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Ref. No.: MCHI/PRES/19-20/088

December 17, 2019

To,
Shri Krishnamurthy Subramanian
Chief Economic Adviser
Department of Economic Affairs
Government of India
North Block, New Delhi -110001

Sub: Measures for boosting demand within the real estate industry

Respected Sir,

The real estate industry is said to be the engine of growth in most developed countries, including in the USA and China. The Indian real estate industry which was in its nascent stage at the beginning of the 21st century has now become an industry that contributes heavily to the growth and development of the Indian Economy. As per the current statistics, the real estate industry's turnover is estimated to be equivalent to 13% of overall GDP & 26% of Industry GDP by 2025.

Further, it is important to appreciate the sector's multiplier effect on the nation's economic activity. If the industry functions as per its potential, it could generate employment of over 67 million people, directly and indirectly, by 2022.

However, in the current context, the real estate has still not recovered from the triple tsunami of RERA, Demonetization & GST. As per the latest research study carried out by ANAROCK, there has been almost 44% reduction in the launch of new projects from 2014 till 2019.

Over the past 6 months, we have been continuously appraising the various Ministries within the Government like MoHUPA, MoEF, MoCA, MoD, MoF, etc regarding the above facts. It is pertinent to highlight that the industry requires the Government's support by providing an atmosphere that facilitates growth. It is also in the interest of the Government to continue with the relief measures announced over the past 2 months as this will help increase volumes and garner additional tax revenue for the Government.

On behalf of CREDAI-MCHI, we would like to express our sincere gratitude for announcing the Rs.25,000 Crores AIF, which shall bring relief to the Real Estate projects stuck for last mile funding.

However, several real estate companies are unable to participate in the growth of the real estate industry and creation of additional housing supply as their capital and bandwidth is stuck in their respective existing real estate projects with ready sizable inventory, which is not selling due to low consumer sentiments and high transaction cost. It is our humble suggestion that some booster needs to be provided to the real estate industry on the demand side, by incentivizing the consumer which would bring additional traction to the sale of residential units (both ready and under-construction). The moment the residential sales pick up momentum, a big proportion of the liquidity issues ailing the current real estate

developers shall by itself be taken care of. Sale of inventory will also reduce the risk perception associated with the real estate industry while evaluating new proposals for financials by banks and other financial institutions.

In this regard, we would like to make the following suggestions for improving demand and sentiments and passing on benefits to the consumer for your kind perusal, consideration and roll out:

1. Any purchase of the property in the last one year by any consumer up to March 2022, the capital value of the property as well as interest paid thereon should be allowed as a deduction over a period of 5 to 7 years as the Government may deem fit.
 - o If it is for the first house, then it should be allowed, irrespective of its use, whether self-use or rented.
 - o If it is the second or the third property in the same individual's name, then that property after being ready, should be compulsorily rented out for creating rental stock in the city. By doing so, a developer while insuring sales is also creating social engineering.
 - o The home buyer in either of the above cases should be allowed to claim deductions under 'any other source of income'. So, effectively this deduction should be allowed under section 80 post computation of the Gross Total Income.
2. To bring the cost of the residential unit down, the GST at the option of the developer should be allowed to be charged as 5% without ITC or at 8% with ITC.
3. For all kinds of home loan, irrespective of LIG/MIG/HIG, interest should be charged at 7% for the next 2 years and the subsidy under the CLSS Scheme under PMAY should still continue to be given to eligible home buyers.

We very strongly feel that the above measures will help boost the housing demand in a very big way and we look forward to your support in rolling out of the above measures.

We, Maharashtra Chamber of Housing Industry (CREDAI-MCHI), as a real estate trade body, would like to seek an appointment with you for a meeting to discuss on the aforementioned issues.

Thanking you,

Yours faithfully,
For CREDAI-MCHI



Nayan A. Shah
President



Bandish Ajmera
Hon. Secretary