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BY AMIT SETHI ([HTTPS://HOUSING.COM/NEWS/AUTHOR/AMIT-SETHI/](https://housing.com/news/author/amit-sethi/)) | FEBRUARY 1, 2018

Budget 2018: Is there a hidden silver lining for the real estate sector?

While the budget may not have offered real estate developers and home buyers any direct sops, a number of the proposals may boost the property market indirectly. We examine these proposals

There were no major direct announcements related to realty sector, in the Union Budget 2018-19. However, there is an expectation in the market that the efforts made by the government, could boost the real estate sector indirectly, as a result of certain announcements.

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Introduction of standard deduction

Introduction of a standard deduction of Rs 40,000 per annum, is likely to help individuals to have more disposable income, which could be used to build investment into real estate.

“A standard deduction of Rs 40,000 for a salary earner in the top tax bracket, effectively leaves a higher income in the range of Rs 1,000 per month. Considering the ticket sizes of homes, Rs 1,000 per month may not be a substantial saving, which will translate into higher demand for property. Nevertheless, it would certainly help people, who were already planning to buy a property,” says **Harsh Shah, partner, Economic Laws Practice**.

See also: Budget 2018: Proposed income tax changes, for transfer of real estate

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Major boost to infrastructure development

“With the aim of improving connectivity, the finance minister has proposed the redevelopment of over 600 railway stations, completion of 9,000 kms of highways, as well as improvement of regional connectivity through the UDAN scheme, which is expected to connect 56 unserved airports and 31 unserved helipads in the country. This will have a positive impact on the country’s trade movement. Additionally, the budget also focuses on the development of the suburban railway networks in Bengaluru (<https://housing.com/in/buy/real-estate-bangalore>) and Mumbai (<https://housing.com/in/buy/real-estate-mumbai>). This focus on infrastructure development, is in line with the government’s long-term objective of making India future-ready,” maintains **Anshuman Magazine, chairman India and south-east Asia, CBRE**.

Dedicated affordable housing fund

The establishment of a dedicated affordable housing fund, under the National Housing Bank for priority sector lending, will provide a further impetus to the development of housing in this segment, adds Magazine.

The focus on Housing for All, as well as the permissibility of a variation up to five per cent between transaction value and circle rates, while taxing income from transactions in immovable properties, are other positives for the real estate sector.

“Such initiatives, as well as the GST announcement on rationalisation of affordable and low-cost housing, will encourage formal credit penetration into the sector. The Affordable Housing Fund will boost the ‘Housing for All by 2022’ mission, by providing easy access to formal credit,” elaborates **Rakesh Makkar, director, Grihashakti – Fullerton India Home Finance Company**.

Long-term capital gains (LTCG) tax on equity-related investments

“While the impact of LTCG tax imposed on equities, is not as severe as was expected, it is still expected to influence the mind-set and behaviour of investors. In the last few years, the buoyancy in the equity market, along with the slowdown in the residential real estate market (<https://housing.com/news/budget-2018-positives-real-estate/>), had meant that all fresh investments were moving into the equity space. Now, with the benefits of the Pradhan Mantri Awas Yojana (PMAY), the imposition of LTCG tax on equity and the slightly stretched valuations of the equity markets, investors and end-users may start looking at the residential market again,” asserts **Gagan Randev, national director, capital markets and investment services, at Colliers International India.**

Corporate tax cut

Additionally, experts point out that the corporate tax cut on MSMEs, which have a turnover of below Rs 250 crores, will be a big positive for real estate sector. This is because the savings accruing as a result of the tax cut, would also flow into capex and land/building. Secondly, a lot of real estate projects are conceived as special purpose vehicles (SPVs). Now, a lot of these SPVs would come into the Rs 250-crore bracket and it would improve the profitability of these SPVs companies.

Key measures that will impact real estate, construction and infrastructure

- Government to establish a dedicated affordable housing fund under the National Housing Bank. It will ease lending to affordable housing sector.
- Budget reveals that out of 100 smart cities, 99 cities have been selected with an outlay of Rs 2.04 lakh crores.
- AMRUT programme to focus on water supply to all households in 500 cities. Water supply contracts for 494 projects worth Rs 19,428 crores awarded.
- Infrastructure remains a big priority for the government. The Budget has increased infrastructure outlay from Rs 4.94 lakh crores to Rs 5.97 lakh crores.
- Railway capex has increased by 25 per cent, to Rs 1,48,558 crores
- The AAI (Airports Authority of India) has proposed to expand airport capacity to one billion trips a year.

Data provided by: RICS

"It is positive to see that the suburban railways in Mumbai find a mention in the budget, with Rs 11,000 crores of outlay. Improved railway network and accessibility, generally have a positive multiplier effect on real estate." – **Niranjan Hiranandani, CMD Hiranandani Communities and national president, NAREDCO**

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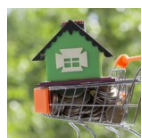
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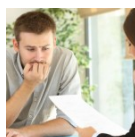
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