



India Union Budget 2023-24

Point of view

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Building, Construction and Real Estate

Key announcements for the sector

- The budget has extended outlay towards affordable housing by 66 per cent, taking the number up to INR 79,000 crore for this fiscal year in turn advancing eligible beneficiaries of Pradhan Mantri Awas Yojana (PMAY)
- The inclusive development priority area, one of the key areas of the seven outlined priority areas, focuses on setting up widely available storage capacity for the agriculture and cooperative sector
- Promote domestic tourism and encourage people to explore India's diverse cultural heritage by identifying 50 destinations through "challenge mode" to revitalise the "Dekho Apna Desh" scheme. This will be accomplished by improving physical infrastructure and virtual connectivity, as well as improving security and tourist experiences for both domestic and international tourists
 - On the premise of ODOP (One District-One Product), states will be encouraged to establish central "Unity Malls" to promote the sale of Geographical Indication (GI) tagged and handicraft products.
- Infrastructure remains a priority as evidenced by the INR 10 lakh crore capital investment allocation and the support offered to state governments through an extension on the 50-year interest-free loan in order to incentivise investment
 - 50 additional airports, heliports, water aerodromes, and advanced landing zones will be revitalised
 - To enhance end-to-end connectivity, 100 crucial transport infrastructure projects for the steel, ports, fertiliser, coal and food grain sectors have been identified with a total investment of INR 75,000 crore, including INR 15,000 crore from private sources
 - A dedicated platform like the RIDF (Rural Infrastructure Development Fund) called the UIDF (Urban Infrastructure Development Fund) will be set up and managed by the National Housing Bank (NHB) to enhance infrastructure in Tier 2 and Tier 3 cities. A budget of INR 10,000 crore per annum has been proposed for this fund
 - New Infrastructure Finance Secretariat established to expand private infrastructure investment opportunities.
- Union Budget 2023-24 envisions to create sustainable cities of tomorrow. Governments and cities will be urged to implement urban planning reforms and efforts to transform our cities
- The Government shall provide incentives to urban civic bodies to improve their finances and creditworthiness by assisting them to raise funds from municipal bonds.

Direct Taxes

- Sector specific proposed amendments:
 - Return of capital (not specifically covered earlier) to unitholders of REITs/InVITs now to be taxed as other sources under section 56(2)(xii)
 - Capping the roll over deduction of reinvestment of capital gains from residential property under section 54/54F to INR 10 crore, which could lead to impact on high value reinvestment in residential properties
 - In case of taxability of joint development agreement (JDA) in case of Individuals and HUF, sale consideration shall be stamp duty value of transferor share as increased by consideration received in cash or cheque or draft or any other mode
 - Deduction claimed on interest on borrowed capital for acquiring, renewing or reconstructing a house property under section 24, not to be allowed as cost of acquisition at the time of transfer
 - Provisions relating to lower TDS application under section 197 now made available to income from units of business trust.

Implications for the sector

- The budgetary allocation of INR 79,000 crore for Pradhan Mantri Awas Yojana (PMAY) serves to highlight the government's commitment to addressing housing issues in India's key markets and promoting middle and low-income housing through such schemes. This allocation would help in delivering the Pradhan Mantri Awas Yojana Urban units (where of the total target of 112.3 lakh units, ~68 per cent has been completed) and Gramin units (where of the total target of 294.2 lakh units, ~72 per cent has been completed).¹
- The focus on setting up widely available storage capacity for the agriculture and cooperative sectors under the pillar of inclusive development will provide impetus to the industrial/warehousing sector.
- 50 destinations that shall be identified as a part of the "Desh Apna Dekho" initiative which would result in the creation of local economies and encourage tourism and allied industries.
- The emphasis on urban planning is critical for supporting the growing urban population, improving livelihoods, and promoting sustainable living. The funds allocated through the Urban Infrastructure Development Fund (UIDF) will aid in the upgradation of infrastructure in Tier 2 and Tier 3 cities. This will not only boost real estate activity around key nodes but also help augment industrial and warehousing activity.
- To encourage spending, the personal income tax rebate limit has been increased to INR 7 lakh from INR 5 lakh in the new tax regime, along with a revision of tax slabs and an increase in the tax exemption limit to INR 3 lakh. This could result in an increase in disposable income and enhance buyer sentiments toward affordable housing.
- The highest surcharge levied under personal income tax has been reduced significantly from 37 per cent to 25 per cent under the new tax regime, which would result in a reduction on highest income slab with income above INR 5 crore, which is currently is 42.74 per cent that includes all surcharges, will come down to 39 per cent which could encourage investment towards the real estate sector.
- Creating sustainable cities of tomorrow would entail, making better use of land resources, allocating enough funds for urban infrastructure, promoting transit-oriented development, increasing the availability and affordability of urban land thereby creating opportunities for everyone.
- Municipal bonds will pave the way for civic authorities in states to undertake physical and social infrastructure projects, allowing to bridge financial gaps and lessen their dependency on loans from the Central and state governments.

¹ Source: Ministry of Housing and Urban Affairs and Ministry of Rural Development, accessed on 1 February 2023

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