

# Maharashtra cuts stamp duty on housing units: Is it good time to buy that flat?

Industry



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First-time homebuyers in Maharashtra stand to benefit significantly from 3% cut in stamp duty. Home prices in Mumbai, Pune, Nashik and other cities will be reduced significantly by the move

Maharashtra cuts stamp duty on housing units: Is it good time to buy that flat? | Photo Credit: PTI



## KEY HIGHLIGHTS

- Other states are likely to follow Maharashtra in reducing stamp duty to spur real estate demand and credit offtake
- Factors such as low interest rates, sops from builders also make real estate investment extremely lucrative currently

**Mumbai:** In a bid to boost the stagnant real estate market in the state, Maharashtra on Wednesday temporarily slashed stamp duty on housing units. The current stamp duty rate in cities such as Mumbai and Pune stands at 5% while some other towns and cities in the state charge homebuyers upto 6%.

In a significant leg-up to the pandemic-hit market, the stamp duty has been reduced from 5% to 2% till December 31 as the government believes that the move will spur fence-sitting potential real-estate investors to buy.

The duty will be lowered from the existing 5% to 2% starting September 1 till December 31 and will be pegged at 3% from January 1 till March 31, 2021.

Brokerages reacted positively to the development and believe the move will help realise pent-up demand.

Goldman Sachs said the move is positive for the sale of ready inventory as it reduces the price of ready units. The brokerage said stamp duty cuts combined with low-interest rates could rekindle demand in the sector. However, it may not be enough for an under-construction property as the GST rate would still be applicable.

In order to assess how the stamp duty cut will impact costs for consumers, let's take the example of a housing unit worth Rs 75 lakh. A 3% cut in stamp duty on the same will mean reduction in the price by Rs 2.25 lakh for the buyer. Furthermore, lower interest rates on housing loans and subsequent deduction in personal tax, makes the proposition extremely lucrative for the buyer.

This comes at a time when many builders are already offering incentives such as discounts, refund on booking amounts, statutory fee waivers among other sops. All of these factors make it rather lucrative for potential real estate customers to finally go ahead and make that purchase.

Real estate stocks jumped on the news with BSE Realty index, which tracks the sector, gaining 6.7% in Thursday afternoon trades. DLF was 9.78% up, Oberoi Realty (up nearly 6.72%), Sunteck Realty (up 7.75%), Prestige Estate (up 6.6%) and Sobha (up 6.3%),

## What experts say

**Manoj Gaur, MD, Gaurs Group & Chairman, Affordable Housing Committee, CREDAI (National)**

The fiscal advantage extended by the Maharashtra government will make many fence-sitters to take a decision on buying the home of their choice. Lower interest rate and stable prices may also work in their favour. We expect other states to follow the path, which would boost sales of the properties and help the sector recover faster. As such, it would also help in revival of economy and employment generation.