



# Developers Await Clarity After Maharashtra Slashes Real Estate Fee By Half

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Published on January 11 2021, 2:19 PM  
Last Updated on January 11 2021, 6:12 PM



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Maharashtra has slashed fees developers pay for approvals of residential projects by half in a second such decision to make a property attractive for homebuyers. Yet, the real estate industry wants more clarity and is waiting for detailed rules.

And some of the questions include how the scheme will ensure that the benefit is passed on to buyers and what happens if an apartment built after availing the benefits couldn't be sold within the year-long window.

The state government, based on suggestions of a committee led by HDFC Ltd. Chairman Deepak Parekh, [slashed the premiums](#) charged on approvals for real estate projects. According to the cabinet decision:

- Premiums will be reduced by 50% and the developers who take the benefit of the reductions will have to pay stamp duty on behalf of homebuyers and this reduction is valid till Dec. 31, 2021.
- Ready-reckoner rates of either April 1, 2020, or the ongoing financial year—whichever is higher—will be applicable.
- The scheme is applicable for the ongoing as well as new projects.

The government is likely to approve the minutes of the decision in the upcoming cabinet meeting and the government resolution will be issued thereafter.

According to property consultant Liases Foras, the scheme will be applicable for 3,189 projects in the Mumbai Metropolitan Region, many of which are in various stages of constructions.

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Developers pay 22 premiums, of which only two—for additional floor space index and fungible FSI—are regulated directly by the state government. The remaining 20 come under the preview of municipal corporations. And it has to be seen if local bodies will also follow suit to reduce the fees they charge given the financial condition during the pandemic.

And even if they do, it will be difficult to regulate how developers pass on the benefit to homebuyers.

According to the cabinet note, developers availing the concession will have to pay the stamp duty on behalf of the homebuyers. This will reduce the purchase price for homebuyers.

While the move will help improve the margins and economic efficiencies for developers, the question is what if developers simply increase rates to effectively pocket the benefit, according to Pankaj Kapoor, managing director and founder, Liases Foras. That will impact affordability, he said.

“I have already seen in the last quarter itself a couple of builders have considered increasing the prices seeing the stamp duty benefit, so real estate has these issues.”

**Pankaj Kapoor, Managing Director and Founder, Liasis Foras**

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The state had in August last year reduced stamp duty on real estate transactions between Sept.1, 2020, and March 31 to revive the sector battered by the pandemic, a fund crunch and slowing sales.

The relief on premiums is valid till Dec. 31. If the developer avails the benefit but a homebuyer purchases a unit after the deadline, will the developer still have to pay the stamp duty? And how will the homebuyer get to know if the developer has availed the benefit?

A compulsory disclosure on the website of Real Estate Regulation Authority by the developer regarding the benefit and the deadline could help, according to Avikshit Moral, partner, corporate commercial and real estate at Juris Corp.

There’s another concern. If a developer avails benefit for only one or two premiums, will the company still have to pay full stamp duty on behalf of a buyer.

The industry is waiting for the notification with detailed norms.

The impact of the recent premium cut by the state will be clearly decoded post the fine print issued, said Niranjana Hiranandani, president at developers' lobby Naredco. “The industry awaits further directives from the municipal local bodies to interpret at the earliest.”

Credai-MCHI, another developer body, told BloombergQuint that they are waiting to understand the extent to which premium concession and details on the payment of stamp duty on behalf of homebuyers.

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