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Budget

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Amid the apprehensions of an economic slowdown and reduced growth forecasts, Finance minister Nirmala Sitharaman presented the second full Union budget for the current fiscal year 2020-21. The budget is woven around three key themes viz aspirational India, economic development and caring society.

The key highlights of the budget remained the announcement of three new smart cities, funding the National Infrastructure Pipeline, faster development of expressways, change in income tax slabs, extending the tax holiday for affordable housing developers by another year, the extension of home loan subsidies worth Rs 1.5 lakh and total removal of Dividend Distribution Tax (DDT) for companies.

Expressing elation at the budget declarations, the real estate industry has expressed happiness over the budget and termed it a facilitative one. Let us see what industry experts have to say over the Budget recommendations.

Surendra Hiranandani, Chairman and Managing Director, House of Hiranandani

While the budget overall had measures directed towards boosting the income of people and enhance their purchasing power through tax relief, it has some specific measures for the real estate sector too. The budget announced the initiative to develop five new smart cities in collaboration with States in PPP mode. This is a welcome move and will enhance the real estate prospects. It strengthened the commitment to affordable housing, which is the government's focal point for real estate. The previous tax exemptions for both homebuyers and developers have been extended for another year. Personal tax relief across various income slabs will invariably increase disposable income at the hands of the middle class, and boost their consumption capabilities.

Kaushal Agarwal, Chairman, The Guardians Real Estate Advisory

The government has attempted to catch the bull by its horns. The budget demonstrates the government's resolve to focus on demand generation, spurring jobs, increase infrastructure spends, attract foreign institutional investors and increase farm income. The decision to offer an optional tax regime that reduces the direct tax on personal income will help increase the home loan EMI appetite of the consumers and will have a significant impact on generating demand for real estate. The government's decision to further bolster the guarantee scheme for NBFC's & HFC's and offer subordinate debt to MSMEs, will to a certain extent, help bring liquidity in the market alongside the abolition of DDT. The tax holiday for developers of affordable housing and the extension of home loan interest benefit for affordable homes by another year is a welcome step for real estate. It is a positive step towards realizing the Prime Minister's vision of housing for all by 2022. All in all - A good budget that rekindles hopes of a 5 trillion dollar economy by 2024.

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The new tax regime and extension of the date to sanction housing loans by a year will ensure surplus funds in the hands of potential home-buyers, acting as a positive tool in recuperating consumer confidence and prompt investments. Further to this, reduced taxation of 5 percent to diminish adversities in real estate transactions and the extended affordable housing approval date for developers to claim the tax holiday will attract more builders to actively participate and develop more affordable projects thereby fueling the momentum of "Housing for All by 2022".

Rituraj Verma, Partner, Nisus Finance

The budget has been disappointing on the much-needed stimulus needed for real estate and the only cheer has been an extension of tax holiday for affordable housing. We can expect a further downside to the already sluggish market, however, with the income tax slab cuts, it is possible that the economy may revive and overall demand for real estate may improve.

Shivam Sinha, CEO, Indiassetz

For the affordable housing, extending the Rs 1,50,000 benefit on interest paid on affordable housing loans by a year, comes as a notable relief for investors in the reality space. Additionally, extending the tax holiday for affordable housing developers will help boost the market sentiment.

Farshid Cooper, MD, Spenta Corporation

The most exciting announcement of Budget 2020 is the tax relief to individuals. The amended tax slabs will ensure more disposable income in the hands of the middle class. This could lead to reviving the consumption cycle in the realty sector and kickstarting the economy. Further, with additional savings, individual investments in housing, especially affordable housing could see an uptick in the near future.

Pankaj Pal, President, Business Development & Strategy, AIPL

We are very happy to hear of the proposals under affordable housing scheme, the deduction of Rs 1,50,000 will be extended by one year and tax holiday on profits of developers involved in affordable housing projects will be extended by one year to March 2021. This will bring a much-needed breather for some projects which have struggled to complete for various reasons. The real estate industry is one of the foremost contributors to the GDP growth and hence it can assist the government in determining the shortfall in employment generation. NSDC will help skill development in the infrastructure sector and Rs 1.7 lakh crores provided for transport infrastructure in 2020-21. This will boost huge employment opportunities in construction, operation & maintenance of infrastructure. We look forward to working with the government in the coming years to ensure that the Indian real estate sector can grow as fast as possible and become a showcase to the world.

Rahul Grover, CEO, SECCPL

This year, the budget has revealed the government's intentions towards bettering infrastructure. The National Infrastructure Pipeline includes 6,500 projects

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Sunteck Maxx World in
Naigaon (East)

Lodha Amara in Kolshet
Road

Kalpataru Vienta in
Kandivali (East)

Rustomjee Urbania in
Majiwada

Runwal Gardens in
Bhadra Nagar

Lodha Upper Thane in
Anjurdive

JP North in Mira Road
East

Today Global Anandam
in Kharghar

Runwal Eirene in
Balkum

across the country and Finance Minister Sitharaman has also announced the allocation of Rs 27,300 crore for industry and commerce in the financial year 2020-21. The scope of commercial projects will show an incline, as can be seen from the government's plans of developing a 9,000-km economic corridor. Along with this, plans for developing strategic national highways have also been announced, which can help bring about developmental changes in the real estate sector as well. Additionally, Ms. Sitharaman has also extended the tax holiday on profits for developers involved in affordable housing projects until March 2021. These announcements bring glad tidings, as advancements in infrastructure are a trigger for the development of society. The real estate sector can expect an array of opportunities to explore different projects - both residential and commercial, and the tax benefits being offered on the affordable housing initiative are a positive indication of the year to follow.

Ashish R Puravankara, Managing Director, Puravankara Limited

The Union Budget 2020 has brought good news for the growing Indian middle class. The Income Tax slabs in the new regime have the potential of putting extra money in the pockets of everyday Indian, which invariably boosts overall consumption. Furthermore, the Rs 1.5 lakh deduction in affordable home loan interest extended by another year will also bring people closer to their dream of becoming homeowners. The tax soaps for affordable housing is also extended by one year to 31st March 2021 is a welcome move. The increase of the limit from 5 percent to 10 percent in the calculation of income (i.e. the difference between the consideration value and circle rates) while investing the capital gains and business profits in real estate, may see an increase in investment in the real estate sector of India.

Satish Magar, President, CREDAI National

Budget 2020 has not been encouraging for the Indian real estate sector which needs immediate attention from the government. No sector-specific measures were announced for real estate. As an industry, we expected bolder steps from the government to revive the ailing industry such as providing more liquidity for the sector, one-time restructuring of loans, and tax deductions on home loans to give impetus to buyer sentiment. Unfortunately, none of these issues has been addressed, except providing tax holiday for one more year for affordable housing developers and loan sanctioning- which was due for some time. Budget 2020 needed steady fiscal invigorating measures, focusing on demand creation.

Lincoln Bennet Rodrigues, Founder and Chairman, Bennet & Bernard Group

The Union Budget 2020 had very few measures for the real estate sector which is one of the major contributors to India's GDP. Apart from the personal income tax relief and few sops for affordable homes, there have been pressing concerns in the real sector that have not been addressed. There was an urgent need to address the challenge of liquidity faced by the sector, especially after the NBFC crisis. The budget could also have revived the Input Tax Credit for the housing sector to provide relief to developers and home buyers, where-in homes could have been made available at a lower cost. Some of the other aspects that the government that could have been addressed in the budget are granting of industry status to the overall real estate sector and the implementation of single window clearance. A key expectation was the restoration of income tax benefit on a second home which would have benefitted home buyers in a big way and also stimulated the real estate sector. Going forward, we hope that the government takes more developer and investor-friendly initiatives for the betterment of the real estate market in the near future.

Anuj Khetan, Director, Vijay Khetan Group

The announcement proposed to extend Rs 1.5 lakh benefit on interest paid on affordable housing loans by a year is a move to encourage the developers to invest more in affordable housing. Also, the tax holiday provided on profits earned by developers of affordable housing projects is a big relief to the sector. The funds allocated for infrastructure will give a much-needed fillip to infrastructure development. The sector was highly expecting the scrapping of capital gains on the sale of properties which could have provided a major relief both to the sector and consumers. Although the budget had very few things to cheer, the industry hoped for more in terms of reviving the market sentiments.

Ramesh Nair, CEO and Country Head, JLL India

The budget has no direct impact on the real estate sector, the focus continues on infrastructure and revival of consumer demand. Extension of benefit u/s 80EEA to avail additional Rs 150,000 interest deduction on home loans for first time home buyers. Considering that a majority of home buyers fall in the lower and mid-income segments, this tax benefit will boost demand substantially. This will significantly benefit first time home buyers who will enjoy the benefits of interest subvention under the CLSS scheme and the extended tax benefits. Time extension to claim 100 percent tax deduction on profits from affordable housing projects until March 2021 u/s 80IBA. This will ensure the continued interest of developers for the construction of affordable housing projects and help achieve the "Housing for All" objective of the government.

Rajan Bandelkar, President, NAREDCO West, Managing Director, Raunak Group

The real estate sector had pinned high hopes on the Budget, as the sector has been reeling under pressure and is on the verge of collapse. The Budget has only two positive proposals for the sector viz. one more year of extension for approval of affordable housing projects for availing a tax holiday and extension of additional Rs 1.5 lakh tax benefit on interest paid on affordable housing loans. But the sector's key demands such as allowing restructuring of loans, extension of a subvention scheme, raising the limit of Rs 45 Lakh for affordable housing, scrapping of capital gains on the sale of properties, extending the timeline of capital gains, are not met with. This core sector drives demand in ancillary sectors and creates employment opportunities, too. Not addressing the key issues will worsen the future and make the going unviable. The Government can still take immediate steps to bring the sector back on the track before it is too late.

Manas Mehrotra, Chairman, 315Work Avenue

Considering the popularity of co-working, we had some expectations from Union Budget 2020-21 to further propel the growth in the sector. The Union Budget 2020-21 has announced a few measures that would benefit the start-up industry and indirectly the coworking sector. The budget has proposed deferring the tax payments on ESOPs by five years or till the employees leave the company or sell their shares, whichever is the earliest. This will reduce the cash flow problem for employees who do not sell their shares immediately and continue to hold them for the long term. The budget has also proposed a 100 percent deduction of profits for three consecutive assessment years out of seven for eligible start-ups having turnover of up to Rs 25 crore and an increase in the turnover limit for tax exemption for start-ups from Rs 25 crore to Rs 100 crore, all of which will boost the start-up sector.

Madhusudhan G., Chairman and MD, Sumadhura Group

We view this budget in a positive light. The budget has provided a fresh stimulus to the 'Housing for All' vision by extending additional corpus of Rs 1.5 lakh tax benefit on interest paid on affordable housing loans by one year. Affordable housing projects are given a deduction which adds to a concession for real estate transactions. The long awaiting single-window clearance and industry status for real estate are not addressed, however, the developers expect the National Logistics Policy to be released by the government soon, to help enable single-window clearance for projects. The budget has also addressed the liquidity issue by informing that the government will offer support by guaranteeing securities floated to enable liquidity support to NBFCs. A mechanism to provide liquidity to NBFCs and housing finance companies was also proposed.

Amit Jain, MD, Arkade Developers

The Union Budget 2020 has not addressed the issues of buyer's sentiment and the real estate slowdown which was in a weak state in the year gone by. Though the budget has focused on affordable housing. Keeping in perspective the development of infrastructure and continuing the affordable housing mission, there are chances of a turnaround in the sector. While it is too early to predict the possible outcomes of the announcements, we remain hopeful that the sector will see an increase in sales. Simultaneously, through the NSDC, we can look forward to skill development in the infrastructure sector. Furthermore, the development of infrastructure will also help in the development of the real estate sector.

Kamal Singal, MD & CEO, Arvind Smartspaces

The union government has come up with a balanced budget focusing on addressing key challenges faced by the country without undertaking any significant fiscal trade-off. Several initiatives have been announced on areas such as agriculture, rural demand, healthcare, MSMEs, entrepreneurship/ start-ups, infrastructure which are likely to boost the overall economy of the country. Removal of DDT and full tax exemption on income by sovereign funds in infrastructure will increase funding and growth in sectors such as infrastructure. The reduction in personal income tax slabs will lead to more expendable income in the hands of the middle class likely contributing towards revival in consumption demand. On real estate sector specifically, the announcements on extending interest exemption on affordable housing and extending the window for approval of affordable housing by one more year will provide impetus to the affordable housing segment. The increase in deviation limit from circle rates for real estate transactions from current 5 percent to 10 percent will remove the inconvenience faced by buyers/ sellers of real estate and provide further relief to the real estate sector.

Ravindra Pai, MD, Century Real Estate

Union Budget 2020 has shown a positive long-term direction on reviving growth with Rs. 1.03 Trillion spent on Infrastructure, Income Tax Cuts, DDT Exemption and Manufacturing focus. For the Real Estate Sector, it was a mixed bag. The extension of Rs 1.5 lakh tax benefit and approval window for a tax holiday on affordable housing are welcome steps. While the Rs. 25,000 crore stressed asset fund by the Government is taking off, specific measures to resolve the liquidity such as restructuring window for stressed projects or further tax benefits to individuals on housing across all segments, would have helped in boosting immediate demand and growth.

Sangeeta Prasad, MD & CEO, Mahindra Lifespace Developers Ltd

Union Budget 2020-21 focuses on reviving economic growth and enabling ease of living for citizens. Reduced income tax rates will boost disposable income and drive consumer demand. Infrastructure development across sectors such as housing, metro and railways, highways, logistics and warehousing, irrigation, airports, clean energy, healthcare and educational institutes will aid industrial activity and create jobs. The proposed policy for the development of data centre parks indicates a renewed thrust on data as a valuable resource that will fuel the nation's growth. The Budget also acknowledges the huge employment opportunity that exists in construction, and the operations and maintenance of infrastructure projects. Plans announced for ensuring cleaner air in India's cities will support emissions reductions targets, in line with our commitment to climate action.

A year's extension on both the additional reduction of Rs 1.5 lakhs for interest paid on affordable housing home loans; and the tax holiday provided to developers of affordable homes will boost supply and revive demand in the segment. Affordable housing segment also stands to gain from the increase in disposable income due to lower personal tax rates on income of up to Rs 15 lakh. The allowance of a higher difference between transaction value and stamp duty rates can also stimulate growth.

Pankaj Kumar Jain, Managing Director, KW Group

Budget 2020-21 has some positive triggers for the growth of real estate sector such as one-year extension of additional Rs 1.5 lakh tax benefit on interest paid on home loan under the affordable housing category, besides one-year extension of tax holiday for the developers on profits earned from affordable housing projects. Also welcome is the Finance Minister's announcement of Rs 100 lakh crore to be invested on infrastructure projects over the next five years. Still, these steps will not be enough to boost the affordable housing segment betting on which the government is driving its most ambitious commitment to fulfil housing for all by 2022. Unless concrete measures to generate demand in the industry are implemented, achieving this target is difficult, to say the least.

Apurva Gupta, Chief Marketing Officer, Rivali Park, CCI Project

The Budget 2020 has lent a boost to the affordable housing sector by proposing to extend additional Rs 1.5 lakh tax benefit on interest paid on affordable housing loans for the first time buyers to March 31, 2021. This will lend a positive thrust to the Government's initiative of 'Housing for All'. The Union Budget has further proposed to extend the tax holiday offered to developers of affordable housing projects subjected to certain conditions. Under the tax holiday, the developers will get an opportunity to avail 100 percent tax exemption on their profits under the affordable housing category.

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