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Budget 2019: Real estate sector not betting big on Budget, keeps optimism tempered with realism

Experts believe that the Budget 2019 will be more focused on courting voters, and there won't be any serious big-bang announcements for the real estate sector.



Budget 2019: The real estate sector will welcome any significant tax benefits that can boost buyer sentiment.

Unlike the earlier years, the real estate sector doesn't seem to be betting big on this year's Union Budget. For, the Budget 2019 is an interim budget which is going to be presented by the present government before the general elections 2019, and the realty players are aware that not much can be expected from this budget. Still, taking a cue from Finance Minister [Arun Jaitley's](#) recent comment that the interim Budget exercise may deviate from the general convention of providing a simple Budget, the sector has not lost all its hope.

“Since this is an interim Budget before general elections, our expectations for the sector are not very high and optimism must be tempered with realism. It is likely that the budget will be more focused on courting voters, and it is doubtful that there will be any serious big-bang announcements for the real estate sector,” says Anuj Puri, Chairman, ANAROCK Property Consultants.

Whatever be the case, industry experts believe that the budget should first of all provide greater clarity about the government intends to bridge the shortfall in on-ground deployment of affordable homes under the PMAY scheme. Merely announcing more funds for this critical scheme is insufficient if there are no convincing measures taken to deploy more of the promised housing.

Moreover, “as always, the sector will welcome any significant tax benefits that can boost buyer sentiment. This could be in the form of tweaking income tax slabs, or raising the tax exemption limit for home loans under Section 80C. The current limit is still a mere Rs 1.5 lakh per annum. The last time the exemption limit was increased was in 2014,” says Puri.

Thirdly, given the ongoing NBFC crisis and the severity of the funding crunch in the industry, the budget should definitely look at increasing the finance limits for NBFCs. NBFCs were responsible for over half of the funding extended to real estate developers last year, and the funding crisis that now prevails has resulted in stalled projects across the country. This needs to be addressed in the budget.

Fourthly, a more determined infrastructure push — not only in the form of more funds but with strict guidelines on actual infra deployment – will certainly boost the real estate sector and also generate more of the jobs that the current government had committed to deploy.

Apart from these, there are many other expectations from the budget. “The government should consider allocating a specific amount for developing infrastructure and improving connectivity in the peripheral areas of cities, especially metros and Tier 1 cities. It is time for the country to not only be a global player but also to leverage on its massive potential and improve the socio-economic situation within the country. The real estate is the powerhouse that cannot only propel the country on this path but also create jobs and bring prosperity to a large number of people in the process,” says Pankaj Bansal, Director, M3M Group.

Some developers are looking for an increase in the income tax deduction limit. "Additional income tax deduction will encourage more homebuyers to invest in the affordable housing segment. Developers who are specifically working under affordable housing schemes should be incentivized by grant of input tax credit on under construction properties by the government. Bringing stamp duty within the purview of GST and ITC incentives to the affordable centric realty market will turn the government's affordable housing dream into reality," observes Ssumit Berry, Managing Director, BDI Group.

The real estate sector may also get a boost with the Budget 2019's likely focus on the development of world-class infrastructure. "We believe that extension of income tax exemption applicable to the affordable housing units, introduction of a single window clearance system, and higher investments in key government initiatives like Bharatmala & Sagarmala projects will be valuable for the sector. Increase in road investment by 10-20% will improve connectivity in diverse regions and help the growth of real estate," says Ashish Sarin, Director and CEO, AlphaCorp.

Developers are of the view that a general stimulus in the upcoming Union Budget to induce consumption growth by way of lower interest rate regime, now that inflation has eased, will do wonders for the entire economy, including the real estate sector. "Sector-specific measures in the budget like moderation of long-term capital gains tax to 10% on property sale to bring it at par with 10% LTCG on equity/equity mutual funds, will improve investor sentiment and bring them back to the real estate sector. Also, rationalization of GST to 12% on all key raw materials, including cement and steel, will lower the costs and stimulate demand & employment in the sector. Stamp duty moderation is also needed, but being a state subject, the Union Budget has no bearing on it," says Raj Kumar Singhal, CEO, ELAN Group.