

Union Budget: Infrastructure development and real estate; a pre-Budget analysis

The upcoming Budget is expected to unveil policies that will further strengthen the real estate industry's upward trajectory and play a pivotal role in shaping India's economic landscape

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India's real estate sector is a boost for the country's economy. PTI

The Indian real estate sector has shown resilience in 2023, and the country eagerly awaits Finance Minister Nirmala Sitharaman's presentation of the Interim Budget for 2024 on 1 February. The sector's contribution to the nation's GDP is expected to double from 6-8 per cent to an estimated 13 per cent by 2025, leading to significant expansion. The industry stakeholders have high expectations from the Budget and are eagerly anticipating strategic initiatives that will serve as catalysts for continued growth. The upcoming Budget is expected to unveil policies that will further strengthen the real estate industry's upward trajectory and play a pivotal role in shaping India's economic landscape.

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Infrastructure status for affordable housing: One of the most eagerly awaited reforms is the potential grant of infrastructure status to affordable housing. This move is poised to bring about a paradigm shift by making affordable housing projects more attractive to investors. Simultaneously, lower GST rates and a simplified taxation structure for Real Estate Investment Trusts (REITs) are anticipated, which could further stimulate investment in the real estate sector.

Tax deduction for home loan interest: Industry stakeholders are advocating for a substantial increase in the tax deduction for home loan interest under Section 24 of the Income Tax Act. The proposal to raise the current cap of Rs 2 lakh to at least Rs 5 lakh is viewed as a potential game-changer. This would help to encourage more people to invest in property, as the reduction in taxes not only makes housing properties more financially attractive but also paves the way for a surge in demand for luxurious interior designs, sustainable features, and the integration of electric vehicle (EV) charging points within residences.

Rural economy focus: The budget is likely to emphasise boosting the rural economy by redirecting savings from subsidies. This strategic move is intended to enhance disposable income among rural households, potentially catalysing growth in real estate beyond urban centres. Higher spending on rural infrastructure and incentivising activities that improve cash flow are among the proposed measures to achieve this objective.

Interest subvention scheme for urban housing: Anticipation is high for the implementation of the interest subvention scheme for urban housing. This scheme, pending cabinet approval, seeks to provide substantial interest subsidies on housing loans, potentially extending the cap to Rs 50 lakh under the Pradhan Mantri Awas Yojana. With an annual interest subsidy ranging from 3 per cent to 6.5 per cent on loans up to Rs 9 lakh, this initiative could significantly boost the demand for home loans, particularly benefiting lower-income groups and breathing new life into the urban housing market.

In conclusion, the pre-budget analysis reflects a collective expectation for transformative measures in infrastructure development and real estate. The proposed reforms aim to stimulate economic growth and make housing more accessible and affordable for a diverse spectrum of homebuyers with greater interior designs. As the budget unfolds, the real estate sector will keenly watch for these anticipated changes that could shape the industry's trajectory in the coming FY.

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