Budget 2017 – Housing

What is the present situation?

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Nearly five million Indians move into urban areas every year.

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Urbanization, demographic changes and improving affordability will drive growth over the next decade.

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These have pushed the average age of a first-time homebuyer down by more than 10 years, to about 30.

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- A recent **Morgan Stanley report** drew a comparison between China in 2004 and India in 2015—when the countries' economies were very similar on many important economic indicators.
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- In China, the value of real estate sold between 2004 and 2015 grew at 22% annually and created a property sector worth $1.3 trillion (around Rs88 trillion) in 2015.
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- Compare this to the estimated 2015 size of $105 billion for the Indian property sector, which Morgan Stanley estimates will cross $500 billion over the next decade.
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What role government can play?

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- The government has a big role to play in setting a policy agenda that promotes both consumer protection as well as industry growth.

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- Real estate development should be a priority for the government because,\n
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    1. Construction is the second largest employment generator, only behind agriculture.
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    2. The sector is a major contributor to the economy directly, and through ancillary industries such as cement, steel and paints.
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    3. There is an acute housing crisis in the country, with inadequate housing and large segments of urban India living in slums.
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    4. The property sector is a major revenue source for the government and can drive funding for significant infrastructure requirements.
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What steps have been taken in the budget?

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- The measures include the aspirational Housing for All by 2022 policy and the 100 Smart Cities initiative.
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- The budget confirmed this focus as the government announced numerous policy changes to support the affordably housing industry.
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- The government has also changed the regulations governing real estate investment trusts (Reits) and foreign direct investment to promote greater liquidity.
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- It has also taken important steps to improve governance levels with the Real Estate Regulation and Development Act (Rera), which will ensure that homebuyers are protected and that the sector gains more credibility.
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- It laid emphasis on improving the ease of doing business in India in an effort to unleash the true potential of the economy.
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- The ease of doing business in the real estate sector is non-existent, which leads to several adverse outcomes like project delays.

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- It proposed to assign **infrastructure status to affordable housing projects and facilitate higher investments**.
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- The National Housing Bank will refinance individual housing loans worth Rs20,000 crore in 2017-18.
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- In the last budget **100% tax deduction on profits** were allowed to houses of up to 30 sq. m. and 60 sq. m. on the basis of built-up area.
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- In the present budget it was changed to the carpet-area basis, bringing more projects under its ambit.
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- Also, in order to be eligible, the **project was to be completed within three years of commencement.**
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- The budget proposed to complete 10 million houses for the homeless and those who live in *kachha* houses by 2019.
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- The deferment of capital gains tax on Joint Development Agreements would help reduce the cost of land for the developers.
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- Also, reducing the long-term capital gains holding duration from three years to two years will help bring transparency in real estate transactions in the secondary market,
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Some related terms

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Carpet area is the area within the walls of an apartment that is for the exclusive use of the buyer. While computing the carpet area, the terrace and balconies are usually considered as half the actual area.
\n**Built-up area** includes the carpet area and thickness of external walls, internal walls and columns. It is typically 10-20% more than the carpet area and is also sometimes known as the plinth area
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Source: Live Mint

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