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# Budget 2019: Realty Stakeholders Demand 'Industry Status' for Construction Sector

Overall sector's momentum decelerates due to the prevailing liquidity crisis. What should the government do?



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July 3, 2019 5 min read

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Indians decelerated due to the prevailing liquidity crisis and lack of skill development initiatives.

The last interim budget did bring along a ray of hope in the form of proposed policy changes including the reduction of GST rate from 18 per cent to 5 per cent on under-construction flats, elimination of tax from the notional income from the second self-occupied residential property and allowance of capital gains exemptions from investment in a second house.

However, the overall industry momentum has phased down as multiple grave issues have taken over, disrupting its growth story. Ahead of Nirmala Sitharaman's maiden budget, the real estate sector has tabled some of the expectations; they wish to be addressed by the Indian Government. Entrepreneur lists the top 6:

### **Status of an 'Industry'**

Despite being one of the largest contributors of the Indian economy, the real estate sector has not been allotted the status of an industry, keeping the shareholders from the benefits other industries' players enjoy. The issue has been on the agenda for many years but was pushed aside for unknown reasons.

"The government should consider providing 'industry status' for the construction sector, which will enable developers to avail finance at a lower cost and hence bring a positive drive to the on-going and new projects," requested Sankey Prasad, the Chairman and Managing Director of Synergy Property Development Services.

### **Affordable Housing**

The sector wants the government to form a 'National Rental Housing Policy' to help fulfil the target of 'Housing for All', an initiative to provide affordable housing to the urban poor with a target of building 20 million affordable houses by 31 March 2022. To achieve the hill-like target, multiple steps have been taken in the past but with no concrete results.

According to the data available with the Ministry of Housing Affairs, total estimated investment under the Pradhan Mantri Awas Yojana (PMAY), as on January 2019, was INR 3.87 lakh crores, of which the central government has sanctioned approximately 27 per cent, while only 32 per cent of the sanctioned amount has been released so far. Clearly, the deficit is too large.

### **Tax Sops to Buyers & Builders**

Not just the buyers alone but builders are also suffering at the hands of high taxes they end up paying on development of a building. If the tax deduction limit is

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The real estate sector is expecting further relaxation in the GST rates and has also recommended cutting the corporate tax and extending the SEZ program. “It would also be interesting if the minister announces stressed funds for completion of stalled projects,” shared Sudhanshu Kejriwal, Co-founder, EverVanatage.

### Address the Credit Crisis

The real estate sector has been facing a serious liquidity crunch and the crisis of non-banking financial companies (NBFCs) space has further elevated the concerns. NBFCs had become the primary source for providing unsecured finances for construction purposes but the ongoing crisis has shrunk the amount pumped in realty. Banks should now be encouraged to make availing the credit easier for realty players.

Other than scheduled commercial banks and NBFCs, External Commercial Borrowings (ECBs) are an important route to raise capital for real estate. Starting in 2019, the government permitted raising of capital through the ECBs for construction and development of affordable housing projects, industrial parks, integrated townships and SEZs among others. The scope should now be broadened to the entire sector.

### Single Window Clearance

Multiple government approvals from various departments are required which make the entire construction process cumbersome for developers and builders. The government needs to ensure a conducive working environment for the sector to operate in. A single clearance window is what the sector representatives have suggested to ensure timely execution of projects.

RERA provisions are already aimed at making the activities pertaining to the development and delivery time-bound. Implemented in 2016, Real Estate Regulation and Development Act (RERA) which seeks to protect home-buyers as well as help boost investments in the real estate industry could play a key role in bringing such a structure in place.

### Allocation of Funds

The Union Budget 2019 is expected to be pro-growth and forward-looking as Infrastructure Sector has been identified as the backbone of Nation’s Development and Quality of life by the Government. To boost the economic gap, the government should focus on reducing the gap between urban and rural India by allocation of appropriate funds for the sector’s growth.

“Reduction in the long dispute resolution process, allocation of funds towards better infrastructure which act as a deterrent to foreign investments into India so that

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