Finance minister Shri Yashwant Sinha has announced a comprehensive package of tax and non-tax incentives for the housing sector in the Union Budget of 1999-2000. It is envisaged that the proposed concessions may benefit the group-housing sector societies, companies and middle-class investors willing to purchase a dwelling unit.

Briefly, the non-tax and tax concessions for accelerating house construction are:

- For development of the primary and secondary market for housing mortgages, it is proposed to simplify the present legal provisions for foreclosure and transfer of property through amendments in the National Housing Bank Act.
- For making available banking funds to the housing sector, the Reserve Bank of India will be asked to advise scheduled commercial banks to lend up to 3 per cent of their incremental deposits for housing finance (earlier it was 1.5 per cent).
- To enable local bodies to provide quality urban services, tax-free status will be accorded to a limited amount of municipal bonds issued each year.
Interest on loan for self-occupied property will be permitted as a deduction up to Rs. 75000 from the existing Rs. 30000. This concession is intended to encourage middle-class investors to take loans to purchase modest dwelling units for their residence.

Under Section 80 I-A of the Income Tax Act, profits of approved housing projects, where the development and construction commences on or after October 1, 1998, and is completed by March 31, 2001, are fully deductible. The conditions necessary for claiming the benefit are that the approved housing project should be on minimum area of one acre and should have dwelling units with a maximum built-up area of 1000 square feet. It is now proposed to provide that in areas other than those falling in and within 25 km from the municipal limits of Delhi and Mumbai, the built-up area of dwelling units may be up to a maximum limit of 1500 square feet. The built-up area in Delhi and Mumbai and within 25 km of the municipal limits of both, however, shall remain the same.

Currently, housing finance companies are subject to tax on interest on loans on an accrual basis. In order to lessen the tax burden of such companies, it is now proposed that income of such companies will be taxable on actual receipt basis. The benefit will be available to companies registered with the National Housing Bank from April 1, 2000.