

# FIABCI puts forth pre-budget wish list

Posted on **January 25, 2018** by **bangaloretodays**



FIABCI India organized a Panel Discussion on the Budget Expectations from the Real Estate Sector. From Left – Panel Discussion moderated by Mr. Abhishek Goenka, Partner PwC , Mr. Shankar Sastri President CREDAI Karnataka and Jt. Managing Director Sterling Developers, Mr. K T Chandy, Partner Tax & Regulatory Services EY India, (Centre) Mr. Farook Mahmood, FIABCI World President and Chairman & Managing Director Silverline Realty, Mr. Raj Menda, Corporate Chairman , RMZ Corp, Mr. Naresh Narasimhan, Architect Principal Venkataramanan Associates and to the extreme right Mr. Rajiv Khaitan, Partner Khaitan & Co.

**Bengaluru 24<sup>th</sup> January 2018:** The implementation of RERA, bringing in GST against the backdrop of demonetisation and tightening of purse strings in the economy has extensively squeezed margins of the real estate industry in an already slowed down market scenario. While unsold stock piles up on one side, the tax squeeze continues with new areas marked for compliance. To effectively address this, the **FIABCI International** hosted a panel discussion on Pre-Budget expectations 2018-19, voicing the views of Bengaluru’s developer community along with other stake holders in the real estate sector for the forthcoming financial year.

The panellists included **Mr. Farook Mahmood, FIABCI World President and Chairman & Managing Director Silverline Group, Mr. Shankar Sastri, President CREDAI Karnataka and Joint Managing Director Sterling Developers, Mr. Raj Menda, Corporate Chairman, RMZ Corp along with Mr. Rajiv Khaitan, Partner, Khaitan & Co, Mr. K T Chandy, Partner Tax & Regulatory Services, Ernst & Young (India), Mr. Abhishek Goenka, Partner, PwC and Mr. Naresh Narasimhan, Principal Architect Venkataramanan Associates.**

Moderated by Mr. Abhishek Goenka, the discussions veered around various issues that impacted the functioning of the real estate sector ranging from segments that invited double taxation to requirement of adequate incentives for first time home buyers. The panel deliberated on a range of specific tax elements that impacted the industry's functioning in the current market scenario, requesting clarity on select legislations and taxes levied, single window clearance for receiving project approvals, availability of cheaper land for affordable housing, abolition of stamp duty on sale of flats, digitising land records besides a host of other issues.

Commenting on the discussions, Mr. Farook Mahmood, FIABCI World President and Chairman & Managing Director Silverline Group said, "There is vital need for changes in current levies and laws applied to the real estate sector. Many lead to double taxation besides pushing up cost. The current set of regulations also increase the holding cost of the industry especially in a scenario where developers are finding it difficult to offload stock. We recommend a more realistic approach in the forthcoming budget, making both cost and pricing market friendly, especially in the affordable segment and for first time home buyers."

Stating that real estate sector serves as a key contributor to the GDP and is also the fourth largest employment generator in the country, Mr. Abhishek Goenka, Partner, PwC called for extending industry status to the real estate sector. "This will enable developers to raise funds at lower rates which will in turn reduce cost, push up demand and indirectly trigger labour absorption."

Pointing that first time home buyers need to be given greater incentives as well as leverage, Mr. K T Chandy, Partner Tax & Regulatory Services, Ernst & Young (India), suggested increasing the limit of interest deduction for them. "Developers cannot be penalised for timely completion of projects. Given various economic exigencies, sales velocity has been low and any deemed tax on completed projects would disincentivise attempts by developer to complete projects on time"

Currently, tax is levied on notional rental income on unsold stock that lies with developers after a year of receiving completion certificate. Given market conditions, it is not easy to offload inventories within one year and the tax puts pressure on builders to dispose flats at a loss. The time frame for levying this tax should be increased to two years.

Drawing attention to the time duration for projects such as industrial parks to become operational, which is anywhere between three to five years or more, Mr. Shankar Sastri, President CREDAI Karnataka and Joint Managing Director, Sterling Developers, said, "Surplus cash prevails when funds are not deployed during this duration and this is normally invested in liquid assets to earn returns. The returns are ploughed back into construction, eventually aiding in reducing cost of capital employed. Income earned from such investments should be exempt from tax."

Calling for digitising land records, Mr. Naresh Narasimhan, Principal Architect Venkataramanan Associates stated, "Real estate sector is known for its high risk given the time taken for receiving the required approvals. It is time government promoted single window clearance and a smoother approval process within specific timelines. This will go a long way in reducing the high cost of capital as well as project delays, directly impacting project returns."

Said Mr. Raj Menda, Corporate Chairman, RMZ Corp "Land acquisition is one of the single highest cost contributors in real estate; In affordable housing where margins are thin, government should make available land at a cheaper cost to promote affordable housing."

Added Mr. Rajiv Khaitan, Partner, Khaitan & Co “The existing rate of GST is already high and has pushed up cost of buying. In a tight market scenario, government would do well to abolish stamp duty on sale of flats. This will reduce the cost and burden for buyers.”

The panel discussion ended on a positive note, the participants hoping that the key issues put forth would be addressed in the forthcoming budget, easing the tight marketing conditions currently faced by the developers.

### About FIABCI

A worldwide business network of real estate professionals, FIABCI was founded 69 years back. Headquartered in Paris, it provides opportunities for real estate professionals who are keen on gaining knowledge as well as transacting business globally. With over 100 Chapters, 65 academic institutions and 3000 individual members, FIABCI has its footprint in 65 countries, with its associated membership slated to cross over a million. FIABCI made its presence in India two years ago with the opening of FIABCI-India Chapter on 30<sup>th</sup> November 2015.

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