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A populist, progressive and pragmatic Budget

Provides financial allocations for maintaining the Centre's larger vision of 'building the nation', 'housing for all'

KISHORE BHATIJA
MD (REAL ESTATE DEVELOPMENT), K RAHEJA CORP

THE UNION Budget 2018, presented by finance minister Arun Jaitley, can be seen as a populist one, catering to the needs of the common man and the economy. The Budget has provided financial allocations in maintaining the government's larger vision of 'Building the Nation' and 'Housing for All'. The capital expenditure focus on key sectors such as agriculture, infrastructure and housing, amalgamate to provide necessary momentum and thrust to the economy. Changes in corporate taxation will incentivise many to invest, and be competitive. Overall, the Budget creates an environment for an inclusive growth, and infuses transparency into the system.

Along the expected lines, the Budget did have a major focus on the infrastructure sector. The provision of ₹5.97 lakh crore is a good 20% increase from last year, with continued focus on railways, roads, airports and telecommunication. The government's ambitious 'Bharatmala' road and highways project aimed at significantly boosting highway infrastructure, and the 'Udan' programme intended to connect unserved 56 cities via flights and 31 via helicopter; are both poised to enhance connectivity leading to efficient logistic supply and stimuli for real estate development around it. Modernising 600 railway stations initiates several opportunities for productive real estate development. Overall, the infrastructure allocation will have its multiplier effect on the economy at large, which will in turn have a positive impact on real estate demand in the near future.

The Budget made two major announcements on taxation – reduction in corporate tax to 25% for companies with a turnover of up to ₹250 crore and levy of 10% long-term capital gains tax on equity investment with gains above ₹1 lakh. We welcome the government's move of corporate tax reduction as it will incubate an environment for further investment. However, the levy of LTCG tax on listed equity instruments could have been avoided as the market buoyancy can be short-lived. On GST, we were anticipating a reduction for real estate home transactions at large, in line with the recently announced concessional effective rate of 8% for various affordable housing schemes.

Talking of real estate, as mandated by the government, the Budget focused on promoting affordable housing. The allocation of ₹31,500 crore for PMAY (Urban) vis-à-vis ₹6,043 crore last year is quantum jump. The Budget also proposes establishing dedicated 'Affordable Housing Fund' under NHB, catering to the shortfall in priority sector lending. These overall measures back the government's mandate to have a 'pucca ghaar' for every one by 2022.

The real estate industry was seeking some very important amendments like the industry status, streamlining of taxation norms for REITs, rationalisation of GST, and extension of tax sops for SEZ units, which we hope will be addressed soon. Having said that, the progressive nature of the Budget has paved way for economic growth, and we look forward to a good year with continuous improvements for the realty sector.