

Budget Insight - Real Estate

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Investment linked incentives for hotel will help to grow the hospitality industry and is a great initiative. Cut in surcharge on domestic companies from 10 per cent to 7.5 per cent is good, but increase of MAT from 15 per cent to 18 per cent will hurt the growth sentiment of various industries. Focus on SEZ is also a welcome step. We appreciate the decision of FM for not extending STP/ HTP scheme as this will help in building the SEZs in the country.

Service tax on real state including External Development and Internal Development Charges will hurt the growth of the industry and will impose an unjustified cost to developers/consumers upto 14-15 per cent. In our opinion, the present market condition is not good enough to absorb such a big cost as developers are struggling for margins and facing cash crunch. This will also result into slowing down of the demand in the market. We are afraid, that this may not only affect the growth of real estate, but also the growth of allied industries such as steel, cement, social infrastructure, electrical goods, marbles, pipes, construction industry, FMCG, banking industry as well. If we carefully analyse the situation, the resultant loss will be much more to the government as compared to gain from imposing the service tax on real estate sector.

HR IMPLICATIONS AS DESIRED

1. We propose to award an average increment of 10 per cent in the month of April 2010. The actual quantum would depend on the actual performance of the employee during the preceding six months.
2. Yes, we are reworking the modalities to restructure the remuneration practices keeping in view the proposed changes in the Budget.
3. The salaries are slated to increase by approximately 10 per cent across levels.
4. The salaries are definitely not going to drop. Benefits and perks are being reworked, and would be crystallised in about a month's time.