

# Low-income housing gets more benefits, but not much for so

**In a one-time interim relief to the sector, the finance minister has allowed pending projects to be completed within a period of five years instead of four years for claiming deduction on their profits**

**T**HE credit-squeezed real estate sector gradually recovering from the onslaught of the economic downturn, today saw mixed fortunes in the Budget 2010-11. While extending measured benefits to the realtors, the UPA II re-affirmed its commitment to promote *aam aadmi* housing by proposing major allocations for it. Developers and real estate companies, however, were looking for much more than what the finance minister had to offer.

Unveiling the Budget, finance minister Pranab Mukherjee steered clear of extending any direct benefits to the real estate developers and instead announced extension of the deadline for profit-based tax deduction for ongoing housing projects from four to five years. The move, realtors believe would help them to offset the effects of the recent downturn to a certain extent, but clearly they expected more.

Mukherjee announced continuation of the concessions offered earlier to the sector. He said that in order to provide one-time interim relief to the housing and real estate sector impacted by the recession, "I propose to allow pending projects to be completed within a period of five years instead of four years for claiming a deduction on their profits." Projects approved between April 1, 2007 and March 31, 2008 have been exempted from paying any tax on their profits. Removing the caveat that these projects had to be completed by March 2012 to avail of this tax holiday, Mukherjee extended the deadline to March 2013.

While a slew of measures had been announced by the government in 2009 to boost affordable housing sector, the Union Budget 2010-11 has laid additional emphasis on it by extending the deadline by another year on the interest rate subvention of one per cent on home loans up to Rs 10 lakh, making a provision of Rs 700 crore this fiscal. The subsidy is likely to translate into a saving of Rs 28,920 on interest payment in case of a five-year loan and up to Rs 1.51 lakh in case of a 20-year loan. "It is a direct support to the sector as during the slowdown some projects did get delayed but now the developers will continue to get the tax benefit in affordable housing projects under Section 80 IB (10)," said Pradeep Jain, chairman Parsvnath Developers. According to Prof PSN Rao, head of housing at New Delhi-based School of Planning and Architecture "The



“ The finance minister has not considered the real estate sector’s major recommendations such as status of infrastructure to the industry, extension of tax exemption/tax rebate under section 80 IB up to March 2011, ECB for real estate etc. This would have helped the country to focus on meeting the housing shortage in the country as well as improving the overall GDP of the country.”

NAVIN M RAHEJA, MD, Raheja Developers Limited

“ The Budget would lead to growth in infrastructure, industry and employment generation. This would be beneficial for realty as more jobs would mean a rise in demand for homes. The announcement with regards to completion of pending projects in 5 years instead of 4 years will enable developers to concentrate on the quality standards rather than delivering projects in a hurry.”

SHRAVAN GUPTA, ExVC &MD, Emaar MGF Land

“ The realty sector would also benefit from continued focus on strengthening of existing affordable housing schemes, extension of tax exemption period for real estate projects from existing four years to five years and extension of 1 per cent interest subvention scheme on housing loan. All such measures will have positive impact on the real estate sector.”

SUSHANTO ROY, CEO, Sahara Prime City Limited