never buy a house for investment or to save tax. If you have to make a purchase, make it a lifestyle decision. For investment, buy a land," a senior personal finance expert told me almost 10 years back.

It made sense then. However, given tax rebate and policy changes in the last few years, many experts claim that investing in a home is not a bad idea now.

"Home price is almost stable, barring in a few pockets. Given the kind of incentives for affordable housing and with tax rebate, this is the perfect time to invest in one. A major chunk of purchases in affordable housing are being

done by investors," said a senior marketing manager with Gaursons.

Budget 2019 has proposed to increase the deduction that can be claimed for interest paid on loans taken for affordable housing by ₹1.5-3.5 lakh per annum for houses valued up to ₹45 lakh. The deduction is available on loans taken up to March 31, 2020. This will provide a total benefit of ₹7 lakh over a loan period 15 years.

Also, earlier the capital gains from selling of property were taxable. Now, one can also invest capital gains of up to ₹2 crore arising from the sale of a house in two house properties. This goes in favour of buying a home for investment.

Experts claim that with so many piled-up inventories, buyers are in the best position to bargain.

"Property prices have either corrected or remained at the same level over the past few years. The developers have little bargaining power. This has made houses affordable for many," said Anuj Puri, chairman, Anarock Properties.

Additionally, the Reserve Bank of India has cut the Repo rates by 110 basis points this year to 5.40 per cent, a nine-year low. The RBI has recently made it mandatory for banks to shift to external benchmark-linked lending rates, which is expected to improve the transmission of rate cuts, which will make interest rate cheaper for homebuyers initially.

WHAT YOU SHOULD DO

- If you are looking at property as investment, EMI should not exceed 40 per cent of the monthly household income. One should still save at least 20 per cent income after EMI and other household expenses.
- The stamp duty value of house property should not exceed ₹45 lakh and the individual must not own any residential house property on the date of sanction of loan.
- Do not ignore rental value, connectivity and location. It enhances the value of investment when you are going to sell it.

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