

Budget has tried to address supply side as well as demand side concern: Bikram Sen

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“The budget announcement allowing 100 per cent deduction for profits to housing projects building homes up to 30 sq metres in the four metro cities and 60 sq metres in other cities should increase supply of affordable houses. This exemption would bring in about 15 per cent upside on profits after paying the MAT tax for the developers building such projects, making it easier for the developers to attract foreign and domestic investment for housing projects. This will encourage even developers, who are hitherto in upper/luxurious segments to get into affordable housing.

The government's service tax exemption on houses less than 60 sq m, and the additional exemption of Rs 50,000 for housing loans up to Rs 35 lakhs (for homes below Rs 50 lakhs) are both likely to improve first-time home buyers' sentiment and boost demand. This should prompt developers to deploy more money into building affordable housing.

The budget has also increased the limit of deduction of rent paid under section 80GG from Rs 24,000 per annum to Rs 60,000, to provide relief to those who live in rented houses. This will enhance disposable income in the hands of end-user, which should also increase ability to re-pay home loans (there enabling more people to take such decisions) and also improve rentals thereby making investments in housing more attractive. The announcement of removal of DDT on real estate investment trusts should give a boost to REITs and improve the markets for commercial properties. In essence, the budget has tried to address supply side as well as demand side concerns, at least on the affordable housing front. This should bring in much greater supply, spur construction activity and employment connected to it.”

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