Building, Construction and Real Estate

Union Budget 2017-18

Post-Budget sectoral point of view

#Budget2017 | #KPMGIndiaBudget

kpmg.com/in/budget2017

Setting the context

Real estate and construction is a pivotal cog of economic growth for India, as it contributes the third highest share to the Indian economy and is also the third largest employer in India.[1] Further, it accounts for the second highest inflows of Foreign Direct Investment (FDI) in India.[2] Though the commercial asset classes have been witnessing healthy traction, the residential asset class has been plagued with number of issues/challenges such as demand-supply mismatch across segments, project delays and liquidity issues. Additionally, the real estate sector has limited access to long-term funding, taxation and fees structures are either complicated or irrational, leading to higher project cost impacting the end-user/buyer. We believe that the sector has the potential to grow at a considerably faster pace, but for that to happen, the prevalent challenges have to be overcome first. The government has made an attempt to address some of these challenges to a certain extent, through the proposals announced in the Union Budget 2017-18, with focus on providing thrust to affordable housing and infrastructure. Some of the key announcements made for real estate and construction include:

- granting an infrastructure status to affordable housing projects, which has been a long standing demand of the supply side stakeholders;
- highest ever allocation to the infrastructure development (INR3.96 lakh crore)
- relaxation in area requirements and time period for the completion of a project;
- reduction in holding period to 24 months from 36 months for long-term capital gains tax on immovable properties

We believe that these announcements coupled with others would benefit the government in achieving the vision of 'Housing for All' and improve urban as well as rural infrastructure by attracting higher interest from private sector developers and domestic as well as foreign investors.

Where are we

The real estate sector is the third largest employer (after agriculture and manufacturing) in India and presently employs over 40 million workforce.[3] With forward and backward linkages to over 250 sectors and ancillary industries, the real estate sector is the third-highest contributor to the Indian economy.[4] The total market size of Indian real estate is estimated to have doubled since 2008 and reached about INR7 lakh crore. India has the largest housing market in the world, with over 75–80 per cent share in the total real estate market size in India.[5] The potential for growth is significant as India would need to develop over 170 million houses until 2030 to meet the needs of the rapidly urbanising population.[6]

- **Contribution to Gross Domestic Product (GDP):** The construction sector's share in the Indian GDP has stayed constant between 7-8 per cent over the past five years.[7] Owing to the impact of construction delays and demonetisation, which affected residential sales, the growth in the sector remained sluggish during 2016 and is expected to decline from 3.9 per cent in 2015–16 to 2.9 per cent in 2016–17.[8]
- **Robust private equity investments in real estate:** The Indian realty attracted the second-highest Private Equity (PE) investments during 2016, which increased by over 62 per cent y-o-y to INR38,000

[1] Urban Indian Real Estate – Promising Opportunities, KPMG in India, August 2016
[2] Fact sheet on Foreign Direct Investment, Department of Industrial Policy and Promotion, November 2016
[3] Human Resource and Skills Requirements in the BCRE Sector, National Skill Development Corp., April 2015
[4] Urban Indian Real Estate – Promising Opportunities, KPMG in India, August 2016
[5] Real Estate, IBEF, November 2016; and KPMG in India's analysis, 2016-17
[6] Global Construction 2030, GCP Global and Oxford Economics, November 2015
[7] Construction industry can help India cope up with global doom and gloom, Business Standard, 22 January 2016; http://www.business-standard.com/article/news-cm/construction-industry-can-help-india-cope-up-with-global-doom-and-gloom-study-116012200551_1.html; accessed on 31 January 2017
[8] Economic Survey 2016-17, Government of India, January 2017; and KPMG in India's analysis, 2016-17

crore.[9] However, the Foreign Direct Investment (FDI) in construction development sector remained subdued with only INR470 crore worth of investment reported during January–September 2016.[10] This was primarily owing to foreign investors preferring quasi-debt route, which is not captured in the FDI.

- **Strong commercial office space leasing:** Grade A leasing activity in the commercial office space remained upbeat during 2016, with over 9 per cent increase compared with that of the previous year. This resulted in 2016 recording the highest leasing of over 43 million square feet (msf), primarily driven by IT–ITeS and Banking, Financial Services and Insurance (BFSI) sectors.[11] Due to lack of quality spaces in completed projects, the year saw strong pre-leasing in under-construction projects, contributing to nearly one-fourth share in the total leasing during the year.
- **Housing credit:** The institutional credit to the housing sector is estimated to have grown by about 19 per cent during FY16. As a result, the total outstanding credit to the housing sector has reached INR12.5 lakh crore.[12] There is still significant potential for credit growth as mortgage to the GDP ratio in India is only 9, far below than in the developed countries, such as the U.S. (68 per cent) and Germany (42 per cent).[13]
- **Significant supply gap:** The urban housing shortage is 19 million units, of which, 95.6 per cent is in the Lower Income Group (LIG) and Economically Weaker Section (EWS).[14] The union government had launched Pradhan Mantri Away Yojana – Housing for All (Urban) in June 2015, to address the urban housing shortage. The government aims to achieve this through credit-linked subsidies and Public–Private Partnerships (PPP) model.
- **Weak housing sales and new launches:** Residential sales across top-eight cities in 2016 fell to a seven-year low of about 245,000 units, owing to subdued demand over the past three to four years. Similarly, new residential unit launches, too, fell to pre-2008 crisis levels with only 176,000 unit launches during 2016.[15]

Key issues/challenges

The real estate sector has been facing a number of issues, of which some of the major ones are enlisted below:

- While there is a significant shortage of housing in urban regions, it is estimated that the top-eight cities in India have approximately 6.5 lakh units of unsold housing stock. At the current rate of absorption, it may take over five years to clear the housing stock in regions, such as Delhi–NCR, which has the highest unsold inventory[16]
- There is a scarcity of developable land in urban areas, and peripheral regions of cities lack appropriate urban infrastructure, which escalates the final project cost
- One of the major issues that the real estate sector is facing is lack of clear land titles and land title insurance, which lead to litigations and causes project delays
- Despite the real estate sector contributing the third highest share to the Indian economy, the share in outstanding loans from banks to the sector is extremely low at 3 per cent.[17] This results in limited access to long-term and low-cost funding channels, especially through banks and external commercial borrowings (ECB) route

---

[9] PE inflows in real estate rise 62% in 2016 on favourable policy moves, ET Realty, 16 January 2017 http://realty.economictimes.indiatimes.com/news/industry/pe-inflows-in-real-estate-rise-62-in-2016-on-favourable-policy-moves-by-govt/56592994, accessed on 31 January 2017

[10] Fact sheet on Foreign Direct Investment, Department of Industrial Policy and Promotion, November 2016; and KPMG in India's analysis, 2016-17

[11] MarketView, India Office, Q4 2016, CBRE, January 2017

[12] Indian Mortgage Finance Market Update for FY2016, ICRA, August 2016

[13] Statistics, Housing Finance Network, assessed in November 2016

[14] Report of the technical urban group (TG-12) on urban housing shortage 2012-17, MoHUPA, September 2012

[15] India Real Estate, Residential and Office, July-December 2016,Knight Frank India, January 2017

[16] Housing sales up 7% in Jan-June in 8-cities; unsold-stock-down, First Post, 4 July 2016; http://www.firstpost.com/business/housing-sales-up-7-in-jan-june-in-8-cities-unsold-stock-down-2872760.html, accessed on 31 January 2017

[17] Sectoral Deployment of Bank Credit- June 2016, RBI; KPMG in India analysis, August 2016

- The real estate sector has been grappling with liquidity issues and piling debt. The total outstanding debt of listed real estate developers in India has risen from INR25,000 crore in FY07 to over INR83,000 crore in FY16[18]
- Lack of a strong micro finance sector makes it difficult for the Economically Weaker Section (EWS) and Lower Income Group (LIG) to secure housing finance credit
- With over 30–35 regulatory approvals required to be obtained by a developer to develop a real estate project in India, the whole process becomes cumbersome and also leads to delays, which inflates the project cost by 20–30 per cent[19]
- Higher rates of statutory fees and taxes, including multiple taxation inflate the cost of construction, making affordable housing projects financially unviable for the private sector developers
- Unfavourable taxation structure for Real Estate Investment Trusts (REITs) impact the launch of REITs in India.

Government's stance

The year 2016 has been transformative and disruptive for the real estate sector. The Union Government has undertaken several policy initiatives to improve transparency and accountability, and improve liquidity in the sector.

- The Real Estate (Regulation & Development) Act, 2016 was passed by the Parliament in March 2016, which was a landmark legislative reform for Indian realty. The act would come into implementation from May 2017. This is expected to weed out corruption from the system
- The constitutional amendment bill for introduction of Goods and Services Tax (GST) has been passed. Further, Model GST Law has been released, which is likely to be implemented from 1 July 2017. This is viewed as a historic tax reform, and is likely to benefit the real estate sector, owing to expected reduction of the impact of prevailing multiple taxation.
- The Union Government in November 2016 demonetised Indian currency notes of INR500 and INR1,000, with an aim to bring back unaccounted money into the formal economy. This is expected to improve the liquidity of the banking system, thereby allowing banks to increase lending. Also, this move is likely to expand the tax base that may lead to higher tax revenues
- After the Central Government allowed tax pass through status to REITs and InvITs in the previous year's Budget, the Securities and Exchange Board of India (SEBI) has recently (January 2017) allowed mutual funds (MFs) to invest in REITs and InvITs
- The Benami Transactions (Prohibition) Amendment Act, 2016, has been cleared by the Parliament and has come into force from 1 November 2016. The act has provisions that would allow the adjudicating authorities to confiscate benami properties.[20]

Expectations

Major expectations of the sector from Union Budget 2017-18 were:

Direct tax

- Clarity on taxation of Joint Development Agreement transactions especially with respect to incidence of taxability and method of taxability
- Tax benefits under Section 80-IA and Section 35AD to be extended to integrated township projects by including the same within the definition of infrastructure facility
- Extending the time limit for completion of a project from three years to five years for affordable housing profits

---

[18] Palate of the India-focused real estate PE investor, JLL India, 2016, and KPMG in India's analysis, 2016-17
[19] Urban Indian Real Estate – Promising Opportunities, KPMG in India, August 2016
[20] Benami Act provisions to come into force from 1 November, Livemint, 29 October 2016; http://www.livemint.com/Politics/kl34fv6i685B7r5u0NkEQK/Benami-Act-provisions-to-come-into-force-from-1-November.html, accessed on 31 January 2017

- Removal of Minimum Alternate Tax levy on Special Economic Zones (SEZs) units and developers and also on affordable housing units
- Rationalisation of taxation structure of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) to make these instruments attractive propositions; also, reduction in the threshold period for REIT units to qualify for long-term capital gains
- Removal of deemed taxation based on stamp duty valuation
- Enhanced tax limit to first time home buyers relating to interest and principal payments on housing loans.
- Enhancement of interest deduction for self-occupied house property
- Relaxation from deemed dividend implications and disallowance under Section 14A considering the prevalent SPV structure in the sector

Indirect tax

- Credit of input service tax paid on construction service
- Clarity on applicability of service tax on transfer of land or 'development rights' or any other interest in the land
- Availability of CENVAT credit to a developer irrespective of end use
- Benefit for abatement from levy of service tax on prime location charges, etc.
- Exemption from 'Point of Taxation Rules, 2011 to real estate

Policy and regulatory

- Accord infrastructure status to the sector, especially to integrated township projects, thereby paving way for reduced cost of funding
- Allow developers to raise long-term funding through external commercial borrowings route
- Restructure existing project loans with a moratorium of three years on principal repayment
- Strengthen micro finance to facilitate housing credit to economically weaker sections of the society.

Key policy proposals

Key announcements

The Union Budget aims to provide thrust to increase government spending in rural areas, infrastructure, alleviate poverty and maintain fiscal prudence. The government's agenda for the next year would be: 'transform, energise and clean India'.

Major policy announcements

- Infrastructure status has been accorded to the affordable housing projects
- Rural housing expenditure increased from INR15,000 crore to INR23,000 crore, under Pradhan Mantri Awas Yojana (Gramin)
- Over one crore houses to be built for the homeless in rural areas by 2019
- The National Housing Bank (NHB) would refinance individual housing loans of about INR20,000 crore in FY2017–18
- Allocation to infrastructure sector is at a record high of INR3.96 lakh crore for FY2017–18, an increase of over 38 per cent over the previous fiscal year
- The pace of construction of roads under the Pradhan Mantri Gram Sadak Yojana (PMGSY) has accelerated to reach 133km per day in 2016–17, as against the average of 73km during the period 2011–14
- The Airport Authority of India Act would be amended to enable effective monetisation of land assets
- The government is dedicated towards improving the ease of doing business in India. A number of tribunals are expected to be rationalised and appropriate tribunals would be merged to reduce overlapping functions
- Foreign Investment Promotion Board (FIPB) to be abolished in FY2017-18 and a road map is to be announced. Liberalisation of FDI policy under consideration and necessary announcements to be made in due course.
- The government plans to amend, simplify and rationalise the existing labour laws through legislative reforms. The existing law would be amalgamated into four codes: wages, industrial relations, social security and welfare, and safety and working conditions.
- A specific programme for the development of multi-modal logistics parks, together with multi-modal transport facilities, would be drawn up and implemented.

Key direct tax proposals

Corporate tax:

- Corporate tax rate reduced to 25 per cent (for FY2017-18) for companies whose total turnover or gross receipts of FY2015-16 does not exceed INR50 crore. In all other cases, the tax rates continue to remain the same.
- Certain conditions for claiming 100 per cent profit linked deduction by a developer of affordable housing projects as introduced by Finance Act 2016 has been relaxed as under:
  - With respect to eligibility limits of 30 sq. meters and 60 sq. meters – built-up area has been substituted by carpet area as defined under Section 2(k) of Section 2 of the Real Estate (Regulation and Development) Act, 2016;
  - Time limit for completion of a project extended from three years to five years from the date of approval by the competent authority;
  - Limitation on size of residential unit of 30 square meters shall be applicable only to four metro cities (Chennai, Delhi, Kolkata and Mumbai) and shall not apply to a place located within 25km from the municipal limits of such four metro cities

- Annual value of unsold stock-in-trade in the hands of real estate developers held for a period beyond one year from the end of the financial year in which the certificate of completion of construction is obtained, proposed to be notionally taxed as deemed let out property under the head 'income from house property'
- In order to qualify as long-term capital asset, period of holding for immovable property being land or building or both proposed has been reduced from 36 months to 24 months
- It is proposed to shift the base year for indexation from 1981 to 2001. Thus, if the actual cost of capital asset acquired before 1 April 2001 is less than the Fair Market Value (FMV) as on 1 April 2001, then such FMV to be deemed to be the cost of acquisition
- The concessional rate of TDS under Section 194LC on interest payment on borrowings made in foreign currency (ECB) extended from 30 June 2017 to 30 June 2020. Similarly, concessional rate of TDS under Section 194LD has been extended on interest payable up to 30 June 2020 on rupee denominated bonds (Masala Bonds)
- With respect to Rupee Denominated Bonds issued overseas (Masala Bonds), following relaxations have been proposed:
  - Benefit of 5 per cent tax rate on interest extended to Rupee Denominated Bonds
  - Gains arising on appreciation of rupee against a foreign currency at the time of redemption of Rupee Denominated Bond of an Indian company extended to secondary holders
  - Non-resident (NR) to NR transfers of rupee denominated bonds not taxable
- Scope of deemed taxation under the head income from other sources in terms of Section 56(2)(vii) and Section 56(viia) is widened to tax all kinds of assesses who are in receipt of any money/property without consideration or for inadequate consideration
- In cases where consideration for transfer of unquoted shares of a company is less than the FMV of such shares, the FMV to be treated as the full value of consideration for computing 'capital gains'. Manner of computing FMV to be prescribed.
- Loss under the head 'income from house property' over INR2 lakh shall not be eligible to set-off against income under any other head of income. The excess is to be carried forward for a period of eight years for set-off in future years
- Thin capitalisation norms proposed to limit deduction of 'excess interest' expenditure paid by an Indian company (or permanent establishment of a foreign company in India) to its non-resident associated enterprise. 'Excess interest' means interest paid (exceeding INR1 crore) in excess of 30 per cent of EBITDA or interest paid to its non-resident associate enterprise, whichever is lower. Excess interest amount could be carried forward for eight assessment years;
- Eligibility to carry forward and set off MAT/Alternate Minimum Tax (AMT) credit increased from ten years to fifteen years from the end of the assessment year. Also, MAT provisions for computation of book profits proposed to be aligned with the provisions of Companies Act 2013 and IndAS
- No changes made in the taxation framework of REITs

Personal tax:

- In case of Joint Development Agreements (JDA) under area sharing arrangement, the capital gains in hands of individuals and HUFs is to be taxable in the year of receipt of certificate of completion for the whole or part of the project based on the stamp duty valuation.
- Withholding tax at 10 per cent to be deducted at the time of payment/credit of monetary consideration
- Specified capital gains exemption to land owners, being individual or HUF in the state of Andhra Pradesh in relation to land pooling scheme
- No change in slab rates of tax except as under:
  - Tax rate on income above INR2.5 lakh/ INR3 lakh (as the case may be) upto INR5 lakh reduced to 5 per cent from that of 10 per cent

— Surcharge to be levied at 10 per cent in case total income exceeds INR50 lakhs but does not exceed INR1 crore.

- Individuals/HUFs who are not subjected to tax audit, are now required to withhold tax at source at 5 per cent from rental payments in excess of INR50,000 per month.

Other key proposals:

- Indirect transfer provisions not to apply to Category - I or Category – II Foreign Portfolio Investors registered under the Securities and Exchange Board of India Act, 1992
- Conversion of preference shares of a company into equity shares not to be regarded as a transfer under Section 47. Further, the cost of acquisition and period of holding of preference shares to be considered for determining cost of acquisition and period of holding of equity shares
- Scope of additional tax on dividend income exceeding INR10 lakh proposed to be widened to include all resident assesses except for domestic companies and certain trusts/funds
- Applicability of concessional tax rates on capital gains on unlisted shares - The Finance Act, 2016 had amended Section 112 to clarify that the concessional tax rate of 10 per cent shall also be applicable to capital gains earned by a non-resident on sale of shares of a private company. The aforesaid amendment is to be applicable retrospectively from 1 April 2013 (i.e., AY 2013-14 onwards).
- Cash receipt in excess of INR3 lakh to attract penalty at the rate of 100 per cent of amount received
- Cash expenses in excess of INR10,000 per day, whether revenue or capital in nature, shall not be allowed as a deduction/depreciable
- Applicability of domestic transfer pricing provisions restricted to apply only in case one of the entities involved enjoys specified profit linked deduction. Transactions referred in Section 40A(2)(b) which disallows certain expenses paid to related parties excluded form applicability of domestic transfer pricing provisions.

Key indirect tax proposals

- The Goods and Services Tax (GST) Council has arrived at a consensus on key GST issues and the IT preparedness for the GST roll out is also on schedule
- Consultation with trade and industry bodies on GST is scheduled to start from 1 April 2017
- Minimal changes have been proposed in view of GST roll-out
- Retrospective service tax exemption (i.e. from 1 June 2007 to 21 September 2016) on one time upfront amount payable for grant of long-term lease of industrial plots (30 years or more) by state government industrial development corporations/undertakings to industrial units
- Retrospective amendment with effect from 1 July 2010 to exclude value of land/undivided share of land, in addition to the value of goods, for computing service portion in execution of works contract (involving transfer of goods and land/ undivided share of land)

Impact

- **Infrastructure status accorded to affordable housing**: Granting of infrastructure status to affordable housing is likely to provide impetus to the government's mission of 'Housing for All by 2022'. With the infrastructure status, the developers will have access to cheaper funding by way of debt which would result in reduction of overall cost of homes to the buyer. Further, this would see a likely increase in participation from domestic and foreign players in the affordable housing sector.
- **Relaxation of conditions to claim tax incentive for affordable housing projects**: The proposal of the government to relax the size requirement for residential units from built-up area to carpet area would enable the real estate developers expand customer base and also claim tax deduction Further, the government's proposal to increase the time limit allowed for completion of the project from three years to five years would expand the number of projects eligible for tax incentives.

- **Clarity on point of taxability and manner of computation in case of JDA**: The government has provided that capital gains on entering into JDA in the hands of land owners being individuals and

HUFs would be taxable in the year of receipt of certificate of completion for the whole or part of the project. Further, the government has also provided that the stamp duty value of the individual or HUF's share in the land or building or both would be the full value of consideration for the purpose of computation of capital gains. It is a welcome move by the government considering the genuine hardship faced by the land owners in paying tax in the year of transfer when the consideration is received near to completion of a project. However, the said relaxation has not been provided to the corporate and other non-corporate entities. Considering the benefit is only provided to the individual and HUF assessee, the overall objective of reducing tax burden on an assessee facing genuine hardship will not be completely achieved.

- **Taxability of notional income from house property held as stock-in-trade**: This proposal of the government will have a far reaching impact on real estate developers who own property as a stock in trade. Prior to this proposal, there was significant tax litigation relating to taxability of notional income for unsold stock in the hands of real estate developers. As per the new proposal, the house property which is not let out and held by the real estate developers as stock in trade will suffer tax on notional rental income after completion of one year from the end of the financial year in which the certificate of completion of construction of the property is obtained. As a result, there will be pressure on real estate developers to sell the stock within the stipulated time period in order to avoid tax on the notional rental income. Correspondingly, it could result into rationalisation of the real estate prices and reduce unsold inventory levels. This proposal would also raise a fundamental question relating to characterisation of rental income as income from house property or income from business and profession in the hands of real estate developers.

- **Thin capitalisation rules**: The government has proposed introduction of the thin capitalisation rules which restricts the interest deductibility to the extent of 30 per cent of EBITDA on payments to non-resident associated enterprises. Considering the fact that the real estate sector is a highly capital intensive industry and generally overseas investors infuse funds in the form of debentures (i.e. NCD/CCD), the restriction of interest deductibility will have an impact on raising low cost funds from overseas investors at a juncture when currently the industry is facing a financial crunch.

- **Rationalisation of capital gains provisions**: The period of holding long-term capital gains in the case of land/building has been reduced to 24 months from 36 months. The base for determining the indexed cost of acquisition of an asset has been shifted from 1981 to 2001. The said proposals will significantly reduce the capital gains tax liability on both counts viz. the reduction of holding period and also shifting of base from 1981 to 2001.

- **Major focus on infrastructure push likely to have considerable benefits for the real estate sector**: The government announced several policy measures for the infrastructure sector such as, the amendment of the Airport Authority of India Act, a new Metro Rail Policy, and the dispute resolution mechanism for infrastructure related construction contracts, Public Private Partnership (PPP), and public utility contracts. The required mechanism would be instituted as part of the Arbitration and Conciliation Act 1996 and an amendment Bill would be introduced for the resolution of disputes arising out of such contracts. These initiatives are likely to revive the private sector participation in urban infrastructure projects. As a result, infrastructure sector is expected to attract higher investment going forward, leading to higher availability of much required infrastructure in urban regions, which may benefit real estate developments.

Unfinished agenda

What remains

In the wake of the setback suffered due to demonitisation, the Finance Minister in his budget speech has made some key announcements which would provide the much needed impetus to the real estate sector. However, there are still certain areas which remain to be addressed as discussed hereunder:

- Granting infrastructure status to the real estate sector (other than affordable housing) to help attract higher investments in the sector
- Single window clearance mechanism to reduce gestation period of realty projects and cost to end buyer
- Allowing FDI in an LLP engaged in real estate development and construction;– doing away with performance linked criteria
- Allowing developers to raise funds through External Commercial Borrowings (ECB)
- Removal of MAT levy on SEZ developers and affordable housing projects
- Rationalise and revitalise laws related to land acquisition and development, eliminate multiple local levies and taxes to foster growth of the real estate sector
- Rationalisation of RERA provisions across various states and fair implementation of RERA regime
- Rationalisation of provisions relating to REIT/InvIT more specifically:
  - Relaxation of holding period of 36 months for units to qualify as a long-term capital asset;
  - Providing exemption from tax to immovable property transferred directly to REIT;
  - Providing exemption from dividend distribution tax on dividends to be distributed by an SPV to holding company.
  - Exemption provisions relating to DDT and interest income should be extended to two level SPV structure
- Removal of deemed taxation based on stamp duty valuation
- Relief by way of additional tax incentives to first time home buyers (including enhanced deduction on principal repayment and interest on housing loan)
- Only in the case of individuals and HUF, the capital gains taxability on JDA transaction has been shifted to the year of completion of a project. The said relaxation should also be extended to corporate and other non-corporate entities
- Clarity around some of the contentious issues such as applicability of service tax on transfer of development rights, long-term leasing of land, etc. would have helped the sector
- Allowing CENVAT credit of service tax paid against the renting activity would have resulted in reducing the cascading effect.

What is expected going forward

The announcements made in the Union Budget, coupled with policy reforms undertaken such as RERA and Model GST Law earlier this fiscal are expected to lead to higher investments in the sector, especially in the affordable housing segment.

We acknowledge the progressive steps made by the government in the budget. However, a lot more needs to be done to address the challenges presently being faced by the sector. We expected some more measures such as relaxation of norms for REITs and ECB, and removal of MAT, which could have led to significant improvement in liquidity, must be considered later this year.

Further, various measures have been announced to reduce the supply side constraints, however, we believe that the budget lacked any major announcement and incentives to boost the sluggish housing demand, must be addressed going forward. Also, the focus to boost rental housing in India which was completely missed out in the budget must be considered in the coming months. These measures could be quite beneficial and would enable the Government in achieving the ‘Housing for All by 2022’ vision.

KPMG in India contacts:

Nitin Atroley
Partner and Head
Sales and Markets
T: +91 124 307 4887
E: nitinatroley@kpmg.com

Neeraj Bansal
Partner and Head
ASEAN Corridor
Building Construction and
Real Estate Sector
T: +91 124 307 5035
E: nbansal@kpmg.com

Follow us on:
kpmg.com/in/socialmedia