The Economic Times (1/1)
February 11, 2015
Provenance Land

# Realtors Pin Hopes on Budget for Revival

Kailash Babar & Ravi Teja Sharma

## Realtors' Wishlist

- **Faster** approvals for various projects
- **Removal** of tax hurdles to fast-track REITs
- **Impetus** for affordable housing
- **Rationalisation** of taxes
- **Tax** incentives for rental housing
- **Infrastructure** status
- **Higher** rebate on home loan interest payment

**I hope the budget will include necessary steps like single-window clearances, infrastructure status; rationalisation of tax and measures supporting the affordable housing sector that will help fulfil the dream projects like '100 Smart Cities' and 'Homes for all by 2022'**

Niranjan Hiranandani
MD, Hiranandani Constructions

**Mumbai | New Delhi:** Realty developers across the country are pinning their hopes on the upcoming Union Budget to fasten project approvals and remove tax hurdles in setting up real estate investment trusts (REITs) that are expected to provide the much-needed liquidity to the sector. Tax incentives, infrastructure status and passage of the Real Estate Regulatory Bill are other pending demands, but the noise is louder this time for single-window clearance that can augment supply of housing stock and also benefit homebuyers.

"Last year, the finance minister presented a Budget which brought some relief to real estate. We need to go beyond 'just relief' to 'speedy growth'," said Niranjan Hiranandani, MD, Hiranandani Constructions. "I hope the Budget will include necessary steps like single-window clearances, infrastructure status; rationalisation of tax and measures supporting the affordable housing sector that will help fulfil the dream projects like '100 Smart Cities' and 'Homes for all by 2022'."

While presenting the Budget for 2014-15, Union finance minister Arun Jaitley made several announcements for the housing industry and laid substantial emphasis on the sector, including allocating ₹4,000 crore for low-cost housing, and ₹50,000 crore for urban housing.

Apart from pushing consumption, the sector also expects the government to make Indian realty more investment-friendly by offering clarity on taxes, without which REITs cannot take off.

"In cases where the special purpose vehicle (SPV) is funded primarily by share capital, normal corporate taxes would be applicable at the SPV level and distribution of profits by the SPV would entail distribution taxes. This would eat up a significant portion of the yield and make it unattractive for investors. Therefore, the dividend distribution tax should be done away with on the distribution of dividends by SPV to REITs," said Adarsh Jatia, CEO & MD of Provenance Land.

According to Jatia, the treatment of listed REITs unit, under the current guidelines, is akin to listed shares with respect to capital gains tax. "The requirement of holding such REIT units is for at least 36 months for characterisation as long-term capital gains, unlike 12 months in case of listed shares. Since REIT units would be a proxy to listed asset class, this may be seen to be a disincentive to invest in REITs," he said.

Not only for REITs, the developers are seeking rationalisation in multiple taxes, which can lead to easing of unaffordable property prices.

Both homebuyers and developers are expecting the Budget to offer sops that will boost demand as well as supply of affordable housing.

In the last budget, the housing loan rebate on self-occupied property was increased to ₹2 lakh from ₹1.5 lakh earlier to boost consumption in the housing sector. Currently, home buyers get a 1% interest subvention for loans up to 15 lakh for a house priced below ₹25 lakh.