

India Budget 2011-12 Extends Interest Subsidy to Low Cost Home Buyers

Indian Budget 2011-12 presented by Finance Minister extended the interest subsidy to home loan for houses costing up to Rs 25 lakhs . Thus common man will get some kind of relief from high interest burden on home loan.

March 3, 2011 (FPRC) -- There's good news for those looking forward in investing in a home that cost of which does not exceed Rs 25 lakh. Finance Minister Pranab Mukherjee announced today in his Budget speech that in order to stimulate growth in the housing sector he is 'further liberalising the existing scheme of interest subvention on 1 per cent on housing loans by extending housing loan up to Rs 15 lakh where the cost of the house does not exceed Rs 25 lakh, from the present limit of Rs 10 lakh and 20 lakh respectively.'

Low-cost housing loans of Rs 15 lakh will be eligible for one per cent interest subsidy. Interest subvention means that the government will pick up part of the interest burden on a home loan. Thus borrowers of home loans up to Rs 15 lakhs for homes worth or less than 25lakhs will have to pay a lower Emi to the bank and the Government in turn will reimburse the bank.

However, the real estate sector was happy with the budget proposal on one count as as it was not given the industry status. The real estate sector currently does not have industry status which has been a plea since quite some time. This would have made bank financing easier and cheaper for Real Estate companies. The housing sector for quite long time expected fiscal sops in the form of deductions or other incentives for affordable housing. This would address affordability issues and boost residential sales and also this would make bank financing easier.

SEZs that have been brought under the purview of MAT will basically diminish the benefits that SEZs offer for developers over other commercial real estate asset classes.

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