



VC Circle

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Budget 2014: Developers & realty funds seek relaxation in FDI norms, clarity on REIT

By Swet Sarika

Investors want the government to take concrete steps on REIT and make it visible, with all the feedback from stakeholders incorporated.

Real estate stakeholders are eagerly waiting for the upcoming Union Budget 2014, with the hope that the first budget of Narendra Modi will remove regulatory hurdles for realty players and bring clarity on investment norms for private equity investors.

While clarity on Real Estate Investment Trust (REIT) structure, relaxing FDI norms and setting up a strong national level regulator top the wish-list of investors, according infrastructure status to affordable housing, increasing tax exemption limit for home buyers and removing roadblocks in land acquisition are priorities for developers, besides their long-standing demand for industry status and single window clearance.

Investors want the government to take concrete steps on REIT and make it visible, with all the feedback from stakeholders incorporated, in the next six months. "Specifically, we want clarity on taxation in REIT – whether it will be at the beginning or at the end or no taxation at all," said Sunil Rohokale, CEO & MD, ASK Group.

He said this will lead to an increase in flow of capital in the market as foreign investors understand REIT better.

Investors also want the government to set up a strong, national-level regulator to bring uniformity and consistency across the nation for investment. "Currently, we have to tackle different sets of regulations, say stamp duty and registration charges, in different states as real estate is a state subject. A national level regulator can work with state bodies and bring

consistency for investors,” said Navin Kumar, executive director – fundraising & investor relations, Milestone Capital.

“A regulator will also bring uniformity in price mechanism,” he added.

Relaxing limit of Foreign Direct Investment (FDI) is another area of concern for the community. There is a lot of ambiguity in FDI guidelines and the time has come to redefine the guidelines. “We should not have separate guidelines for rupee and dollar denominated funds. There should be uniformity and both funds should be allowed to be pooled together. This will benefit all developers and more money will be available,” said Rohokale.

“The entry limits on size and investment requirements for foreign direct investment should be lowered. Also, developers should be provided access to ECB for funding construction costs,” said M Murali, MD of Shriram Properties.

The developer fraternity is asking for infrastructure or special status for affordable housing. The demand for special status for housing acquires significance in the context of Narendra Modi’s proposal to build home for all by 2022. “Infrastructure status will lead to availability of cheaper capital for developers through tax exempt bonds. The government should also incentivise developers engaged in affordable housing through tax breaks and concession,” said Lalit Kumar Jain - CMD, Kumar Urban Development Ltd & Chairman, CREDAI.

Tax exemption limit for interest payments for home buyers is Rs 1.5 lakh and it should be increased to Rs 3-3.5 lakh, believe realty players. “Also, the interest rate for home buyers must be brought down below 7 per cent,” said Arun Kumar, chief executive officer of Casa Grande.

Realty players also feel that the land acquisition policy in effect has serious anomalies and the new government should look at it with due seriousness. “Besides industry status for real estate and single window clearance, which we have been demanding for very long, we want the government to make the land acquisition process balanced for both buyers and sellers,” said Mohit Goel, chief executive officer of Omaxe.

The fraternity feels that the government may not be able to tackle all these issues in this budget but they would like to see the intention to do that in coming months.