



India Interim Budget 2024

Point of view

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Building, Construction and Real Estate

Key announcements for the sector

- The interim Union Budget for 2024-25 has earmarked INR80,671 crore for the Pradhan Mantri Awas Yojana (PMAY) Gramin and Urban, a key initiative of the government. This allocation is set to further strengthen the government's commitment to delivering affordable housing. PM Awas Yojana (Gramin) is close to achieving the target of 30 million houses. In the next five years, the government plans to add 20 million houses to fulfill the demand arising from increase in the number of families.
 - Under the PMAY (Gramin) initiative, the government has designated more than 70 per cent of the houses in rural areas to women, either as sole proprietors or co-owners.
- The government will launch a housing scheme to help the deserving sections of the middle class living in rented accommodation, slums, chawls and unauthorised colonies to buy or build their own houses.
- In Budget 2020, the government had introduced tax incentives for sovereign wealth funds and pension funds investing in infrastructure to attract long term investment. The government has extended tax incentives for investments in infrastructure made by these funds for another year till 31 March 2025.
- The successful hosting of G20 meetings, coupled with the country's robust economy, has enhanced its appeal as a destination for meetings, incentives, conferences and exhibitions (MICE) tourism. Furthermore, the potential for spiritual tourism has also been recognised as a catalyst for fostering opportunities in local entrepreneurship.
 - To promote tourism, states will be encouraged to take up comprehensive development of iconic tourist centres and market them at a global scale. A framework for rating of the centres based on quality of facilities and services will be established. Long-term interest free loans will be provided to states for financing such developments.
 - Development of tourism infrastructure, port connectivity and amenities to be taken up across key locations, including Lakshadweep, to promote domestic and island tourism.
- Research and innovation is the foundation of a nation's development. In order to promote research & development (R&D), the government announced to establish a corpus of INR100,000 crore with a fifty-year interest free loan.
 - The corpus will provide long-term financing or refinancing with long tenures and low or nil interest rates. This will encourage the private sector to scale up research and innovation infrastructure significantly in sunrise domains.

- In order to meet the commitment towards 'Net-Zero' by 2070, the government has taken several steps towards the green growth. This budget announced the scheme of bio-manufacturing and bio-foundry to provide environment friendly alternatives such as biodegradable polymers, bioplastics, biopharmaceuticals and bio-agri-inputs.
- PM Kisan Sampada Yojana has impacted 3.8 million farmers and created over 1 million employment opportunities; helping farmers improving incomes through value additions. PM Formalisation of Micro Food Processing Enterprises Yojana has assisted SHG and individuals with credit linkages. Further support is proposed to be provided to this scheme.

Implications for the sector

- The focus on adding two crore affordable houses under PM Awas Yojana (Gramin) in the next five years could witness interest from private players in real estate to develop affordable housing projects in rural areas closer to Tier I and Tier II cities. The amplified attention on PMAY is anticipated to catalyse a surge in investments and escalate operations in the construction industry. This is likely to have a ripple effect on related sectors such as housing finance, cement, steel, and paints, signifying a substantial positive influence across diverse industries.
- Several affordable housing schemes of various state and Central government such as 80 IBA of income tax, PMAY, etc. have already made an impact through a huge supply influx of affordable housing units from private developers in Tier I and Tier II cities in the past few years.
 - Announcement of a new affordable housing scheme for middle class segment was much awaited; likely to revitalise interest toward mid and affordable housing sector from private developers and significantly help in plugging the overall housing shortage faced by the country.
- The government has recognised Affordable Housing as an infrastructure sector. This, coupled with the extended tax incentives for sovereign and pension funds investing in infrastructure, could lead to both international and domestic funds investing in affordable housing projects.
- Focused approach towards tourism development of iconic centres and islands, coupled with the growth in domestic tourism, will drive demand for organised real estate in hospitality and retail asset classes.
 - Additionally, adoption of standardised framework for rating tourist destinations will increase market competition, improvement in amenities/facilities would likely provide confidence to lenders/investors in financing of tourism infrastructure.
- The provision of INR100,000 crore interest free loan for development of R&D centres shall open avenues for a new segment of commercial real estate in Tier I & Tier II cities.
- The focus on setting up bio-manufacturing units and bio-foundries shall pave the way for domestic and international private industrial developers to establish Eco Industrial Parks (EIP) in India. These EIP could set a benchmark for new industrial infrastructure providing dual benefit of bio manufacturing and sustainable growth.
- Enhancing the capabilities of micro food processing centres and encouraging public-private partnerships (PPP) for the development of agricultural supply chains, which includes modern storage and primary and secondary processing, could contribute to the expansion of industrial food park development.
 - This further creates opportunities for both the private and public sector in the development of upstream and downstream logistics infrastructure in the farming sector.

KPMG in India contacts:

Chintan Patel

Partner and Head

Building, Construction and Real Estate

E: chintanpatel@kpmg.com

kpmg.com/in/socialmedia



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KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

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