

# More time for project completion, a big gain

## ■ ■ BUDGET REACTIONS ■ ■

### **Om Ahuja, CEO, Residential, Brigade Group, Bengaluru:**

For the first time ever, a Union Budget has rolled out multiple initiatives for the housing industry. Affordable housing getting infrastructure status will significantly boost development, provide finance at attractive rates, and make "Housing for all by 2022" possible. Extending the time horizon for project completion from 3 to 5 years to get tax benefits will help more developers look at this segment seriously.

Increasing the area of affordable housing from 30 & 60 sq. m built-up area to 30 & 60 sq. m carpet area will bring logical meaning to the consumer by providing extra space in this category.

Finer points like taxation applicability in joint development deals after completion of project will help in improving the industry business dynamics.

### **Anita Arjundas, CEO, Mahindra Lifespace Developers:**

The Budget has demonstrated fiscal prudence while placing a strong emphasis on infrastructure building and in addressing the housing needs of rural India and of specific income segments in urban India.

The changes under Section 80 IB with re-

spect to size of units (built up area to carpet area), time-frame for project completion (3 years to 5 years) and geography (upto 60 sq.m beyond the 4 metros) will encourage greater participation by organised developers in the affordable housing segment, thereby catalysing development and reducing the supply gap.

Interest subsidies announced last year under PMAY and further broadened during the recent address of the Prime Minister will further help reduce cost of home ownership for the relevant segment. Enhancement of budget allocation under PMAY and to NHB will greatly help finance these segments.

### **Rajesh Krishnan, CEO, Brick Eagle:**

The affordable housing sector could not have asked for a better budget. We have affordable housing projects in Maharashtra, Tamil Nadu, Gujarat and Rajasthan. Confering infrastructure status will make borrowing for projects easier due to longer tenures of loans and better terms. The government has already eased norms for registered FPIs for investment in the infra sector (subscribe to bonds issued by unlisted infra companies) which will prove beneficial to the the affordable housing sector. Extending the project duration from 3 to 5 years to get the tax break under section 80-IBA of Income Tax Act is another major move in favour of developers. These steps will lead to a multifold increase

in affordable housing. For the affordable home buyer, rates are likely to come down further with the National Housing Bank (NHB) taking on incremental Rs. 20,000 cr. refinance. Also, increasing the loan tenure for CLSS from 15 to 20 years would lower the EMIs, thereby enhancing affordability. Increasing allocation to PMAY to Rs. 23,000 cr. which will further boost this sector," said

### **Irfan Razack, CMD, Prestige Group & Chairman - CREDAI (National):**

All sectors have been covered, especially the rural sector and the agricultural economy.

It not come as a surprise to see such a large allotment made to the infrastructure segment. It is obvious that spends on infrastructure will in turn gear up and kick-start the economy all over again. If more and more roads are built, it leads to better economy.

Granting infrastructure status to affordable housing will give the developer operating in this segment access to more funds from banks.

Real estate funding and affordable housing are two separate entities. If affordable housing comes under the infrastructure status, a lot more funds will become available for this sector. Additionally, the cost of finance will be much lower, which will help us build a better product at a reasonable price.

The 30/60 sq. m carpet is very different

from 30/60 sq. m built. This changes the definition of affordable housing. This will give a potential homebuyer the opportunity to live in a larger home, rather than a small place. I believe that this will bring about a sea change in the development of affordable housing.

Reducing the holding period for capital gains from 3 years to 2 years is a big win. Since the government is looking to eliminate black money completely from real estate, this will go a long way in encouraging land transactions with 100% cheque payments. Moreover, they have increased the base from 1985 to 2001, so ultimately the effective tax a person will pay on long-term capital gain, which is now two years, is probably 10%. People will not regret paying that percentage while selling their property for the full value.

The Joint Development Capital Gains Tax now only has to be paid on completion. This will encourage landowners to explore more joint development deals. There is also proposed tax relief for builders on unsold inventory.

The Budget has defined the limits for affordable housing of 30 and 60 sq. m houses. Outside the 20 km radius for metros, one can make a 50 sq m house, whereas within the city the size of the house has to be smaller. The construction time is also more practical and much more reasonable.