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Expert's View

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The government must make deep policy reforms to accelerate growth in realty demand

 admin  Last Updated: January 31, 2022

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Real estate is one of the key pillars of the Indian economy contributing around 8% to 9% to the overall GDP. Almost two years after the outbreak of COVID-19, the real estate industry is coming to terms with the way the pandemic has rewritten every expectation of how people live, work and interact. Consumer mindsets have undergone a dramatic change and brought segments like affordable housing and mid-segment homes into the forefront. Besides residential and commercial real estate, warehousing, co-working spaces and data centers have also gained a lot of traction in the recent years and will also be in focus in 2022.

The government must acknowledge the important role played by the sector and make deep policy reforms to accelerate growth in realty demand. It is expected that Union Budget 2022 will play a supportive and enabling role.

Few key relaxations in taxes to boost the real estate sector and rise in FDI inflow are among other expectations from the Budget 2022 by the industry. A multi-dimensional approach focused on availability of improved & low-cost credit, through priority sector lending.

Holistically, the current industry scenario has made real estate development costlier, and it is challenging to manage the cost and the funding thereof, from time to time. Hence, few changes in GST become imperative for creating a positive impact on all real estate asset classes. The mandatory changes expected from Budget 2022 is waiving of GST on Transfer Development Rights (TDRs) (both government allotted and privately purchased) and Joint Development Agreements (JDAs), new provisions for encouraging rental housing, ease of tax holiday provisions and cost definitions in Affordable Housing, single-window clearances, input tax GST credit for Commercial real estate and additional interest rate deduction on home loans. We are also hoping to see some relaxations in provisions for REITs in commercial real-estate and reduction of income tax burden on long-term capital gains. Furthermore, granting infrastructure status to the Real Estate sector – as it would help build liquidity in the industry and decide supply-side costs.

Overall, we are very positive about the budget and that the government and regulators will continue to provide fiscal and policy support to the industry. We hope for positive-looking policies, there-by enabling better recovery and further growth of the industry.

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