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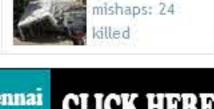
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Budget fails to shore up realtors sentiment

Talwars' plea





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The Budget 2013, experts feel, has failed to shore up the business sentiment of the real estate industry. While it aims at increased reporting of real estate transactions, promotion of home ownership for the first buyer, creation of a housing fund; it has put a tax burden for relatively affluent class in acquiring a house. On other long standing demands of the real estate industry the Budget has only dealt silence including passing of the long-pending real estate regulatory bill.

Anuj Puri, chairman and country head of Jones Lang LaSalle feels the decision to introduce one per cent TDS for real estate worth more than Rs 50 lakh transactions is aimed at ensuring that taxes are collected and some transparency is brought into the sector.

"While this is a laudable initiative, it may not ensure complete transparency as some unscrupulous sellers may still insist on undervaluing their properties in legal documents in order to avoid or reduce the quantum of tax they are liable to pay."

Besides, Puri said, this may also lead to an increase in the cost for property buyers, as sellers may insist on passing on the burden of the tax to them.

In order to promote home ownership, the finance minister allowed an additional deduction of interest up to Rs 1,00,000 from the taxable income if a person buys his first home, by taking a loan of up to Rs 25 lakh from a bank.

Though the cap of Rs 25 lakh on loan will not make it very attractive in metros, it will meet the requirement of most homebuyers in small cities.

Nitesh Kumar, COO of realty company TDI Infrastructure, said that the additional deduction of Rs 1 lakh on interest on a home loan of up to Rs 25 lakh for first-time homebuyers is going to make home-buying a little easier for young people who are buying their first house in Tier II cities where prices are lower.

At present, deduction against home loan repayment is allowed up to Rs 1.50 lakh from a person's taxable income. This additional deduction of Rs 1 lakh will peg the total deduction against interest payment on home loan at Rs 2.50 lakh. This will reduce the interest burden substantially.

However, for the affluent class, the finance minister increased the tax burden in acquiring a house. Experts and developers feel that these measures will increase the cost of houses in the NCR and other metro cities like Mumbai, Bangalore, Pune and Chennai.

The decision in the Budget to lower abatement from 75% to 70% for high end houses and flats will make premium houses costly. Houses and flats with a carpet area of 2,000 sq ft or more or of a value of Rs 1 crore or more are high-end constructions, where the component of service is greater.

The Budget has however doled out a subsidy to infuse liquidity in the sector proposing to set up a housing fund with an initial corpus of Rs 2000 crore under the aegis of National Housing Bank. The modalities and road map for the creation, management and disbursement of the fund

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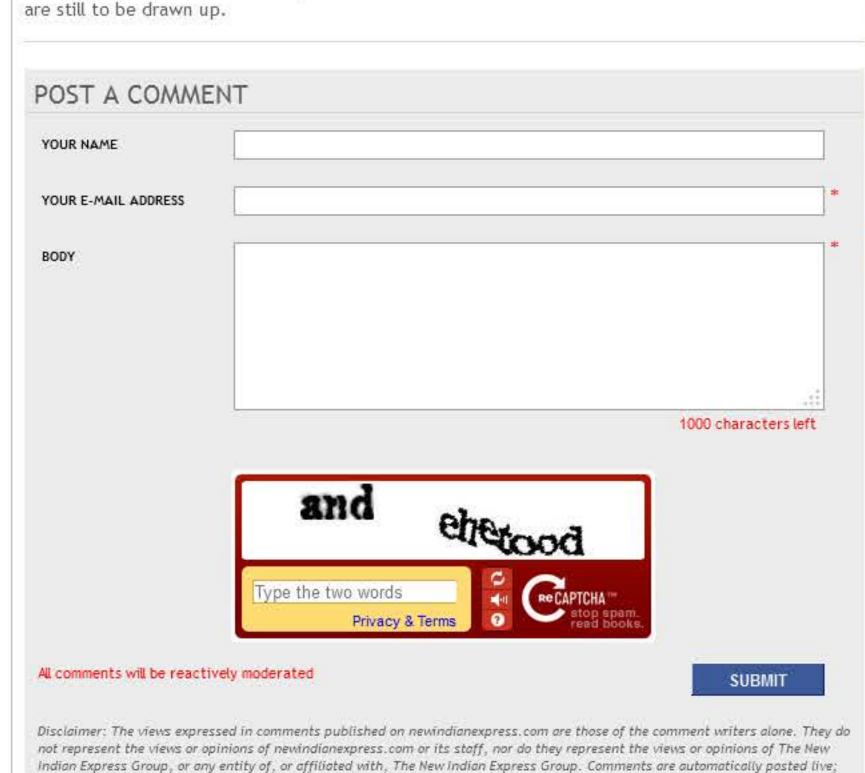
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