

Budget 2022: Real estate looks for easy availability of finance and reduction in GST rates

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Having faced several uncertainties in 2020, the real estate sector witnessed significant revival in demand in 2021, benefiting from low interest rates, reasonable property prices, and strong support from the Central government. As a key stakeholder in the industry, the sector is looking at continued revival of demand in 2022 and is anticipating the Budget 2022 to play an instrumental role.

“The upcoming Budget is expected to be an enabler in sustaining the sector's recovery and inducing growth through reduced GST (on construction materials and property purchases), easy availability of finance, and proposal for waivers, thereby supporting the sector that is the second largest employment creator after agriculture and a contributor of 6% to India's gross domestic product (GDP),” said Sudhir Pai, CEO, Magicbricks.

Magicbricks data also suggests that there has been a significant shift towards affordable housing in the past few quarters. Hence, a review on the slab of affordable housing to Rs 50 – Rs 60 lakh is expected, as this would expand the benefits for homebuyers.

“We also urge the government to support the low home loan interest rate regime for the time being, as it is helping even the fence-sitters to buy property and has been driving recovery of the real estate sector. A reduction in TDS deduction rates on co-working spaces would also give some relief to the section that has received a major setback during the pandemic. Further, various state governments should also continue to support the real estate sector by keeping the stamp duty and circle rates low,” added Pai.

Industry experts say the real estate sector witnessed a strong comeback in 2021, amidst the Covid scenario; sales in housing real estate jumped to almost 90% compared to the pre-Covid sales. Amidst the Covid-led challenges, the industry performed exponentially well and has high hopes from the government to support them in this year's Union budget.

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Honey Katiyal, Founder of Investors Clinic, said, “There should be easy availability of finance and reduction in GST rates, so that more consumers can come forward to buy properties. While developers and real estate consultants are pulling consumers through multiple schemes and offers, the government should bring relaxations in tax rates. Tax relief, either through reduction in tax rates or revised tax slabs, is a much-needed move for the industry. There is also a need to increase the tax rebate of Rs 2 lakh on housing loans, which is highly needed to pull in consumer demand in housing and especially the affordable housing segment.”

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“We propose that the input tax credit be reinstated in the GST; with the advantage of the input tax credit, property prices will remain under control. Also, placing stamp duty and registration costs within the GST umbrella will be warmly appreciated. We expect the income tax exemption level under the Income Tax Act of 1961 to increase in this year’s Budget, enabling people to buy their dream homes,” said Manoj Gaur, CMD, Gaur Group, and Vice-President, North, CREDAI National.

One step to encourage people to buy their dream home would be to have interest on home loans deducted from income for first-time homebuyers, or increase the interest subsidy from Rs 2 lakh to Rs 5 lakh. The government should extend PMAY and CLSS schemes for another three years. An extension of the PMAY programme is unquestionably required after the bad effects of COVID in the last two years.

“The government should pay more attention to the real estate sector since the performance of housing is directly connected to the industry’s performance. The demand to classify real estate as an industry should be urgently met. More jobs would be created with the boost to this sector. Banks should give loans to developers at the same interest rate and on the same terms and conditions as they provide to other industries. The government should also bring the overall GST rate, which is up to 28 per cent in the realty sector, in line with that of the industry,” added Gaur.

Availability of cheaper land in metros and other locations as well as hike in the fund allocation for PMAY are also on the wish list of developers.

Pradeep Aggarwal, Founder and Chairman of Signature Global Group, and Chairman, Assocham – National Council on Real Estate, Housing and Urban Development, said, “The government has shown keen interest in reaching the ‘Housing for All’ target and we hope it doubles the amount of funds allocated for PM Awas Yojana, which could propel potential buyers. The FM should examine the Input Tax Credit, reduce the GST rate to zero on building materials, and maintain the tax holiday for affordable housing developers. Furthermore, the FM should facilitate the availability of cheaper land in metros and other locations. In addition, increasing budget allocations for the enhancement of connectivity between cities will help increase affordability as it will lead to a uniform distribution of demand and supply.”

“We are all hoping that the government will extend incentives and dole out schemes that will help the sector grow. We are sure that affordable housing will get a boost if the government announces tax-saving measures that will help people have more disposable income. For developers, we hope the Budget to increase the fund allocation for PMAY. For the overall growth of the real estate sector, the Budget should pay attention to giving infrastructure status to it, which will streamline it further and provide ease of doing business,” said Vikas Garg, Deputy Managing Director, MRG World.

Other top expectations of industry stakeholders are providing infrastructure status for the real estate sector as well as setting up the single window clearance system.

Abhishek Trehan, Director, Trehan Iris, said, “The real estate market has been most affected during the past two years, which have been tough for almost all of us. However, we saw a strong bounce-back between July 2021 and September 2021, and we hope the growth momentum is maintained even in 2022. From the Budget 2022, we are expecting a tax relaxation like increasing home interest rate tax deduction from the current ceiling of Rs 2 lakh to Rs 5 lakh. This will fuel demand for residential units further.”

“Realtors have been demanding an infrastructure status for the sector. If this gets granted, it will surely help build liquidity in the industry and control the supply-side costs. Single window clearance could be another area which we expect the Govt to mechanise. This would really boost the confidence and fasten the delivery timelines. Lastly, we also expect further reduction in GST,” Trehan added.