

IMPACT ON REAL ESTATE SECTOR

Union Budget 2023

P A GANDHI & CO.
CHARTERED ACCOUNTANTS
WWW.PAGANDHI.COM



BUDGET 2023 INSTILLS HOPE IN REAL ESTATE FOR LONG-TERM GROWTH

- Besides the increased fund allocation for PMAY, the measures announced in the budget are expected to have positive implications for the real estate sector in the coming years.
- An increase in capital expenditure on infrastructure investment by 33 percent, i.e., Rs 10 lakh crore for 2023–24, which is 3.3 percent of GDP, will significantly boost the economy and create new job opportunities.
- The government has established an Urban Infrastructure Development Fund with an annual budget that will be utilized to build a balanced and sustainable infrastructure in tier-2 and tier-3 cities to encourage cities to implement urban planning reforms.

- FM increased the PM Awas Yojana budget by 66%, bringing it to over '79,000 crore.
- Additionally, FM recommended capping the deduction from capital gains on residential property investment under sections 54 and 54F at 10 crore.
- However, starting 1 April 2024, it is proposed to limit the maximum deduction that can be claimed under sections 54 and 54F to ₹10 crore. This means that where an individual sells an eligible long-term capital asset on which their gains arising is more than ₹10 crore and if such individual reinvests the entire consideration for purchasing a new residential unit; where earlier the entire capital gains amount would have been exempt, from AY 2024-25 onwards, only gains up to ₹10 crore would be exempt under the provisions of section 54 and 54F. The balance capital gains, i. e. above ₹10 crore, will now be taxed at a flat rate of 20% (with indexation). It may be noted that the maximum surcharge applicable on income from capital gains is restricted to 15% under both old regime and new tax regime.

- **Urban Infrastructure Development Fund:** This will be managed by the National Housing Bank and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.
- **Sustainable cities of tomorrow:** This will lead to efficient use of land resources, adequate resources for urban infrastructure, transit-oriented development, enhanced availability and affordability of urban land, and opportunities for all.
- **Green buildings:** These green growth efforts help in reducing carbon intensity of the economy and provides for large-scale green job opportunities.
- **Enhancing opportunities for private investment in Infrastructure:** more private investment in infrastructure, including railways, roads, urban infrastructure and power, which are predominantly dependent on public resources.

- India's Budget for 2023–24 comes amid a very positive economic outlook. India is expected to grow at 7 percent this year, which is a robust growth rate compared to that of other major economies. The Indian economy has risen from being 10th to the 5th largest globally. The per capita income has doubled and increased to Rs 1.97 lakh in 9 years.
- Improved air connectivity: For regional air connectivity, a budget outlay of Rs 3,100 crore will be allocated to build 50 additional airports, helipads, water aerodromes, and advanced landing fields. Land prices may rise around the proposed sites, increasing real estate value.
- Mission Smart Cities: A new initiative to develop "sustainable cities of tomorrow" and a massive allocation of Rs 16,000 crores could transform multiple cities in India by improving their quality of life and providing seamless infrastructure, mobility, and urban sustainability.



THANK YOU

P A GANDHI & CO.
CHARTERED ACCOUNTANTS

www.pagandhi.com