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## Navigating the Regulatory Landscape: Innovations in Policies and Regulations in the Real Sector in India

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*The Real estate sector is one of the most significant industries in India which has a direct effect on the economy of the country. About 6–8% of the nation's GDP is generated by this industry alone. Asymmetry in information, lopsided transactions that favoured developers, and a lack of financial discipline were among the problems the real estate industry experienced before the Real Estate (Regulation and Development) Act<sup>1</sup> (RERA) was passed. The industry has significantly improved as a result of the RERA, becoming more transparent, efficient, and consumer-friendly. Other than RERA, taxation policies have been playing a major role in regulating and governing the sector. The introduction of GST has proven to be beneficial to this sector as it has combined all taxes into one uniform tax. The Government has been taking several measures in recent years to make housing more affordable by allowing for additional rebates and changes in the Tax Policies. However, the recent taxation policies as per the Finance Bill, 2023<sup>2</sup> have created additional hardships for this sector. Furthermore, a major factor in this sector's ability to provide cheap housing is foreign direct investment. Given that this industry has always been one of the most guarded, with strict FEMA regulations<sup>3</sup> and unified FDI policies<sup>4</sup> restricting foreign investment, the latest FDI strategy may actually be a blessing in disguise for developers who have been struggling financially. Additionally, a number of controls and restrictions are imposed for the transfer and purchase of immovable property by FEMA regulations. The government, in order to promote ease of doing business, came*

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<sup>1</sup> Real Estate (Regulation and Development) Act 2016

<sup>2</sup> Finance Act 2023

<sup>3</sup> Foreign Exchange Management Act 1999

<sup>4</sup> Foreign Direct Investment Policy 2015

up with various regulations to allow foreign investors such as SEBI (REIT) Regulations 2014<sup>5</sup> which created a positive atmosphere to invest in this sector. Through this research paper, the author aims to identify and analyze the various issues faced in the Real estate sector with respect to affordable housing. The author also aims to analyze the scope and extent of taxation and FDI in this sector in light of the current legal system, government policies and regulations and put forth recommendations and suggestions for the same.

**Keywords:** *investment, housing, real estate, policies.*

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## INTRODUCTION

Among the most important and well-known industries in India is without question the real estate sector, it is the second largest industry in India in terms of employment after agriculture. The necessity for office space, the expansion of the corporate environment, and the need for urban and semi-urban housing all correspond with the rise of this industry. Although we are all aware that agriculture is the backbone of our nation, India has one of the liveliest and fastest-growing real estate markets in the world.<sup>6</sup> Niti Ayog predicts that by 2030, real estate will be worth USD 1 trillion in the market and account for 18–20% of GDP, with a concentration on smart city projects, as per multiple reports from reputable organisations. India's real estate industry is booming.<sup>7</sup> For instance, India's real estate market is expected to increase from its present contribution of 7.3% of the country's GDP to \$5.8 billion by 2047, adding 15.5%, per a joint analysis by Knight Frank and the National Real Estate Development Council (Narecdo). In a similar way, the research 'India Real Estate: Vision' predicts that the residential segment will dominate the real estate market.<sup>8</sup> It is estimated that India's economy will be valued between

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<sup>5</sup> Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations 2014

<sup>6</sup> Yagna Vyas, 'Impact of RERA on financial performance: A study for selected real estate companies in India' (2012) 7(2) International Journal of Research in Marketing  
<[https://www.researchgate.net/publication/352643019\\_Impact\\_of\\_RERA\\_on\\_financial\\_performance\\_A\\_study\\_for\\_selected\\_real\\_estate\\_companies\\_in\\_India](https://www.researchgate.net/publication/352643019_Impact_of_RERA_on_financial_performance_A_study_for_selected_real_estate_companies_in_India)> accessed 04 July 2024

<sup>7</sup> 'Real estate sector to touch \$1 trillion by 2030: Kant' *Economic Times* (22 October 2021)  
<<https://economictimes.indiatimes.com/news/economy/finance/real-estate-sector-to-touch-1-trillion-by-2030-kant/articleshow/87209359.cms>> accessed 04 July 2024

<sup>8</sup> Shishir Baija and Rajan Bandelkar, 'India Real Estate Vision 2024' (*Knight Frank*, 25 August 2023)  
<<https://content.knightfrank.com/research/2735/documents/en/india-real-estate-vision-2047-2023-10502.pdf>> accessed 04 July 2024

\$33 and \$40 trillion in 2047 when it celebrates its 100th anniversary of independence.<sup>9</sup> , And in order to govern this sector there was a need for proper law which regulates this sector which compelled the government to pass the Real Estate (Regulation and Development) Act, of 2016.<sup>10</sup> The RERA 2016,<sup>11</sup> law is an act of great significance. It was passed in an effort to protect homebuyers' interests and promote real estate investment<sup>12</sup>. By encouraging ethical behaviour in the real estate sector, the act aims to foster greater transparency. Such an open approach was desperately needed in the real estate industry to safeguard consumers' interests and improve the tone of the market<sup>13</sup>. In order to protect innocent buyers from unscrupulous developers, the Real Estate (Regulation and Development) Act, 2016<sup>14</sup> was passed.<sup>15</sup> Prior to RERA, there was no proper uniform law to govern this sector, consumers or home buyers had to file consumer complaints under the Consumer Protection Act in case grievances happened, the laws were too vague, the homebuyers were disorganised, and the legal system was overburdened.

The legislation was passed with three main goals in mind: first, to regulate and grow the real estate industry; second, to safeguard consumer interests; and third, to give customers a quick way to resolve disputes. In addition to RERA, taxation policies also play a significant role in the real estate sector such as the introduction of Goods and Services Tax (GST) which has made a significant effect on this sector and transactions related to it such as developers used to pass on tax charges to buyers, which could have resulted in dishonest practices<sup>16</sup>. With the implementation of the Input Tax Credit (ITC), homeowners will be able to claim a refund for

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<sup>9</sup> *Ibid*

<sup>10</sup> Real Estate (Regulation and Development) Act 2016

<sup>11</sup> *Ibid*

<sup>12</sup> Dr. M P Chengpa and Bhavya Nahar, 'Impact of Real Estate (Regulation and Development)- Rera Act, 2016 on the Home-Buyers: Addressing the Unconscionability?' (2019) 1 CMR University Legal Compendium <<https://www.cmr.edu.in/school-of-legal-studies/journal/wp-content/uploads/2021/03/Article-12.pdf>> accessed 04 July 2024

<sup>13</sup> Raymond Keng Wan, 'Impact Of Rera 2016 And Its Ramifications - A Consumer-Centric Analysis' (2018) 6(1) International Journal on Consumer Law and Practice <<https://repository.nls.ac.in/cgi/viewcontent.cgi?article=1053&context=ijclp>> accessed 04 July 2024

<sup>14</sup> Real Estate (Regulation and Development) Act 2016

<sup>15</sup> Aishwary Jain and Devang Sharma, 'Impact of GST on India's Real Estate Sector: An In-Depth Analysis' (*Tax Guru*, 26 October 2023) <<https://taxguru.in/goods-and-service-tax/impact-gst-indias-real-estate-sector-in-depth-analysis.html>> accessed 04 July 2024

<sup>16</sup> Anant Kumar Anand and Sujata Kumari, 'IMPACT OF RERA AND GST ON THE REAL ESTATE SECTOR IN INDIA' (2023) 3(2) Indian Journal of Integrated Research in Law <<https://ijirl.com/wp-content/uploads/2023/04/IMPACT-OF-RERA-AND-GST-ON-THE-REAL-ESTATE-SECTOR-IN-INDIA.pdf>> accessed 04 July 2024

any excess taxes that were paid<sup>17</sup>. Taxation policies and laws also help in inviting investment from outside the country. India's real estate sector has a robust market with enormous growing capacities and attracting investment from foreign can help in providing affordable housing in India. Foreign direct investment is prohibited in this sector with only approval in the construction development sector and prohibited in the real estate business. This sector is regulated by various regulations and policies such as FEMA and FDI Policies.<sup>18</sup> But the government recently in order to improve the ease of doing business, came up with various liberal approaches in this sector such as SEBI (REIT) Regulations 2014<sup>19</sup>. With the enactment of this regulation, there has been improvement but still, there are various problems such as the strict compliances to be followed by developers that lead to the increase in the price of the house and reduce the sale of the house which eventually affects the mission of affordable housing, therefore this all problems should look into consideration while governing real estate sector.<sup>20</sup>

## LITERATURE REVIEW

1. In the Article titled **FDI in Real Estate in India: Law, Policy and Practice**,<sup>21</sup> authored by Abhinav Kumar has analysed the scope of foreign direct investment in the real estate sector, which is the primary subject of the author's paper. According to him, foreign direct investment (FDI) in India is governed by a number of laws and policies; it is one of the industries that is most closely watched and subject to FEMA rules and FDI policies. According to his analysis, India's real estate industry has a lot of promise and is one of the fastest growing. With foreign investment, the country can fulfil its goal of providing people with access to inexpensive homes. In order to increase the opportunities for both domestic and overseas investors, the author also looked at recent developments from the past, such as the SEBI(REIT) 2014 rule<sup>22</sup>.

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<sup>17</sup> Jain (n 15)

<sup>18</sup> Sunil Tyagi and Deiksha Kapur, 'FDI in Real estate Development Sector- the hindrance in the blessing' (2008) 1(13) National Reality <<https://zeus.firm.in/wp-content/uploads/FDI-in-Real-Estate.pdf>> accessed 04 July 2024

<sup>19</sup> Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations 2014

<sup>20</sup> Rahul Bansal, 'The Impact of GST on Real Estate in India' (*Propacity* 09 April 2024) <<https://www.propacity.in/blog/gst-on-real-estate/>> accessed 04 July 2024

<sup>21</sup> Abhinav Kumar, 'FDI in Real Estate in India: Law, Policy and Practice' (2016) 9(10) NALSAR Student Law Review <<https://nslr.in/wp-content/uploads/2019/04/NSLR-Vol-910-No-3.pdf>> accessed 04 July 2024

<sup>22</sup> Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations 2014

2. In the Article titled '**RERA Act- A Reprimand Analysis**'<sup>23</sup> authored by Jimna P V has analysed the impact of the introduction of the Real Estate Establishment Act, of 2016<sup>24</sup> (RERA), the author here highlighted the importance and need for RERA in governing the real estate sector. The author stated that before RERA, there was no law governing the real estate sector in India, it was highly unregulated but with the implementation of RERA there is a proper system and authority also to govern the same. He also examined that there are certain drawbacks in the act that need to be looked into and what are the implications on the implementation of this act.

3. In the Article titled '**Foreign Investment (FI) in Realty and Housing Affordability**'<sup>25</sup> authored by Tajul Ariffin Masron & Abu Hussan Shaari Md Nor have evaluated the role that capital, particularly foreign investment, plays in the Indian real estate market in order to provide affordable homes. The authors looked at the real estate industry's size and how, with the right investment, it can help the Indian economy. This essay also looks at the issues and difficulties that arise when foreign direct investment (FDI) is made in this industry. It also analyses the changes that have been brought about by government liberalisation efforts and FDI regulations. Additionally, the authors conducted a comparative analysis with a number of other nations, looking at statistics regarding the impact of foreign investment on each nation's real estate market.

4. In the Article titled '**Impact of GST on Realty Sector in India**'<sup>26</sup> authored by Manisha Patwaris has examined the impact of the Goods and Services Tax (GST) on India's real estate industry. In this article, the impact of GST—especially on the residential and commercial sectors—is the author's main focus. Since the real estate sector contributes significantly to the GDP of India and is the second most important business after agriculture, the author also examined the real estate industry's potential and role in the country's economy. The Goods and

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<sup>23</sup> Jimna P V, 'RERA Act: A Reprimand Analysis' (2022) 3(1) Jus Corpus Law Journal <<https://www.juscorpus.com/wp-content/uploads/2022/11/176.-JIMNA-P-V.pdf>> accessed 04 July 2024

<sup>24</sup> Real Estate Establishment Act 2016

<sup>25</sup> Tajul Ariffin Masron and A.H. Shaari, 'Foreign Investment in Real Estate and Housing Affordability' (2016) 50(1) Jurnal Ekonomi Malaysia <<http://dx.doi.org/10.17576/JEM-2016-5001-02>> accessed 04 July 2024

<sup>26</sup> Manisha Patawari, 'Impact of Goods and Services Tax on Real Estate sector in India' (2020) 3(5) International Journal of Law Management & Humanities <[https://www.researchgate.net/publication/361137326\\_Impact\\_of\\_Goods\\_and\\_Services\\_Tax\\_on\\_Real\\_Estate\\_sector\\_in\\_India](https://www.researchgate.net/publication/361137326_Impact_of_Goods_and_Services_Tax_on_Real_Estate_sector_in_India)> accessed 04 July 2024

Services Tax (GST) and its necessity are evaluated in the article that follows, together with the prior tax system.

## RESEARCH METHODOLOGY

In this research paper, the authors used both doctrinal and non-doctrinal research methodologies. Under doctrinal methodology, the authors examine the available primary and secondary data and then interpret the results by using our logic.

Under non--doctrinal methodology, the authors conducted an online survey in the form of a Questionnaire related to the topic of the Impact of RERA and mentioned the relevant result and interpretation of the survey in a research paper.

## RESEARCH OBJECTIVE

This paper aims to critically analyse various government policies and regulations with respect to the Real Estate Sector with special emphasis on the impacts of RERA, Taxation Policies, and FDI Policies. The impact of each of these affordable housing initiative measures is examined in this article. Moreover, this paper seeks to offer recommendations.

## ANALYSIS

**Impact of the Real Estate (RERA) Act, 2016:**<sup>27</sup> Prior to the passing of the Real Estate (Regulation and Development) Act, 2016 (RERA)<sup>28</sup>, the real estate industry was largely unregulated. Due to the lack of a particular rule governing this industry before the RERA Act<sup>29</sup>, developers and builders engaged in unethical, opaque, unwanted, and exploitative behaviours towards consumers. The growing population and advantageous economic policies in the years following 2010 contributed to a rise in the demand for housing. The RERA Act was consequently passed

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<sup>27</sup> Real Estate (Regulation and Development) Act 2016

<sup>28</sup> *Ibid*

<sup>29</sup> *Ibid*

by the legislature and went into effect on May 1, 2016.<sup>30</sup> The act has improved accountability and openness in the real estate industry.

**According to the statute, every state must establish a Real Estate Regulatory Authority. Important goals of the RERA Act:**<sup>31</sup>

**Transparency:** The RERA has implemented several changes to this sector, thus making it more transparent. RERA mandates all builders and developers to register their projects on the RERA website so that the buyers have proper access to the information regarding the projects which will help them make an informed decision.<sup>32</sup> The builder/ developer is also obliged to provide clear and complete Information to the buyers as to various aspects of the projects such as land ownership reports, legalities, probable easements, etc.<sup>33</sup> The builders are also required to provide accurate and approximate project completion timeliness to the buyers, failure to which, the builder will be liable to heavy fines and penalties. Only the projects registered on RERA will be eligible to be sold. This provision was enacted to ensure fairness and transparency among the buyers while purchasing a property.

**Dispute Resolution:** Prior to the RERA Act, all disputes related to the real estate sector were dealt with by the regular courts which involved a considerable amount of time and money. The RERA has improved the resolution of disputes in the Real estate sector. Section 32 (G) of the RERA<sup>34</sup> Act provides for the settlement of real estate disputes through alternative dispute resolution mechanisms such as Mediation, arbitration, and conciliation.<sup>35</sup> This is more effective and efficient as compared to the traditional legal proceedings.

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<sup>30</sup> Shrinithi. S.R, 'CRITICAL ASSESSMENT OF RERA' (*Manupatra*, 05 July 2022) <<https://articles.manupatra.com/article-details/CRITICAL-ASSESSMENT-OF-RERA>> accessed 19 August 2024

<sup>31</sup> Real Estate (Regulation and Development) Act 2016

<sup>32</sup> Harsh Bhushan, 'Impact of RERA in Real Estate in India: An Analysis' (*IJPIEL*, 03 January 2022) <<https://ijpiel.com/index.php/2022/01/03/4488/>> accessed 04 July 2024

<sup>33</sup> Amol Godge et. al., 'Impact of Real Estate Regulatory Authority (RERA) Act 2016' (2023) 11(1) *The Online Journal of Distance Education and e-Learning* <<http://dx.doi.org/10.5281/zenodo.7703882>> accessed 04 July 2024

<sup>34</sup> Real Estate (Regulation and Development) Act 2016, s 32

<sup>35</sup> Nithi, 'RERA Act: A Critical Analysis' (2020) 11 *Pen Acclaims* <<http://www.penacclaims.com/wp-content/uploads/2020/07/Nithi.pdf>> accessed 04 July 2024

**Quality Assurance of Projects:** The RERA Act mandates all builders and developers to ensure that all the completed projects are free from any structural defects and other faults. Section 14 (3) of the RERA<sup>36</sup> puts an obligation on the promoter of a registered project to ensure that projects are defect-free.<sup>37</sup> The obligations of the builders do not end after the completion of the project as builders are liable for fixing any structural flaws or subpar workmanship for a maximum of five years following the property's acquisition. Buyers are shielded from problems after possession by this.

**Survey Data Analysis:**<sup>38</sup> A survey was conducted, in which we analyzed the impact of Real Estate policies and regulations and their impact on society. The survey mainly focused on the Real Estate (Regulation Development)- RERA Act, 2016<sup>39</sup>. The pie chart as depicted in Figure 1.1, shows that around 52 percent out of the 40 respondents who responded to the survey said that they had noticed significant changes in the process of buying a property after the enactment of RERA. 40 per cent of the respondents were not aware of the changes and 8 per cent of respondents felt that RERA had no significant impact on the process of buying a property.

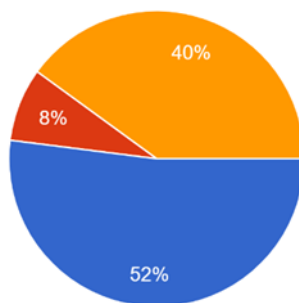


Figure 1.1 – Changes in the process of buying a property

<sup>36</sup> Real Estate (Regulation and Development) Act 2016, s (14)(3)

<sup>37</sup> D. Santhosh Kumar and Ramesh Kumar Miryala, 'Impact of RERA on home loan borrowers in India' (2021) 24(4) International Journal of Indian Culture and Business Management

<<https://ideas.repec.org/a/ids/ijicbm/v24y2021i4p453-464.html>> accessed 04 July 2024

<sup>38</sup> Survey Conducted by Authors using Google Forms with a Group size of 40 Respondents (Homeowners)

<sup>39</sup> Real Estate (Regulation and Development) Act 2016



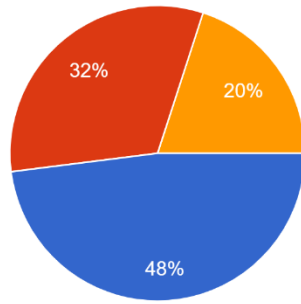


Figure 1.2 – Behaviour and practices of developers

The impact of RERA on the actions and customs of developers and builders is illustrated by the pie chart in Figure 1.2. RERA significantly affects developers' and builders' methods and behaviours, according to 48% of respondents. On the other hand, 32% of respondents disagree. Overall, the numbers given above show that RERA has a big impact on the real estate industry. The majority of respondents believe that RERA has had a beneficial effect on the industry.

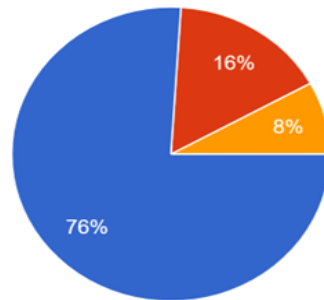


Figure 1.3 – Impact of Government Regulations and Policies

The pie chart in Figure 1.3 depicts the impact of other government regulations and policies on the Real Estate sector. The majority of the respondents agree that over the years, the rules, regulations, and policies implemented by the government have impacted the sector significantly. The government has been actively introducing laws, regulations, and policies such

as the Foreign Exchange Management Act<sup>40</sup>, RERA<sup>41</sup> rules for different states, etc for the welfare of this sector.

### **IMPACT ON FOREIGN DIRECT INVESTMENT (FDI)**

Due to the extremely uncontrolled market, foreign investors were first hesitant to make real estate investments in India. Foreign Direct Investment (FDI) has increased since RERA was passed. This is due to the fact that the RERA Act has allowed international investors to participate in a more regulated and transparent environment, greatly improving the Indian real estate market. Based on statistical data, the real estate sector saw approximately 23.9 billion dollars in foreign direct investment from 2017 to 2021. This is a significant increase from the 7.5 billion dollars in FDI from 2012 to 2016. Investor confidence following the implementation of RERA led to this notable increase.

### **IMPACT OF RERA ON AFFORDABLE HOUSING**

The government has been actively involved in making housing more affordable in India. The government has introduced several schemes, policies, and regulations to make affordable housing a possibility. RERA has played a key role in promoting affordable housing by keeping a check on the real estate sector. RERA is successfully ridding the system of brokers who take advantage of their clients to make money<sup>42</sup> Because they deal with certified brokers, developers of affordable homes have observed a significant drop in consumer complaints. Under RERA requirements, builders are now required to maintain transparency throughout the process. Informed decision-making is another service provided to numerous house buyers by the recently licensed RERA brokers. Overall, RERA has helped to promote affordable housing in India<sup>43</sup>.

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<sup>40</sup> Foreign Exchange Management Act 1999

<sup>41</sup> Real Estate (Regulation and Development) Act 2016

<sup>42</sup> Sam Chandan, 'Practical Considerations for the Taxation of Real Estate Investment Trusts' (SEBI, 20 March 2015) <[https://www.sebi.gov.in/sebi\\_data/DRG\\_Study/IRC2015/2.1Chandan.pdf](https://www.sebi.gov.in/sebi_data/DRG_Study/IRC2015/2.1Chandan.pdf)> accessed 04 July 2024

<sup>43</sup> Nikhil Neve and Hemanshu Ahire, 'Proposing a Model for Effective Construction Site Logistics Management in Pune Region' (2019) 2(7) International Journal of Research in Engineering, Science and Management <[https://www.ijresm.com/Vol.2\\_2019/Vol2\\_Iss7\\_July19/IJRESM\\_V2\\_I7\\_73.pdf](https://www.ijresm.com/Vol.2_2019/Vol2_Iss7_July19/IJRESM_V2_I7_73.pdf)> accessed 04 July 2024

## IMPACT OF FDI POLICIES ON THE REAL ESTATE SECTOR

The real estate sector has enormous potential and is one of the fastest-growing sectors in India in order to use its potential, proper investment is required so that can be used in a fruitful manner<sup>44</sup>. Affordable housing facilities are also one of the recent agenda of budget 2024-2025 in which the government aims to provide 2 crores housing facilities to middle-class people<sup>45</sup> and for that goal, more capital would be needed, and FDI will play an important role in providing that capital. The advantage of FDI can be drawn from the fact that it is the second largest employer after agriculture. As per the *'United Nations (UN) Conference on Trade and Development 2023 World Investment Report'*, India is steadily establishing itself as a preferred choice for international investors<sup>46</sup>. In terms of new project investments, India ranked third in terms of FDI in 2022. Only the US and the United Kingdom surpassed India in terms of FDI inflows.

Nevertheless, FDI in India is regulated and guarded by various rules and regulations such as FEMA (Foreign Exchange Management Act) 1999 and FDI policies.<sup>47</sup> However, after 1991 government came up with various liberalization policies that attract foreign investment in key sectors such as industrial, housing etc. However, the 2005 FDI policy brought about dramatic changes in the real estate industry, enabling foreign investors to make real estate investments using a fully automated system without needing prior approval in the construction development sector. (*Which would include but not be limited to housing commercial premises, recreational facilities and regional-level infrastructure*)<sup>48</sup> with certain conditions attached to it. This was the first time FDI was allowed in the real estate sector after that various policies were released in 2008, and 2010 which made certain amendments to the existing policies, but the FDI

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<sup>44</sup> Sharmishtha Sharma, 'Impact of RERA on Indian Economy: A Critical Analysis' (2018) 1(3) International Journal of Law Management & Humanities <<https://www.ijlmh.com/wp-content/uploads/2019/03/Impact-of-RERA-on-Indian-Economy-A-Critical-Analysis.pdf>> accessed 04 July 2024

<sup>45</sup> Sreeparna Chakrabarty, 'Budget 2024 - New scheme for affordable middle-class housing' *The Hindu* (01 February 2024) <<https://www.thehindu.com/business/Budget/housing-scheme-to-be-launched-for-deserving-middle-class-sitharaman-in-budget-speech/article67799636.ece>> accessed 04 July 2024

<sup>46</sup> UNCTAD, *World Investment Report 2023: Investing in Sustainable Energy for All* (2023)

<sup>47</sup> Vivek K Chandy, 'All you need to know about FDI in Indian Real Estate' (JSA Law, 12 July 2022) <<https://www.jsalaw.com/articles-publications/all-you-need-to-know-about-fdi-in-indian-real-estate/>> accessed 04 July 2024

<sup>48</sup> Consolidated FDI Policy 2015

policy of 2015 made major changes in the existing criteria and made it easier for the investors to invest. Following are the changes brought by the 2015 FDI policy:

- Minimum area to be Developed - In an earlier policy there was a requirement of a minimum land area of 10 hectares in case of serviced housing plots and 50000 sq. meters in construction development, but the 2015 policy deleted this provision and now no minimum land area is required.
- Earlier foreign investors were allowed to exit from the investment upon (1) the development of trunk infrastructure and (2) the date of completion of the project however under the 2015 policy the investor can exit after the completion of the project or after the development of trunk infrastructure or after 3 years from the date of each tranche of foreign investment.
- It was earlier required that at least 50 per cent of the project must be developed within a period of 5 years of statutory compliance now this provision is also deleted in the 2015 FDI policy<sup>49</sup>.
- In its Foreign Direct Investment (FDI) policy, 2015 the government clarified that earning rent or income from the lease of property does not constitute a real estate business<sup>50</sup> as long as it does not involve a transfer. This opened up and liberalised opportunities for foreign investors to participate in the Indian real estate market. This is a welcome move as FDI is prohibited in the Real estate business but income from rent or lease does not come under this ambit.

The government also expanded the definition of real estate business after 2015 by releasing the FDI policy in 2022. This policy defines real estate business as *dealing in land and immovable property with a view to earning profit therefrom* and excludes the *development of educational institutions, recreational facilities, and city and regional level infrastructure* from its core<sup>51</sup>.

These all policies are a welcome move in the field of real estate, according to numerous surveys, foreign investment in the real estate sector has increased as a result of all these FDI policies and

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<sup>49</sup> *Ibid*

<sup>50</sup> Consolidated FDI Policy 2020

<sup>51</sup> *Ibid*

government initiatives such as the deletion of minimum capitalization and minimum area clause is beneficial for the foreign investor who invests in metro cities because it is difficult to find the minimum area of 50000 sq. meters in tier-I city along with the deadline of minimum capitalization to be given within 6 Months of the commencement of the project/s which also discouraged foreign investor<sup>52</sup>. Along with it, the implementation of the 3-year lock-in period in Public Notice 15 has made exiting the scheme more logical. Foreign investors who were unable to get funding for the development of the trunk infrastructure can now withdraw after the three-year period has elapsed. This is a significant relief, particularly when considering large-scale projects that have failed and the foreign investors' desire to withdraw.

All these moves helped the real estate sector to gain momentum and attract foreign investors as per various surveys and reports such as: Foreign direct investment (FDI) in the building and development sector increased between April 2000 and May 2015, totaling US\$24.07 billion, or 9% of all FDI inflow, according to a study by the Indian Brand Equity Foundation published 'Real Estate' (August 2015)<sup>53</sup>.

According to a 2016 study by the Department of Industrial Policy and Promotion, India received around US\$24.19 billion in foreign investment between April 2000 and March 2016. It is projected that NRI investment in the real estate industry will undoubtedly rise throughout the short and long terms<sup>54</sup>.

Because of its liberalised regulations, India has managed to become one of the world's most popular investment destinations, but there are still obstacles and gaps to be overcome. For example, the term 'Phase' as defined under FDI policy is not entirely clear.<sup>55</sup> Although each 'phase of construction development will be considered as a separate policy,' it is crucial to designate the phase in order for conditions to be applied, such as the existence of an option after

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<sup>52</sup> Masatoshi Matsuo et. al., 'FDI in Real Estate: Further Liberalized' (*Nishith Desai Associates*, 16 November 2015) <<https://www.nishithdesai.com/SectionCategory/33/Real-Estate-Update/12/48/RealEstateUpdate/5133/1.html>> accessed 04 July 2024

<sup>53</sup> 'Foreign Direct Investment (FDI)' (*India Brand Equity Finance*) <<https://www.ibef.org/economy/foreign-direct-investment>> accessed 04 July 2024

<sup>54</sup> Ministry of Commerce & Industry, *Sector-Wise FDI Inflow PIB* (2020)

<sup>55</sup> Niharika Mehta and Seshanwita Das, 'Analysis of FDI Inflow in Real Estate Sector –A Study with Focus on Housing Sector of Delhi NCR Region' (2018) 8 *Online International Interdisciplinary Research Journal* <<https://www.oijrj.org/oijrj/may2018-special-issue/16.pdf>> accessed 04 July 2024

the completion of the trunk infrastructure or a lock-in time. Additionally, FDI is still forbidden in the 'real estate business'. Foreign investors are permitted to generate rental revenue from the real estate industry, but they are not permitted to keep or transfer the property.

With a few notable exceptions, such as townships, business centres, or malls/shopping complexes, foreign investments are still not permitted in completed projects; they are only permitted to invest in developing projects. The government's regulations and policies regarding foreign direct investment have certain loopholes that should be taken into account. After all, FDI will help builders earn a healthy return on their investment, which will lead to lower home prices and the achievement of the goal of affordable housing.<sup>56</sup>

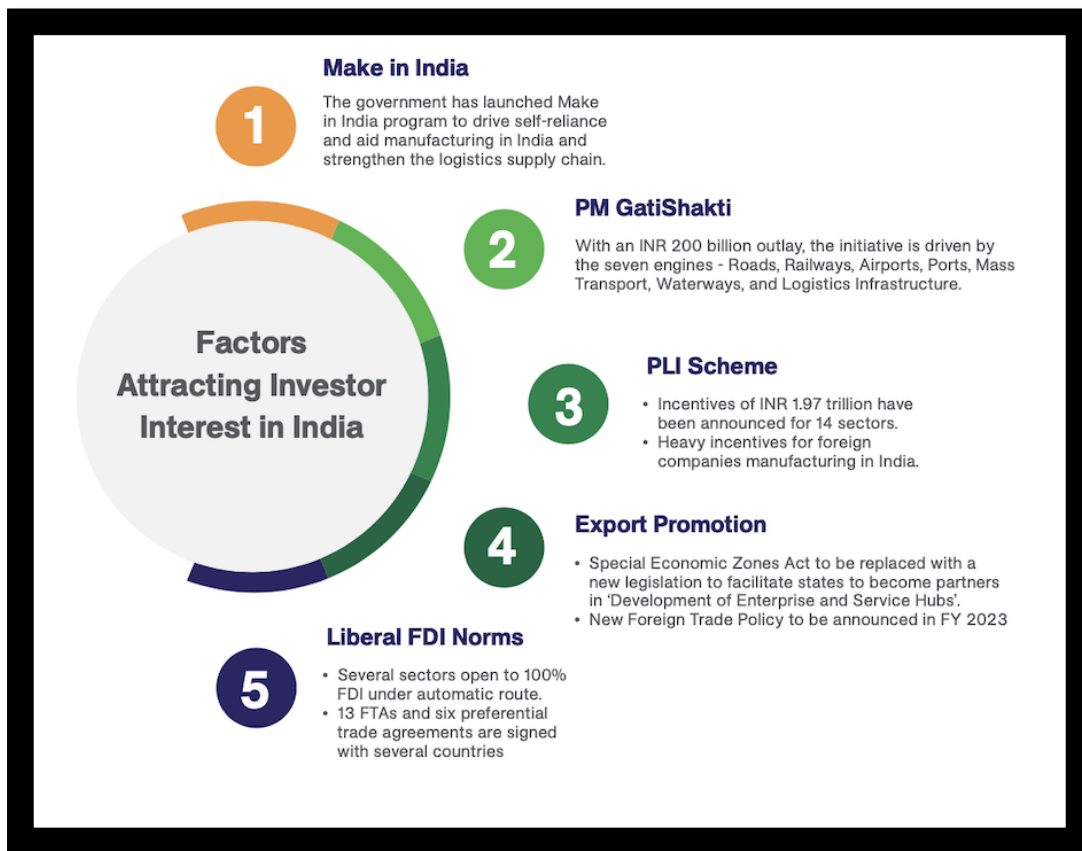


Figure 2.1 – Factors attracting investor interest in India

<sup>56</sup> Vivek K Chandy, 'All You Need To Know About FDI In Indian Real Estate' (*Times Property*, 17 May 2022) <<https://timesproperty.com/news/post/all-you-need-to-know-about-fdi-in-indian-real-estate-blid2193>> accessed 04 July 2024

The above figure depicts the factors that play a major role in attracting investors to invest in India.

**SEBI (Real Estate Investment Trusts) Regulations, 2014<sup>57</sup> - ['REIT Regulations']:** SEBI 2014 came up with the regulation called REIT (SEBI) Regulations 2014<sup>58</sup> to implement the concept of Investment trust in the arena of real estate which would ensure transparency for the investors. The REIT concept is quite new in India but in Western and developed countries, it has been for a quite long period. It is the same as mutual funds and is considered as mutual funds for real estate. A real estate investment trust is a type of fund that purchases and oversees real estate and mortgages<sup>59</sup>.

In order to acquire income-producing real estate assets, REITs obtain capital by issuing units or shares to a group of investors. REITs are frequently traded on stock exchanges. They provide a straightforward, hassle-free way to invest in real estate with the advantages of diversification and no liquidity risk. As a result, shares can be sold for a little more effective cost. If there are no Real Estate Investment Trusts (REITs), the most obvious way to invest is to save money for a down payment on a house using gold, bonds, or stocks, depending on your risk-return profile. You would then need to liquidate that investment to actually purchase the house. However, we can directly invest lesser amounts in the security over a predetermined time horizon with Real Estate Investment Trusts (REITs) and then liquidate our investments when the time comes to buy our home.

**REIT is governed by SEBI regulations as follows:**

- It is mandatory for the REIT to be listed.
- A minimum of 80 per cent (%) of the total value of the REIT assets must be held by fully developed, revenue-producing properties. The remaining 20% may be used to purchase: development properties (with a 10% maximum).

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<sup>57</sup> SEBI (Real Estate Investment Trusts) Regulations 2014

<sup>58</sup> *Ibid*

<sup>59</sup> Ritabrata Ghosh and Sanket Subhash Man, 'Influence of Changing Real Estate Scenarios on Affordable Housing in India' (From Poverty, Inequality to Smart City, 2015)

- A Special Purpose Vehicle (or SPV) that directly holds at least 80% of the properties' assets is required to be owned by a Real Estate Investment Trust (REIT) or by the REIT itself. The SPV must also have a controlling interest in the REIT and at least 50% of its equity share capital.
- There are three parties to REIT such as trustee, sponsor and manager and it must be registered with SEBI and established according to the Indian Trust Act, 1882<sup>60</sup>.

## FDI IN REAL ESTATE INVESTMENT TRUST

Foreign investors can invest in India through REIT, as it has great potential to attract foreign investors due to low risk and transparent system.<sup>61</sup> According to the biennial Global Real Estate Transparency Index (GREIT) report<sup>62</sup> from JLL and LaSalle, India is ranked 34th out of all countries. Because of enhanced market data, REITs, and legal reforms that have increased openness, the Indian real estate industry has made some of the largest advancements in the world and in the region. As per regulation 14(12)<sup>63</sup>, foreign investors can invest through REIT they can invest only through venture capital fund (VCF) not from the trust. Therefore, with reference to the FEMA Regulations, a foreign REIT registered as a foreign venture capital investor (FVCI) with particular clearance from the RBI may invest in VCF, provided that the VCF is likewise registered with SEBI. Through an initial public offering or private placement of units of schemes or funds established by a VCF, a registered foreign REIT may acquire equity, equity-linked securities, debt, debt instruments, and debentures of a VCF. Even yet, there are still requirements and limitations for international investors to invest in REITs. Some regulatory barriers such as prior approval from the Reserve Bank of India and the Foreign Investment Promotion Board are required which prevent foreign investors from making investments and drawing in foreign direct investment, all of this needs to be more liberalised.

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<sup>60</sup> Indian Trust Act 1882

<sup>61</sup> Sakshi Gupta, 'Real Estate Sector in India: Challenges and their Solutions' (2018) 4(1) World Wide Journal of Multidisciplinary Research and Development <[https://www.wjmr.com/upload/real-estate-sector-in-india-challenges-and-their-solutions\\_1516274410.pdf](https://www.wjmr.com/upload/real-estate-sector-in-india-challenges-and-their-solutions_1516274410.pdf)> accessed 04 July 2024

<sup>62</sup> Global Real Estate Transparency Index, La Salle (2022)

<sup>63</sup> SEBI (Real Estate Investment Trusts) Regulations 2014, s 14(12)



## IMPACT OF TAXATION POLICIES AND REGULATIONS

Taxation Policies in Realty are mainly dealt with by the Income Tax Act, of 1961<sup>64</sup> and the Goods and Services Act, 2016<sup>65</sup>. Over the past decade, the government has been trying to make housing more affordable by introducing several changes to the real estate tax in India.

### IMPACT OF THE INCOME TAX ACT 1961

Financial reporting and investment decisions in the real estate industry are influenced by the Income Tax Act on Real Estate, which governs taxation, deductions, and exemptions for income from property purchases. The Income Tax Act has introduced various provisions to boost the initiative of affordable housing. The government suggested a number of changes to the IT Act, 1961 when it developed the public policies on 'Housing for all by 2022' and Affordable Housing, including clauses pertaining to tax exemptions for both, the person who manages the company's operations and projects linked to affordable housing that are announced by the federal and state governments, as well as to the buyers of homes under the 'Affordable Housing' programs<sup>66</sup>. The government has also developed certain exemptions for the consumers such as Section 80 EEA<sup>67</sup> to provide tax exemptions on interest on loans from financial institutions<sup>68</sup>.

### IMPACT OF GST ON THE REAL ESTATE SECTOR

Before the Goods and Services Act (GST) was implemented in 2017, a number of taxes were in place, including property tax, stamp duty, value-added tax (VAT), and service tax. The introduction of GST led to the formation of one uniform tax which is payable only on under-construction property. Properties that are completed do not come under the ambit of GST. However certain levies such as Stamp duties do not come under the purview of GST and are levied by the respective State Governments. Initially, when GST was implemented, the tax rate

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<sup>64</sup> The Income-tax Act 1961

<sup>65</sup> Central Goods and Services Tax Act 2017

<sup>66</sup> Gupta (n 61)

<sup>67</sup> Income Tax Act 1961, s 80EEA

<sup>68</sup> 'Transactions in the real estate sector' (PWC, 04 June 2020)

<<https://www.pwc.in/assets/pdfs/publications/2017/transactions-in-the-real-estate-sector.pdf>> accessed 04 July 2024

was fixed at 12 per cent or 8 per cent for affordable housing projects<sup>69</sup>. As per the old regime, it was around 5.5 per cent (4.5% service tax and 1 per cent VAT). Also as mentioned earlier GST does not include stamp duty which the buyers of real estate have to additionally pay at the rate of around 5 percent. This has created an additional tax burden on the final consumer as they have to pay around 20 per cent of additional tax after the introduction of GST.<sup>70</sup> The current tax regime under GST however is implemented to supplement the initiative of affordable housing. In 2019, the GST rates for the affordable housing segment were significantly reduced from 8% to 1%. However, to avail of these tax rates, the housing project should fall under the definition of affordable housing by having no more than 60 square meters in non-metros and 90 square meters in metros, respectively, and the house's worth shouldn't exceed Rs. 45 lakhs. Also, the system of input tax credit (ITC) has additionally made it possible for developers to claim a tax credit for the GST they have paid on the goods and services they acquire.<sup>71</sup> This has caused construction costs to drop, which has eventually lowered the price of real estate<sup>72</sup>. As a result, there has been a decrease in the cost of real estate as well as an improvement in productivity and timely project completion for developers. The market for inexpensive homes has benefited from GST as well. Developers have been greatly encouraged to invest in the affordable housing market by the GST rate of 1%. This system further promotes the initiative of affordable housing<sup>73</sup>. However, there are some challenges that have arisen after the implementation of GST. One such problem is the recurring delay in the implementation of the input tax credit system which is affecting the cash flows of the developers<sup>74</sup>. This has resulted in some developers increasing the prices of Real estate properties to compensate for the delay in the Input Credit.

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<sup>69</sup> Patawari (n 26)

<sup>70</sup> Rajkumar Ashok Kankariya and Anil Dongre, 'A Study of Impact of GST on Real Estate Sector in India' (Conference: 6th National Conference On Technology & Innovation Disrupting Businesses, Transforming Market, G.H. Raisoni Institute Of Business Management Jalgaon, India, 2019)

<sup>71</sup> Anja Kumar Roy Chaudhury, 'The GST and Its Impact On Indian Real Estate Industry' (2019) 8(8) Review of Research <<https://oldror.lbp.world/UploadedData/8501.pdf>> accessed 04 July 2024

<sup>72</sup> Anand (n 16)

<sup>73</sup> *Ibid*

<sup>74</sup> Niraj Dhar Dubey et. al., 'An Enquiry Into the Effect of GST on Real Estate Sector of India' (2017) 1(6) International Journal of Trend in Scientific Research and Development <<https://doi.org/10.31142/ijtsrd5754>> accessed 04 July 2024

Another limitation of GST is the increase in compliance burden, that is developers now have the additional burden of retaining statistics for input-output taxes<sup>75</sup>.

### IMPACT OF GST ON FDI

There was an overall decline in FDI in the years 2014 to 2016 due to regulatory hurdles, loss of investor confidence etc. Real Estate saw a steady decline in FDI as depicted in the below chart. The enactment of regulations post-2016 has resulted in an increase in FDI in Real Estate. The new Tax structure has succeeded in attracting more investors. FDI in Real Estate reached its peak of USD 16.6 Billion during the period between 2015-2019.<sup>76</sup>

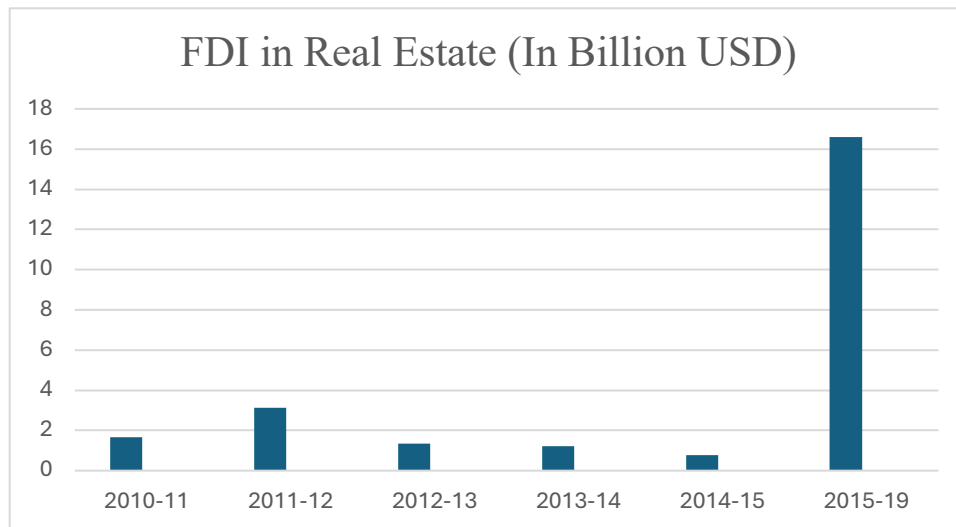


Figure 3.1 – FDI in Real Estate<sup>77</sup>

Additionally, compared to the previous five years, foreign capital flows into Indian real estate grew by nearly three times to \$23.9 billion between 2017 and 21, according to a Colliers-FICCI report. One of the reasons for this increase is that the GST was implemented. Compared to 37% during the previous five years, foreign investments in Indian real estate increased to 82%

<sup>75</sup> Fiscal Policy Institute, *A Study on the Impact of GST on the Real Estate Sector* (2023)

<sup>76</sup> Aryan Prakash, 'India on track to attract \$100 billion FDI this fiscal, says Centre: Report' *Hindustan Times* (24 September 2022) <<https://www.hindustantimes.com/business/india-on-track-to-attract-100-billion-fdi-this-fiscal-says-centre-report-101664017804228.html>> accessed 04 July 2024

<sup>77</sup> Anirudh Singh Chauhan, 'The state of FDI in Indian real estate' (99 Acres, 21 May 2020) <<https://www.99acres.com/articles/the-state-of-fdi-in-indian-real-estate.html>> accessed 04 July 2024

between 2017 and 2021. The GST has resulted in increased investment and market expansion for affordable homes.<sup>78</sup>

## COMPARATIVE ANALYSIS

**1. United States (US):** Property taxes constitute one of the main sources of funding for local governments in the United States, where state and municipal governments handle most aspects of real estate taxation. According to the property's assessed value, property taxes are assessed each year.<sup>79</sup> Furthermore, federal taxation is applied to capital gains from the sale of real estate. The tax rate is subject to change based on the length of property ownership and the income level of the taxpayer. Due to relatively loose regulations, international investors are allowed to invest in real estate in the United States.<sup>80</sup> In the US, the Committee on Foreign Investment oversees both real estate and foreign direct investment. State laws governing foreign direct investment in the real estate industry vary. Foreign individuals or businesses buying real estate in the US are exempt from significant restrictions. Additionally, a significant contribution to the promotion of affordable housing is made by the Low-Income Housing Tax Credit (LIHTC). Recently, the US Congress presented the Federal Tax Bill, which seeks to further support this program by raising the LIHTC rate.<sup>81</sup> Due to the Foreign Exchange Management Act (FEMA)<sup>82</sup>, FDI in India is subject to certain hurdles in comparison to the United States. Section 80 EEA of the Income Tax Act<sup>83</sup>, which offers an extra deduction of Rs 1.5 lakh on the interest paid on housing loans, was enacted in India in order to replicate the US LIHTC advantage.

**2. United Kingdom (UK):** The United Kingdom imposes capital gains tax (CGT) on profits from the sale of residential properties and applies stamp duty land tax (SDLT) to property

<sup>78</sup> Vimal Nadar and Piyush Gupta, 'Foreign investments into office asset class have consistently mopped up at least USD2.0 bn annually since 2017 except 2021' (*Colliers*, 04 March 2022) <<https://www.colliers.com/en-in/news/foreign-capital-flows-into-real-estate>> accessed 04 July 2024

<sup>79</sup> Sacha Dray et. al., 'Wealth and Property Taxation in the United States' (2023) National Bureau Of Economic Research <[https://www.nber.org/system/files/working\\_papers/w31080/w31080.pdf](https://www.nber.org/system/files/working_papers/w31080/w31080.pdf)> accessed 04 July 2024

<sup>80</sup> Fanny Laurans and Michael Rosenthal, 'A general introduction to real estate investment taxation in USA' (*Lexology*, 01 August 2023) <<https://www.lexology.com/library/detail.aspx?g=c2fb6c62-f7e0-47b3-8e7d-2421b17131b8>> accessed 04 July 2024

<sup>81</sup> Julia Kagan, 'Low-Income Housing Tax Credit (LIHTC): How It Works, 2024' (*Investopedia*, 19 May 2024) <<https://www.investopedia.com/terms/l/long-income-housing-tax-credit.asp>> accessed 04 July 2024

<sup>82</sup> Foreign Exchange Management Act (FEMA) 1999

<sup>83</sup> Income Tax Act 1961, s (80)

transactions exceeding a certain threshold. In addition, there is an Annual Tax on Enveloped Dwellings (ATED) tax on high-value residential properties owned by corporations or other non-natural individuals. It is worth noting that the United Kingdom has one of the highest property taxes in comparison to other nations.<sup>84</sup> There is no specific law in the UK that regulates Foreign Direct Investment. Real estate investment by foreigners is permitted in the UK due to comparatively lax rules. However, Recent years have seen a number of initiatives to encourage transparency in property ownership and rein in speculative investing.<sup>85</sup> For instance, the National Security and Investment Act<sup>86</sup> may require clearance for some transactions, and stamp duty rates may be higher for non-resident investors. In the UK, the concept of Affordable housing assumes great significance. The UK through the National Rent Regime have started providing Social Rent homes for people low income. The rent for these houses can be up to 50 per cent less than the actual market rate. India aims to provide affordable housing by implementing tax incentives as compared to the UK.<sup>87</sup>

**3. Australia:** Australia imposes stamp duty on real estate transactions, capital gains tax (CGT) on the income from selling investment properties, and property taxes (council rates). States and territories have different stamp duty rates and levels, and some exemptions, including those for first-time homeowners, may be applicable.<sup>88</sup> Australia imposes a significant amount of restrictions on FDI investment when it comes to Real Estate. For instance, Australia has laws limiting foreign ownership of residential property. Prior to purchasing residential properties, foreign investors are typically required to acquire approval from the Foreign Investment Review Board (FIRB). The FDI in Real Estate has increased over recent years which has in turn increased

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<sup>84</sup> Yan Huang, 'Design of the Elements of Real Estate Tax on Possession from Real Estate Tax in the UK' (3rd International Conference on Judicial, Administrative and Humanitarian Problems of State Structures and Economic Subjects, JAHP, 2018)

<sup>85</sup> David Klass et. al., 'Taxation of UK real estate for non-residents' (*Lexology*, 07 September 2023) <<https://www.lexology.com/library/detail.aspx?g=5b438210-fa78-44be-96aa-e993cc53a51e>> accessed 04 July 2024

<sup>86</sup> National Security and Investment Act 2021

<sup>87</sup> Ramanath Jha, 'Urban Rental Housing in India: Towards 'Housing For All' (*Observer Research Foundation*, 08 December 2020) <<https://www.orfonline.org/research/urban-rental-housing-in-india-towards-housing-for-all>> accessed 04 July 2024

<sup>88</sup> Michael Heffer and Terry Boyd, 'Property taxation and mass appraisal valuations in Australia - adapting to a new environment' (2010) 28(3) *Property Management* <<http://dx.doi.org/10.1108/02637471011051291>> accessed 04 July 2024

National Dwelling prices and turnover.<sup>89</sup> However, Foreign residential approvals' worth as a percentage of Australia's overall housing turnover has not increased over time. When it comes to Affordable Housing, Australia does not have any major schemes or policies to promote this initiative. Australia has one of the highest housing costs in the world and this is majorly affecting the lower income group.

## RECOMMENDATIONS AND SUGGESTIONS

A number of recommendations are made regarding the Real Estate Act, 2016<sup>90</sup> (RERA), foreign direct investment, the rules, policies, and regulations that govern it, the tax system, and the overall effect and contribution of these factors to the provision of affordable housing facilities.

Here are some recommendations:

- RERA 's registration provision which is not applicable to small developer/s with projects smaller than about 500 sq. meters, must be made available in order to regulate them and keep in mind the needs of low-income buyers<sup>91</sup> to achieve the aim of affordable housing.
- The act will limit promoters' access to and use of receivables in project development by requiring them to place seventy per cent of the sale profits in a separate account.<sup>92</sup> As a result, the developer is forced to depend on costly bank funding and private equity<sup>93</sup>. If this happens, project costs will rise and ultimately the onus will fall on consumers, and they have to pay a high price to buy the house.
- In order to prevent delays in the registration and certificate acquisition process, there must be a single window clearance procedure. It is anticipated that the one-window

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<sup>89</sup> Mark Britten-Jones and Warwick J. McKibbin, 'Tax Policy And Housing Investment In Australia' (*Reserve Bank of Australia*) <<https://www.rba.gov.au/publications/rdp/1989/pdf/rdp8907.pdf>> accessed 04 July 2024

<sup>90</sup> Real Estate (Regulation and Development) Act 2016

<sup>91</sup> Basanta Kumar et. al., 'Reform in the Indian real estate sector: an analysis' (2018) 60(1) *International Journal of Law and Management* <<https://doi.org/10.1108/IJLMA-10-2016-0093>> accessed 04 July 2024

<sup>92</sup> Karthik P and R. Gowda, 'Impact of RERA on Real Estate Industry: A Study with reference building constructions in Bengaluru city' (2021) 13(2) *Vidyabharati International Interdisciplinary Research Journal* <<https://www.viirj.org/vol13issue2/6.pdf>> accessed 04 July 2024

<sup>93</sup> Dr. M P Chengappa and Bhavya Nahar, 'Is Unconscionability Addressed by the Real Estate (Regulation and Development) Act, 2016's Effect on Home-Buyers?' (2021) 1(1) *CMR University Journal For Contemporary Legal Affairs* <<https://www.cmr.edu.in/school-of-legal-studies/journal/wp-content/uploads/2021/03/Article-12.pdf>> accessed 04 July 2024

system will save the promoter time and effort during the documentation phase, enabling the project to be finished sooner.

- The act's ambiguity adds even more complexity to the system. The Civil Procedure Code of 1908<sup>94</sup> does not apply to the appellate tribunal, for example, even if its jurisdiction is similar to that of the civil court. The central legislation does not specify a specific procedure; thus, the union gives the states a year to create rules. This will indirectly affect the affordable housing aim as ambiguity in regulatory frameworks can erode investor confidence, particularly in affordable housing projects. Investors may be hesitant to commit funds to projects where legal procedures are unclear or subject to interpretation, leading to a reduced flow of capital into the affordable housing sector.<sup>95</sup>
- One of the biggest obstacles to foreign direct investment in India is that it is heavily regulated and protected by a number of laws and regulations. As a result, the government needs to implement more liberalised policies, such as allowing foreign investors to invest in completed projects, to ensure that Indian investors receive a respectable return on their investment and, in the end, provide middle-class citizens with affordable housing.
- The Input Tax Credit system should be properly implemented so that the developers/builders get timely credit for the expenses that they incur during the building process, such as labour, supplies, and services<sup>96</sup>. This will have a direct impact on the cost of construction, making it very tax-efficient for the builders/developers. This will definitely help the developers to complete their projects on time due to a steady cash flow and in turn, reduce the price of the properties thus promoting the initiative of affordable housing.
- The government and the GST Council should also work to include stamp duty in the GST itself since it differs from state to state and adds to the burden for home buyers.

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<sup>94</sup> Civil Procedure Code 1908

<sup>95</sup> Anil Sharma, 'Impact Of Foreign Direct Investment On Real Estate' (Masters of Technology, Jaypee University Of Information Technology 2016)

<sup>96</sup> Mohan Nagarajan and Rajul Awasasthi, 'Property Taxation of India- Issues impacting Revenue Performance and suggestions for Reform' (2020) Governance Global Practice

<<https://documents1.worldbank.org/curated/en/852151587668989296/pdf/Property-Taxation-in-India-Issues-Impacting-Revenue-Performance-and-Suggestions-for-Reform.pdf>> accessed 04 July 2024

- Also, as per the survey conducted that we conducted, the majority of respondents were of the opinion that the government should introduce more tax incentives to promote affordable housing. The government should introduce more benefits similar to Section 80 EEA to promote affordable housing<sup>97</sup>.

## CONCLUSION

An essential component of socio-economic development in any particular country is to provide affordable housing to its people which meets the basic needs for shelter and promotes equitable growth. The government efforts of implementation of RERA, bringing liberalized FDI policies changing the tax system and reducing the tax all efforts are all confluence in achieving the aim of affordable housing<sup>98</sup>. With the implementation of RERA, the government brings regulatory and uniform mechanisms in governing the real estate sector in order to protect the rights of both buyers and sellers it also brings transparency to the system through its registration system and other regulations<sup>99</sup>. Additionally, the liberalisation of FDI laws has drawn significant amounts of foreign capital into the affordable housing market, improving affordability, raising construction standards, and increasing low and middle-class households' access to high-quality homes and foreign investment will also inject professionalism in the real estate sector in India<sup>100</sup>. However, there are certain problems that need to be addressed in terms of RERA, there must be effective enforcement of the act in each and every part of the country. Additionally, there must be a speedy mechanism for obtaining registration and non-objection certificates. When it comes to FDI, there are two remarkable changes made by the government such as granting 100 per cent FDI in the construction development sector and introduction of REIT, However, the changes are not sufficient, and it is high time the government realises the potential of FDI in real estate sector and make it easier for foreign investors to invest. Ultimately, affordable housing is not just about

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<sup>97</sup> Chaudhury (n 71)

<sup>98</sup> Arun K Mishra and Nagendra Goel, 'Legislation for the Real Estate Sector' (2014) 49(25) Economic and Political Weekly <<https://www.jstor.org/stable/24479680>> accessed 04 July 2024

<sup>99</sup> Sameera Saurabh, 'Economic Reforms in India' (2021) 25(1) World Affairs: The Journal of International Issues <<https://www.jstor.org/stable/48622934>> accessed 04 July 2024

<sup>100</sup> Manoj P K and Nasar K K, 'Role of Foreign Direct Investment in the Development of Real Estate and Allied Sectors in India: A Study with a Focus on Kerala State' (2013) 2(8) Global Research Analysis <[https://www.researchgate.net/publication/256093660\\_Nasar\\_K\\_K\\_Dr\\_Manoj\\_P\\_K\\_Role\\_of\\_Foreign\\_Direct\\_Investment\\_in\\_the\\_Development\\_of\\_Real\\_Estate\\_and\\_Allied\\_Sectors\\_in\\_India\\_A\\_Study\\_with\\_a\\_Focus\\_on\\_Kerala\\_State\\_Global\\_Research\\_Analysis\\_Aug\\_2013\\_Vol\\_2\\_Issu](https://www.researchgate.net/publication/256093660_Nasar_K_K_Dr_Manoj_P_K_Role_of_Foreign_Direct_Investment_in_the_Development_of_Real_Estate_and_Allied_Sectors_in_India_A_Study_with_a_Focus_on_Kerala_State_Global_Research_Analysis_Aug_2013_Vol_2_Issu)> accessed 04 July 2024



providing shelter; it is about building communities, fostering economic stability, and creating pathways to a better quality of life for individuals and families. Through continued collaboration, proactive policymaking, and inclusive development strategies, we can unlock the full potential of affordable housing as a catalyst for social progress and economic prosperity.