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Here’s what infrastructure/real estate and hospitality sectors are expecting from Budget 2017

Budget 2017 has been rescheduled and will be presented before the house soon. The rationale given by the finance ministry behind such rescheduling is that it will give time to lay out the implementation plan in a better manner.

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By Gaurav Bhalla

Budget 2017 has been rescheduled and will be presented before the house soon. The rationale given by the finance ministry behind such rescheduling is that it will give time to lay out the implementation plan in a better manner. Another interesting factor about this year's budget is that it will be a cumulative budget; it will include the Rail budget which will be discontinued from this year onwards.

There have been conflicting reports on the speculated growth rate of India. While the IMF has deescalated its growth prospects, the United Nations survey has predicted a better development scenario. A robust infrastructure is a must for growth. Understanding this need the last budget allocated 2,21,246 cr for infrastructure development. The real estate sector, which accounts for almost 5% of GDP, is yet struggling to get the industry tag. The hospitality sector too requires intervention.

It is believed that the single window clearance mechanism is crucial for the timely completion and delivery of projects and that it will create a win-win situation for the buyers, developers and the government. Such a mechanism and system will increase efficiency, timeliness and will enable cost-savings for developers, who in turn would be able to pass on the benefits to consumers. The infrastructure sector can get a boost if the government is able to resolve the disputes in Public Private Partnerships through the Public Utility (Resolution of Disputes) Bill.

The government also needs to work towards the financial health of infrastructure companies which are dependent on the already overstressed banks. It can be achieved through expansion in existing channels of infra funding and attracting foreign capital by providing clarity and comfort to foreign investors are some of the steps along with mechanisms on ease of doing business. There is a need to fast track National Investment and Infrastructure Fund, so that critical funding is not delayed for critical projects.

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The government had chalked out a plan to build several regional Air Strips that would bolster the aviation sector and increase connectivity to different areas of the country. The government is reframing its plans and policies in order to attract more and more private players to invest in their construction. This initiative would bring a positive impact to the hospitality sector too as easier connectivity gives a boost to tourism and hospitality. The first and foremost step undertaken by the government here should be simplification of policies and procedures.

The real estate sector, which has similar problems, has been seeking clarity on taxation scheme of REIT's as the same has kept them apprehensive of it. Tax deduction limit for housing loans, especially for buyers in metropolitan cities, should be increased by the government. As of now the limit is Rs.2 lakh and it becomes insignificant as the ticket sizes in cities like Delhi, Mumbai are very high and houses are priced at 1 cr and above. House insurance premiums should have tax concessions to encourage end-users to insure their homes. The tax exemption limit should also be increased and be auto set to match the trends of inflation. Also, the cost of rentals is much lower at 3-4%, as compared to the actual rate interest rates for home loan which is at 8-10%. Bridging this gap would surely encourage the consumer to invest more.

The sectors are still grappling with the amended company law and are very skeptical of the proposed GST. With GST date being finalized for July 1, the sectors are waiting with bated breath to know the details. It is expected that it will have positive impact on the real estate sector as a consolidated taxation system would lead to reduction of cost for the realtors and thus the prices would go down and the benefit will be passed on to consumers.

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