

## Budget ho!



ILLUSTRATION: ABHIMANYU SINHA

As the Budget Day draws near both the real estate developer and the consumer get set to review their must-have lists. Syed Amir Ali Hashmi takes a look

It's that time of the year when people start to keep their ears open, eager to know what the Finance Minister has up his sleeve. Players in the real estate market, too, are ready with their wish-lists, but experts believe it would not be right to expect much from the government this year, thanks to the kind of fiscal deficit the government is facing.

However, what the real

estate developers are hoping for is that the budget provide sufficient stimulus and sops to help the sector achieve the desired growth rate. Even consumers interested in buying property or investing in real estate expect the FM to spell out some consumer-centric policies.

For Vikas Vasal, executive director, KPMG, "The government is having a tough time managing its fiscal

deficit. "To contain it the government has two options: increase revenue in terms of tax collection; and control/reduce its expenditure. Therefore, it is unlikely that the government will come out with any tax benefit for the realty sector per se."

Hopes, however, are high. Says Navin M Raheja, CMD, Raheja Developers Limited, "We expect that the deduction of interest on home loan, under Section 24 of the Income Tax Act should be revised from the existing limit of Rs 1.5 lakh to Rs 3 lakh."

#### Redefining real estate

The tag of "infrastructure" earlier used by the government and all financial institutions while considering real estate allowed for easy funding of townships and residential/commercial buildings. Says Anil Sharma, CMD, Amrapali Group, "This (the infrastructure tag) seems to have got de-linked from real estate since the time land and property prices began to spiral.

"A change in the definition of the real estate sector resulted in these activities being categorised as 'outside' of the (infrastructure) sector. The immediate result of this was that banks could not extend loans for real estate activities on the same terms as they would to infrastructure companies, even though building new townships is akin to building infrastructure facilities. In the current sluggish market, it may be desirable to

reinstate the definition of real estate business as contained in the Foreign Exchange Management Act (as per which real estate is considered as infrastructure)," Sharma adds.

#### Affordable housing

Affordable housing should get a fillip. "The government should provide tax incentives for smaller units and accordingly the applicability of Section 80IB should be extended up to March 31, 2010. Therefore, income tax exemption will be applicable to projects sanctioned up to March 31, 2009," says Raheja. Moreover, "mass affordable housing involves integrated infrastructure development. Bigger township projects have a long gestation period needing investment for a longer period of time. Integrated affordable housing project development is almost akin to development of SEZs with complete set of infrastructure facilities," says Sahjeev Srivastava, MD Assotech Ltd. Accordingly, "affordable housing developers need to be given incentives for creating such an infrastructure in the country. Hence, integrated affordable housing project development should be accorded infrastructure status for the purposes of RBI, SEBI, IRDA and CBDT," points out Srivastava. Income tax deduction under Section 80-IB was available to developers for affordable housing.

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