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The waiver of property tax for the affordable segment is expected to provide a boost to sentiment for end users in the category.

The Maharashtra cabinet on January 12 approved the state government's decision to waive property tax on houses up to 500 sq ft in Mumbai.

On January 1, the Maharashtra government decided to completely waive property tax on residential units of up to 500 sq ft located within the Mumbai municipal area limits. Chief Minister Uddhav Thackeray had announced the decision on the New Year's day.

It will benefit 16.14 lakh residential units, the Chief Minister's Office said in a statement.

The waiver will result in a revenue loss of Rs 462 crore for the exchequer. The Mumbai municipal corporation will bear a loss of Rs 417 crore while the state government will shoulder the remaining Rs 45 crore deficit, officials said.

Commenting on the decision, Shishir Baijal, Chairman and Managing Director of Knight Frank India, said that the waiver for the affordable segment would be a great boost to sentiment for end users in the category. This would reduce ongoing expenses towards owning a house and help add to their annual household savings, he added.

This decision, which was deliberated for quite some time, will provide a big relief, according to Baijal. For the BMC, the property tax waiver will have an impact on revenues. However, this will be compensated by the real estate market bounceback, with sales of mid to higher end segment apartments increasing consistently in the last five quarters, he said.

Niranjan Hiranandani, Vice Chairman of NAREDCO and MD, Hiranandani Group, concurs, "This will enhance acceptance of compact homes in Mumbai. The move by the authorities will be positive for affordable housing.

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This will also prove to be advantageous for redevelopment and Slum Rehabilitation Authority projects offering homes that are 500 sq ft or less in size. One hopes that similar or partial waivers for slightly bigger homes, of around 750 sq ft, will also get announced. These will have a positive impact on affordable housing.”

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