

**IFOREX**

Jadhav *"I made \$990 after I took my free training from IFOREX!"*

[Click here to get your free training today](#)

Home » News » Real Estate



Presenting



Associate

Source: Moneycontrol.com



# Higher stamp duty is a dampener for real estate

A slight ray of hope was seen for the sluggish real estate sector when Reserve Bank of India (RBI) cut the repo rate by 50 basis points to 6.75 percent in September. However, an increase in stamp duty will increase the prices of the flats.



Surendra Hiranandani

The real estate market is set to face yet another blow at a time when it is experiencing one of the most turbulent phases. The state government of Maharashtra has decided to increase the stamp duty on property transactions by 1 percent with an aim to fund the infrastructure projects for Mumbai. After the government notifies the move, home buyers will have to pay 6 percent stamp

duty instead of the current rate of 5 percent. As a result, the direct impact of the decision will be on the home buyer who has been hoping for some relief in property prices since the last two years.

A slight ray of hope was seen for the sluggish real estate sector when Reserve Bank of India (RBI) cut the repo rate by 50 basis points to 6.75 percent in September. With this decision, there was a cumulative reduction in the repo rate by 125 basis points since January 2015. Another reason for the gung-ho created in the sector recently was due to the RBI's decision of reducing the risks weight attached to properties in affordable category. It permitted loan up to 90 percent for properties that were valued at Rs 30 Lakh or less. Before this, the bank used to lend 90 percent of property value for homes that were of Rs 20 Lakh or less.

With these policy decisions some respite was expected for the home buyers who have been hoping for the real estate prices to be lowered. However, there hopes have been marred completely with the state government's decision of increasing the stamp duty rates by another one percent. The impact of the decision will be a lot more on properties in the category of mid-premium and premium category that are priced above Rs 1 crore. An increase in stamp duty rate by one percent for these properties will hike the stamp duty to be paid by buyer by nearly lakhs of rupees. This is definitely not a welcome sign when as per a report 80,000 flats remained unsold in the city by June 2015 of which 70 percent were priced in the category of above Rs 1 crore.

While the hike will come in to effect once the government notifies the decision, this action by the government has disappointed home buyers as well as developers. Both, the home buyers and the developers were elated with the two decisions by the RBI and hoped the real estate sector could gain some respite during the ongoing festive season with these two decisions. Their hopes have been ruined this festive season as a result of which the sector may perform less in comparison to the past festive season of Dussehra and Diwali.

In past two years the sector has been experiencing a slowdown. Interestingly, real estate sector is one of the big drivers of the economic growth with a contribution of 5-6 percent contribution to the GDP of the country that comes from this sector. After agriculture, real estate sector is the second largest employment generating sector and stimulates demand for more than 200 ancillary industries such as building materials, furniture, fixtures etc. At a time when the government has been aiming for above 10 percent growth rate in the next couple of years, it cannot continue with the distressed attitude of the sector. The government should take measures that create a conducive environment for the sector. From the developers perspective the government should take steps that will reduce the cost of properties. Steps such as subsidies in land purchases, controlling prices of raw materials, simplify project approval norms, easy availability of finance will help in reducing property prices. From buyer's perspective, availability of properties at reasonable prices, availability of finance at low interest rates and subsidies in taxes and charges will encourage them to purchase homes.

In order to assist the developers to clear the pending housing stock and encourage home buyers to purchase home, there is an urgent need for government's intervention by introducing measures that are favorable for the real estate sector and the economy.

Author is founder & MD of House of Hiranandani

**RELATED NEWS**

- Asian stocks mostly higher after Fed holds rates steady
- New pension fund managers to get higher commission: PFRDA
- The benefits of being Good

**NEW DISCOVERY SPORT**

**FROM ₹46.10 LACS\***

**> START DISCOVERING NOW**

\*Ex-showroom price in Mumbai (Pre-Octro)

**POPULAR ARTICLE**



Stocks in news: Just Dial, Strides, DRL, KEC, Jet, Cipla



SH Kelkar IPO - Medium term looks uncertain: Fernando



Indigo's Rs 3018-cr IPO fully subscribed



What is bothering the stock market? Three reasons

**ASK THE EXPERTS**

Get your Personal Finance queries answered

Select Topic

Post your questions here

**Ask**

**Q** Interest rates are going to go down. And all my fixed deposits will be maturing next year. I will have to renew my fixed deposits next year at lower rate of interest. What is the way out?

**A** Interest rates keep fluctuating due to



[READ MORE ON](#) Surendra Hiranandani, property, real estate, home buyer, loans, RBI, Transforming India

ADS BY GOOGLE

- GodrejByculla Project : Buy Luxury 1/2 BHK Flat in Byculla. "Pre- Launch Inaugural Offer". [godrejbyculla.indiahomes.com](http://godrejbyculla.indiahomes.com)
- Monthly SIP Investments : Invest as low as Rs 1000pm in Top SIPs in just 2mins. Start a ZipSip. [www.myuniverse.co.in/ZipSip](http://www.myuniverse.co.in/ZipSip)

Previous [Tax complexities for e-Commerce: Will GST bring relief?](#) Next [Lupin sees more US drug approvals after disappointing Q2](#)

### Post Your Comments

Have an opinion on this news? Post your comment here.

various micro- and macro- economic factors. There is never an ideal rate of interest. In a high inter...

- Q** I want to invest some money with at least ten years view. I dont want share market risk. Can I invest in NSC? Is there any other investment option?
- A** NSC or National Savings Certificate is a safe investment scheme offered by the Central Government. It is an ideal option for investors with ...
- Q** If I put Rs 2 lakh in PPF, how much tax rebate I will get?
- A** As per the existing guidelines and rules a person cannot deposit more than 1.5 lacs in one PPF account. However you can deposit money in the...
- Q** I want to buy online term life insurance plan. Which is the best one? Should I go for single premium or regular premium policy?
- A** Single premium term insurance policies don't make much sense. Why pay such a large amount at one

Just got into town? Get back into shape! Refreshing Day-Use options starting Rs.999\*/-

[Book Now](#)

For Reservations & Enquires: 1860 266 3333 / 022 6180 2500

### Explore Moneycontrol

STOCKS [A](#) [B](#) [C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [X](#) [Y](#) [Z](#) [Others](#)

MUTUAL FUNDS [A](#) [B](#) [C](#) [D](#) [E](#) [F](#) [G](#) [H](#) [I](#) [J](#) [K](#) [L](#) [M](#) [N](#) [O](#) [P](#) [Q](#) [R](#) [S](#) [T](#) [U](#) [V](#) [W](#) [X](#) [Y](#) [Z](#)

- Live Sensex | Public Sector Banks | Market Statistics | Plan Insurance | Global Market
- Business News | Mutual Fund | Best Portfolio Manager | Bse Sensex | Nse Nifty
- Commodities Price | Silver Price/Rate in India | Gold Price/Rate in India | Crude Oil | USD to INR
- Bank Fixed Deposits | Company Fixed Deposits | Small Savings Schemes | Bonds
- Budget 2011, 2012, 2013, 2014 | Budget 2015 | RBI Credit Policy | News Archive
- Financial Glossary | Message Board | Moneybhai | Think India | History India | Latest News
- IBNLive News | News in Hindi | Cricket News | Paper Peek Exam Special | CBSE Sample Papers
- India News | Restaurants in Delhi | Online Shopping in India | Cairn India | Euro | Infosys | Inflation
- Silver | Glenmark Pharmaceuticals | Snapdeal | Starbucks | Narendra Modi | Crore | [RSS Feeds](#)

**PROPERTY 2015**  
MCHI-CREDAI & HOUSING

29th Oct - 22nd Nov  
#FindYourPerfectHome

[Register Now >>](#)

[Site Map](#) | [About Us](#) | [Contact Us](#) | [Feedback](#) | [Advertise](#) | [Bookmark](#) | [Disclaimer](#) | [Privacy Statement](#) | [Terms of Use](#) | [Careers](#)

Copyright © e-Eighteen.com Ltd. All rights reserved. Reproduction of news articles, photos, videos or any other content in whole or in part in any form or medium without express written permission of moneycontrol.com is prohibited.