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Ministry of Housing and Urban Affairs



राष्ट्रीय
आवास बैंक
NATIONAL
HOUSING BANK



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Report of revenue neutral approach to lower Stamp Duty and Registration Charges for Affordable Housing

As part of research initiatives, National Housing Bank (NHB) undertakes research studies in the areas relating to housing and housing finance in association with reputed research institutions. As advised by Government of India, Ministry of Housing & Urban Affairs (MoHUA), the **Study on the impact of changes in Stamp Duty and Registration Charges on Residential Property, and suggest a revenue neutral model for enabling "Affordable Housing for All"** was initiated by NHB. The study was awarded to Indian Institute of Management, Bangalore (IIMB). The Complete Report can be accessed on <https://nhb.org.in/wp-content/uploads/2020/11/Revenue-Neutral-Approach-to-Lower-Stamp-Duty-and-Registration-Charges-for-Affordable-Housing.pdf>

The Study, inter-alia, covers the history and evolution of document registration and stamp duty, stamp duty rates, international evidence of stamp duty rates, evidence and estimate of under reporting of stamp duty and its impact, circle rates or guidance value, highlighting the position of stamp duty as a major contributor to the State Government's tax revenues.

The Study provides a revenue neutral proposal to lower Stamp Duty (SD) and Registration Charges (RC) rates, especially for low value housing. State Governments generate tax revenues every time a house is built and transacted (or registered). Several lakhs of additional houses are expected to be built under Housing For All (HFA) with direct or indirect Central subsidies. Along with increase in housing stock, lower housing prices are essential to enable Affordable Housing, a success in our country.

An empirical model has been developed for a revenue-neutral approach to lower SD and RC rates for low value housing using data of Government of Karnataka. Forecasts of State's SD revenues without active policy intervention for low value housing and with active policy intervention for low value housing have been included in the Study. The key recommendations of the study are as under:

- All stamp duty and registrations charges (including those on mortgages) may be waived off for the affordable housing segment. Thus, any securitized pool consisting of *only affordable housing loans* may also be exempted from stamp duty and registration charges.
- Loss of revenue from such waiver may be compensated by the additional taxes that the State Government would generate out of the additional construction activities owing to the Housing for All (HFA) impetus. Alternatively, if the stamp duty and registration charges are capped and standardized nationwide, this will enable all type of mortgages to be securitized without distinguishing between affordable housing loans vis-à-vis others and will encourage more securitization Special Purpose Vehicles (SPVs) to be set up in all the States.
- The Excel utility function (<https://nhb.org.in/wp-content/uploads/2020/11/NHBEXcelUtility.xlsm>) developed as a part of the Study, computes the trade-off between the additional revenue each State Government would generate from housing activity initiated under HFA and loss of revenue by lowering SD and RC on low value housing by modifying key inputs and thus shall act as a quick reference guide for implementation of the proposal of a revenue neutral model. Such insights ex-ante, may help State Governments to take up Stamp Duty Reforms to address the housing shortage and enable Affordable Housing for All.

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