



India Union Budget 2024-2025

Point of view

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Building, Construction and Real Estate

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Key announcements for the sector

The Union Budget 2024-25 has laid significant emphasis on Urban Development and Infrastructure as key priority areas and the same shall have a noteworthy bearing on the real estate sector with housing segment, industrial/ manufacturing, tourism and hospitality sectors as strong beneficiaries.

Urban Development Initiatives

- With an aim to address the need and shortage of affordable housing in India, the Pradhan Mantri Awas Yojna shall expand to provide additional 3 crore housing units in rural and urban areas in the country.
 - Under the Pradhan Mantri Awas Yojana Urban 2.0 scheme, a financial allocation of INR 10 lakh crore has been earmarked to cater to the housing needs of 1 crore urban poor and middle-class families. The central government has earmarked INR 2.2 lakh crore to be provided for the same within the next 5 years and is envisaging provision of interest subsidies to facilitate loans at affordable rates.
- Other urban development initiatives under the budget include:
 - Facilitate development of cities as growth hubs via systematic development of peri-urban areas
 - Development of effective policy and regulatory frameworks to foster brownfield redevelopment of cities
 - Formulation of Transit Oriented Development (TOD) plans for 14 large cities with population above 30 lakhs along with an implementation and financing strategy
 - Plan to implement a policy framework for rental housing market.
- As part of the urban development schemes, states will be encouraged to lower stamp duty and consider offering lower stamp duty rates for properties purchased by women to promote home ownership.

Push towards Industrial Development

- To promote industrial development across India, the government has identified development of key nodes viz. Gaya along the Amritsar Kolkata Industrial Corridor, Koppaerthy node on the Vishakhapatnam-Chennai Industrial Corridor and Orvakal node on Hyderabad-Bengaluru Industrial Corridor.

- The government is focused on creation of investment ready “plug and play” industrial parks in 100 cities in partnership with state and private sector. As part of the budget, the government will sanction 12 industrial parks under the National Industrial Corridor Development Programme as well.
- In a move to address the housing needs of industrial workers, the government has proposed to facilitate rental housing with dormitory accommodation in PPP mode with VGF support and commitment from anchor industries.

Investments in Infrastructure

- The central government has earmarked INR 11.11 lakh crore for capital investment towards infrastructure development across India which accounts for ~3.4 percent of the overall GDP. Further, apart from providing financial aid to state governments for infrastructure activities, the Center has allocated INR 1.5 lakh crore for long-term interest free loans to support such state initiatives. A market-based financing framework will also be established to encourage private sector investments in infrastructure development.
- Further, the launch of Phase IV of the PM Gram Sadak Yojana shall provide all weather connectivity to 25,000 rural habitations.

Tourism Initiatives

- In addition to measures outlined in the interim budget, in the wake of positioning India as a global tourist destination, the government has identified areas such as Vishnupad Temple Corridor and Mahabodhi Temple Corridor alongside Rajgir and Nalanda in Bihar and Odisha to be transformed into world-class pilgrim and tourism destinations via comprehensive development of these regions.

Land Digitization and Registry

- The budget suggests introduction of Unique Land Parcel Identification Number or Bhū-Aadhaar for rural lands as well as digitization of cadastral maps. The subdivisions of these lands will also be updated based on current ownership and a land registry will be established. Land records in urban areas will be digitized using GIS mapping.

Implications for the sector

Foundation towards sustainable urban development

- **Renewed push for affordable housing sector:** The focus on adding three crore affordable housing units under PM Awas Yojana (PMAY) scheme along with allocation of INR 10 lakh crore under PM Awas Yojana Urban 2.0, could garner interest from private players in real estate to develop affordable housing projects in rural and urban areas closer to Tier I and Tier II cities. The amplified attention on PMAY is anticipated to catalyze a surge in investments and escalate operations in the construction industry and allied sectors.
- **Cities as growth hubs:** The development of peri-urban areas as growth hubs, introduction of efficient policy frameworks for brownfield city re-development and implementation of Transit Oriented Development (TOD) plans for 14 cities shall provide a fillip to economic/ business activities in such cities and further instill demand in the real estate sector.

- Stamp duty moderation: The moderation of stamp duty rates, along with lowered duties for properties purchased by women, shall enhance overall homebuyer sentiment, thereby boosting residential sales across India, however implementation depends on individual states.
- Increased transparency in rental housing: Introduction of a policy framework to streamline the rental housing market shall increase transparency, thereby encouraging investments from real estate developers and foreign investors into the segment.

Promotion of new industrial nodes

- The government's strategic initiatives to promote newer industrial nodes in Bihar and Andhra Pradesh along with the focus of setting up Industrial Parks across 100 cities is expected to boost economic activities and thereby create new real estate opportunities across such regions.

Public sector investment and private sector participation to drive infrastructure development

- The comprehensive focus on infrastructure and urban planning along with the allocation of funds towards capital expenditure, long-term interest free loans to states and framework to encourage private sector participation is expected to drive growth of real estate activity in the commissioning states and promote urbanization. The all-weather connectivity to 25,000 rural habitations under Phase IV of the Pradhan Mantri Gram Sadak Yojana (PMGSY) is expected to instill real estate activity in the regions and reduce the urban-rural gap.

Hospitality Sector set to gain from focus on Spiritual Tourism

- The Kashi-Vishwanath Temple Corridor's redevelopment has led to 10 crore tourists¹ visiting Varanasi since December 2021, boosting demand for hospitality and retail segment. A similar impact is expected for the new pilgrim-centric corridor developments in Bihar. This is also aligned with the governments long-term vision to position the country as the foremost travel destination globally by 2047, supported by schemes such as "Dekho Apna Desh" and Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD). The revitalization of Nalanda University and Odisha's tourism infrastructure will enhance regional educational and cultural significance, driving demand for residential, retail and hospitality properties while stimulating infrastructure development and urbanization.

Streamlined Land Transactions

- The introduction of Unique Land Parcel Identification Number for rural lands and the digitization of land records for urban areas will enhance transparency, reduce disputes, and streamline land transactions. This will boost investor confidence, facilitate smoother real estate deals, and create a more efficient and reliable land management system in addition to improving the financial position of urban local bodies.

1. With 10-fold jump in tourist footfall, Varanasi balances tradition and change, Deccan Herald Article, accessed as on 23 July 2024

Direct & Indirect Taxes – Sector specific announcements and implications

Direct Tax Announcements and Implications

- No change in corporate tax rates for domestic companies.
- The corporate tax rate for non-resident entities has been reduced from the baseline rate of 40 per cent (effective tax rate of 43.68 per cent) to 35 per cent (38.22 per cent) and thus effectively reducing it by 5.46 per cent. This would have a positive impact on foreign entities having taxable presence in the form of branch offices, project offices or Permanent Establishments (PEs) of foreign companies in India, thereby stimulating the commercial real estate market in India.
- Key changes proposed in the taxation provisions of Capital Gains are as below:
 - Short term capital gains on which securities transaction tax (STT) paid on equity shares is proposed to be increased to 20 per cent from the present rate of 15 percent
 - Long term capital gains rate is proposed to be changed to 12.5 per cent for majority of assets (earlier rate was 10% to 20%). With rationalization of rate to 12.5 per cent, indexation benefit available under second proviso to section 48 is proposed to be removed for calculation of any long-term capital gains which is presently available for property, gold and other unlisted assets. This will have a big impact on real estate sector, since indexation on transfer of immovable property on long-term capital asset will not be available to sellers, while tax rate has been reduced from 20% to 12.5%
 - Period of holding for classification as long-term capital assets also rationalized. This will include period of holding for being long-term asset for units of REITs/ INVITs being reduced from 3 years to 1 year. This shall position REITs as an attractive investment medium by enhancing liquidity and investor participation
 - Sum paid by a domestic company on buy back of shares is proposed to be treated as dividend in the hands of shareholders and chargeable to tax at applicable rates. Further, no deduction for expenses shall be available against such dividend income. The cost of acquisition of the shares which have been bought back would separately generate a capital loss in the hands of the shareholder as these assets have been extinguished.
- It is clarified that any income arising on letting out of a residential house shall not be chargeable as “Income from house property” instead of business income.
- It is clarified that threshold of INR 50 lakhs defined under section 194-IA for tax to be withheld @ 1% on transfer of immovable property, shall be applicable on the aggregate value of such immovable property instead of amount paid to each transferor/ by each transferee.
- Abolition of ‘angel tax’ on companies - For a closely held company which receive any consideration for issue of shares, the aggregate consideration received for such shares exceeding such fair market value shall going forward, not be chargeable to income tax under the head “Income from other sources”.
- Considering multiple sections relating to withholding of taxes with varying threshold and rates ranging from 0.1% to 30%, WHT obligation had become too complicated. As a first step towards its simplification, the Budget proposes to reduce the WHT rate for some expenditure currently at 5% to 2%.

Indirect Tax Announcements and Implications

- Customs duty rate rationalization to support domestic manufacturing, deepen local value addition, removal of duty inversion and promote export competitiveness.
- Exemption from GST Compensation Cess on imports in SEZ made effective retrospectively from 1 July 2017.
- Basic customs duty (BCD) exemption/reduction on 27 critical minerals - beneficial for several sectors.
- Various BCD exemptions /concessions extended up to 31 March 2026/2029 (earlier available till 30 September 2024).

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