



Ministry of Finance

# Finance Minister announces Measures for Promoting Affordable Housing and Real Estate Sector

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Making the Scheme for profit-linked income tax exemption for promoters of affordable housing scheme announced last year more attractive, the Union Finance Minister Shri Arun Jaitley proposed a number of changes while presenting the General Budget 2016-17 in Lok Sabha today. Shri Jaitley said that instead of counting the built-up area of 30 and 60 sq.mtr., it will be the carpet area of 30 and 60 sq.mtr. of the houses that will be counted under the scheme. He also said that the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 sq.mtr. will apply. The Finance Minister also proposed to extend the completion period of the building of the houses after commencement under the Scheme from the present 3 years to 5 years.

At present, the houses which are unoccupied after getting completion certificates are subjected to tax on notional rental income. For builders for whom the constructed buildings are stock-in-trade, Shri Jaitley proposed to apply this rule only after the end of the year in which completion certificate is received so as to give the builders some breathing time for liquidating their inventory.

In his Budget Speech, the Finance Minister Shri Jaitley also proposed to reduce the holding period for considering gain from immovable property to be long term from the present 3 years to 2 years and the base year for indexation to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property. The Minister said that this move will significantly reduce the capital gain tax liability while encouraging the mobility of assets. Shri Jaitley added that his Government also plan to extend the basket of financial instruments in which the capital gains can be invested without payment of tax. For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.

For the new capital for State of Andhra Pradesh which is being constructed by innovative land-pooling mechanism without use of the Land Acquisition Act, the Union Finance Minister proposed to exempt from capital gains tax all persons who were holding land on 2.6.2014 - the date on which the State of Andhra Pradesh was re-organised - and whose land is being pooled for creation of capital city under the Government Scheme.

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