

Union Budget 2017

Impact on Real Estate

All Round Benefits to the Real Estate Industry

Benefits For	Type of Benefits
Industry	<ul style="list-style-type: none"> Infrastructure Status to Affordable Housing will change perception of the Industry in the eyes of all Stakeholders such as Buyers, Media, Banks, Foreign Investors, Government Departments. Developers will be able to get funding at cheaper rates, longer period and better terms from the Banking system.
Buyers - Middle Class	<ul style="list-style-type: none"> Reduction in Income Tax Rate will benefit middle class Buyers and improve their home loan eligibility. Further reduction in housing loan interest rates due to various factors such as demonetization to continue in 2017-18
Buyers - MIG / LIG	<ul style="list-style-type: none"> Increase in amount of loan eligible for subsidy under Housing for All Scheme to Rs 9 and Rs 12 Lacs (already announced by PM Modi on 31st December 2016 speech) Bill relating to curtail the menace of illicit deposit schemes will be introduced. This will curb the illegal chit fund / "bhishi" schemes and can be a good opportunity for Developers to encourage these people to invest in affordable housing.
Buyers – Towns & Rural Areas	<p>Target of building 1 Crore Homes in Rural Areas by 2019</p> <p>Budget Allocation for Pradhan Mantri Awas Yojana (Gramin) increased by a massive 50% from Rs 15,000 Crs in 2016-17 to Rs 23,000 Crs in 2017-18.</p> <p>Allocation for Rural & Agriculture sector increased by 24% to Rs 1.87 Lac Crores across.</p> <p>Focus on 3 Areas:</p> <ol style="list-style-type: none"> 1. Building Infrastructure 2. Providing employment & business opportunities 3. Improving living conditions
Foreign Investors (FDI)	<ul style="list-style-type: none"> Foreign Investment Promotion Board (FIPB) to be abolished in 2017-18 as more than 90% sectors are under automatic route. Liberalisation of Foreign Direct Investment (FDI) policy will give huge boost to Foreign Investors. It will encourage not just the large funds but many Small and Mid level funds to start investing in India. This will bring the much-needed liquidity in the market and bring down cost of funding.

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Developers - Tax Benefits	<ol style="list-style-type: none"> Conditions for getting Income Tax Deductions for Affordable Housing projects eased: <ul style="list-style-type: none"> Definition of maximum area of unit of 30 Sq Mtrs (Metros) and 60 Sq Mtrs (Non-metros) changed from Built Up Area to Carpet Area (as per RERA) Limit for 30 Sq Mtrs will apply only to Municipal limits of 4 Metros (Delhi, Mumbai, Chennai, Kolkata) Time for completion of project increased from 3 to 5 years Corporate Income Tax for companies having turnover up to Rs 50 Crs cut to 25% Time limit for getting Credit for Minimum Alternate Tax (MAT) for Corporate and Alternate Minimum Tax (AMT) for non-corporate increased from 10 years to 15 years. This will be beneficial to companies that are claiming deduction under Sec 80IBA as above as they will be actually able to use the credit if they do another project in the same company later.
Investors	<ul style="list-style-type: none"> Holding period for profit on immovable property to be treated as Long Term Capital Gains reduced from 3 years to 2 years. Presently the Tax Payer can only invest in bonds of National Highways Authority of India or Rural Electrification Corporation to save Capital Gains Tax. Budget has proposed that Tax Payers will now be able to invest in any bond with a maturity period of more than 3 years notified by the Government. This will create more options for Investors and improve their confidence as they will have more options to invest after selling their immoveable property.
Landowners	<ul style="list-style-type: none"> If Landowners want to give Land on Joint Development Agreements, they will have to pay tax only when the project gets part or full completion. Change of base year from 1981 to 2001 for Indexation purpose will make it easier for landowners to sell their land due to savings in Capital Gains Tax. These benefits can enable the Developer to get better terms from Landowner for both Sale or Joint Development.
Banking Sector	<ul style="list-style-type: none"> Lending to Affordable Housing will now be under Priority Sector due its Infrastructure Sector. Banks should get flexibility in structuring loans especially for large scale projects.
City / Urban Development	<ul style="list-style-type: none"> New Metro Rail Policy & new Metro Rail Act to be announced with focus on innovative models of implementation and financing and encourage private participation. Unmanned Rail crossings to be eliminated by 2020. Select Airports in Tier 2 Cities to be taken up for Operations & Maintenance under PPP mode. 2000 Kms of Coastal Connectivity Roads identified for Development. At least 25 Stations to be awarded for redevelopment in 2017-18.

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