

Expectations From Budget 2023 - Real Estate Sector

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BUDGET EXPECTATIONS

1. **Removal of Higher surcharge for the Individuals:** Professionals at the helm of affairs of the company, despite taking higher risk and contributing to the growth of the companies are paying higher taxation due to the higher surcharges. In order to give relief to the salaried class, the taxable salary shall be excluded from the applicability of higher Surcharge.
2. **Incentive for the Digital Transfers:** Though the digital payments are increasing day by day, in order to ensure that the same is continued, the Government may consider some incentives such as refunding a fraction of the percentage of GST paid by the entities, which have received the digital payments beyond 90% of their overall receipts.
3. **TDS returns:** Government may think of introducing a single return challan form for all the TDS payments by an entity and introduce a cash ledger, which would enable the entities to pay in lump-sum, on due dates, and carry forward the balance amounts for the next months. For complying the ever-changing provisions of TDS, not to default due to lack of awareness at junior level staff and missing in complying the procedure and payment TDS compliance procedures have to be simplified. However, if the lump-sum payment is to be made on due date, they may always pay little in advance and the experienced staff / consultants can help the team while filing the TDS returns.

THOUGHTS KEEPING THE REAL ESTATE BUSINESS IN CONSIDERATION

4. **TDS on Immovable Property Purchase:** Purchasers of immovable property beyond INR 5 million are increasing day by day and are required to deduct the TDS @1% against the purchase consideration and remit the same by the end of following month. While this is fine for the second sale or purchase after completion of the project, there is a practical difficulty for purchases during the construction as there would be so many number of payments and it spans over 3-5 years period depending upon the project. Many of the buyers may not have experience in deduction and remittance of the same and companies also losing track of such deduction. Instead, a relaxation / option for the buyers during construction may be considered to deduct the entire 1% at the time of registration of flat / along with the final payment. This would help the companies also to track the transaction/TDS credit in their Form 26AS, and take the credit and adjust against their tax liability. At times, buyers may withdraw their decision to buy the unit before they reach the threshold payment or before the registration of the flat, for various reasons and creating the confusion / unnecessary trouble and burden to all the parties.
5. Real Estate is the second largest employment provider after the agriculture sector and the Government mission for "Home for All" is well cherished. However, this industry is not at par with other major manufacturing industries without any concessional taxation. The Government may consider the companies who are developing and selling flats / houses below INR 10 million with the benefit of 15% tax, in a similar fashion how the new manufacturing industry is provided for their new ventures.
6. **Demergers:** At present, the real estate industry is growing as big as manufacturing industry but some of the benefits that are available to manufacturing companies are not available to the Real

Estate Companies. For e.g. One of the residential project in a company, which is distinct from the other projects with RERA approvals, location etc., can't be demerged into a separate company as it can't be considered as an undertaking under the Income-tax, act, 1961. If this is provided, even the banks can take advantage of insisting the defaulted companies to separate the project to which they have lent, to quickly get their money while helping the suffered buyers. Technically speaking, it is tax neutral and in fact a profitable venture is taken out of suffering entity the collection might go up. This would help several Builders / developers to resize their businesses based on their requirements and grow big or save themselves from the troubles.

- 7. GST Credit in Commercial Real Estate:** There is a lot of confusion in availing the Input Tax Credit ('ITC') in construction of Commercial Real Estate especially meant for leasing of the same and if the same is getting developed under Joint Development Agreement ('JDA') model, it is all the more difficult and no one can really take a view. If the buildings under one municipal approval are completed and leased, the ITC shall be seamlessly extended and shall be reversed based on certain percentage if the building is sold later (this sort of system is available in logistic vehicles). In any case, considering the several complications in this business, a workshop with stakeholders for evolving a proper system is overdue.
- 8. Incentives for construction of warehousing:** In India, there is lot of dearth for logistic hubs / warehousing facilities. Development of these structures are considered as real estate development for all practical purposes. An Industry status to real estate activity would attract lot of investment into Real Estate and these sectors to help supply chain management from the rural areas to the port areas via several urban locations.
- 9. Taxation in JDAs:** Currently individuals who are providing land to a developer can pay the tax at the time of OC / handing over of their share by the developer and the same can be extended to all other Persons as per the Income-tax Act, 1961.
- 10. Interest of delayed payment of Advance Tax:** Many a times, it is difficult for real estate companies to estimate about their new launches and sales from such projects in 3rd / 4th quarter while paying the Advance tax in 1st / 2nd quarter and thus, a suitable relief similar to that of Capital Gains can be thought through. While IndAs provide for revenue recognition at the time of registration of property, IT authorities are not in line with the same and thus a clarity in this regard would help the industry.

Views expressed are personal & may not reflect that of my organisation.