



HOUSING SECTOR

Housing and real estate is a vital segment of the economy in terms of its connectivity with the rest of the economy. Housing and real estate generates demand for steel and cement, consumer durable goods, plastics, sanitary ware, electrical goods and a variety of services. It is therefore important to push up the housing sector through the following measures:-

Amendment to Section 80-IB

- Under Section 80-IB(10), tax holiday is available only for housing projects approved before 31st March, 2008. **This cut-off date of 31st March 2008 must be extended by at least 5 years which has become increasingly crucial in the context of sluggish real estate market owing to higher property prices, global financial turmoil, stock market crash and fears of job curbs. The realty firms must be encouraged through fiscal incentives to construct small dwelling units at affordable prices which should go a long way in uplifting the social status of ‘Aam Aadami’.**

Also, under the said section, one of the prescribed conditions is that the built-up area of the shop and other commercial establishments included in the housing projects shall not exceed 3% of the aggregate built-up area of the housing project or 5000 sq. ft., whichever is less. In large housing projects, 5000 sq. ft. may not be adequate, particularly in view of high density as may arise from restriction of maximum built up area of 1000/1500 sq. ft. per residential unit. The absolute limit of 5000 sq. ft. may be deleted.

Interest Deduction on Home Loans

- Interest deduction limit increased to at least 250,000 and service tax on construction of residential complexes abolished.



Stamp Duty Reduction & Introduction of Credit System

- Stamp duty needs to be brought down further to 4-5% and made uniformly applicable across all states. Also, if stamp duty has already been paid on one transaction, there should be a mechanism to provide concession or a system of credit for any subsequent transactions. This would avoid the resultant cascading effect of Stamp Duty, thereby reducing the cost of a property. The concept of credit for taxes paid on subsequent transactions already exists in other statutes such as CENVAT, VAT, MAT, etc.

Service Tax

- Service tax in relation to construction of residential complexes having more than 12 houses has been imposed. Services in relation to construction of residential bungalows, not forming part of a 'residential complex', are excluded. Taxing the construction of such residential complex will now entail a higher cost of construction. The discriminatory tax treatment is not understandable. Also, what is the sanctity of the threshold of 12 dwelling units in a residential complex. Service Tax should not be imposed in the case of construction industry as the said industry is already paying a number of taxes on different inputs purchased for constructing the houses in addition to taxes such as Works Contract Tax (WCT). Also, Service Tax be not leviable on rental income of commercial premises which has a crippling effect on occupiers of retail premises.

Definition of Real Estate

- The definition of "infrastructure" earlier used by the government and all financial institutions allowed for funding of townships and residential / commercial buildings. This seems to have got de-linked and branded as Real Estate during the time when land and property prices were spiraling. A change in the definition of Real Estate sector resulted in these activities being categorized as "outside of infrastructure sector". The immediate implication of this was that banks could not



extend loans to real estate activities on the same norms as they can to infrastructure companies, even though building new townships are similar activities as building infrastructure facilities. In the ongoing sluggish environment of real estate market, it may be desirable to reinstate the definition of Real Estate business as contained in FEMA.

Standard Deduction on Rental Income

- Presently section 23 of the Income Tax Act provides a standard deduction of 30% from the rental income which should needs to be substantially increased to around 50% of the total income.

Long Term Capital Gains

- As per Section 54, capital gain arising from transfer of any capital asset is exempt from tax in cases where the sale proceeds are invested in acquiring one residential house. FICCI feels that exemption should be available where the capital gains are re-invested even in more than one house.

Industry Status to Real Estate Sector

- The industry should fairly be accorded the long pending status of Industrial Undertaking for purpose of availing long term and short term finances as available to other industries



Technology for Low Cost Housing

Considering the need to construct affordable houses at a very fast pace in this country, new construction technology is required such as aluminum formwork or precast technology. Currently most of these technologies are being imported and have high taxes levied on them. The customs duty/ taxes paid for importing these technologies varies in the range of 20-25%. This prohibits the use of these technologies and hence the pace of development of affordable housing. The need of the hour is to reduce these taxes for the development of housing for the EWS/LIG segment.