



> Indian Budget 2018-19 <

Infra and Real Estate Perspective

Pankaj Jain

Founder and CEO
IRE CFO Services LLP

(A Jain Ventures Initiative)

📞 9312213765

✉️ pjainonline@gmail.com



irecfo.com



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Discussion Points

- ❖ Connecting Dots of IRE Sector With Common Man
- ❖ Recent Acid Tests of IRE Sector
- ❖ What IRE Sector Expected From Budget
- ❖ Key Provisions Related to IRE Sector
- ❖ Open Discussion



Connecting Dots of IRE Sector With Common Man

- ❖ Infrastructure sector is a key driver for the Indian economy. This sector is highly responsible for propelling India's overall development and enjoys intense focus from Government by initiating policies to ensure time-bound creation of world class infrastructure in country.
- ❖ Infrastructure sector includes Highways, Railways, Metros, Power, Waterways, Telecom, Airports, Bridges, Dams, Ports, other Urban Infrastructure Development and includes social infrastructure.
- ❖ The Government has also given this status to affordable housing sector which has direct positive impact on inclusive growth of the country at grass root level.



Connecting Dots of IRE Sector With Common Man Contd...

- ❖ The real estate sector is one of the most globally recognized sectors. In India, real estate is the second largest employer after agriculture and is slated to grow at 30 per cent over the next decade.
- ❖ The construction industry ranks third among the 14 major sectors in terms of direct, indirect and induced effects in all sectors of the Indian economy.
- ❖ The Indian real estate market is expected to touch US\$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's Gross Domestic Product (GDP). (Source: Indian Brand Equity Foundation)

Every common man has dream of having its own HOME...



Recent Acid Tests of IRE Sector

- ❖ Distress in Infrastructure Projects
- ❖ Demonetization
- ❖ Goods and Service Tax
- ❖ Real Estate Regulation Act
- ❖ Insolvency and Bankruptcy Code



What IRE Sector Expected From Budget?

- ❖ Support from the government for revival of investment cycle in the form of further increase in budgetary allocations towards infrastructure sector with focus on roads, railways, waterways, energy, urban and other infrastructure.
- ❖ Dedicated allocations for specified large infrastructure projects such as Bullet trains, Bharat Mala, Sagar Mala, Smart Cities, Inland Waterways development, Rural electrification.
- ❖ Increase in budgetary allocation towards NHAI keeping in view the increased capital outlay on national highway development.



What IRE Sector Expected From Budget? Contd...

- ❖ Creation of independent regulator for specific infrastructure sub-sectors which can focus on resolution of bottlenecks and further improving the regulatory environment, to revive private sector interest in taking up new projects under PPP model.
- ❖ To promote private sector investment in infrastructure, incentives like extension of tax holiday for infrastructure projects, relief on applicability of MAT during tax holiday, coverage of projects involving upgrading existing infrastructure under 80IA



What IRE Sector Expected From Budget? Contd...

- ❖ Initiatives to improve long term funding availability for the infrastructure sector. In this regard, higher allocation towards National Investment and Infrastructure Fund (NIIF) is expected.
- ❖ Reintroduction of the deduction for select infrastructure companies / finance companies under section 80CCF for infrastructure bonds, which was discontinued.
- ❖ Setting up of PPP Project Review Committee and the Infrastructure PPP Adjudication Tribunal for re-negotiating concessions if there is evidence of distress in projects, which is likely to result in default.



What IRE Sector Expected From Budget? Contd...

- ❖ The government does not recognize real estate as an industry despite the growth in real estate has multiplier effect on the economy. It is high time that the real estate sector should get industry status. This would enable developers to raise funds at lower rates and cut down their cost of capital which would eventually bring down overall project costs.
- ❖ Reduction in rate of GST. Despite input credit being passed on to the customer, with GST @ 12%, there is a marginal increase in the overall cost to the consumer. This needs to be revised downwards, to benefit the consumer and pushing sales volumes further.



What IRE Sector Expected From Budget? Contd...

- ❖ Reduction / Uniformity in Stamp Duty. Over and above the high cost of land, GST and other taxes, the end consumer also pays Stamp Duty which varies across different states. This should be reduced and uniformed across the country.
- ❖ Separate limit for interest paid during construction period of property. This deduction for the pre-construction interest amount is currently included in the overall limit of INR 2 lakh. Most of the taxpayers lose out on the deduction of interest paid on under-construction properties since this is allowed to be claimed in five years from the year of completion of the property.



Key Provisions For IRE Sector

- ❖ Allocation of Rs 1 lakh crore in next four years has been proposed for Revitalizing Infrastructure and Systems in Education (RISE) by 2022.
- ❖ Increase of budgetary allocation on infrastructure for 2018-19 to Rs.5.97 lakh crore against estimated expenditure of Rs.4.94 lakh crore in 2017-18.
- ❖ In the flagship Bharatmala project that aims to connect India's eastern and western ends with a 35,000 km highway and roads network, an outlay is proposed to the tune of Rs 5.35 lakh crore under phase 1.



Key Provisions For IRE Sector

- ❖ Government plans to expand airport capacity by as much as five times and aims to take the trip count to 1 billion per year. Under UDAN (Ude Desh ka Aam Nagrik) scheme, 64 airports will be connected across the country to boost low cost flying.
- ❖ Railways Capital Expenditure for the year 2018-19 has been pegged at Rs.1,48,528 crore. A large part of the Capex is devoted to capacity creation. Redevelopment of 600 major railway stations is being taken up.
- ❖ 5 lakh WiFi hotspots have been planned to be installed to give access of broadband services to 5 crore rural citizens. An allocation of Rs 10,000 crore in 28-19 has been proposed for the same.



Key Provisions For IRE Sector

- ❖ Pre Budget Bonanza: Reduction in rate of GST on affordable housing from 12% to 8%.
- ❖ Establishment of a dedicated Affordable Housing Fund (AHF) in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorized by the Indian government.
- ❖ The government has set aside Rs 21,000 crore for building 5.1 million rural houses in FY19, apart from the 5.1 million being constructed this year under the Prime Minister Awas Yojana.



Key Provisions For IRE Sector

- ❖ Pradhan Mantri Awas Yojana (Urban) got 7.64% hike in the allocation at Rs 6,505 crore for 2018-19 as compared to Rs 6,042.81 crore in 2017-18.
- ❖ Allowing 5% variation between transaction value or circle value for computation of capital gains tax for property transactions.
- ❖ Smart Cities Mission, under which 99 cities with capital outlay of Rs. 2.04 laks crores have been announced for central assistance, got the highest hike of 54.22 per cent with Rs 6,169 crore as against Rs 4,000 crore in 2017-18 Budget.

There is an overall boost to the employment / economy through various proposals under Budget which will have positive effect on IRE sector



Thanks

Let us Explore Possibilities

Pankaj Jain

Founder and CEO

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📞 **9312213765**

✉️ **pjainonline@gmail.com**

www.irecfo.com

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