

**RESEARCH****BOB ECONOMICS RESEARCH | STAMP DUTY**

Do collections reflect health of real estate sector?

**Daily macro indicators**

| Indicator              | 3-Jul   | 4-Jul  | Chg (%)     |
|------------------------|---------|--------|-------------|
| US 10Y yield (%)       | 4.43    | 4.36   | (7bps)      |
| India 10Y yield (%)    | 7.00    | 7.00   | 0bps        |
| USD/INR                | 83.53   | 83.50  | 0.0         |
| Brent Crude (US\$/bbl) | 87.3    | 87.4   | 0.1         |
| Dow                    | 39,332  | 39,308 | (0.1)       |
| Hang Seng              | 17,979  | 18,028 | 0.3         |
| Sensex                 | 79,987  | 80,050 | 0.1         |
| India FII (US\$ mn)    | 2-Jul   | 3-Jul  | Chg (\$ mn) |
| FII-D                  | 36.2    | 83.7   | 47.5        |
| FII-E                  | (300.2) | 466.7  | 766.9       |

Source: Bank of Baroda Economics Research

**SUMMARY****INDIA ECONOMICS: STAMP DUTY**

Given that the Indian economy is poised to grow at a strong pace in the coming years the real estate sector is expected to play a pivotal role in this story by providing a substantial boost to infrastructure. The market size of the sector is likely to expand by US\$ 1 tn by the year 2030. The study explores the relation of stamp duty collections by states for real estate activity in general in the last 10 years. Additionally, price movements during this period is analyzed to gauge the effect of the increase in real estate prices.

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## STAMP DUTY

05 July 2024

### Do collections reflect health of real estate sector?

Given that the Indian economy is poised to grow at a strong pace in the coming years the real estate sector is expected to play a pivotal role in this story by providing a substantial boost to infrastructure. The market size of the sector is likely to expand by US\$ 1 tn by the year 2030. The study explores the relation of stamp duty collections by states for real estate activity in general in the last 10 years. Additionally, price movements during this period is analyzed to gauge the effect of the increase in real estate prices.

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India's real estate industry is expected to contribute more than 15% to India's GDP by 2047<sup>1</sup>, from 7% share currently. There has also been a steady rise in the sales of upscale property signaling rising income, premiumization and pent up demand. This has been supplemented by the push given by the government to affordable housing through subsidies which has stabilized demand at the lower end of the price scale.

There are various factors that determine the demand of the sector, such as migration, prices, location, interest rates, rentals etc. Higher revenue receipts by state government through the stamp duty collection has been one of the high frequency indicators that sheds some light on how the housing market is faring. However, there are some caveats that needs to be taken in to account when looking at this variable.

- Stamp duty is paid for both primary, secondary purchases as also for rental/lease agreements. Also it is not possible to distinguish between residential and commercial transactions.
- In addition, these rates have changed over the years across states and vary on the value of the property.
- Higher collections by states would also be due to higher value of the houses/property being transacted.

Hence, while interpreting the results based on stamp duty collections, caution needs to be exercised as all these factors have been at play in varying degrees.

Stamp duty collections from property registrations have grown at a steady pace over the years. The total stamp duty collection across the sample of 23 states considered here for the last 10-years stand at Rs 13.7 tn. The top 5-states that have contributed the most to this collection, includes Maharashtra with a share of 23.4%, followed by Uttar Pradesh at 13%, Tamil Nadu (9.2%), Karnataka (8.4%) and Gujarat (6.7%).



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