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Economy and Politics

Budget Wishlist | Tax incentives for affordable housing: QVC Realty

Exempt real estate developers/contractors from service tax and from service tax on renting immovable properties; remove sunset clause for IT parks under Sec 80-IA

Prakash Gurbaxani

New Delhi: Having affordable housing for people in the middle and lower income categories is being seen through a practical as well as innovative prism by the builder and real estate communities.



Prakash Gurbaxani, CEO and founder, QVC Realty

Tax incentives for developing affordable housing should on priority remove stamp duty, service tax and income tax on affordable homes to encourage developers to build more in this category. Key recommendations are as under:

Income Tax

- Increase deduction from existing Rs1 lakh towards principal repayment of housing loan (under Section 80C of I-T Act)
- Increase deduction from existing Rs1.5 lakh towards interest payment on housing loan

(Section 24 of I-T Act)

- Municipal taxes paid to be allowed as deduction in case of self-occupied property and resultant loss to be available for setoff against salary or other heads of income
- Sec 80-IB to be reinstated for housing projects with cap of 1,500sq ft per unit
- Sunset clause for IT Parks, etc. under Section 80-IA to be removed
- 100% depreciation to be allowed for construction equipment like batching plants, excavating equipment, tippers, etc. used at construction site
- Remove withholding tax for overseas architects as currently this adds to cost for developer
- Offer tax rebate for construction of 'green buildings'

Service Tax

- Exempt real estate developers and contractors from service tax
- Exempt from service tax on renting of immovable properties

Excise duty/customs duty

- Reduce duties (excise and customs) for construction materials like cement, steel, tiles, light fittings etc
- Specifically exempt eco-friendly construction materials used in projects

General

- Subsidize interest rate loans for housing loans; loans to be provided up to 90% of the total cost
- Provide tax credit for providing vocational training to labour, in order to expand labour pool and create marketable skills
- Offer incentives for timely execution and completion of infrastructure projects
- Project loans for proposed projects pending approvals (against application for approvals).

[Prakash Gurbaxani is CEO and founder, QVC Realty Pvt Ltd](#)