


A populist budget that gives major boost to the real estate sector

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Post-Budget reaction By Shishir Bajjal, Chairman & Managing Director, Knight Frank India INVC NEWS New Delhi , The interim budget for FY 2019 - 20 presented today by Minister of Railways & Minister of Coal, Piyush Goyal is 

very positive. We are pleased to see that the government has taken note of the issues faced by the real estate sector and has addressed them systematically. It has addressed both the demand and the supply side of the sector. For the demand side, the budget has ensured better liquidity and lower tax burdens on the purchase of homes. The benefit of rollover of capital gains has been increased from one house to two houses, upto INR 2 Crores (once in lifetime), is a tremendous step by the government that will boost sales in both primary and secondary markets. On a broader canvas, the changed direct tax implications including exemption of taxes till INR 500,000 p.a. automatically increases the disposable income, especially for the middle-income groups. We believe this step along with the increased standard deduction limit will in some way translate to an improved affordability for house purchase, thus aiding demand for the sector. A back of the envelope calculation on the new standard deduction rates and other direct tax sops give us a figure of an annual taxation exemption of almost INR 7- 9 Lakhs per annum. We believe that a fair part of the savings from this could be channelised towards real estate. Additionally, the provision of increasing the number of self-occupied properties from one house earlier to two houses now will augment the house purchase decision for people supporting families in another city/towns. For the supply side, the government has taken into consideration the challenge of unsold inventory and has therefore increased the period of exemption for notional tax on unoccupied units from the prevalent 1 year to 2 years. This will give developers a big relief allowing them to concentrate on sales strategies. To further boost the affordable housing, the government has extended the benefits Under Section 80 (IBA) till 31st March 2020. The government's commitment towards affordable housing continues and we expect to see more such projects coming into the market. The demand for housing is strongest in the affordable segment. The Finance Minister has also reiterated the government's commitment to consider a revision on GST implications on the real estate sector by mentioning that a special committee is reviewing the same. This assures us that positive steps are being taken in this direction. With all the sops announced by the FM today, the fiscal deficit being at predicted 3.4 % further spells reassurance of financial discipline. We consider this budget to be one of the best in many years for the real estate sector.

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