

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

Subject: Request for an appointment and CREDAI-MCHI Suggestions for revival of the real estate industry

Respected Madam,

We understand that the lock down is in place to slow the progression of the disease. 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 at least one year. This will lead to all industries to suffer, but main to sufferer are Real Estate, Aviation, Tourism and Hospitality. This means Real Estate Sector which was already in trouble, is going to suffer more for long period even post lock down.

We strongly believe **IT IS TIME TO FOCUS ON EMPLOYMENT AND TO ENSURE PROTECTION OF JOBS.** Earlier priority of 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 so that jobs are not 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 providing jobs of crores of employees and also which can create further jobs in the shortest time, to support economic revival.**

The sector in last few years has been on the receiving end due to lower economic growth, shortage of liquidity, high interest rates and increased cost. Current COVID-19 pandemic has worsened the situation and the sector is worst affected sector. Various factors have reduced purchasing power of flat purchasers and fears in mind of flat purchasers due to economic scenarios has resulted in postponement of purchase of flats. Measures need to be taken to propel demand, flat purchasers, including NRIs, need to be motivated and incentivized for the purchase. Innovative loan and payment mechanisms to be developed to meet customers cash flow needs. Along with this cost of developing house has to be reduced to meet customer's expectation by reducing charges towards approvals and premiums. Also on Regulatory compliance necessary support/ relaxation to be provided to overcome this once in a lifetime economic and pandemic catastrophe.

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 Rupees four lakhs crores of inventory, which in turn has locked up capital and funds of banks and 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.

CREDAI – MCHI on behest of its more than 1,600 real estate developer - members humbly requests for providing following Support to the Real Estate Sector, to enable us to play effective role in the government's initiative to protect employment, increase the employment and also to reach five trillion-dollar economy. Suggestions listed below are :

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 provide 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 and lending to Real Estate Sector

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. To make the onetime restructuring/rescheduling window given to banks and financial institutions for Real Estate Project more pragmatic so that the reasons of “adverse market conditions and resultant drop in demand” is also SPECIFICALLY permitted to be a reason for such restructuring. Currently the relaxation given is interpreted and implemented to the benefit of restructuring only extended to projects which date of completion (DCCO) is delayed due to reasons such as delay in approvals, natural calamity, act of God etc.

- 2) Implementation of Moratorium: The Moratorium benefit announced by RBI are not being passed on by few banks, MFI, HFC, NBFC, etc. request you to please instruct them to pass on moratorium benefits
- 3) Appropriate directions be given to the Banks to pass on the benefit of the rate cuts to NBFCs/HFCs to enable them to lend to Real Estate sector at a lower rate of interest.
- 4) An instruction to be issued to Banks / HFC /NBFC to fix up the interest rate for lending to Real Estate Developers For e.g 9% or 10%
- 5) For determining Affordable House for metro cities price cap of Rupees 45 lakhs to be removed
Affordable house definition for metro cities where size of unit is up to 60 sq mt, the prices cap of Rs 45 lakhs should be removed for metro cities for priority interest.
- 6) Provide housing finance loans at interest rate of 5% p.a. and balance interest can be an interest subsidy by the government.
To provide housing finance @ 5% pa interest for all houses purchased on or before 31st March 2021. Further, to provide additional tenor for loan or lower EMI / pre EMI for initial 2 to 3 years for all the new housing loan takers so that affordability of the homes is protected even under the current sluggish economic and unemployment regime. After the completion of 3 years the EMI can be increased to recoup the shortfall in loan recovery in first 3 years. This will generate adequate gearing in the economy thru demand generation and also help accomplish Government's objective for home for all. Alternatively, teaser loan can be announced to attract buyer.

- 7) 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 at the option of the Developer.
- 8) At the option of Developer, to restore, input tax credit for Residential Housing Project with GST at 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.
- 9) Request for Extension in Moratorium term after 31st August 2020 for further 6 months i.e till 31st March 2021.
- 10) NPA norms to increase to 180 days from current 90 days.

B) Fiscal Support:

- 1) Under the income tax act u/s 24 request to abolish cap of Rs. 2 lakh while allowing set-off of interest paid towards home loan.


There is cap of Rs.2 Lacs on set-off of House Property loss (HP loss) against other heads of income in the same year. Until F.Y.2016-17, HP loss was allowed to be set-off without any upper limit or cap, against income arising under any other heads of Income during the same year. It is suggested to restore the earlier provision by removing this cap of Rs 2 Lacs on set-off of HP loss against other heads of income

Even with COVID-19, we are hopeful that with your support, Real Estate will be one of the major sector to contribute towards re-building the Nation.

We look forward to a meeting for the same to explain the issues /suggestion in details, whether in person or by way of video conferencing on the date and time as per your availability and convenience.

Thanking you
Yours Sincerely,

For CREDAI-MCHI


Nayan A. Shah
President


Bandish Ajmera
Hon. Secretary