

**PRESIDENT**  
Nayan A. Shah

**IMMEDIATE PAST PRESIDENT**  
Mayur Shah

**VICE PRESIDENTS**  
Deepak Goradia  
Boman Irani  
Harish Patel  
Nainesh Shah  
Domnic Romell

**ADDL. VICE PRESIDENT**  
Sukhraj Nahar

**HON. SECRETARY**  
Bandish Ajmera

**TREASURER**  
Mukesh Patel

**SPECIAL PROJECTS**  
Parag Munot  
Sandeep Raheja  
Jayesh Shah  
Sanjay Chhabria  
Rasesh Kanakia

**HON. JOINT SECRETARIES**  
Navin Makhija  
Sandeep Runwal  
Shailesh G. Puranik  
Dhaval Ajmera  
Pratik Patel

**JOINT TREASURER**  
Nayan Bheda  
Munish Doshi

**CO-ORDINATORS**  
Sandeep Shah  
Tejas Vyas  
Shailesh Sanghvi  
Pritam Chivukula

**COMMITTEE MEMBERS**  
Jagdish Ahuja  
Jitendra Jain  
Deepak Gundecha

**INVITEE MEMBERS**  
Praful Shah  
Rajesh Prajapati  
Sachin Mirani  
Nikunj Sanghavi  
Rajeev Jain  
Shyamal Mody  
Digant Parekh  
Rushank Shah  
Samyag Shah  
Jayesh C. Shah  
Sunny Bijlani  
Sahil Parikh  
Naman Shah  
Suhail Khandwani  
Ricardo Romell

**PAST PRESIDENTS**  
Dharmesh Jain  
Vyomesh Shah  
Paras Gundecha  
Pravin Doshi  
Mohan Deshmukh  
Mofatraj Munot  
Rajnikant Ajmera  
Late G. L. Raheja  
Late Lalit Gandhi  
Late Babubhai Majethia

**CREDAI-MCHI UNITS**  
**PRESIDENT, THANE**  
Ajay Ashar

**PRESIDENT, KALYAN-DOMBIVLI**  
Ravi Patil

**PRESIDENT, MIRA VIRAR CITY**  
Ashit Shah

**PRESIDENT, RAIGAD**  
Ateeque Khot

**PRESIDENT, NAVI MUMBAI**  
Prakash Baviskar

REF. NO. MCHI/PRES/19-20/065

October 15, 2019

To,  
**Shri Manoj Kotak**  
Member of Parliament  
Mumbai North East

**Sub: Real(i)ty bites the Real Estate Industry in MMR; urgent need of a revival plan**

Respected Sir,

Our Hon'ble PM's humble dream of providing "Homes for All by 2022", under his able leadership, is well within realization. Under his spirited leadership, unprecedented infrastructure development is underway across the nation. He now has another humble dream - "Ease of Living" and "to make this nation a \$ 5 trillion economy by 2024".

As on date, around 10200 projects in Mumbai Metropolitan Region (MMR) are registered under MahaRERA at various levels of construction and stages of approval. Even at a modest average 100 units per project, a modest 500 sq.fts. per unit costing Rs.50 Lakh each, these projects amount to a revenue of Rs. 5 Lakh Crores translating into construction of 5100 Lakh sq.fts. **Just unlocking this quantum construction activity in MMR alone has the potential to create 50 Lakh blue collar jobs and 5 Lakh white collar jobs.** An early redressal of all last mile issues would help unlock **nearly Rs. 5 Lakh Crores in MMR alone over the next 2~3 years,** a humble contribution in fulfilling our Hon'ble PM's dream!

**CREDAI-MCHI's Prayers:**

• **HOME LOANS TO BE BELOW 7% :**

For a limited period of time, i.e. may be until 2022, Home Loans should be made available at 7% or below, with specific attention to the Self Employed Professionals (SEPs). This segment of the society is usually deprived of such benefits for want of consistent income leading to fluctuating cash flows. Special emphasis should be on lending for such properties where the cost of flat is less than Rs.20 lakhs, in the Mofussil and the far-out areas of MMR.

• **Defence Establishments:** Issue of Development/Redevelopment of properties situated within 500 mtr. parameter of areas belonging to Navy Forces. Streamlining and Easing the process of issuance of NOC for the projects in the vicinity of Defence Establishments in the city of Mumbai, and the same to be done in a time bound manner.

• **Civil Aviation:** New GSR-751 (E) whose drafts was published on 12<sup>th</sup> April 2018 to be approved and notified at the earliest. There are more than 500 projects all over India which are awaiting for height NOC's from Civil Aviation Department. With the finalization of the draft GSR-751 (E) dated 12<sup>th</sup> April 2018, all the pending decisions and issues with the department will not only unlock lot of Housing Stock but will be a positive step towards "Housing for All" target of Hon'ble Prime Minister Shri. Narendra Bhai Modi.

• **Environment:**

➤ Zero draft of the EIA Notification 2019 dated 15th April 2019 to be implemented, including amendment to EIA Notification 2006 to be carried out for enhancement of built-up area from 20,000 sq. mtrs. to 50,000 sq. mtrs. Implementation of 1.5

- sq mtrs at Municipal Corporation level / Urban Local Bodies (SLP pending in Supreme court to be expedited)
- MOEF and CRZ clearance for the entire plot potential should be granted on the basis of conceptual plans
  - MOEF clearance at State Government level is granted after approval by two committees i.e. SEAC and SEIAA. However, at Central Government level MOEF Clearance is granted after approval by only one Committee i.e. Expert Appraisal Committee. Under Ease of Doing Business at the State Level both the Committee should be merged and MOEF and CRZ Clearance should be granted after appraisal by merged single Committee.
  - The properties located within CRZ areas have to undergo clearances from three different committees. We request that the MCZMA committee should be prescribed as the committee for granting environmental clearance also. It may be noted that the guideline prescribed for clearances for the project located within CRZ area are more stringent in order to protect the coastal areas. The same guideline can incorporate the requirement of the environment clearance also (if they are not covered under CRZ guidelines). And as such all the requirement of CRZ clearance and Environment Clearance can be combined and can be cleared by the one committee.
  - Validity of environment NOC should be till the completion of the project **unless there is substantial change in features of the project.** Minor modifications (height, size of the tenement, product mix users etc.) by the project proponent which does not change to the extent of 10% in the environment parameters, no revised NOC to be insisted upon.
- **All approving authorities (Local, State, Central, including their departments) to be covered under RERA. Section 32, RERA ACT, 2016**

The Authority shall in order to facilitate the growth and promotion of a healthy, transparent, efficient and competitive real estate sector make recommendations to the appropriate Government of the competent authority, as the case may be, on :

- a. protection of interest of the allottees, promoter and real estate agent;
- b. creation of a single window system for ensuring time bound project approvals and clearances for timely completion of the project;
- c. creation of a transparent and robust grievance redressal mechanism against acts of omission and commission of competent authorities and their officials;
- d. measures to encourage investment in the real estate sector including measures to increase financial assistance to affordable housing segment;
- e. measures to encourage construction of environmentally sustainable and affordable housing, promoting standardisation and use of appropriate construction materials, fixtures, fittings and construction techniques;
- f. measures to encourage grading of projects on various parameters of development including grading of promoters;
- g. measures to facilitate amicable conciliation of disputes between the promoters and the allottees through dispute settlement forums set up by the consumer or promoter associations;
- h. measures to facilitate digitization of land records and system towards conclusive property titles with title guarantee;

- i. to render advice to the appropriate Government in matters relating to the development of real estate sector;
- j. any other issue that the Authority may think necessary for the promotion of the real estate sector.

- **Interest Subvention Scheme to be reintroduced**

By a recent circular, NHB has advised all HFCs to stop lending under subvention schemes which was the mainstay for developers in MMR to facilitate some residential sales, which had almost come to a standstill over the last few quarters.

In order to maintain their cash flows, during times of such liquidity crisis, these subvention schemes had provided some cover to the developers across MMR which needs to be immediately restored.

- **Restructuring of Loans and Construction Completion Lending**

- Scheme for restructuring of Principal and additional funding or last mile funding to Developers that will aid to complete and deliver stuck projects or projects whose underwriting numbers have changed on account of change in laws and will help in delivering on-going projects swiftly.
- To allow all banks to take over and restructure even those developer loans that may have had a “land value margin component” in the loan amount in the existing loan structure; (it may be clarified here that no part of the existing loan would have gone into acquisition of land for the said project);
- Until the liquidity situation eases, allowing a one-time restructuring of all developer loans including those that may have got classified as NPAs by extending the repayment schedule by two years, as a onetime concession, without classification of the account as an NPA or additional capital blockage resulting in higher cost of funding, similar to the benefits accorded to Infrastructure & Non-Infrastructure Sector (other than Commercial Real Estate)
- **FOR DEVELOPERS : NEW PROJECTS / LOANS**

Keep the debt:equity need as per banks at 75:25 or lower for all new loans by Banks, HFC's & NBFCs because:

- a. With the advent of RERA, promoter's contribution in projects is tough to fund, as there is no scope for money from one project to be withdrawn and used to fund as equity in another project, thus promoter contribution in a project should be a combination of customer advances together with promoter equity while calculating the debt:equity ratio for projects. Also, the debt:equity ratio should be 75:25 while assessing the total need of debt on the project cost.
- b. Also The Housing for All by 2022 has provided a demand of 6 cr homes to be constructed at least. In order to reach this number, the minimum capital need shall be USD 2 trillion as per KPMG's report. 1.7-2.0 lakh hectares of land mass is needed to achieve this. If housing financing framework is the same as the current commercial real estate lending framework this large target shall take a minimum of 50 years, as there won't be sufficient capital generated by

developers to churn on account of RERA as well as the current lending norms which restrict land funding or any other component of FSI funding.

The construction finance to be extended by Banks and HFC's for various payment seeking building plan approvals such as;

<b>FSI Procurement Cost</b>
Cost of TDR purchased @ 50% of RR
Cost of Premium FSI purchased @ 50% of RR
Cost of Fungible FSI purchased @ 50% of RR

<b>BMC Approval Cost</b>
Staircase Premium (@ 25% of RR Rate on 25% of total BUA)
Open Space Deficiency (100% deficiency)
Development Charge (@ 1% of RR Rate on Plot Area )
Surcharge on Development (@ 4% of RR on Built up area)
Additional CESS on FSI ( 4% on FSI + TDR)
LUC payment for 3 years
Other BMC fees and charges
Architect & Consultant Fees
Interest to BMC for deferred payment of premiums

Including the shifting of existing loans from an NBFC to a bank which is not possible, because financing of TDR, premium & fungible FSI etc. are not allowed by banks.

- **Representation on GST for Real Estate Sector:**

- a) **GST rates on other than affordable housing units:**

For new projects commenced on or after 1.4.2019 and ongoing projects as on 31.3.2019 opted for paying tax at new rates, on account of loss of ITC, the prices of such units have gone up by 2-3%. Hence it is recommended that New GST rates on other than affordable housing units should be reduced by 2% from 5% to 3%.

- b) **GST rates on Construction Contractors/ Sub Contractors:**

It is recommended that the GST rates on the sub contracts/composite supply of works contract pertaining to affordable houses shall also be reduced @ 12%. **Alternatively** for the purposes of determining the rate chargeable on such inward supplies, the definition of affordable houses should be linked with Clause xvi of paragraph 4 of notification no.11/2017-CT(R) dated 28.06.2017 as amended vide notification no.3/2019-CT (R) dated 29.03.2019.

- c) **Affordable Housing cost in MMR:**

The cost of house of 60 sq. mt. in MMR area will always be above Rs. 45 lakhs due to high land prices. None of such house in MMR area will qualify for concession rate of 1% for affordable house. This makes the relief illusionary for citizens of this area.

It is therefore recommended that the value cap limit of Rs. 45 lakhs should be eliminated from the definition of Affordable Houses. Alternatively, in the definition of Affordable Houses as defined under clause xvi of paragraph 4 of notification no.11/2017-CT(R) dated 28.06.2017 as amended vide notification no.3/2019-CT (R) dated 29.03.2019, the value cap of Rs.45 lacs and area cap of 60 sqmt/90 sqmt should be made mutually exclusive. **Alternatively**, to qualify for affordable house, the value cap limit be raised from Rs.45 lacs to Rs. 1 crore for Mumbai City and Mumbai Suburbs (MCGM Limits) and to Rs. 75 lacs for Thane and the rest of MMR.

**d) Unutilised GST credit with Developers**

There is significant unutilized GST input credit available to developers under the second proviso to clause (i) to clauses (i, ia, ib, ic, id) of serial no.3 of notification no.11/2017-CT(R) dated 28.06.2017 as amended vide notification no.3/2019-CT (R) dated 29.03.2019 for offset against future sales / GST liability. Therefore, it is recommended that the developers should be allowed to offset such input credit against the GST liability after 1.4.19.

The accumulated credit is readily available in the GST returns of the developers.

**e) ITC of GST on inward supplies pertaining to construction of commercial buildings for leasing/renting:**

The units in commercial buildings are sold on outright basis and/or given on lease/rental for several years. The developers are liable to pay GST on both these activities i.e. sale as well as leasing/renting of commercial units. Therefore, they should be entitled for ITC of GST on inward supplies since it is used for purpose of providing taxable supplies. While there is no ambiguity with regards to entitlement to ITC of GST on inward supplies pertaining to units sold liable to GST, however due to varied interpretation of Section 17(5)(d) ambiguity exists on entitlement to ITC of GST on inward supplies pertaining to units leased/rented liable to GST.

To avoid any ambiguity/confusion/litigation and double taxation under the GST regime, it is recommended to clarify that the developers are entitled to ITC of GST on inward supplies so far as they are used for providing taxable supplies whether by sale or by lease/rent etc.

We hereby request you to please give us an appointment for detailed discussion. Even if we cannot meet, please instruct the concerned officer to do the needful.

Thanking you,

Your sincerely,  
For CREDAI-MCHI



**Nayan A. Shah**  
President



**Bandish Ajmera**  
Hon. Secretary



**Sanjiv S. Chaudhary MRICS**  
Chief Operating Officer

S. No 1600  
DATE 15/10/2019  
Name: Nayana  
Signature: SB