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Budget Expectations 2025: Increase tax deduction limit to Rs 5 lakh to boost housing demand



The Union Finance Minister Nirmala Sitharaman is set to present the Union Budget 2025-26 on February 1, 2025. All eyes are on what the Budget will have for the real estate sector especially to ease concerns on the demand side so that homebuyers not just save enough to invest in housing but also benefit from their investment. The government may also look at supply side constraints so that developers are incentivised to increase

supply of affordable housing for the masses in view of the rising prices and growing concerns on affordability.

Sahil Agarwal, CEO, Nimbus Group said that the Government must increase the tax deduction limit under Section 24(b) for home loan interest, currently capped at ₹2 lakh per annum, to at least ₹5 lakh.

“This is particularly relevant for homebuyers in metropolitan cities, where high property prices necessitate large home loans. Such a move could boost demand and promote homeownership. Providing industry status for the real estate sector would enable developers to access capital at more competitive rates, making housing more affordable for buyers.”

Pradeep Aggarwal, Founder & Chairman, Signature Global (India) Ltd. said that the real estate industry is poised to play a defining role in India’s journey toward ‘Viksit Bharat 2047.’ Strategic reforms, such as adjustments to GST input tax credit regulations, could reduce developers’ tax burdens, potentially stabilizing property prices and making housing more accessible.

“Broadening the definition of affordable housing to include properties priced up to ₹1 crore would align with evolving market dynamics and strengthen the government’s vision of ‘housing-for-all.’ These reforms, if implemented, could unlock tremendous potential,

propelling the sector toward sustainable growth while contributing significantly to the nation's development goals.”

Murali Malayappan, Chairman & Managing Director, Shriram Properties Ltd. said the government views Q3 growth rates as a significant concern and is likely to take decisive action to boost the economy.

“Encouraging ‘Atmanirbhar Bharat’ in the real estate sector by promoting locally manufactured machines and materials in construction will create widespread economic benefits, reaching a larger segment of society. We urge the government to consider granting industry status to the real estate sector, which will unlock affordable funding and streamline approvals, greatly benefiting the sector. Furthermore, the rationalization of GST rates for under-construction properties, incentivizing sustainable projects, reducing stamp duty, and implementing land reforms are essential to boost affordability and transparency in the sector. The reintroduction of input tax credit has been a long-standing request from the sector, and we are hopeful that the government will consider it in the forthcoming budget.”

Garvit Tiwari, Director & Co-Founder, InfraMantra said that the government must enhance the limit of affordable housing to Rs 1 crore in metro cities so that more people can avail the benefits and help drive housing market.

“This move will also prompt developers to increase supply in this segment which in the last few years have declined. The government must also consider reduction in GST on construction material so as to make affordable housing a viable proposition for developers. Along with this, the government should also look at enhancing tax deduction on home loan interest from Rs 2 lakhs to Rs 5 lakhs considering the sharp increase in housing prices.”

Flex-space operators demanded measures to boost the sector's growth in Tier 2 and 3 cities.

Kushal Bhargava, Co-founder, MyBranch Services Private Ltd. said, “As coworking space providers look to Budget 2025, key expectations center around boosting the sector's growth in Tier 2 and Tier 3 cities. This includes a reduction in GST for small-scale businesses, infrastructure incentives, and improved tax benefits. These measures will make coworking spaces more affordable for startups, drive economic development, and create job opportunities. Further, a push for single-window clearances and faster regulatory processes will streamline coworking space expansion in non-metro areas, contributing to a balanced growth across the country.”

Similarly, Amit Ramani, Chairman and MD, Awfis Space Solutions Ltd. said that with the coworking segment achieving significant scale after a decade of steady growth, we urge the government to implement measures that simplify the business environment for startups.

“One key area where startups need support is in the creation of startup hubs equipped with state-of-the-art facilities. By partnering with flex space operators to design innovative coworking spaces, the government can boost flexibility, generate employment, and foster entrepreneurship. Additionally, enabling ease of business in Tier-II cities by simplifying regulatory procedures and providing access to essential services will reduce operational costs and create a nurturing environment for innovation. To further boost growth, we also

recommend measures to simplify the setup process for Global Capability Centres (GCCs) in India. This would enhance India's position as a global business hub and empower the flexible workspace industry to meet the evolving needs of modern businesses."

Pushpamitra Das, Founder & Director, JUSTO said India's real estate sector plays a crucial role in driving economic growth, contributing significantly to GDP and employment.

"Enhanced affordable housing focus through increased PMAY allocation and tax incentives, infrastructure status for real estate sector to enable easier financing, potential GST rationalization for under-construction properties for commercial and residential segment, higher tax deductions on home loan interest, provide tax benefits to Real Estate Investment Trusts (REITs) to encourage retail and institutional participation, boosting commercial real estate, increased focus on rental housing through tax benefits for both owners and tenants and co living assets, extension of SEZ benefits to boost commercial real estate, Green building incentives through additional tax benefits are some of the measures that can unlock the sector's true potential while aligning it with the nation's broader economic goals."

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Real Estate Budget 2025: Real estate sector seek industry status and fiscal reforms in Budget 2025



NEW DELHI: The Indian real estate sector anticipates transformative policy changes in the upcoming Union Budget 2025 , with key stakeholders advocating for industry status, tax reforms, and enhanced financial incentives to boost investment, streamline operations, and stimulate demand across the sector.

A long-standing demand of the real estate sector has been the grant of industry status, which stakeholders believe would unlock affordable funding and streamline regulatory processes. Pradeep Aggarwal, founder & chairman, Signature Global (India), emphasized, "Granting industry status to real estate could invigorate over 200 allied sectors, create jobs, and amplify economic activity, further solidifying the sector's role as a cornerstone of India's economy.

"Echoing this sentiment, Murali Malayappan, chairman & managing director, Shriram Properties, urged, "Industry status would facilitate affordable funding, streamline approvals, and benefit developers. Additionally, rationalizing GST rates for under-construction properties and reintroducing input tax credit would greatly support the sector.

"Manish Mehan, CEO and MD, TK Elevator India, added that the real estate sector needs "enhanced tax reliefs, increased funding, and the long-awaited grant of industry status to realize its full potential.

"Policy reforms such as reintroducing Section 80IBA incentives and removing MAT provisions are essential to reviving affordable housing development. Buyers will benefit from measures like restoring the interest subvention under PMAY for loans up to Rs 6 lakh and offering fixed interest rates of 5% for loans up to Rs 25 lakh, said G Hari Babu, national president, NAREDCO.

Tax reforms remain a crucial expectation, with experts advocating for increased exemptions on home loan interest and principal. Aggarwal suggested, "Revising the tax exemption limit on housing loans to Rs 5 lakh would provide significant relief to homebuyers and boost demand across the sector.

"Dhruv Agarwala, group CEO, Housing, concurred, stating, "Raising the tax exemption limit on home loan interest, which has remained stagnant for years, is essential to easing the financial burden on homebuyers and enhancing affordability.

"Anshuman Magazine, chairman & CEO - India, South-East Asia, Middle East & Africa, CBRE, emphasized that "introducing tax incentives for REIT investments and simplifying access to funding for real estate developers could bring much-needed liquidity to the sector.

"Rental housing policies also require reform to improve affordability and encourage investments. Niranjana Hiranandani, chairman, NAREDCO, called for the deletion of notional income from house property held as stock-in-trade, stating, "Current provisions that set off losses from income from house property disincentivize rental housing investment. Removing this section would encourage the creation of sufficient rental housing stock, aligning with the 'Housing for All' objective.

"Additionally, discontinuing the deemed rental income tax on unsold inventory under Section 23(5) and increasing the safe harbor limit from 10% to 25% will align stamp duty rates with market realities, fostering higher transaction volumes, said Hari Babu.

In commercial real estate, Shesh Rao Paplikar, founder and CEO, BHIVE Workspace, urged for "multiple fiscal incentives, tax benefits, and reforms aimed at empowering developers and operators in the flexible workspace segment." He also called for REITs to be classified as equity investment instruments, lowering TDS rates for coworking operators, and enabling them to claim Input Tax Credit under GST.

A push toward sustainability is another key expectation. Rakesh Reddy, director, Aparna Constructions, stressed the importance of "financial incentives for adopting green and sustainable building practices, such as tax rebates or grants for projects prioritizing renewable energy, water conservation, and energy efficiency.

"Additionally, the demand for senior living homes and student housing is rising. Harsh Parikh, partner, Khaitan & Co, pointed out, "Strong policies and incentives for these segments will open floodgates for foreign investments. Moreover, clarification that long-term leases of 60 to 90 years should be excluded from GST would significantly benefit commercial and office sectors.

"Ramani Sastri, chairman & MD, Sterling Developers, urged for enhanced ease of doing business for developers, while Kalyan Chakrabarti, CEO, Emaar India anticipates measures that will benefit the customers while driving the growth of the industry. "We are optimistic that in the forthcoming union budget the government will take steps towards advancing the real estate sector as we continue to seek an industry status for the sector," he said.