

# No room to cut home prices, say developers

Recent reduction in corporation tax rates unlikely to be passed on to buyers

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Prospective homebuyers are unlikely to reap any benefit from the corporation tax rate cut announced by Finance Minister (FM) Nirmala Sitharaman last Friday as developers are in mood not to cut prices of apartments.

They feel unit prices are already pretty low. Sitharaman had reduced tax on corporate entities from 30 per cent to effectively 25.7 per cent, in a bid to boost the economy reeling from a slowdown.

But property developers will not pass on any benefit to homebuyers in the form of price cuts.

"Prices are already low. They will remain low, as supply will go up after the reduction in tax. Market forces will not allow prices to go up," said Rajeev Talwar, chief executive at DLF, the largest listed developer in the country.

He added that prices had not gone



**"WE DO NOT KNOW WHETHER ANY DECREASE IN PRICES WILL BRING BACK DEMAND"**

**J C SHARMA,**

Vice chairman & MD, Sobha Ltd

up since 2007 because of an oversupply and delay in completion of projects. "If the economy gets a boost, it will help the real estate sector as well," Talwar said.

J C Sharma, vice-chairman at Bengaluru-based Sobha, said prices



**"PRICES ARE ALREADY DOWN AND THEY WILL REMAIN SO AS SUPPLY WILL GO UP AFTER THE REDUCTION IN TAX RATES"**

**RAJEEV TALWAR, CEO, DLF**

were low because of market dynamics. "Developers are absorbing all increase in costs of labour, raw materials and so on. We do not know whether decrease in prices will bring back the demand," he added.

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Sharma said input costs for developers had gone up since the introduction of the new goods and services tax rates, which do not allow deduction of input tax credit.

The government reduced the

GST rates on home from 12 per cent to 5 per cent in March, but has disallowed deduction of input tax credit. Niranjan Hiranandani said there was "no room" to cut prices to boost demand. He said according to income tax rules, if a developer cuts prices by 5 per cent both buyers and sellers have to pay a extra tax.

"Capital investment, which had stopped, will start again. When developers invest money, they will invest in new projects, construct properties and generate employment. People will buy these properties. There will be a multiplier effect," Hiranandani said. There has been a large pile up of residential real estate because of high prices and slowdown in demand. There is unsold residential inventory worth ₹90,000 crore, according to some estimates.

A Mumbai-based property developer said when 85 per cent of homebuilders are incurring losses a cut in taxes will not help. "If the government wants to boost housing demand, they should cut housing loan rates and individual income tax rates," he said.