



Higher stamp duty may dampen buyers' spirit

Proposed hike in guidance value for property registrations may impact realty market significantly. A look by

by **R.P. DESHPANDE**

By the time you read this article, the State government might have increased the guidance value for property registrations, making a big hole your pocket.

For transfer of immovable properties from one person to another, by way of sale, gift, partition, release, exchange or any other mode, it is mandatory to register such conveyance deeds (like Sale Deed, Gift Deed etc.) at the jurisdictional Sub-Registrar's office.

This attracts stamp duty and registration cost on the sale consideration or property value, as the case may be. The stamp duty and registration cost is a major revenue earner for the exchequer.

Presently the stamp duty and registration structure is indicated in the table below.

In village panchayat areas, the cess rate is 3% and hence the total stamp duty and registration cost will be 6.65% of property

value. The purchaser needs to submit stamp duty and registration charges in 3 separate Demand Drafts (DDs) favouring the jurisdictional Sub-Registrar, one for amount calculated @ 5.1% (stamp duty + cess) of property value, second one for 0.5% of property value (surcharge) and third for 1% of property value (registration cost).

If stamp duty of 0.1% has been paid while executing the sale agreement, it will be set-off against stamp duty payable at the time of re-

gistration of sale deed.

Since ages, sellers and purchasers have been declaring lesser value than actual sale consideration to save on stamp duty and registration costs, thus causing huge loss to the government. By declaring lesser sale price, the purchaser saves on stamp duty and registration costs (6.6% on the undisclosed sale value) and the seller saves on capital gains tax, which arises on the sale of capital asset (property).

It has become a routine procedure to collect differential amount (i.e., actual consideration less guidance

value calculation) in cash, which has significantly contributed to unaccounted money in the economy.

Hence to optimise revenue collections from stamp duty and registration costs and to curb generation of unaccounted money, the State government, through the Department of Stamps and Registrations, issues guidance value (in some

building, depreciation etc. are considered.

The aim of fixing guidance value is to assess the nearest market value of the property. To give the benefit of doubt to sellers and purchasers, normally the guidance value fixed would be 10-20% less than market value.

Considering the increase in property value over

traveller's office or from books (published and printed by private publications) available in book stores.

It may be noted that the Sub-Registrar may allow for any registration, if the property value shown is less than the guidance value fixed by the government, but makes it mandatory to pay stamp duty and registration costs calculated as

the guidance value would be deemed as sale consideration and accordingly seller has to make provision for Capital Gains Tax.

If sale consideration shown is more than the guidance value, the Sub-Registrar will welcome such an instrument and charge stamp duty and registration cost on actual consideration, thus earning more revenue for the government.

It is reported that the guidance value will go up by 5-20%.

Extra burden

Let us see what would be the extra burden of stamp duty on properties worth ₹50 lakh at different localities in Bengaluru with 5%, 10% and 20% increase in stamp duty and registration costs (see table at left).

You don't have any choice than to embrace the change in terms of increase in guidance value.

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INCREASE IN STAMP DUTY @ 6.6% ON ₹50 LAKH PROPERTY IN BENGALURU

S NO	LOCALITY	% INCREASE	INCREASED VALUE OF PROPERTY	INCREASE IN STAMP DUTY
1	JAYANAGAR	20%	₹60 LAKH	₹66,000
2	VIJAYANAGAR	10%	₹55 LAKH	₹33,000
3	KONANAKUNTE	5%	₹52.5 LAKH	₹16,500

Note that % increase is considered arbitrarily for illustration purpose.

States, known as stamp duty value or circle value) for all kinds of properties locally wise. For arriving at land value, due weightage will be given to zone, road width, corner property, commercial value etc. and to arrive at the value of building, type of construction, specifications, age of

years, periodically (normally once in two years), the Department of Stamps and Registrations revises the guidance value of all properties.

Verification

The guidance value for any property can be verified from the Sub-Regis-

trary's office. In such a case, as per Income Tax rules, the difference between the actual consideration and guidance value is taxable under 'Income from Other Sources' in the hands of the buyer.

On the other hand, when the actual consideration is less than guidance value,

Realty investment forecast

The ancient Chinese curse 'may you live in interesting times' certainly has a lot of pertinence to Indian real estate today. These are 'interesting' times for the sector, which has transformed significantly over the last decade.

Whether or not the changes have happened to the expected extent is debatable, but certainly, a new regulatory environment in real estate is being created with the implementation of several policies.

The Real Estate (Regulation and Development) Act, 2016 (RERA), Goods

and Services Tax (GST), Real Estate Investment Trusts (REITs), the Benami Transactions (Prohibition) Amendment Act, 2016 and the Pradhan Mantri Awas Yojana (PMAY), among others, have all happened over the last four years.

These policies are bringing in higher levels of transparency and accountability, financial discipline, focus and efficiency into the industry. Moreover, these reforms have opened new avenues for growth. Today, these are more than sufficient indicators to vouchsafe the country's growth story

and its positive repercussions on realty.

The market size of the sector is expected to touch \$180 billion by 2020 and is poised to grow at the rate of 30% over the next decade. According to the Indian Brand Equity Foundation (IBEF), the number of Indians living in urban areas is slated to increase from 434 million in 2015 to 600 million by 2031. The housing sector alone is expected to contribute around 11% to India's GDP by 2020.

ANUJ PURI

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Testing times for interest rates

Home loan rates may continue to be under pressure over the next few quarters, but their increase has been only marginal and the effect on the borrowers' pocket may be negligible, says **BALAJI RAO**

The think-tank of the Monetary Policy Committee (MPC) has decided to hold the rates against strong expectations that the rates may be hiked for the third time in a row. The MPC retained the repo rate at 6.50%, thus ending the week-long speculation, at least until the next policy announcement due in two months.

Repo rate is an important benchmark based on which the term deposit rates and lending rates are fixed by banks and financial institutions. It is also the rate at which banks borrow funds from the RBI to meet their short-term funding requirements.

Ever since the repo rate was hiked by 50 basis points (0.50%) in the last few policy announcements, the lending rates too have gradually gone up. The home loan rate that was ruling at 8.35% till recently is now ruling in the range of 8.60% to 8.80% across public and private sector lenders.

Indian economy is going through testing times in the last few months. Surge in the international prices of



and taking back money to their countries, widening Current Account Deficit, issues with fiscal deficit, general negative sentiment by the market participants due to presumed defaults from leading financial institutions, increased NPAs at major banks, liquidity crunch, inflation and upcoming Lok Sabha elections have made the economy fragile.

Indeed, these are testing times for the Indian economy, but these are not new and can be considered as common occurrences.

The good news for the moment has been the stance of the RBI that has boldly decided not to increase the rates despite the given challenges.

Home loan rates may continue to be under pressure over the next few quarters, but the increase in loan rates has been only marginal and the effect on the borrowers' pocket may be negligible.

New home loan borrowers may continue to choose floating rate which maybe the ideal option despite the present interest rate scenario.

crude oil has been the major party spoiler; per barrel cost of crude has surpassed \$80, making it costly for importing, thus leading heavy depreciation in the Indian currency. The rupee has lost over 10% this year. Neither crude nor rupee is showing any sign of relenting in a hurry.

Further, factors such as geo-political tensions at the global level, trade war between major economies, hike in interest rates in the United States, foreign institutional investors' heavy selling of debt and equity holdings

CREDAI property expo at Marathahalli begins today

More than 40 real estate developers and eight financial institutions will showcase their projects.

CREDAI Bengaluru's second edition of 'Realty Expo 2018' will be on today and tomorrow (October 6 & 7) at the Radisson Blu (Park Plaza), Marathahalli.

More than 40 real estate developers and eight financial institutions will showcase their projects.

CREDAI Bengaluru Realty Expo 2018 is the largest such platform for developers, buyers and banks.

According to CREDAI Bengaluru, the city continues to be the most preferred residential property market in South India with increased housing demand and supply. IT, ITES and start-up firms are driving this positive demand. The after-effects of GST, demonetisation and RERA have influenced the market in a positive way

as only credible players and projects continue to exist. And the process of acquiring a home has become simple and time-bound with all the promised amenities for the buyer. The developers in the Bengaluru market have also kept the prices in check whereas similar markets outside have seen a rise in prices. Low interest rate loans, special interest rate for women and other such benefits have opened multiple channels for people to purchase their dream home.

Ideal time

Ashish Puravankara, President of CREDAI Bengaluru, says, "The residential market in Bengaluru is a largely end-user driven market. People are buying to live there and perhaps this is the reason why the pricing has been more stable vis-a-vis other cities. Collectively as a sector, especially for this expo, we have decided against any price escalation, making it the best time for buyers to purchase a property." Those sitting on the fence or un-

decided now can make a decision as the prices are attractive even for the premium and luxury properties, according to CREDAI.

Adarsh Narahari, Secretary, CREDAI Bengaluru, said, "The monumental changes like GST and RERA have made a significant impact on the real estate market and have been instrumental in bringing about a noticeable shift. RERA has played a major role in strengthening the trust factor between the developer and buyer, as it brings in the much-needed transparency and accountability in the industry. Buyers are now enjoying better security for their purchase and are investing with more confidence, as developers adhere to completion timelines, amenities, and quality standards in their projects."

Bengaluru continues to be the most preferred residential property market in South India.

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