

# India Union Budget 2019-20

## Point of View

### Building, Construction and Real Estate



#UnionBudget2019 #KPMGBudgetLIVE

## Key announcements for the sector

- Rental Housing Scheme to receive more Government focus; Model Tenancy Act to be finalised and shared with states for implementation
- Additional tax deduction benefit of INR1.5 lakh for interest paid on loan for purchase of affordable houses having value up to INR45 lakh for money borrowed until March 2020. This will be in addition to the existing INR2 lakh, and is expected to translate into benefits of INR7 lakh over a 15 year period
- Government is likely to provide opportunities to private parties for developing affordable housing and large public infrastructure projects on land banks held by central ministries and CPSEs through innovative structures like joint development or concessionaire contract
- The budget proposes to enhance the metro railway initiatives by encouraging more Public Private Partnership (PPP) initiatives along with supporting Transit Oriented Development (TOD) to ensure commercial viability for such transit hubs across the country
- The budget proposes to allow FPIs and NRIs to subscribe to listed debt papers of real estate investment trusts (REITs) and infrastructure investment trusts (InvITs)
- Continuing the initiative of 'Cashless Economy', it has been proposed to levy a TDS at the rate of 2 per cent on cash withdrawal in aggregate exceeding INR1 crore in a year from a bank account maintained with a banking company, post office and cooperative banks
- Definition of 'Affordable Housing' as provided u/s 80IBA of the Income Tax Act is now aligned with GST Law
- Definition of 'consideration for immovable property' for TDS purpose on transfer of immovable property has been widened to include all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, advance fee or any other charges of similar nature, which are incidental to transfer of the immovable property whether under the same agreement or different agreement.

## Implications for the sector

- The Government clearly wants the industry to focus on affordable housing as a segment to further the agenda of 'Housing for all by 2022' mission with targeted 1.95 crore houses to be provided to eligible beneficiaries
- Announcements like additional tax benefit of INR1.5 lakh for home loan taken to buy affordable home and Government's wish to also develop affordable housing on land banks of CPSEs through structures like joint development, clearly demonstrate the focus on fulfilling housing demand in the county
- Model Tenancy Law for rental housing is expected to improve the balance between the rights and responsibilities of landlords and tenants with respect to aspects of tenancy such as rent, security deposit, escalation, etc. This is a great initiative for the segment, and would go a long way in securing tenancy rights
- Development of railways as well as metro projects on Public Private Partnership (PPP) basis would create opportunities for developers to evaluate asset segments like co-living / student accommodation projects as part of land monetisation for transit-oriented development
- Opportunities for development of affordable housing projects on Government land banks through capital light structures would help developers expand their portfolios at strategic locations with minimal upfront capital investment
- Real estate developers evaluating listing of REITs and InvITs will welcome the Government's move to allow NRIs and FPIs have access to debt securities of such entities as it would ensure availability of capital raising sources for these instruments
- Levy of TDS at the rate of 2 per cent on cash withdrawal in aggregate exceeding INR1 crore in a year from a bank account maintained with a banking company, post office and cooperative banks will curb generation and circulation of black money and to promote digital payments further
- Clarity on definition of 'consideration for immovable property' for TDS purpose on transfer of immovable property will chalk out the ambiguity as to what forms part of consideration for immovable property for the purpose of withholding of tax.

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