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## Affordable Housing Government's Focal Point For Real Estate



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Developers get a year until March 2022 to claim a 100% tax deduction for affordable housing projects. This extension will ensure the continued interest of developers for the construction of affordable housing projects and help achieve the government's FY22 Housing for All objective. At a time when sentiments in the real estate sector are low, the announcements are expected to boost demand for this segment.

The budget continues from last year the additional deduction of up to Rs. 1.5 lakh on interest paid on loans for houses valued up to Rs 45 lakh. The total tax deduction stands at Rs 3.5 lakh. This will significantly benefit first-time homebuyers and will have a positive impact on the affordable-housing segment.

Market expectations of increased personal tax exemption limits, which would have had a multiplier effect on real estate, were untouched. This could result in a protracted recovery on the consumption front. Enabling FPIs to debt finance REITs (and INvITs) is expected to attract higher investments in the cash-strapped sector.

The Finance Minister extended the timeline on tax benefit for interest on housing loan by one year to 31 March 2022. The said incentive was increased to the existing limit of Rs 3.5 lakhs per year from Rs 2 lakhs for buying a house under the affordable housing scheme and was available till 31 March 2021 earlier.

The announcement provides much needed fillip to the affordable housing initiative and achieves the aim of 'Housing for All' by March 2022. The announcement on extension of tax holiday by one year to 31 March 2022, in the affordable housing segment, is likely to directly benefit from a supply perspective and have an indirect impact on the demand side.