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Ref. No.: MCHI/PRES/19-20/310

Date : 19<sup>th</sup> April 2020

To.  
**Shri Deepak Parekh**  
**Chairman**  
**HDFC**  
**Churchgate**

Sub : Suggestions for revival of the real estate industry

Respected Sir,

CREDAI-MCHI congratulates you for being appointed to the committee formed by the Government of Maharashtra to suggest the way forward to revive the economy and create massive jobs, to enable a strong economic come back from the present disruption. Sir you understand our industry more than most of our members and we were all amazed at your minute understanding of our industry on the webinar organized by us and Naredco.

Sir, the Real Estate was already in a bad shape even before the COVID -19 pandemic came into existence. Sir you have deep knowledge of more than 50 years to our industry and most of our members owe their growth to your guidance and HDFC support for last 40 years. You are the "Bhishma Pitamah" of the industry and we are really looking up to you for helping our industry come out of this current situation which is far worse than it has ever been before. Sir we have compiled few points which are no different from what you have spelt out during the webinar, however for the ease of your reference we are listing it down in a particular format for your easy reference while making your recommendation to the Government.

Our demands from the government are keeping in mind the following considerations:

- 1) We don't want to burden the government with any financial payout to us but only give us some concessions for a period of 18 months so that we can get a boost which is so necessary to reenergize and recharge our companies and employees. More over any potential revenue that may be sacrificed by the Government will be more than made up by the uptick in the economic activity as a result of such incentives/concessions.
- 2) We want to support the government by generating more employment opportunity for daily wage earners as also support the more than 250 ancillary industries employing crores of workers, which are directly or indirectly connected with real estate.

Sir as submitted above, in view of the COVID 19 pandemic , the economic situation has gravely deteriorated and the general public mood is at an all-time low. Buyers have no incentive to buy real estate in this situation and its aftermath. It is generally believed, that for the next 12-18 months or until a cure/ vaccine for the COVID 19 disease is found, economic activity and public sentiments will continue to be negative. It is therefore imperative that the public sentiment including sentiment of the buyers as well as developers is revived by giving incentive for both the public to purchase real estate as well as for developers to continue to build and launch new projects. It is a fact that the State Government charges such as premium, stamp duty, Land Under Construction charges, etc. constitute between 30-35% of the sale price i.e. for e.g. if the sale price of a project is Rs. 10,000 per sq. ft. then in such a project the State Government levy would be in the range of Rs.3000-3500 per sq. ft. depending on the nature of the project.

In view of the above the State Government ought to announce a Real estate incentive scheme which can be called as the **REAL ESTATE INCENTIVE SCHEME 2020**, under which the following incentive ought to be provided:

## I. DEMAND CREATION & PUTTING POWER IN THE HANDS OF THE CONSUMER

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| 1. 1% Stamp Duty should be charged for a period of 18 months for all kind of Real Estate sold/purchased/leave and licenses/Conveyance /lease deed between until 31 <sup>st</sup> December 2021. |
| 2. Zero registration charges for all agreements for all kinds of real estate transaction.   |

Incentivising buyers for a short period of time will help to bring in liquidity to the developers which will then in turn create housing stock and ensure project completion. It will also result in robust GST collections from the enhanced construction activity and sale of flats. Any potential loss of revenue to the government will be made up by robust GST collections. Moreover if there is no incentive provided to the buyers there will be no sale nor construction activity and hence no stamp duty and no GST.

## II. SURVIVAL/ GROWTH and THE COST OF DOING BUSINESS.

### A. IMMEDIATE RELIEF FOR A PERIOD OF 18 MONTHS

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|---|
| 1. Reduce all premiums /charges / levies / cess / Premium for staircases, Lift well and Lobbies, etc. by 90% payable under the DCPR payable to the Municipal Corporation/State Government including Premium / fungible FSI etc. This shall be applicable to all new projects under taken during the 18 months |
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<p><b>window. Thereafter the premium shall stand reduced to 50% of the current premiums.</b></p> <p>These premiums/charges shall be paid at the time of grant of OC without any interest being levied.</p> <p><b>In respect of any on going projects where part instalment of premium has been paid then in such cases if the premium so paid is more than 10% of the applicable premium then in such a case no further premium shall be levied.</b></p>
<p><b>2. LUC charges payable to the Municipal Corporation should be on basic FSI and not on plot potential. Further 10% LUC charges will be levied for a period of 18 months.</b></p>
<p><b>3. Open space Deficiency Premium to be levied only for basic FSI and not on additional FSI allowed by DCPR</b></p>
<p><b>4. No premium shall be levied for the second staircase and premium for lift well shall be charged only one time in accordance with the National Building Code and not on every floor as per current practise.</b></p>
<p><b>5. Land Rate in the Ready Reckoner should be equal to 25 % of the residential rate</b></p>
<p><b>6. RR rates of flat should be reduced by atleast 25-30% and developers should be allowed to sell below RR rates .</b></p>
<p><b>7. Stamp duty on development agreement joint venture joint developments etc needs to be reduced to 1%.</b></p> <p>Also, Stamp Duty in case of redevelopment project should be reduced to Rs.1000/-</p>
<p><b>8. In case of Amalgamation, Merger, Demerger or Reconstruction of Companies, NCLT Orders or Court Consent terms, maximum Stamp Duty payable shall be Rs. 10 lakhs, to allow for consolidation of projects under one balance sheet.</b></p> <p><b>9. All revenue related matters such as sub division, PR Card etc should be made on line so as to improve ease of doing business.</b></p> <p><b>10. The premium payable for conversion for Class II to Class I should be charged at 25% (residential rate) of the RR rate irrespective of the user.</b></p>
<p><b>11. RERA</b></p> <p>i. Refunds to Customers only after project completion. We fear to customers may cancel their booking due to current economic situation and that could lead to huge cash flow mismatch in the project itself.</p>

ii. All project completion deadline under RERA be extended by 24 months

12. ULC – One-time settlement to be made realty

- Charging the ULC premium @ 5% irrespective of the status or class of the land.
- Allow partial development while charging the ULC premium on a pro-rata basis.
- Interest free deferment payment facility to be introduced for one time ULC premium payment spread over 3 to 5 years.
- No penalty for extension, or for progress report or for any other reason

The above measures will incentivize developers to complete the ongoing / existing project and also to launch new projects thus increasing the economic activity, increase the competition and leading to an eventual reduction in the price for the buyer. If the said measures are announced CREDAI-MCHI assures the Government that 5 lakh migrant labours will be re-employed and will be taken care of, who are today ready to migrate to their home town due slowdown in the Real Estate industry. Also most of the materials required to be purchased for the Real Estate industry will be locally sourced from within Maharashtra as more than 250 allied industries are dependent on the Real Estate activity. Hence overall economy of Maharashtra will be back on track if the support is given to Real Estate industry.

As you are aware that the real estate business is at the cusp of collapse and any delay in announcing the relief measures will imminently result in the collapse of the real estate business which is the 2<sup>nd</sup> largest employer in India after agriculture. The sector creates tremendous opportunities for the skilled and unskilled workforce. Further revival of this business will lead to the revival of growth for the entire country.

In this regard, we with great expectation request you to kindly accept our request and give necessary recommendation to give effect to the above suggestions.

Thanking you,

Yours faithfully,

For **CREDAI-MCHI**



**Nayan A. Shah**

President



**Bandish Ajmera**

Hon.Secretary