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### Article

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Prime Minister Modi is altering the perception and direction of the real estate sector by goading developers to step up the construction of budget homes for the millions of people in India, in line with his commitment of 'Housing for all by 2022'

Budget 2017 has provided significant incentives for affordable housing and has also given some tax relief to real estate developers. Here we look at what this year's Budget has on offer in this segment.

### Focus on affordable housing:

Keeping in mind Prime Minister Modi's 'Housing for all' scheme, finance minister Arun Jaitley has focused on affordable housing in this year's Budget, giving much needed relief to the common man. He has also granted 'infrastructure' status to affordable housing, which will give this segment a big boost.

"Infrastructure tag will generate more investments and funding for the sector, resulting in lower cost for developers. Besides, the criteria in size for qualifying to be affordable housing has now changed. This will make affordable homes more attractive for homebuyers as they will now get bigger homes at lower cost. Developers, homebuyers, and investors stand to benefit from this," Pankaj Bansal, director of M3M Group, said.

Ravish Kapoor, director of Elan Group, says: "By granting infrastructure status to affordable housing, the Budget has given much relief to both developers and investors. The cost for developing projects will go down and, in turn, attract buyers."

### Long-term capital gains concessions:

With a view to furthering investments in real estate, the holding period for capital gains arising from immovable property has been reduced from 36 months to 24 months, effective from April 1, 2018. "The base year for indexation benefits has also been prescribed as April 1, 2001, from April 1, 1981, earlier. This should allow for greater mobility of assets in the real estate sector and enhance liquidity for investments in the sector," a report by Nishith Desai Associates said.

### Some of the provisions in the Budget that push developers to focus on budget homes are:

Cap on of tax breaks on rented homes: A lot of people buy second homes for appreciation in value and also for rental income, which is additional source of income for them. Till now, any loss arising under the head 'house property' could have been set off against income from any other head. This means that owners of rental properties were free to deduct the entire interest on home loan, which often resulted in house property loss.

Budget 2017, however, provides that a loss under the head 'house property', in excess of Rs 2, 00,000, may not be set off against income from any other head. "This is definitely a loss of opportunity for people buying a second home for rental income. I think the cap of Rs 2 lakh on deduction limit on housing loan interest should be removed, as it will kill investments in the residential reality segment," Parveen Jain, CMD of Tulip Infratech and president of Naredco, said.

Tax exemption lifted for first-time homebuyers in Rs 50 lakh plus segment: First-time homebuyers were given additional Rs 50,000 tax exemption in the Budget 2016 for a house worth up to Rs 50 lakh, on a loan of up to Rs 35 lakh. Now, this deduction on home loan interest given in 2016 is no longer available.

TDS on rent over Rs 50,000 pm: With a view to increase the tax net, the Budget has proposed that those claiming an HRA of more than Rs 50,000 per month will have to deduct tax at source at the rate of 5%. This is applicable to all, whether or not you are subject to tax audit under section 44AB. However, one will only need to deduct TDS once during the year. This change, which will take effect from June 1, 2017.

Source: Times Property, The Times of India, Delhi/NCR