

**BUDGET  
SPECIAL**



**UNION**  
**BUDGET  
PEOPLE,  
ECONOMY,  
& REAL  
ESTATE**





ON FEBRUARY 1, 2023, UNION FINANCE MINISTER WILL DELIVER THE UNION BUDGET FOR THE CURRENT YEAR. THE REAL ESTATE SECTOR WHICH IS ONE OF THE MAJOR CONTRIBUTORS TO THE INDIAN GDP IS EXPECTING A SLEW OF REGULATORY ADJUSTMENTS THAT CAN MAKE THE SECTOR MORE PRODUCTIVE AND THRIVE.

By: Sapna Srivastava

**F**rom easing of tax load on home buyers and developers to working on affordable and rental housing, the sector is hoping for favourable policies and ease of doing business. The developer's bodies have recommended amending or removing certain sections of the Income Tax Act and incentivising business entities and individual investors looking to invest in the sector.

National Real Estate Development Council (NAREDCO) emphasizes on granting infrastructure status to avail long term cheap funding as this interest rate sensitive sector is grappling with inflation led high cost of credit borrowings. It also states, "In order to accomplish the goal of Housing for all, real estate developers should be encouraged to create surplus rental housing with tax incentivization. Industry recommends increase in standard deduction in Rental housing up to 50% and incentivize service rental apartments by allowing accelerated depreciation. Also, tax on notional income from house property held as stock in trade needs to be waived off completely to boost real estate investment. In addition, cap on affordable housing should be capped up to Rs1 cr in metro cities as broader spectrum of homebuyers can avail the benefit of CLSS scheme."

The Confederation of Indian Industry (CII) has pitched for a cut in personal income-tax and a bump up in public spending in its pre-budget wish list. The industry body suggested raising capital spending to 3.3-3.4% of GDP in FY24 from 2.9% currently with an aim to increase it further to 3.8-3.9% by FY25. It has stressed on the need for revitalising the investment as well as consumption demand.

Confederation of Real Estate Developers' Associations of India (CREDAI) expects that the budget should reflect upon the aspirations of developers who are still tiding over the turbulence caused by the pandemic. The most crucial demand is to give tax relief to developers to expedite the completion of stalled projects and the most recurrent demand is to bestow industry status to the real estate sector. It has sought an increase in the deduction limit on home loan interest to Rs 5 lakh from the current Rs 2 lakh. This would not only give some extra disposable income in the hands of middle-income homeowners but would also attract prospective homebuyers to buy a home.



## CATALYSE REAL ESTATE DEMAND AND SUPPLY

The real estate sector has remained on the growth path in 2022, a trend which is likely to continue in 2023 as well. India's economic fundamentals have remained strong compared to other economies. Going forward, strong domestic demand would drive economic activities supported by investments by the private sector, government incentives and reforms that seek to improve the overall business climate.

**Anshuman Magazine, Chairman & CEO - India, South East Asia, Middle East & Africa, CBRE** stated, "In the past, during challenging times, businesses have looked at India as an attractive, resilient, and cost-effective investment destination to contain costs. India has a unique advantage of large and youthful labour market and has risen in global business environment ranking and continues to be an attractive market for investors globally. Nevertheless, we expect to see the impact of global headwinds on the real estate decisions of occupiers that will have relatively short-term implications as the



**"THE BANKS AND NBFCS SHOULD BE STRENGTHENED TO ENSURE THAT THE INDUSTRY CAN RAISE FUNDS FROM THESE INSTITUTIONS."**  
**VENKATESH GOPALKRISHNAN**

resilience and continued attraction of the Indian market are expected to curtail this impact to a large extent. The real estate sector is pinning its hopes on the upcoming budget, and we are optimistic that a combination of enabling government policy measures and positive consumer sentiment will fuel the demand for real estate."

**Venkatesh Gopalkrishnan, CEO, Shapoorji Pallonji Real Estate** expressed, "Currently, the industry is witnessing a stabilisation in terms of sale numbers, which had risen during the fiscal year 2021-2022, and in a few quarters of 2022 as well. However, the market is settling down, and numbers are returning to pre-pandemic levels. This is where we are hoping to get a relaxation

on the home loan cap of Rs 2 lakhs to be increased to Rs 5 lakhs per annum. This tax benefit will motivate homebuyers to invest further and increase revenue. Additionally, the government should also consider reducing income earned from long-term capital gains. We also urge the government to waive off the notional rent, which is taxable on a second completed, non-self-occupied property. Even the repo rate hike has slowed down sales in the last few quarters. However, we are hopeful that it won't be the case in the new financial year. The rate of income tax should be in line with the corporate tax rates, and we sincerely urge for it to be standard at about 25 per cent across the board."

**Ashish Puravankara, MD, Puravankara Limited** added, "Strong demand for homes has helped the residential real estate market recover in 2022. However, additional steps are needed in the upcoming budget to maintain the demand momentum. The mid-income and affordable segments need a boost from the government to promote ownership, which can be looked at in terms of direct tax breaks for homebuyers. For developers, the Government must push through input tax credit (ITC)

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**ANSHUMAN MAGAZINE**



under the Goods and Services Tax (GST) regime. This will also help ease housing prices. Additionally, accepting the long-pending demand of giving industry status for real estate will help strengthen the sector immensely. The government must also look at the very definition of affordable housing. We can no longer go by the standard definition of 60 sq metres as affordable housing, and this needs a relook to encourage first-time home buyers. Furthermore, the government needs to implement a fast-track mechanism for providing clearances required for project completion on time. This will enable the developers to meet delivery deadlines."

## FINANCE FOR DEVELOPERS

The real estate sector is focused on sustaining the current growth graph, and further impetus can be given when both homebuyers and developers are encouraged through policy initiatives, improved finance availability and taxation environment in the upcoming Union Budget.

**Amarjit Bakshi, CMD, Central Park** stated, "To incentivise home



**"TO INCENTIVISE HOME PURCHASES, THE GOVERNMENT MUST CONSIDER RAISING THE TAX DEDUCTION LIMIT FOR INTEREST ON HOUSING LOANS TO RS 5 LAKH FROM THE PRESENT LIMIT OF 2 LAKH PER ANNUM FOR ALL HOMEBUYERS"**  
**AMARJIT BAKSHI**

purchases, the government must consider raising the tax deduction limit for interest on housing loans to Rs 5 Lakh from the present limit of 2 Lakh per annum for all homebuyers. The government must establish city-wise unit size criteria for housing to factor in the realities of the micro market so that a lot of homebuyers can purchase homes. Besides, the developer community expects the government to address issues like GST, finance, and policy rationalisation; address the sector's long pending ask of granting industry status and facilitate single-window clearance. Timelines for quick approvals by the government will ensure faster construction and delivery of housing projects. Similarly, awarding industry status to the sector holds the key to procuring easy financing."

**Venkatesh Gopalkrishnan** said, "As one of the important measures to support the industry, the government should put aside more funds under the stressed fund SWAMIH, as it will help improve consumer sentiment and residential activity. The banks and NBFCs should be strengthened to ensure that the industry can raise funds from these institutions. The policies should be widened so that stuck projects can be completed and there is liquidity available for developers by delivering timely accommodations, thus ensuring fines can be curtailed by huge margins."

**Manoj Gaur, President, CREDAI NCR and CMD Gaurs Group** shared, "To begin with, there should be a separate deduction for principal repayment as currently clubbed under section 80(c). It should be raised from the existing Rs. 1,50,000 limit. There is also a need to redefine affordable housing from the current ceiling of 45 lakhs in urban and 30 lakhs in non-urban to take into account the inflationary factors. Further, the carpet area should also be increased to 90 sqm in the metros and 120 sqm in non-metro cities without any price cap. Long-term capital gains on capital assets should also be taxed at 10%. The



**"ADDRESS THE SECTOR'S LONG PENDING ASK OF GRANTING INDUSTRY STATUS AND FACILITATE SINGLE-WINDOW CLEARANCE."**  
**ASHISH PURAVANKARA**



holding period should be reduced to 12 months in line with the holding period of other capital assets like listed equity shares and equity-oriented mutual funds. The sector would also like the FM to extend exemption under Section 80C to REIT investments starting with Rs. 50,000. The period of holding for units of REIT should be reduced to 12 months (as applicable for listed shares) to qualify as a long-term capital asset from the current 3 years. The deduction under Section 24 (b) on housing loan interest in the case of individuals with respect to the first self-occupied property should be allowed without any limit or at least capped at Rs 5,00,000 in respect of the self-occupied property. A single window clearance system should also be introduced in real estate as taking approvals from numerous authorities disproportionately increases the cost and time from concept to commissioning. The rising input costs, specifically cement and steel, should also be controlled. Besides, industry status should also be conferred on real estate."



**"INTERVENTION IS NEEDED TO RATIONALIZE GST RATES FOR CONSTRUCTION MATERIALS LIKE STEEL AND CEMENT"**  
**RAMESH RANGANATHAN**

## EASE OF DOING BUSINESS

**Ramesh Ranganathan, CEO, K Raheja Corp Homes** commented, "Firstly the real estate sector needs to be given industry status. We expect policies and reforms that will further boost the industry, like tax breaks, single-window clearance, encouragement of home purchase and rationalization of GST for raw materials. With the Government's emphasis on Housing, home purchase needs to be incentivised through higher tax deductions. The residential property holding period needs to be revised downward from 36 months to 12 months, for qualification as a long-term capital asset. To ensure a seamless balance of supply and demand, promote ease of doing business and drive further investments

into the industry, a single-window clearance system is the need of the hour. Intervention is also needed to rationalize GST rates for construction materials like steel and cement."

**Amit Diwan, Senior Managing Director & Country Head, Hines India** shared his perspective, "2022 was a great year for the luxury residential segment with an increase in demand for high-end properties, given the high level of affordability and post-COVID needs (renters wanting to buy, and owners wanting to upgrade or get a weekend/vacation home). In addition, the government's strong push for infrastructure development in Tier 2 cities is also driving growth in these areas, making them realty hotspots. Besides run-up in prices, the increase in mortgage rates during 2022 has increased the cost of home ownership. We believe increasing tax exemptions on home loans for homebuyers would maintain sustainable demand in 2023. Enabling single window clearances for project approvals would help developers simplify the entire administrative process to a large extent and enhance ease of doing business. With the government's continuous support, positive sentiments for real estate investments will continue in 2023."

**"TO BEGIN WITH, THERE SHOULD BE A SEPARATE DEDUCTION FOR PRINCIPAL REPAYMENT AS CURRENTLY CLUBBED UNDER SECTION 80(C). IT SHOULD BE RAISED FROM THE EXISTING RS. 1,50,000 LIMIT"**  
**MANOJ GAUR**



**Ramesh Nair, CEO, India and Managing Director, Market Development, Asia, Colliers** stated, "While many expectations on the residential side can aid home buying, we believe that some push on the commercial office side will go a long way in overhauling and improving the ease of doing business. For instance, clarity on the proposed DESH Bill will give impetus to businesses catering to domestic demand. To achieve India's target of becoming a USD5 trillion economy by 2026, DESH hubs can play a huge role in strengthening the domestic manufacturing infrastructure. India's domestic consumption is growing by the year, and a pro-investor policy for investment hubs can take India's manufacturing abilities to the next level."

**Venkatesh Gopalkrishnan** added, "Currently, the sector is reeling from several permissions from various government authorities, and we urge the government to have all the approvals under a single-window clearance. We also expect the government to grant industry status to the real estate sector, which



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**"THE RESIDENTIAL REAL ESTATE MARKET HAS BOUNCED BACK IN 2022 ON THE BACK OF THE ONGOING RESURGENCE IN DEMAND, FURTHER MEASURES SHOULD BE TAKEN IN THE BUDGET TO SUSTAIN THE DEMAND MOMENTUM"**  
**SHISHIR BAIJAL**



has been pending for a long time now. The home loan rates should be stabilised to enhance business opportunities. Along with this, the infrastructure in terms of good roads for developing new projects and for developing Tier II cities should also be considered, as it positively correlates

with the real estate sector."

"The real estate sector is among the large contributors to country's GDP and the second largest employer in the country. The sector drives over 200 industries right from manufacturing to services and any incentive extended to real estate can also stimulate all the ancillary industries. While the residential real estate market has bounced back in 2022 on the back of the ongoing resurgence in demand, further measures should be taken in the Budget to sustain the demand momentum," shared **Shishir Bajjal-Chairman & Managing Director, Knight Frank India.**



**"WE BELIEVE INCREASING TAX EXEMPTIONS ON HOME LOANS FOR HOMEBUYERS WOULD MAINTAIN SUSTAINABLE DEMAND IN 2023."**  
**AMIT DIWAN**