

# Are home loan rates still favourable?

How will the hike in MCLR and repo rate impact home loans? Read on to know

**POOJA.MAHIMKAR**  
@timesgroup.com

When the possibility of a home loan rate hike was first indicated earlier this year, potential as well as existing home loan borrowers had just one question, 'By how much?'

Well, the mystery is over now. Expecting a hike in the repo rates, several banks, a few weeks ago, had increased their MCLR (marginal cost of funds-based lending rate). Then, the RBI, in a surprise move, hiked the repo rate by 40 basis points effectively bringing it to 4.40 per cent.

But how will these hikes affect your home loan EMIs? Read to know.

**Before you understand the effects, you need to understand what these rates are.** Bank loans approved between April 2016 and October 2019 are linked to MCLR; loans given after October 2019 are linked to the repo rate," explains Adhil Shetty, CEO, Bankbazaar. MCLR is the benchmark interest rate below which a bank is not permitted to lend. A floating home loan rate benchmarked to MCLR will move in tandem with the changes in MCLR. "For instance, consider a floating home loan rate taken on January 1, 2020, with one per cent spread over MCLR of nine per cent. Then the interest rate on home loan was 10 per cent (nine + one per cent) per annum. After one year, suppose MCLR moves up to 10 per cent, then the new in-



terest rate effective January 1, 2021, will be 11 per cent (10 + one per cent), assuming reset frequency of one year," explains Laxmikant Lokhande, senior debt specialist, HDFC Securities.

Similarly, the repo rate is the lending rate at which RBI lends money to commercial banks. "Thus, when the repo rate rises, the bank's lending rate also goes up and borrowings become costlier. When there is a repo rate cut, banks get cheaper loans, which translates into cheaper loans for borrowers as well," explains Shrey Aeren, managing director and country head, Berkshire Hathaway Home Services Orenda.

**How will these hikes affect a home loan borrower?** Not significantly, experts believe. "The benchmark for the home loan is currently at its lowest best. Thus, even if the

rates rise by 100 basis points this year, home loan rates are still likely to be less than what they were in 2019. Home loans are still affordable, and homebuyers should compare interest rates and try to borrow at the lowest rate," says Shetty.

"We were about to finalise our home purchase and were planning to apply for a home loan but now the rates have increased. Looking at the rising prices of everything, we believe that home loan rates would also see an upward trajectory. So, instead of postponing, we are going ahead with the purchase before another hike hits," says Sayali Sharma, a production manager from Mumbai.

**However, if your homebuying plans are dampened by this hike, keep in mind that home loan rates are cyclic in nature. Thus, if you were not able to secure a home loan**

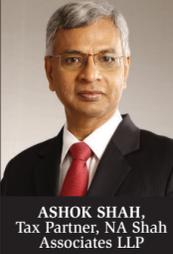
this time around, now is your time to ready yourself for the next window of opportunity. Work on and improve your down payment capability, boost your credit score, and get all the paperwork ready. This will ensure that whenever the time is right, you are ready to apply and make the most of the opportunity.

Further, in case the housing sector's demand takes a considerable hit, central or state government could announce specific regulatory measures (such as subsidies, tax benefit on housing loan, stamp duty cut) to support the housing demand, opening an opportunity for potential home loan borrowers yet again.

**Affordable housing would still be in focus,** benefitting those looking to buy a home in this segment. "The second half of FY21 was a good time to buy homes, supported by government measures under the Pradhan Mantri Awas Yojana (PMAY) Scheme, credit-linked subsidy scheme, record low interest rates, and state-level measures such as stamp duty cuts. Even though much of the pandemic-linked measures have been withdrawn and we are entering a rising interest rate cycle, the government's focus on the 'Housing for All' mission and infrastructure-led capex should ensure continued support to the sector," says Ravi Subramanian, MD and CEO, Shriram Housing Finance Limited.

# Agony Rant: Expert to your rescue

**TAX MATTERS**



**ASHOK SHAH,**  
Tax Partner, NA Shah Associates LLP

**Q** My father sold his house for Rs 55 lakh in 2015 to purchase land in the outskirts of Bengaluru. But due to unknown litigation issues, money is still held up till date. My father is a businessman in the unskilled perishable goods sector, and has not filed IT returns from 2015 onwards. I would like to know: 1) What are the repercussions of not filing IT returns? 2) How can he file returns from 2015 till present, in what manner, and what may be the penalty charges? 3) Also, my father may receive a brokerage commission say Rs 30 lakh for a land deal. How should he receive the brokerage (in cheque or cash) as to mitigate the Rs 55 lakh? 4) Should the fee brokerage agreement be signed for Rs 30 lakh since it is a huge amount?

— Maral

Since your father has transferred the house in 2015, he was required to file the tax return for that year. The time limit to file the return or belated return has already expired long back so now he cannot file a valid tax return. If the tax department issues notice for non-payment of taxes, your father will be liable to pay tax, which was due in 2015 along with interest and penalty, which can be a minimum 100 per cent or a maximum 300 per cent of the tax payable on the capital gain.

Since the time limit has already expired, your father now cannot file his tax return. How-

ever, he can make an application to the Central Board of Direct Taxes (CBDT) under Section 119 to condone the delay. If CBDT accepts the application on the basis of a genuine case, it is possible to save on penal consequences.

Under Section 269ST, your father cannot receive brokerage commission in cash as the amount exceeds Rs 2 lakh. In case of violation, the tax department may levy a penalty equal to the amount received in cash. The brokerage agreement or invoice should be for the agreed consideration.

ceeds to your children. In this case, capital gain on transfer will be payable by you. You can gift the sale proceeds to your children after discharging the applicable capital gain tax. You can directly remit the amount to your children's account in USA or transfer the amount to their NRO account in India and from there they can remit the money to US account (subject to FEMA restrictions). At the time of remittance, you will require to e-file Form 15CA with the tax department and submit a copy of the same to the bank.

Under Indian law, gift from a



**Q** My three children plan to sell my bungalow, built out of my earned money (it is willed to them) with clear title, on my death. Two children are settled in USA and are now US citizens. What is the procedure for transferring their share of sale proceeds? I understand that no capital gains tax is applicable as it is inheritance money. Can they request the purchaser to transfer the funds directly to their USA bank accounts?

— Raj Verma

It appears that you plan to sell the bungalow during your lifetime and distribute sale pro-

relative is exempt from tax. Hence, there will be no tax liability for your children in India. However, they may be required to disclose the gift amount in their USA tax return.

Do you have queries related to housing society, finance or home loans? Write to our experts at

Timesproperty @timesgroup.com

**CANARA ROBECO**  
Canara Robeco Asset Management Company Ltd.  
Construction House, 4th Floor, 5, Walchand Hirachand Marg, Ballard Estate, Mumbai 400 001.  
Tel.: 66585000 Fax: 66585012 / 13

**SALE OF RESIDENTIAL FLAT**

Notice is hereby given that Canara Robeco Asset Management Company Limited ("the Company") offers to sell the following residential flat owned by the Company:

Flat No.	Built-up Area/Flat	Reserve Price for Flat + Covered Parking	Address
204	1000 Sq. Ft. (2 BHK) with Covered Parking	₹ 2,55,00,000/-	A-Wing, Abhar, Behind Sanjeev Enclave, Seven Bungalows, Versova, Andheri (W), Mumbai - 61

Sealed bids are invited from the intending buyers (individuals/institutions/corporates) on the terms & conditions, inter-alia, the following:

- Bidders are advised to download and read the "Offer Form" along with detailed "terms & conditions" from our website [www.canararobeco.com](http://www.canararobeco.com) or collect from Ms. Aynal Khan (Tel. 022- 66585000) between 2.00 pm & 5.00 pm from Monday to Friday.
- Offer opens today and closes on 03rd June 2022. Inspection of flats will be offered at the site on 21st May and 22nd May, 2022 between 2.00 pm & 6.00 pm. Bidders are advised to inspect/verify the property documents at our office during business hours/days with prior appointment.
- Interested parties may submit their Bids in the prescribed "Offer Form" along with interest free Earnest Money Deposit of Rs.1,00,000/- (Rupees One Lac Only).
- Bids will be opened on 07th June, 2022 at 3.00 p.m. in the company's office at the above address.

The company reserves its right to accept/reject any/all bids without assigning any reason whatsoever. No brokerage will be paid by the company.

# Residents grapple with construction noise. But there might be a solution

Mumbai's top cop is on the mission to curb noise pollution levels through stringent vigilance on developers. Here's what stakeholders have to say

**POOJA.MAHIMKAR**  
@timesgroup.com

In a recent press conference, expressing his concern over the rising noise pollution, Mumbai's Commissioner of Police, Sanjay Pandey said, "While the citizens were coming to grips with the con-

stant honking menace, the ongoing construction (of buildings and infrastructure projects) across the city has worsened the situation." Thus announcing strict mandates, the commissioner has directed developers to conduct all construction-related activities only between 6 am and 10 pm. Furthermore,

the developers must adhere to the prescribed noise levels of 65 decibels, within the city limits, failing which, the police would act. The developers will also have to sign a 'good behaviour' bond, which if broken or flouted more than thrice, he/she would be heavily fined or even put behind the bars.

community. But they seem to be accepting these new norms. "We believe that construction should not obstruct people's peace at night and fully support the commissioner's decision. We have promoted the usage of noise cutters for our members' construction activities and have also asked them to complete most of the heavy construction during the day. In fact, we have reached out to our developer members to ensure no construction activities are carried out between 2 pm and 4 pm on Sundays and on any national holidays," says Boman Irani, president, CREDAI-MCHI.

AR ENCIEL  
Project By: SUMIT GROUP  
Strategic Partner: HOMESYNC  
Research Partner: Liasas Foras  
MULUND(W)

**MULUND (W)**

17<sup>th</sup> Slab Completed

2 BHK APARTMENTS

483 sqft RERA Carpet ₹ 1.27 Cr Onwards

615 sqft RERA Carpet ₹ 1.60 Cr Onwards

**Dhamaka Offer**  
AC Homes with Furniture Worth Rs.7 Lakhs

MULUND RAILWAY STATION - 7 MINS  
JAIN TEMPLE - 2 MINS  
D'MART - 2 MINS  
FORTIS HOSPITAL - 2 MINS  
SMPR CBSC SCHOOL - 6 MINS  
PROPOSED METRO STATION - 7 MINS  
ICICI BANK - 5 MINS  
SHOPPING GALLERIA - 3 MINS

www.arcenciel-mulund.in | 9405514146 / 8169686562 / 9167398475 RERA Reg No. P51800021946

"Can you believe....?"  
1 BHK @ 99Lac\* in Sion

1 BHK @ 99 Lakhs\* Onwards  
2 BHK @ 1.39 Cr\* Onwards  
\*Launch offer valid on limited flats

SHIKARA CONSTRUCTIONS | SHIKARA HEIGHTS  
Scale the heights of happiness

EXCLUSIVE OFFER

**NO GST | NO Development Charges**

Shikara Constructions Pvt. Ltd.

Site Address: Trilochan CHS Ltd, Plot bearing S. No. 6 (Part), CTS No. 11 (Part), Sardar Nagar No.2, Sion, Mumbai - 400 022  
sales@shikaraconstructions.com  
Tel: 9152155999 | 9152166999 | 9152177999

Corp. Address: 204, 2nd Floor, Bezzola Commercial Complex, Opp. Suman Nagar, Sion-Trombay road, Chembur, Mumbai - 400 071  
www.shikaraconstructions.com

MahaRERA No.: P51800033893 Available on MahaRERA website: <https://maharera.mahaonline.gov.in>

Attention!

**Citizens speak**  
"This is a welcome move. I am at home most of the time and the construction activity throughout the day often gives me a headache. I have noticed that I even get irritated at times just because there is constant noise around me," says senior citizen, Ramesh Mandgaokar, a resident of Wadala.

Working professionals, who are currently working from home, also have a tough time. "During my work calls, I shut all the windows of the room, so that there is minimal disturbance, but that is not really an option. Especially now, with summer upon us, venting in a non-ventilated room is difficult," says Swati Ambre, a Dadar resident.

While the developers sympathise with the thought behind the mandate, they do have a few worries. "The idea here is to ensure that we curb noise pollution and that residents staying around the construction sites are not disturbed late at night, which is perfectly understandable. Having said that, the developers are also racing to complete their projects. The industry has recently come out of a really slow business cycle due to the pandemic and has started witnessing some strong growth numbers. Hence, we need to come together and think of innovative solutions that could help achieve both agendas in a mutually amicable manner," says Manju Yagnik, senior VP, NAREDCO, Maharashtra.

"At our construction site, regular measures are undertaken to check the noise levels and make all possible efforts to contain it within limits. We avoid construction during night. We usually cordon off our construction area from residential area so that the impact is minimal," says Anoop Kumar Bhargava, CEO and director of a real estate company.

Meanwhile, the city is also increasing the scope for Silent Sundays and Sunday Street campaign. While the former would focus on reducing noise pollution on Sundays, the latter would shut certain roads in the city to curb traffic and open them as recreational spaces for the citizens.

**Developers' view**  
This decision has extensively impacted the developer