

ANNIVERSARY ISSUE

OUTLOOK

# AFFORDABLE HOUSING GETS ANOTHER BOOST

With extending benefits **under Section 80-IBA of the Income Tax Act** for one more year, this segment will have more homes and go a long way in achieving the **government's objective of 'housing for all by 2022'**



BY DR. NIRANJAN HIRANANDANI

**F**or real estate in general and housing in particular, this year's budget is a positive one for the sector. For the economy, it focuses on the farm sector and the middle class. The minister has laid out the path to successfully work out a balancing act. He has given tax breaks, enhanced benefits while not increasing taxes – and yet, has shown a roadmap that will keep fiscal deficit in control.

NAREDCO had submitted a representation, with specific points that would benefit home seekers and the industry, it is satisfying that the representation was taken in the right spirit and we see some of those points reflected in the minister's budget speech. He also mentioned that there was an ongoing effort to reduce GST burden on homebuyers; he spoke about formation of a group of ministers who are looking into this, as the effort was towards reducing the GST burden on homebuyers.

Among other points that the minister mentioned, the first to my mind would be extending benefits under Section 80-IBA of the Income Tax Act for one more year. This will enable creation of more homes under affordable housing. This will be applicable to housing projects approved till March 31, 2020. The measure is expected to go a long way in achieving the government's objective of 'housing for all by 2022'.

Secondly, with the aim of giving impetus to real estate, the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years has been proposed to extend. This will be applicable from the end of the year in which the project is completed, and this will ensure that the slowdown in creation of fresh stock as a result of the previous situation, wherein the exemption was only for one year, will be positively impacted.

For families which have more than one house – one in the home-town and the other in a location where family members work or have a job – currently, income tax on notional rent is payable in such cases i.e. if one has more than one self-occupied house. Considering the difficulty of the middle class having to maintain families at two locations on account of their job, children's education, care of parents etc, a proposal has been mentioned to exempt levy of income tax on notional rent on a second self-occupied house.

The benefit of rollover of capital gains under section 54 of the Income Tax Act has been proposed to be increased from investment in one residential house to two residential houses for a tax payer having capital gains upto Rs 2 crore. This benefit can be availed once in a life time. The minister gave the example of Mumbai, wherein a family sells a house in South Mumbai and



***THE BENEFIT OF ROLLOVER OF CAPITAL GAINS UNDER SECTION 54 OF THE INCOME TAX ACT HAS BEEN PROPOSED TO BE INCREASED FROM INVESTMENT IN ONE RESIDENTIAL HOUSE TO TWO HOUSES FOR A TAX PAYER HAVING CAPITAL GAINS UPTO RS. 2 CRORE.***

buys two houses in suburban Mumbai, and the benefit of this was availed only on one of the new homes. Describing this as something that is becoming a norm across urban centres in India, this would help families in a similar situation.

In my thought process, two things that could have also made it to this positive budget speech - which were missing as regards the housing sector – granting of industry status to real estate as a sector, not restricting it only to the affordable segment; as also section 43-C of the Income Tax Act, wherein tax is levied when prices are reduced. Also, the NBFC deadlock and stressed asset problems could have been dealt with in terms of solutions in the budget speech.

The one paradigm change in real estate, the new regulatory regime under RERA came in for mention from the minister. He said that RERA has helped in bringing transparency in real estate sector. He mentioned in his budget speech that India is poised to become a \$5 trillion economy in five years and aspires to become a \$10 trillion economy in the next eight years. This will obviously augur well for real estate and we look forward to positives in days to come.

*(The writer is National President, National Real Estate Development Council (NAREDCO))*