

BENEFITS FOR REAL ESTATE SECTOR ON ACCOUNT OF REDUCTION IN CAPITAL GAIN TAX RATES

1. Capital Gain tax rate simplification leads to rationalisation for all classes of assets.
2. The long term capital Gain rate is now applicable uniformly to all class of assets at 12.5%.
3. It means capital gain tax rates on real estate properties is reduced from 20% to 12.5%.
4. The reduction in Long Term Capital Gain will lead to following benefits in real estate sector:
 - a. The reduction in Tax rates will lead to formalize the economy and it leads to remove/reduce black money transactions.
 - b. The transactions in formal way i.e. white money will be increased on account of reduction in tax rates in land transactions and it will be benefited to real estate developers for the purpose of availing finance, the actual land value now be considered.
 - c. Once the land transactions will become in formal way and black money will be reduced in acquiring land, the ultimate transaction to the buyer will be in form of white money and it will lead to increase in sales as loan will be easily available to the ultimate buyers on full value of transactions.
 - d. The indexation benefit is not available in property transactions. However, the reduced rate of capital gain from 20% to 12.5% is more beneficial than indexation benefit as the property value increased more than the indexation benefit. Normally, every year 4% to 5% indexation benefit is available. However, the property value on account of inflation and development in India, it will increase by 15% to 20% every year and some cases and some areas, it will lead to 30% to 35%. Thus, there is no loss to the developers, real estate investors as well as real estate end users.
 - e. It is also worthwhile to mention here that short term capital gain on shares is increased from 15% to 20% and long term capital gain on shares is increased from 10% to 12.5%. Thus, high net worth investors will move their some investments from equity to real estate.