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'Bringing the sector under GST should reduce tax burden'

A specialist in building mixed-use, integrated townships, Hiranandani Group forayed into the Chennai market with its Oragadam project. Founder **Niranjan Hiranandani**, who is also the president of National Real Estate Development Council (Naredco), talks about the impact of Goods and Services Tax (GST) and RERA on the realty sector, in an interview. Excerpts:

Where do you see real estate in 2018?

Looking into 2018 and the future, buyer confidence will be growing in the new regulatory regime. Rationalisation of taxes as a result of the move to cover real estate fully under GST, and providing a boost for rental housing are the two key drivers to look forward to. From an industry perspective, adopting global best practices seems to be an apt way of working towards a better year, and Indian real estate largely adopted this route through 2017, and should continue, going into 2018.

In the new post-RERA (Real Estate (Regulation & Development) Act) and GST regulatory regime, real estate and the Indian economy require proper working methodology, one that is transparent and includes accountability – which will ensure transparency and accountability.

Given this, 2018 should be a year that brings sustainable growth to Indian real estate.

How was 2017?

One way of looking at it is that it was a mixed year – it was truly a year for real estate that was favourable, as also challenging. [In the] Long term, the benefits will definitely be visible, [for the] short term, there was some pain. The year began with demonetisation giving a push to digital payments. Then, the first half of the year saw most transactions being put on hold, as stakeholders waited to see the impact of RERA.

RERA being implemented meant it was GST which was next in line for implementation. The festive season saw 'fence sitters' move on to becoming 'actual buyers.' This followed almost half an year of very slow sales. Offtake has been slow in terms of moving upwards.

At the end of 2017, real estate is moving back towards normalcy, albeit under the new regulatory regime. For commercial realty, 2017 has been good.

What do you expect from the next Budget?

I expect housing, infrastructure and real estate to be the key issues for the Budget to focus on as the multiplier effect on the economy will be extremely positive. Having said that, it is always a difficult balancing act which the Union Finance Minister works out in the Budget. This time around it promises to be even more difficult, given that the previous Budgets presented by him had various segments of the economy as also industry sectors waiting for focus to shift on them, all of these will have expectations – and it will be difficult to balance the expectations of all.

The Finance Minister should tweak policy to ensure that public private partnership (PPP) creates affordable housing, and fulfils the target of 'Housing for All by 2022.' We need policies that will encourage rental housing. I hope the budget removes notional tax levied on vacant rental homes. Similarly, capital gains tax needs to be dealt with [in] the right way so that more rental homes are constructed.

How is the real estate scenario after RERA came into effect?

Real estate sector will benefit from RERA. These reforms, in the long term, will reinforce trust and enhance assurance among the home buyers and enable healthy growth of the real estate industry in India.

What has been the impact of GST on the real estate sector?

Real estate sector is witnessing a 'systems reboot' in terms of the regulatory regime, in which GST plays an important aspect – and with good reason.

At the initial stage, GST has only been imposed on the construction cost i.e. works contract, and not the entire transaction.

From the perspective of the home buyer, bringing real estate within the ambit of GST should reduce the burden, vis-a-vis taxes payable, at the time of buying a home. Not only will this create positive sentiment but will also boost sales.

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