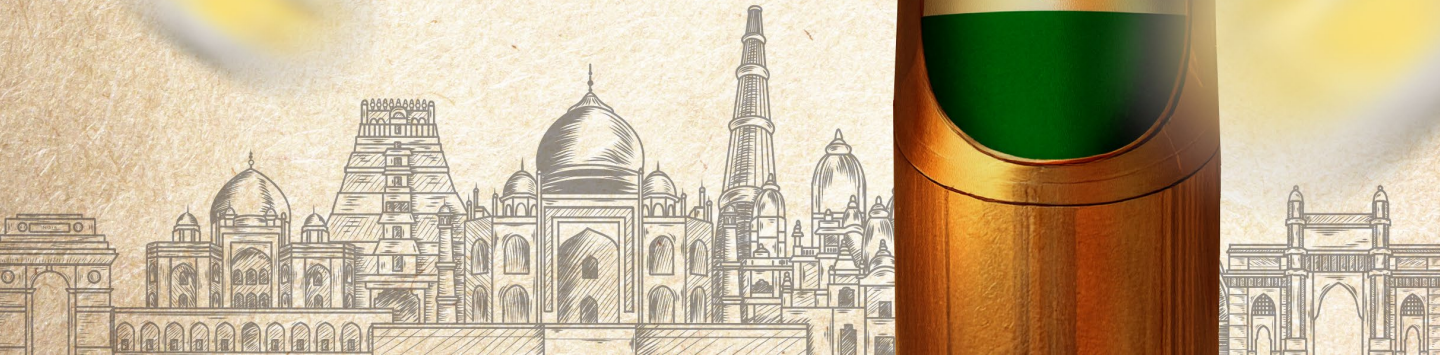


BUDGET 2025-26

Impact Analysis

INDIA | FEBRUARY 2025





India | February 2025

Union Budget 2025-26

INTRODUCTION

The Union Budget 2025-26 focusses on urban & real estate growth, innovation & ease of doing business, manufacturing & logistics impetus and enhances disposable income across economic segments. The government remains committed to fiscal consolidation, targeting a fiscal deficit below 4.4% in FY26, down from 4.8% in FY25. India's real GDP growth is projected between **6.3-6.8%** in the upcoming fiscal year, reinforcing India's credibility as the fastest growing major economy.

Continuing the vision of "**Viksit Bharat**" and "**Sabka Vikas**", the budget introduces transformative reforms across key sectors, including urban development, real estate, power & mining, financial services, and taxation & regulatory frameworks as well. Balanced regional growth across Tier I & II cities is expected to be driven by agriculture, MSMEs, investments, and exports. Key initiatives such as the **Manufacturing Mission**, guidance framework for **Global Capability Centers (GCCs)**, **startup**-focused Alternative Investment Fund (AIF), Special Window for Affordable and Mid-Income Housing (**SWAMIH**) II fund, and the **Urban Challenge Fund** will play a crucial role in accelerating real estate growth across multiple segments. The budget has also provided a directional guidance for long-term growth driven by technological upgradation and sharing of data between public & private sector establishments.



GDP growth forecast

6.3-6.8%

FY 2025-26



Fiscal deficit forecast

4.4%

of GDP for FY 2025-26



₹1 lakh cr

Budgetary allocation under
Urban Challenge Fund



₹15,000 cr

SWAMIH II fund to support
completion of another 1 lakh
units

Impact analysis



INFRASTRUCTURE & URBAN DEVELOPMENT



Announcements:

- Urban challenge fund of INR 1 lakh crore for cities to be developed as growth hubs. The fund will finance 25% of the cost of bankable projects, with an allocation of INR 10,000 crore for 2025-26.
- Each infrastructure-related ministry to come up with a 3-year plan to be implemented in PPP mode. The outlay of INR 1.5 lakh crore is proposed for 50-year interest-free loans.
- UDAN scheme will be expanded to enhance regional connectivity to 120 new destinations .
- National Geospatial Mission to develop foundational geospatial infrastructure and data.



Impact:

- Transformation of cities into economic growth hubs with emphasis on high-quality urbanization. Infrastructure development to have multiplier effect on real estate growth and create equitable real estate hotspots spread across the country.
- Infrastructure boost to bolster real estate activity in tier II and III cities.
- Facilitating modernization of land records, urban planning, and design of infrastructure projects.

HOUSING



Announcements:

- Establishment of SWAMIH II fund with allocation of INR 15,000 crore to support completion of another 1 lakh units.
- Simplification in annual value of the self-occupied property and proposal to allow the benefit of two self-occupied properties without any condition.
- Senior living: TDS deduction limit for senior citizens increased from INR 50,000 to INR 1,00,000 (in case of interest other than interest on securities). Additionally, they will be allowed tax-free withdrawals from NSS accounts.



Impact:

- Extension of SWAMIH fund will aid stressed project completion, boost liquidity and spur home buying sentiment.
- Reduction in compliance burden on taxpayers.
- Will increase liquidity in the hands of senior citizens and provide them with sufficient flexibility to invest in purpose-built senior housing, potentially accelerating growth in senior living segment.

INDUSTRIAL & LOGISTICS



Announcements:

- The government will set up a Manufacturing mission to further Make In India programme and support clean-tech manufacturing.
- Rationalization of customs rate structures for industrial goods by removal of certain custom tariff rates.
- Support to footwear & leather, food processing and toy sectors.
- Setting up of BharatTradeNet as platform for trade documentation.



Impact:

- Boost to manufacturing capabilities, enhancement in domestic production and reduction in dependency on imports.
- Impetus to Grade A industrial and warehouse leasing and encouragement to labor-intensive sectors.
- Clean technology manufacturing will promote sustainable development.

Impact analysis

START-UPS & MSMEs*



Announcements:

- Alternate Investment Fund (AIFs) for start-ups to receive fresh contribution of INR 10,000 crore, in addition to existing government contribution of INR 10,000 crore.
- Extension of benefit provided under Section 80-IAC to start-ups for another period of five years till 2030.
- Credit guarantee cover for micro-enterprises will be enhanced from INR 5 crore to INR 10 crore and for start-ups, from INR 10 crore to INR 20 crore with moderation in guarantee fee for loans in 27 focus sectors.
- The investment and turnover limits for classification of all MSMEs will be enhanced to 2.5 and 2 times respectively.
- Customized credit cards with INR 5 lakh limit for micro enterprises registered on Udyam portal.

Impact:

- The new measures significantly enhance access to capital and credit support for start-ups and MSMEs, thereby boosting innovation and domestic manufacturing capabilities.
- Start-ups can take up incremental Grade A office space, particularly flex space across major office markets of the country.

*MSMEs- Micro, Small & Medium Enterprises

POWER & TECHNOLOGY



Announcements:

- Nuclear Energy Mission for research & development of Small Modular Reactors (SMR) with an outlay of INR 20,000 crore
- Incentivization of electricity distribution reforms and augmentation of intra-state transmission capacity.
- Gyan Bharatam Mission and National Digital Repository of Indian knowledge systems for knowledge sharing

Impact:

- Enhancements in energy infrastructure and improvements in electricity distribution can provide reliable and cost-effective power supply.
- Power infra upgradation and heightened technology usage can attract significant investments particularly in data centers driving growth and innovation

EV MANUFACTURING



Announcements:

- Exemption on custom duty for 35 additional capital goods for Electric Vehicle (EV) manufacturing.
- Removal of customs duty on critical minerals for manufacturing of EV batteries like lithium, cobalt, and nickel.

Impact:

- Improvement in domestic battery production capabilities, enhanced cost competitiveness for EV adoption and manufacturing.
- EV players including automobile manufacturers, ancillary product & battery manufacturers are set to complement the demand for Grade A warehouses.

INVESTMENTS



Announcements:

- FDI in insurance increased from 74% to 100%.
- To encourage funding from sovereign wealth and pension funds in the infrastructure sector, the investment timeline has been extended till 31st March 2030.
- An Investment Friendliness Index of states to be launched.

Impact:

- With more foreign capital flowing, there can be greater funding availability for real estate projects across residential & commercial segments and infrastructure developments.

Impact analysis

TOURISM



Announcements:

- Development of 50 tourist destinations will be carried out in partnership with state governments, providing Mudra loans for homestays.
- Hotels will also be included in the harmonised scheme for enhanced tourism infrastructure.
- Medical tourism and 'Heal in India' to be promoted in partnership with private sector.

Impact:

- Spur demand in hospitality segment and boost real estate investments through enhanced connectivity and tourism infrastructure.

GCCs AND EXPORT-ORIENTED BUSINESSES



Announcements:

- A national framework will be formulated as guidance to states for promoting Global Capability Centres (GCCs).
- Export Promotion Mission to facilitate easy access to export credit.
- Support to be given to MSMEs to tackle non-tariff barriers in exports.

Impact:

- Catalyze GCC expansion into tier 2 cities driven by talent availability & infrastructure upgradation and boost commercial real estate in smaller cities.
- Streamline access to export credit and boost India's export competitiveness.

EDUCATION & SKILL DEVELOPMENT



Announcements:

- 50,000 Atal Tinkering Labs for fostering scientific temper among young minds.
- INR 500 crore for Centre of Excellence in Artificial Intelligence.
- Infrastructure upgradation in the 5 newer IITs to increase enrollment by 6,500 students.
- No TCS on remittance under Liberalized Remittance Scheme (LRS) for education loans.

Impact:

- Boost skill development, AI literacy and strengthening of talent pool for a knowledge-driven economy.
- Enhanced infrastructure at premier institutes will boost higher education access, while skill development will be beneficial in primary, secondary and tertiary education.

TAXATION



Announcements:

- Revised slabs under new tax regime (INR)*: 0-4L- Nil, 4-8L- 5%, 8-12L-10%, 12-16L-15%, 16-20L-20%, 20-24L-25%, >24 lakhs 30% .
- No income tax for up to INR 12 lakhs annual under new regime
- Increase in annual limit of INR 2.4 lakh for TDS on rent to INR 6 lakh in case of renting for non-residential purposes.
- TCS to be omitted in goods' sale transactions where both TDS & TCS are currently levied.

* L denotes Lakhs

Impact:

- The announcement will drive consumption across various sectors, including real estate, through increased disposable income.
- Demand in affordable and middle-income housing segments is likely to gain traction, especially within the salaried class

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