



A roof over my head

The Hindi phrase *Roti, Kapda aur Makaan* has been popular for a long time, with the quest for a house still resonating

ONE of the most sought after investments or assets by Indians is a house of their own. The desire to own a house has been well entrenched in films from the 60s and 70s. Recently, the 2009 blockbuster *3 Idiots* had Chatur rattle about his house in the US, while the other 'idiots' mention their homes too. From what I have heard and read, Arun Jaitely watches films regularly and no doubt got inspired by Indians' hunt for house and focused his budget to make housing more accessible to all.

The Budget gave indirect benefits to taxpayers by raising individual income tax exemption limit from ₹2 lakh to ₹2.5 lakh. This will increase disposable income. Next, the Budget announced an increase in income tax deduction limits under Section 80C, of which re-payment of principal on housing loans is a component. This limit has been raised from ₹1 lakh to ₹1.5 lakh. The Budget has increased the deduction limit on interest payment for housing loans from ₹1.5 lakh to ₹2 lakh. The dual benefit of higher disposable income and higher tax benefits when taking home loans will see several people buying homes and have positive implications on those already servicing a home loan.

Further push. For those who owned a house and wanted to divide their real estate, the govern-



VARUN VASHISHTHA

ment provided capital gains exemption for investment in a residential house under Section 54 on properties held for more than three years. In effect, those who sold a house could buy more than one house to claim long-term capital gains tax exemption. Now, the explanatory memorandum to the Finance Bill states that the benefit of long-term capital gains tax exemption can be availed only for re-investment in one residential house, and that too has to be purchased in the country.

Likewise, Section 54EC provisions, under which the Income Tax Act provided deduction from long-term capital gains if the amount of gains from selling capital assets were invested in certain bonds issued by the National Highways Authority of India (NHAI) or Rural Electrification Corporation (REC) within six months from the day of the sale. Earlier, one could utilise the six month window by selling their real

estate holdings in October of a year and use the six month window to claim deductions of ₹1 crore spreading over two financial years. This lacuna has been set right with a cap of ₹50 lakh total deduction.

Forward looking. The move that could change the complexion of the sector is the clarity on the Real Estate Investment Trusts (REIT), which would be given a tax

pass-through status to avoid double taxation. This will benefit developers who are cash strapped and small investors who otherwise have no way to invest in real estate at present.

The cumulative effect of these initiatives will boost several quarters of the economy, by creating employment and having a trickledown effect on sectors like steel, cement, sanitaryware, paints, consumer durables, electrical wires and more.

However, my concern rests with not getting faster clearance on the real estate regulatory bill, which once implemented will help in regulating a sector that at present has no checks and balances and therefore, leaves scores of people who wish to realise their dreams in lurch and disappointment. ❏

feedback@outlookmoney.com

The author is an insurance and tax expert.