

## Latest International News

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### **Budget Expectations 2013 - Mr. Rajas Jain, Managing Director of Kumar Properties**

Year 2012 has been a little subdued. Slow reforms coupled with lack of decisive political will and a struggling economy has affected market confidence thereby dampening real estate sentiment. Also we have seen no major policy announcements directly benefitting the real estate sector in the last few budgets. Listed below are some of our expectations from Budget 2013, which will provide a boost to the real estate sector.

1. Increase interest limit on housing loan. Currently under Section 24, the maximum amount of interest that can be deducted from an individual's income on the housing loan is Rs.1,50,000. However with rising input costs and the subsequent increase in real estate prices, the interest rate subsidy limit needs to be significantly enhanced to ensure a larger scope of affordable housing for buyers. This will also help the developers offload their housing units' inventory.

2. Principal amount of housing loan (which includes Stamp Duty & Regd. Cost) should be separated from Sec 80 C. Presently the 80C deduction of 1 lac includes the principal amount of housing loan. Since the 80C deduction is towards investments in PPF, LIC, etc the principal amount of the housing loan should be separately allowed as deduction & not form a part of the 1 lac limit of section 80 C.

3. Increase / reclassify affordable housing loans in Tier 1 and Tier 2 cities. With time, increasing construction costs and rising land valuations in tier 1 and tier 2 cities have increased total project costs. So the current definition of affordable housing in these cities needs a re-evaluation and financial allocations from banks need to be in tandem with the ground realities of that city.

4. Increase deduction of rent allowance. Currently an individual staying in a rented accommodation can avail a special tax deduction of 25% on the rent paid by them under section 80GG of the Income Tax Act. However, this deduction limit has been kept static to Rs.2000 per month for years. This needs to be revised to be in sync with current rent price system. This will ensure better access to real estate for low to medium income groups and boost real estate investor sentiment as well. Also, under the prevailing system of tax rates, we have two divergent sets of tax treatments for rent free lodging provided by the employer. While a Government employee only pays the license fee, private sector employees are taxed heavily at 7.5-15% of the salary. The government needs to bring about a uniformity in taxes to avoid undue discrimination.

Additionally, rising cost of construction, shortage of skilled workforce, lack of serviced urban lands, lack of single window approval system, obtaining the 57-odd permissions to begin construction continues to remain key challenges. We are hoping for relevant government measures in 2013 to resolve the same and provide impetus to this segment.

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