



UNION BUDGET 2024-25: REAL ESTATE

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BACKGROUND

Urban Development & Infrastructure as **Key Priority Areas** hence noteworthy bearing on Real Estate Sector:

- Housing
- Industrial/ Manufacturing
- Tourism
- Hospitality
- REITs

URBAN DEVELOPMENT INITIATIVES — PMAY 2.0

- Addressing the need and shortage of Affordable Housing
- **PMAY 2.0 Scheme** to provide **additional 3 crore housing units** in Urban & Rural
- **Financial Allocation of INR 10 lakh crores**
- Cater to **1 crore urban poor and middle-class families**
- Central Government has earmarked **INR 2.2 lakh crore to be provided within 5 years**
- **Interest Subsidies and Home Loans at Affordable Rates**

URBAN DEVELOPMENT INITIATIVES

- 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

INDUSTRIAL DEVELOPMENT

To promote industrial development across India, the government has identified development of key nodes:

- Gaya along the Amritsar Kolkata Industrial Corridor,
- Kopparthy 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 Program 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 (Viability Gap Funding)** 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

The Center has allocated **INR 1.5 lakh crore for long-term interest free loans** to support various State Governments

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**
- **Mahabodhi Temple Corridor**
- **Rajgir and Nalanda in Bihar and Odisha**

to be transformed into world-class pilgrim and tourism destinations via comprehensive development of these regions

HOSPITALITY SECTOR - SPIRITUAL TOURISM

The **Kashi-Vishwanath Temple Corridor's redevelopment** has led to 10 crore tourists visiting Varanasi since December 2021, boosting demand for hospitality and retail segment (10X). 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

LAND DIGITALIZATION & REGISTRY

The budget suggests introduction of **Unique Land Parcel Identification Number** or **Bhu-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**

CAPITAL GAINS

- **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. Interest Cost & Stamp Duty also not to be included. Property values indexed upto 2001 are grandfathered for capital gains – FM's Clarification
- 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

ALL LISTED ASSETS

	Earlier STCG	Now STCG	Holding Period	Holding Changed?	Earlier LTCG	Now LTCG
Stocks	15%	20%	12 months	No	10%	12.50%
Equity Mutual Funds	15%	20%	12 months	No	10%	12.50%
Debt and non-Equity MFs	Slab rate	Slab rate	N/A	Yes, earlier same for STCG & LTCG	Slab rate	Slab rate
Bonds (Listed)	Slab rate	20%	12 months	No	10%	12.50%
REITs/InVITs	15%	20%	12 months*	Yes, earlier 36	10%	12.50%
Equity FoFs*	Slab rate	20%	N/A	Yes, earlier same for STCG & LTCG	Slab rate	12.50%
Gold/Silver ETF	Slab rate	20%	12 months	Yes, earlier same for STCG & LTCG	Slab rate*	12.50%
Overseas FoFs	Slab rate	Slab rate	24 months	Yes, earlier same for STCG & LTCG	Slab rate	12.50%
Gold Funds	Slab rate	Slab rate	12 months	Yes, earlier same for STCG & LTCG	Slab rate	12.50%

Note: Annual LTCG exempt amount hiked from ₹1 lakh to ₹1.25 lakh for stocks and equity MFs

ALL UNLISTED ASSETS

	Earlier STCG	Now STCG	Holding Period	Holding Changed?	Earlier LTCG	Now LTCG
Real Estate (Physical)	Slab rate	Slab rate	24 months	No	20%**	12.50%
Bonds (Unlisted)	Slab rate	Slab rate	24 months	Yes, earlier same for STCG & LTCG	Slab rate	Slab rate
Physical Gold	Slab rate	Slab rate	24 months	Yes, earlier 36	20%**	12.50%
Stocks (Unlisted)	Slab rate	Slab rate	24 months	No	20%**	12.50%
Foreign equities/debt	Slab rate	Slab rate	24 months	No	20%**	12.50%

*Other than those investing 90% in equity ETFs

** With indexation

Those investing in funds with at least 65% equity

All changes effective for assets sold after 23rd July 2024

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IMPACT ON RENTAL INCOME POST BUDGET 2024

Airbnb owners who declared earning on residential property as business income are expected to be impacted

Feature	Earlier	Now
Rental income reported as	Business Income	Income from House Property
Applicable Section	Section 28 (Income from Business/Profession)	Section 24 (Income from House Property)
Deductions Available	Various business expenses, including: ▶ Property & municipal taxes* ▶ Maintenance and repairs ▶ Depreciation ▶ Salaries to employees (Eg care taker, property manager) ▶ Interest on home loan	▶ Standard deduction of 30% ▶ Property & municipal taxes* ▶ Interest on home loan ▶ No other deductions allowed
Income allowed to set off	▶ Income from any other business, income from house property, capital gains and income from other sources ▶ In subsequent years, Income from business, including f&o, trading etc	▶ Income from salary, income from any other house property, capital gains, income from business & other sources ▶ In subsequent years, income from house property
Tax Arbitrage	Through inflated/false expense claims and setting off business loss	Limited to standard deduction, interest on homeloan & municipal taxes

Example: Mr A owns a residential house property gets ₹10 Lakh annual rent

Annual Rental Income	₹10 Lakh	₹10 Lakh
Deductions	Property & municipal taxes* Business Expenses: Repair: ₹2 Lakh Maintenance: ₹1 Lakh Care taker salary: ₹2 Lakh Interest on homeloan: 1 Lakh	Standard Deduction: ₹3 Lakh Property & municipal taxes* Interest on homeloan: ₹1 Lakh
Net income before tax	₹4 Lakh	₹6 Lakh
Tax Payable (Assuming 30% Rate)	₹1.2 Lakh	₹1.8 Lakh

*Property & municipal taxes tax varies based in locality

Graphic: Pranay Bhardwaj/Mint

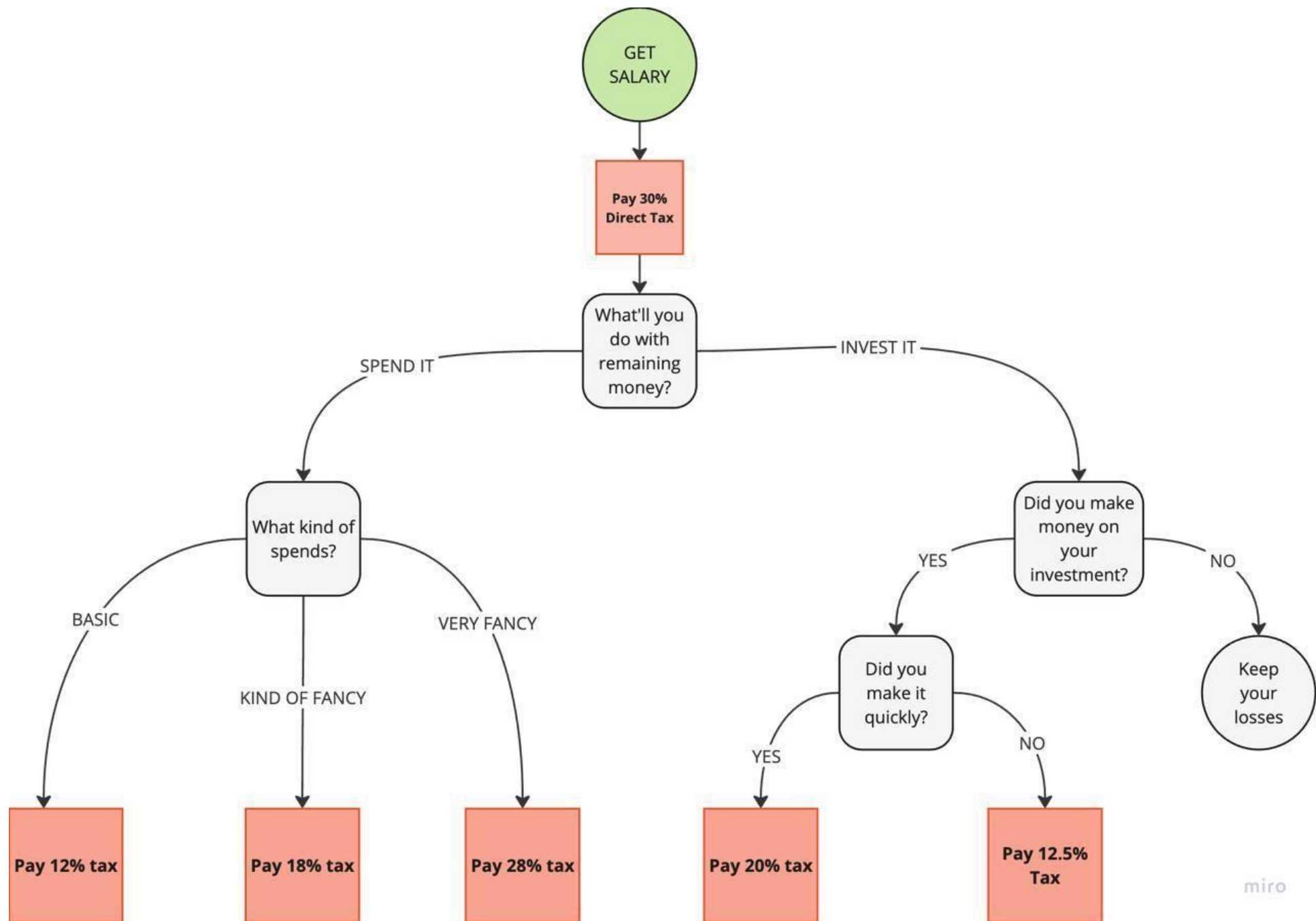
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DIRECT & INDIRECT TAXES

- **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**
- 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

DIRECT & INDIRECT TAXES

- 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%





THANK YOU |