Union Budget 2024-25

Setting the blueprint for the future

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Research
India
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Key Focus Areas (1/2)

Budget continues to focus on capital expenditure while striking some balance between fiscal consolidation and equitable growth

Focus Area	Announcement Highlights
Productivity and resilience in Agriculture	• Transforming agriculture research to focus on raising productivity & developing climate resilient varieties • 1 crore farmers across the country will be initiated into natural farming • Digital Public Infrastructure for coverage of farmers and their land in 3 years • 109 new high-yielding and climate resilient varieties of 32 field and horticulture crops to be released
Employment and Skilling	• For first-time employees in formal sector-first month salary credit through 3 instalments up to INR 15,000; benefits to employers in manufacturing for hiring first-time employees in the form of EPFO contributions; reimburse EPFO contributions of employer up to INR 3000 per month for 2 years for all new hires in select sectors • Skilling of 2 mn youth over a 5-year period; education loans up to INR 10 lakh for higher studies in domestic institutions
Inclusive Human Resource Development & Social Justice	• Focus on farmers, youth, women & poor • Special focus on infrastructure development in Bihar and financial commitments for Andhra Pradesh reorganization • Allocation of more than ₹3 lakh crore for schemes benefitting women and girls
Manufacturing & Services	• MSME support through extension of collateral-free credit guarantee schemes, credit support during stress period, increase in Mudra loans limit, new assessment models for MSME credit • Plug and play industrial parks in 100 cities, 12 industrial parks under National Industrial Corridor Development Programme; E-commerce export hubs to be set up under PPP Model
Urban Development	• Needs of 1 crore urban poor and middle-class to be addressed under PMAY Urban 2.0 • Enabling policies and regulations for efficient and transparent rental housing markets with enhanced availability • Encouraging states to rationalize stamp duty especially for properties purchased by women • Transit Oriented Development plans for 14 large cities with a population above 30 lakh

Key Focus Areas (2/2)

Budget continues to focus on capital expenditure while striking some balance between fiscal consolidation and equitable growth

Focus Area	Announcement Highlights
Energy Security	• Focus on solar energy to continue; 1 crore households to obtain free electricity • R&D of small modular reactors and newer technologies for nuclear energy • Transition of hard to abate industries from efficiency to emission targets leading to establishment of Indian carbon market
Infrastructure	• Infrastructure outlay at INR 11 lakh crore (3.4 percent of GDP); INR 1.5 lakh crore to states as long-term interest free loans for support; Phase IV of Pradhan Mantri Gram Sadak Yojana to provide all-weather connectivity to 25,000 rural habitations • Focus on flood management, rehabilitation and on promoting religious tourism
Innovation, Research & Development	• Private sector-driven research and innovation • Focus on space economy with a venture capital fund of INR 1,000 crore to be set up
Next Generation Reforms	• Land records in urban areas will be digitized with GIS mapping • Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands • Digitization of cadastral maps
Tax Proposals	• Abolish ANGEL tax for all classes of investors; Corporate tax rate on foreign companies reduced from 40% to 35% • Short term gains of financial assets to attract 20% tax rate; long term capital gains tax on all financial and non-financial assets to attract a tax rate of 12.5% without indexation • Reduction in holding period of REITs to qualify as long-term assets from 36 months to 12 months • Standard Deduction for salaried employees increased from INR 50,000 to INR 75,000; Deduction on family pension for pensioners increased from INR 15,000 to INR 25,000

Impact on India’s Real Estate Market

No surprises for the real estate sector (1/2)

1

Housing for All

Increase in the PMAY target bodes well for the real estate sector. The planned allocation of INR 2.2 lakh crore for PMAY-Urban will translate into a renewed push for the affordable housing segment. This is particularly important as developers have been increasingly shifting focus to upper-mid, premium and luxury segments, leaving the affordable segment facing challenges. Additionally, the proposed/envisaged re-introduction of the Credit Linked Subsidy Scheme will further support growth of home loans.

PMAY-U target increased by
1 crore houses

PMAY-R target increased by
2 crore houses

2

Infrastructure Augmentation

The capex outlay augmentation will have a multiplier effect on real estate value, demand, and overall growth. The focus on creating multi-modal connectivity through new rail corridors, airport expansion, road infrastructure enhancement and metro rail connectivity will support the overall logistics ecosystem while fostering new growth corridors. Also, rejuvenation of cities will lead to increased opportunities for developers..

Infrastructure outlay at
INR 11 lakh crore, 3.4% of GDP

3

Land Reforms

The digitization of land records and maps in urban areas is anticipated to enhance transparency and alleviate documentation challenges. This will, in turn, facilitate improved access to credit and streamline land transactions for all stakeholders involved. By digitizing land records and maps, the process of verifying ownership and conducting due diligence becomes more efficient, reducing delays and uncertainties. Ultimately, digitization serves to enhance the overall efficiency and effectiveness of land transactions, adding value to the real estate sector as a whole

Digitisation of urban land records
with GIS mapping

No surprises for the real estate sector (2/2)

4

Office Real Estate

The elimination of angel tax will provide crucial support to the startup ecosystem, encouraging more startups to remain in the country. Additionally, the reduction of taxes for foreign companies to 35% will further incentivize their entry into the Indian market. With India already establishing itself as GCC capital of the world, the office real estate market in the country is expected to receive a significant boost. This influx of startups and foreign companies will create an increased demand for office spaces, driving growth in the Indian office real estate sector

Corporate tax rate on foreign companies reduced from

40% to 35%

5

Industrial and Manufacturing

The allocation of funds for the establishment of industrial parks, vegetable supply chains near urban consumption centers, and plug-and-play industrial parks in 100 cities is crucial in supporting the manufacturing sector's increasing contribution to the country's GDP. The development of industrial parks will serve as a magnet for both domestic and international investments, stimulating economic growth and providing a fillip to the the long-term trajectory of industrial and warehousing needs

Under the National Industrial Corridor Development Program

12 industrial parks to be sanctioned

6

Data Centres

Focus on renewable and nuclear energy poised to greatly benefit the data centre sector, given its large power needs. By promoting the development of renewable and nuclear energy, India can ensure a reliable and eco-friendly power supply for data centers, fostering their growth and sustainability. The renewed attention on expanding green energy production capacity, coupled with the plans to establish an Indian carbon market, aligns well with India's emission reduction targets.

Research & Development of

newer technologies for nuclear energy & small modular reactor

Impact of LTCG tax change cannot be painted using the same brush

7

Residential

The impact of the removal of indexation benefits with an associated revision in LTCG tax from 20% to 12.5% will depend on various factors, such as the holding period of the property and the price appreciation during that period. However, if the annual price appreciation is less than 9.35%, indexation regime remains beneficial irrespective of holding period. Given the current scenario, where prices in most property markets have grown by less than 9% annually in the last few years, the new rule seems less attractive for those looking to sell.

Change in LTCG tax on properties

from 20% with indexation to 12.5% without indexation; properties acquired before 2001 have been grandfathered for capital gains purposes

8

Real Estate & Financial Markets

The change in the holding period requirement for REITs/InVITs has the potential to enhance liquidity in these financial products, making them more attractive instruments for a wider investor base. Previously, the extended holding period acted as a barrier to investment flexibility and liquidity. However, at the same time, it is important to note that the increase in the LTCG tax rate, from 10% to 12.5%, may act as a deterrent for some investors.

Holding period of REITs to qualify as long-term assets

from 36 months to 12 months

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