CREDAI Bengal

DAILY NEWS UPDATE

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SBI offers up to two years repayment relief for home & retail loans

The moratorium period can be extended by a maximum of 2 years, India’s largest lender said Monday, setting the tone for other banks, specially PSU players.

State Bank of India will provide relief to home and retail loan borrowers impacted by Covid-19 in the form of either a moratorium of up to 24 months or by rescheduling instalments and extending the tenure by a period equivalent to the moratorium granted.

The moratorium period can be extended by a maximum of 2 years, India’s largest lender said Monday, setting the tone for other banks, specially PSU players.

In line with RBI’s one-time relief, the scheme is available to borrowers who had availed of a home loan before March 1, 2020 and were regular in repayments until the Covid-19 lockdown.

But the borrowers will have to demonstrate that their income has been hit because of the pandemic.

“For the purpose of restructuring, the bank will depend entirely on the customer’s assessment of when they expect their income to be normalised or to get employed,” said SBI managing director C S Setty said while announcing the scheme.
The country’s largest lender has been the first to roll out a protocol for restructuring loans of retail borrowers who were affected by Covid-19. Other lenders including HDFC and ICICI Bank are expected to follow suit before the end of the month.

To facilitate borrowers to understand their eligibility for restructuring, SBI has launched an online portal to enable borrowers check their eligibility for all retail loans. This includes home, education, auto, and other personal loans.

The restructuring will give breathing space for a borrower until their income is normalised or they get re-employed. Also, they will not be classified as defaulters or non-performing assets. The downside is that the bank will charge 35 basis points extra as interest since the RBI needs them to set aside additional provisions for these loans. This means that despite initial relief over the tenure of the loan, the borrower will end up paying more than on a regular loan without restructuring.

“We have put in place a scheme for restructuring and it is available to borrowers through our internal portal. We have also intimated borrowers but don’t expect much of traction for restructuring given the inquiries,” said Rajkiran Rai, MD & CEO, Union Bank of India.

HDFC Bank has put in place a facility to submit online applications. The bank has said that it will report the loan to the credit bureau as ‘restructured’ and as per norms, all loans availed will be classified as restructured even if only one loan is being restructured.

“The dues for the moratorium period can be capitalised. Or else it will be very strenuous for the borrower to repay. Capitalising the dues will reduce the pressure on the borrower and we are also working on this by elongating the term of the loan,” said Siddhartha Mohanty, MD & CEO, LIC Housing Finance. He added that even if the loan term is extended, typically home loan borrowers end up pre-paying their loans by seven to ten years.

Borrowers who access SBI’s portal for restructuring will still have to visit the branch as a ‘wet signature’ is required for the loan document to be reworked. The portal will however take care of all the queries of the borrower. “It is not an end-to-end process but it will reduce the need for customers to visit branches especially during this time of Covid,” said Setty.
India's corporate real estate occupiers confident about COVID-19 recovery

CRE leaders are also (re)imagining the new modern office, with a focus on prioritizing the health and wellness of employees, as well as leveraging technology in their investment plans, said the report by JLL. Concurrently, most polled CRE leaders in India expect total footprint and number of sites that they maintain to remain the same or even increase.

Corporate real estate (CRE) leaders in the India are optimistic about their business and recovery plans despite impact from the ongoing pandemic.

At least nine in ten leaders polled by JLL believe their organizations and employees will help successfully mitigate the impact of COVID-19 on their businesses.

“As the corporate sector prepares for the next normal amidst the pandemic, the elevated confidence of the CRE leaders suggests immense opportunities as we redefine the future of the office. Approximately 70% of Indian CRE leaders surveyed have expressed optimism about the future of their business. Not just that, over 90% of Indian CRE leaders are confident of their own business / recovery plan to mitigate impact of COVID-19,” said Sandeep Sethi, Managing Director - Corporate Solutions (West Asia) JLL.

CRE leaders are also (re)imagining the new modern office, with a focus on prioritizing the health and wellness of employees, as well as leveraging technology in their investment plans, said the report by JLL. Concurrently, most polled CRE leaders in India expect total footprint and number of sites that they maintain to remain the same or even increase.

More than two-third of CRE leaders have shown optimism about the future state of their business. While 93% of APAC leaders stated that they own business recovery plan to mitigate impact of COVID-19, 91% of Indian leaders have expressed the same, the survey mentioned.

“They have a clear view of what they must do next to make the next generation of workspaces healthy and safe and enable their on-site and remote teams to collaborate and be productive. We anticipate CRE leaders to factor these into the next phase of their decision making,” he added.
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<th><strong>Newspaper/Online</strong></th>
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**Value of real estate under construction jumps to $243 billion from $94 billion in 2009: Report**

Property consultant Anarock and industry body FICCI pointed out that the number of developers has declined 53 per cent across India’s top 14 cities between 2012-2019.

The entry of large corporates and consolidation have led to the expansion of the Indian property market with the value of real estate under construction jumping over two-fold to USD 243 billion in the last one decade, according to a report by FICCI and Anarock. The expansion of the property market was largely driven by the residential segment.

Property consultant Anarock and industry body FICCI pointed out that the number of developers has declined 53 per cent across India’s top 14 cities between 2012-2019.

"The Indian real estate sector has been undergoing constant metamorphosis since the turn of the century. This transition has been for the better and the accomplishments so far have been remarkable. The results are quite visible today as the sector has become better organised, compliant, accountable, and transparent compared to what it was during the last decade of the 20th century," the report said.

The sector saw a slew of structural reforms and policy changes which led to the elimination of weaker players, large-scale consolidation, and entry of large corporate houses, it added.

"Until 2008, the real estate business was highly unregulated and more of a localised play. It was a sellers’ market and was driven by the landlords who had become developers overnight to take advantage of the boom in the sector.

"Until the Global Financial Crisis hit in 2008, funding was readily available, and many developers went overboard in leveraging their assets. As a result, the sector was operating with several inefficiencies," the report said.
UP RERA urges state to reduce stamp duty on property registration by 2%

The move, if implemented, is expected to give a boost to the realty sector, providing relief to developers with unsold inventory over the years.

The Uttar Pradesh Real Estate Regulatory Authority (UP-RERA) has requested the state government to reduce the stamp duty on property registration by two percentage points to help attract homebuyers amid unprecedented demand shrinkage caused by the pandemic.

Additionally, it has also requested a flat Rs 2,000 registration fee for agreement-to-sale documents, which is currently at 25% of the stamp duty charges.

A Rs 50-lakh property sale attracts Rs 2.5 lakh stamp duty at 5% on present rates and an additional Rs 65,000 has to be paid (25% of Rs 2.5 lakh) as registration of agreement to sale.

The move, if implemented, is expected to give a boost to the realty sector, providing relief to developers with unsold inventory over the years.

“We have made the recommendation keeping in mind the interests of buyers and developers,” said Rajive Kumar, chairman, UP-RERA.

The stamp duty in the state ranges from 5% to 7% of the property value, and RERA has requested it be reduced by two percentage points.

Maharashtra has reduced the stamp duty on property registrations to 2% for transactions between September 1 and December 31 from the existing 5%.

In Madhya Pradesh also stamp duty on sale and purchase in urban areas has been reduced from 3% to 1% until December 1.

"Maharashtra and Karnataka have reduced stamp duty post-Covid as a relief to homebuyers. Reduction in any type of taxation is good for demand stimulation. The reduction in rate will surely be compensated by higher volumes," said Pankaj Bajaj, president, Confederation of Real Estate Developers Association of India (CREDAI), NCR.

Developers have also been seeking a reduction in stamp duty to deal with the demand slump.

“The recommendation made by RERA is in line with the demand of developers. It would revive economic activity as those planning to buy will fast-track their decisions,” said RK Arora, President, NAREDCO-UP.
Housing and Urban Affairs Secretary Durga Shanker Mishra had also written to the states to reduce stamp duty to bolster demand in the real estate sector.

“As lower stamp duty effectively means reduction of cost for end-users, UP RERA’s proposal, if accepted, will bode well for the property markets of Noida and Greater Noida,” said Mani Rangarajan, Group COO, PropTiger.com. “It will make these places an attractive destination for buyers and considering that Jewar Airport is coming up, the proposed reduction will help Noida and Greater Noida compete better with Gurugram.”
Parliament approves amendment in insolvency and bankruptcy code

Finance and corporate affairs minister Nirmala Sitharaman said the provisions will not impact insolvency proceedings initiated before March 25, the day the national-wide lock down was imposed by the government to check the spread of coronavirus.

Parliament on Monday approved the Insolvency and Bankruptcy Code (Second Amendment) Bill, 2020 to protect COVID-19-stressed companies from being pushed into insolvency under the Code.

Winding up a discussion on the bill in Lok Sabha, finance and corporate affairs minister Nirmala Sitharaman said the provisions will not impact insolvency proceedings initiated before March 25, the day the national-wide lock down was imposed by the government to check the spread of coronavirus.

"We have to prevent companies facing distress on account of pandemic from being pushed into insolvency," the minister said, adding the many other countries have extended support to the companies to help them come out of the current crisis.

The bill seeking to replace an ordinance, promulgated in June, was later approved by Lok Sabha. Rajya Sabha approved the bill on Saturday.

The relaxation from initiation of insolvency proceedings was initially provided for a period of six months which ends on September 25.

A decision with regard to extension of the time period by another six months was likely to be taken later in the week.

The changes in Sections 7, 9 and 10 of the IBC, she said, would provide relief to companies reeling under the impact of the coronavirus pandemic.

Sections 7, 9 and 10 deal with initiation of corporate insolvency resolution process by financial creditor, operational creditor and corporate debtor, respectively.

The minister said that insolvency proceedings against corporates defaulting on loans prior to March 25 will continue and the amendment will not stall those cases.

The minister also stressed that IBC was a critical part of business now, and cited data to show the working of the Code.

Citing data for NPAs of commercial banks during 2018-19, she said that Lok Adalats recovered 5.3 per cent, Debt Recovery Tribunals (DRTs) recovered 3.5 per cent and SARFAESI recovered
14.5 per cent. On the other hand, IBC ensured 42.5 per cent of recovery.

The priority is to keep the company as a going concern rather than to liquidate them, she said, adding that 258 companies were saved from going bankrupt through the IBC process, while 965 firms went for liquidation.

According to the minister, 258 companies rescued had assets of Rs 96,000 crore and the 965 companies sent for liquidation had assets of Rs 38,000 crore.

Responding to some of the concerns of the members, the minister said that she was aware of the problems concerning appointment of judges in the National Company Law Tribunal (NCLT) and National Company Law Appellate Tribunal (NCLAT) and would be addressing those issues.

Participating in the debate, Congress member Manish Tewari said the economy was in distress even before the outbreak of the coronavirus.

Observing that supply side measures would not be of much help, he urged the government to focus on demand side initiatives by extending monetary help to the poor.

Jaydev Galla (TDP) asked the government to institute more benches of the NCLT and fill the vacancies in the tribunal.
**Property tax may increase under new Bengaluru civic body's law**

The bill, for a new municipal law to govern the tech capital, proposes to increase the tax for houses and non-residential properties by 20 to 30 per cent.

You may have to pay more property tax if the Bruhat Bengaluru Mahanagara Palike (BBMP) Bill, 2020, goes through in its current form. The bill, for a new municipal law to govern the tech capital, proposes to increase the tax for houses and non-residential properties by 20 to 30 per cent.

If the law is enacted, the current system of unit area value, or rental value, used to calculate the levy will change to guidance value-linked assessment. BBMP will be empowered to attach immovable property of defaulters to recover dues.

“It will be a game-changing reform. This will help make the tax collection system more efficient and lead to higher revenue for the civic body” said BBMP commissioner N Manjunath Prasad.

BBMP administrator Gaurav Gupta said present traditional methods cannot continue for long.

Under the current system, property tax for a 1,000-sqft residential unit in the central business district works out to be Rs 62,000. It will be mostly the same for other properties in the area. Under the proposed model, the amount could increase to Rs 81,000.

A 20-member joint select committee, headed by BJP legislator S Raghu, is expected to table an interim report on the bill in the assembly on Tuesday. The report will focus mostly on the proposal to increase the number of BBMP wards.

Preliminary discussions about improving BBMP’s revenues have been held and the committee will review the issue again after the monsoon session. “It’s not just about increasing revenues of BBMP; it’s also about ushering in much-needed reforms that will ensure the development of the city and more resources for the state government,” Raghu said.

Currently, BBMP follows the self-assessment scheme, using the rental value, or unit value, of a property to calculate the amount of tax. A drawback of the system is the tax will be the same for all types of properties, irrespective of their capital value. Since the rental value has not been updated since 2004, the civic agency earns less revenue than it should. BBMP generally collects nearly Rs 2,700 crore a year in property tax as against the potential of Rs 5,000 crore.

Often, it misses the annual target. For instance, in 2019-20, property tax collection stood at Rs 2,669 crore as against the target of Rs 3,500 crore. This year, BBMP has collected Rs 1,900 crore (as on September 15). During the same period last year, it netted about Rs 2,000 crore.
Property tax dues have piled up to about Rs 1,500 crore. The proposed law will enable the civic body to attach and auction off big defaulters’ properties.
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