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April 20, 2020

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To,
Smt. Nirmala Sitharaman
Hon. Finance Minister
Ministry of Finance
North Block, Central Secretariat,
New Delhi - 110 001

Subject :- Suggestions for revival of the real estate industry.

Respected Ma'am

We understand that the lock down is in place to slow the progression of the disease, NOT to eradicate it by 3rd May, 2020. We understand that till vaccine is found or protocol to cure infected person is established, the COVID-19 will not allow us to be back to normal. Social distancing etc will be norm for atleast one year. This will lead to all industries to suffer, but main to sufferer are Aviation, Tourism, Hospitality and Real Estate. This means Real Estate Sector which was already in trouble, is going to suffer more for long period even post lock down.

The first priority of the government is to put money in the hands of people to survive. However this cannot be sustained on long term. So economy will have to be pushed and lifted up from the sudden closure. The stimulus packages from governments and actions by Central Bank across the world, is just to stop economy from collapsing further and preventing it from slipping into coma.

For India, the task is more daunting, with limited resources, and large population to support. If large stimulus package is brought, the resultant rising Debt to GDP, can hurt a lot, but if India do not give fiscal support, then economy activity will collapse so much, that our Debt to GDP would be even worse. Other solution is to ensure that employment and Jobs remains protected.

We strongly believe **IT IS TIME TO FOCUS ON EMPLOYMENT AND TO ENSURE PROTECTION OF JOBS.** Earlier priority the country has been to achieve fiscal discipline, but with this pandemic, the focus has to be on survival and protecting employment and jobs.

It is important that any organization continues its operation for next two years and no job is lost. As on date, if any company is wound up or liquidated, then loss of jobs cannot be compensated by other company or organization or by other sector of economy. Hence all viable business has to be supported and given a chance to revive and protect jobs of all persons connected with it. Also it is not time to allow business to be wound up or liquidated, to ensure recovery of money invested, but need of the hour is to ensure that business are supported and jobs are secured and then money invested are recovered.

Real Estate Sector is employing the largest number of employees, both in organized and unorganized sector and it is important that these jobs not only remain protected, but at the earliest, it starts creating further employment. **Hence Real Estate Sector needs to be looked at from the point of protecting jobs of crores of employees and also which can create further jobs in the shortest time, to support economic revival.**

Madam, we as representative body of the Real Estate Sector, would like to support the Government in its effort to protect the employment, both in organized and unorganized sector, and also support revival of economy post this pandemic.

Also it is important to note, that Real Estate has more than four lac crores of inventory, which in turn has locked up capital and funds of financial institutions. This inventory, if supported by Non Fiscal support, can unlock huge funds for the economy to kick start and take a giant leap.

We are requesting following Non Fiscal and Fiscal Support to the Real Estate Sector, to enable us to play effective role in the governments initiative to protect employment, increase the employment and also to reach five trillion dollar economy.

A. Non Fiscal Support :

Following measures, will ensure that Employment in Real Estate Sector can survive this pandemic shock to economy, without stressing government resources at this juncture. These are concessions which can spur demand and will ensure protecting employment in the sector. Not only that, it will also act as catalyst for kick start of the economy.

1. **One time Restructuring of the loans to Real Estate sector should be allowed. The restructuring should be allowed for standard, SM1, SM2 and NPA loans. The conditions on which such Restructuring should be allowed, is that project has to be viable, and Developer should undertake that it will continue with same number of employees for next one year, which were on its payroll as on 1st March 2020.**
2. **Any purchase of the property upto 31st March 2022, the purchase cost and interest thereon, should be allowed as a deduction under Income tax Act, over a period of seven years, provided the property acquired is self-occupied or if it is not self-occupied, then it is given on rent or leave and licence, for a period of not less than six months in each of the financial year. This will revive the demand, and unlock the entire capital and loans stuck in large built up of inventory in the Real Estate Sector, and boost economy growth.**
3. **To suspend linking of Ready Recknor rate, under Income Tax Act, for sale or purchase of Apartment in a project registered under RERA, for any transaction done upto 31st December 2021.**
4. **RBI to adopt the same definition for Affordable Housing as has been defined under Income tax Act.**
5. **Banks to fund the total cost of acquisition of Real Estate, including stamp duty, GST and other taxes and charges.**
6. **To suspend operation of IBC for one year, against companies in business of Real Estate Project where Promoter files an undertaking that he will maintain the same number of employees as on 1st March 2020, for one year and pay entire remuneration.**

B. FISCAL SUPPORT :

1. **At option of Developer, to restore, input tax credit for Residential Housing Project, with GST @8%.**
At the current GST rate structure, the increased tax burden on the Developer and resultantly the cost pass-on to the Consumer is very high. It is pertinent to highlight

that if the above measures relating to GST are not implemented, it would lead to a high dip in the expected GST collections from the real estate sector in FY 2020-21. **Affordable house definition for metro cities where size of unit is upto 60 sq mt , the prices cap of Rs 45 lakhs should be removed for metro cities.**

2. **To provide housing finance @ 6% pa interest for all houses purchased on or before 31st March 2021.**
3. **To Encourage creation of Rental Housing as an Industry, all companies, which is in business of providing rental housing shall be provided with long term financing at the rate of 6% pa. To exempt rental income from taxes for next 10 years as it encourages Investors to buy units.**
4. **Increase sanctioned limits of term loans upto 25% with a provision of 3 years repayment period for the incremental finance availed.**
The lock down has resulted in cascading impact wherein not only the Developer, but all other related stakeholders face the probability of Banks Loans going under default due to prolonged closure. Thus, the overall working capital cycle has been adversely impacted and hence, in order to sustain the business and the employment of the individuals as stated above during these unprecedented and testing times, the Financial Institutions and Banks shall be permitted to sanction working capital requirement of the businesses should be increased by 25%.
5. **To direct Banks and Financial Institutions, to ensure that 70% of the money deposited in escrow account under RERA, is utilized only for the project expenses, till completion of the project, and only 30% of the collection can be utilized for payment of interest or instalments. Banks should restructure the existing facility to incorporate above.**
6. **To allow banks to have flexibility like available to Private Equity funds and NBFCs i.e.**
 - a. Convert some loan to equity or stock.
 - b. To charge lower interest initially and higher interest once project receives OC with ensuring that the banks achieves it IRR agreed at the time of sanction.
7. **To make additional allocation of funds for enhancement of fund corpus for Government sponsored SWAMIH Fund (managed by SBICAPS) and widen its coverage by including units having value more than Rs. 2 crores for projects in Metro Cities.**
The scope of SWAMIH Fund shall be enhanced to cover all residential and commercial projects so that all customers can be benefitted by getting delivery of their homes and offices. Alternatively, a separate fund can be set up for targeting projects not covered by its scope. In Metro cities like Mumbai, lot of stuck projects have ticket sizes of more than Rs. 2 Cr. Further, the current IRR expectation of 15% per annum is too high in this crisis situation and the same should be reduced to 9% per annum. In addition, there needs to be additional Flexibility in terms of structuring investments to enable funding to partnership firms / proprietorship which at present is not available due to NCD structure.
8. **To grant tax rebates to commercial asset owners i.e. offices, malls, multiplex, hotels, etc. (similar to Singapore).**

9. To allow sale of units using Subvention schemes where Pre-EMI Interest on home loan is borne by Developer.

All loans sanctioned and disbursed between 01 June 2020 and 31 March 2021 should be allowed to be granted by banks/HFCs under subvention scheme.

We request that NON FISCAL measures should be implemented immediately since it does not put any pressure on government resources.

Our suggestions for FISCAL SUPPORT may be implemented as per the resources available with government. However, if the suggestions of ours are studied, they are not immediate resource deployment, but are only adjustment of future generation of resources, and they also can be implemented immediately. Rather if all the suggestions are implemented, then it will revive the animal spirit of the Indian Economy and will generate much higher revenue for the government.

Even with COVID-19, we are hopeful that with the support of the Government, we will be one of the major sector to contribute towards building Five trillion Dollar Economy for India.

Thanking you,
Yours Sincerely,
For CREDAI-MCHI



Vyomesh Shah (Vimal)
Past President



Nayan A. Shah
President



Bandish Ajmera
Hon. Secretary

CC:

Shri Ajay Bhushan Pandey (IAS)

Secretary, Finance

Department of Revenue

Government of India

North Block, New Delhi - 110 001