

Budget 2025: Game-Changing Attempts for Real Estate Sector?

1. Boost to Alternate Investment Funds (AIFs)

Alternate Investment Funds (AIFs) are pooled investment vehicles that invest in high-growth sectors like real estate, infrastructure, and startups. Category I & II AIFs typically invest in social infrastructure, urban development, and affordable housing projects.

Budget Proposal:

- Implements strategic measures to ensure a steady talent pipeline and robust infrastructure development.
- Advocates building-by-law reforms and industry collaboration mechanisms to drive certainty and sustainable growth.

Key Benefits:

- 👉 Increase private investment in large-scale real estate projects.
- 👉 Enhance funding for affordable housing & urban infrastructure.

2. SWAMIH Fund: A Lifeline for Stalled Projects

Special Window for Affordable and Mid-Income Housing (SWAMIH) Fund, launched in 2019 with a ₹25,000 crore corpus managed by SBICAP Ventures Ltd, provides last-mile funding to rescue stalled housing projects and support homebuyers.

- **50,000 units completed**, providing relief to homebuyers stuck with delayed projects.
- **40,000 more units to be completed in 2025**, further easing financial stress for homebuyers paying **both EMIs and rent**.

Budget Proposal:

SWAMIH Fund 2:

- **New Corpus:** ₹15,000 crore (Govt + Banks + Private Investors).
- **Target:** Completion of 1 lakh more housing units in 2025.

Key Benefits:

- 👉 **Faster Home Deliveries** – Relief for waiting buyers.
- 👉 **Revives Real Estate Sector** – Restores confidence in stalled projects.

- 👉 **Economic Impact** – Creates jobs in construction & allied sectors.
- 👉 **Financial Relief** – Reduces burden on middle-class homebuyers.
- 👉 **Sustainable Growth** – Private sector participation ensures long-term stability.

3. Urban Challenge Fund: Transforming Cities and Unlocking Real Estate Potential

The government has introduced a Rs 1 lakh crore Urban Challenge Fund aimed at transforming cities with a focus on infrastructure and urban redevelopment.

Budget Proposal:

- **Funding:** 25% from the fund, with 50% from bonds, loans, or PPPs.
- **Focus:** Infrastructure, city redevelopment, and water/sanitation.
- **2025-26 Allocation:** Rs 10,000 crore for initial projects.

Key Benefits:

- 👉 **Enhanced Infrastructure:** Boosts investment potential in cities.
- 👉 **Redevelopment Opportunities:** Opens new areas for residential and commercial projects.
- 👉 **PPP Growth:** Encourages private sector involvement, driving development.

4. ITC on Construction Inputs – Ambiguity on Plant and Machinery Settled

Section 17(5)(d) restricts ITC on goods or services, or both received by a taxable person for **construction of an immovable property** (other than **plant or machinery**) on his **own account** including when such goods or services or both are used in the course or furtherance of business.

"**Plant or Machinery**" is **nowhere defined** under the GST law, but "**plant and machinery**" is defined. Since inception, ambiguity persisted regarding the interpretation of "plant or machinery," leading to litigation. In **Safari Retreats Pvt. Ltd.**, the **Hon'ble Orissa High Court** allowed ITC for malls constructed for leasing.

The case reached the **Supreme Court**, which applied the functionality test, stating that if a building (like a mall or warehouse) is integral to business operations, it could qualify as "plant" and be eligible for ITC. However, the **constitutional validity** of ITC restrictions under **Sections 17(5)(c) & (d)** and Section 16(4) was upheld, **rejecting claims of discrimination**.

To nullify this interpretation, the amendment substitutes "plant or machinery" with "plant and machinery," explicitly excluding ITC on buildings and civil structures. Additionally, an explanation ensures retrospective effect from July 1, 2017, overriding any court rulings.

Budget Proposal:

- **Terminology Change:** "Plant or Machinery" replaced with "Plant and Machinery" to eliminate ambiguity.
- **Overriding Court Rulings:** An **Explanation inserted** stating that the amendment applies **despite contrary court judgments**.
- **Retrospective Effect (from July 1, 2017):** Past ITC claims based on old interpretations may now be subject to **reversal and tax liabilities**.

Key Impacts:

- 👉 **Elimination of ITC Loopholes:** The amendment ensures ITC is blocked for plant and machinery, preventing claims on individual components.
- 👉 **Reversal of Past ITC Claims:** Businesses that previously availed ITC based on **past** court rulings may now face reversals and additional tax liabilities due to retrospective application.
- 👉 **Superseding Judicial Interpretations:** All prior court decisions allowing ITC on plant and machinery components are now overruled, reinforcing the government's intent to deny ITC.
- 👉 **Higher Compliance Burden:** Companies must reassess past ITC claims, update tax **records**, and prepare for scrutiny, ensuring compliance with the revised law.
- 👉 **Potential Legal Challenges:** The retrospective nature of the amendment may **trigger** disputes, litigation, and increased compliance costs for affected taxpayers.

5. Big Tax Break: Own Two Homes, Pay Zero Tax

Present Restriction: An assessee is eligible for tax benefits on **one self-occupied property**. A **second property** qualifies for exemption **only if** the owner is unable to reside there due to employment, business, or profession in another location and resides in a non-owned premises.

Budget Proposal:

- **New Proposal:** Taxpayers can now declare **two self-occupied properties** as 'nil' taxable income.
- **No Conditions:** Previous restrictions removed, offering greater tax relief

Key Benefit:

- 👉 **Reduces** tax burden and provides financial ease for homeowners.

6. Higher TDS Exemption on Rent – More Savings, Less Hassle

Budget Proposal:

- **New Limit:** TDS on rent threshold increased from ₹2.40 lakh to ₹6 lakh annually.
- **Fewer Tax Deductions:** Reduces TDS applicability on smaller rental incomes.

Key Benefits:

- 👉 **Relief for Small Landlords:** Benefiting those with lower rental income.
- 👉 **Tax Savings for Limited: Income Taxpayers:** Reduces TDS burden.
- 👉 **Simplified Compliance:** Fewer TDS transactions ease tax filing.
- 👉 **Better Cash Flow:** Ensures higher take-home rental income for property owners.

7. PPP Model: Powering Infrastructure & Real Estate Growth

Public-Private Partnership (PPP) is a collaborative model where the government provides land, approvals, and funding support, while private entities invest in construction, operation, and maintenance for long-term revenue. It is widely used in highways, metros, smart cities, airports, and affordable housing projects to accelerate infrastructure development.

Budget Proposal:

- 3-Year Project Pipeline for infrastructure ministries to boost PPP projects.
- States to get support from IIPDF for project planning.

Key Benefits:

- 👉 **Reduced Government Burden:** Shares financial and operational risks with private players.
- 👉 **Improved Quality & Innovation:** Brings in advanced technology and expertise.
- 👉 **Enhanced Funding Access:** Attracts private investment, reducing reliance on public funds.
- 👉 **Boosts Economic Growth:** Drives job creation, urbanization, and connectivity.

8. Investment Friendliness Index for States

This index will rank states based on their ease of doing business & investment attractiveness to promote healthy competition.

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Budget Proposal:

- Launch of the Investment Friendliness Index to encourage competitive reforms in real estate & infrastructure policies.

Key Benefits:

- 👉 Expected streamlined approvals & investor-friendly policies.
- 👉 **Expected enhanced attraction of foreign & domestic investment in housing & commercial real estate.**

9. 5-Year Extension for Start-Up Incorporation

Startups benefit from **tax exemptions & incentives** when incorporated within a defined period.

Budget Proposal:

- **Start-up incorporation extended until April 1, 2030**, for continued tax benefits.

Key Benefits:

- 👉 **Support for Entrepreneurs:** Encourages new businesses with incentives like tax exemptions and funding.
- 👉 **Boosting Innovation:** Strengthens India's start-up ecosystem, fostering long-term growth and sustainability.

10. ₹1.5 Lakh Crore Interest-Free Loans for States

States require significant funds for capital projects like metro expansion, roadways, and housing. This scheme supports state-level infrastructure growth through long-term, interest-free financing.

Budget Proposal:

- **50-year interest-free loans for capital expenditure & infrastructure reforms.**

Key Benefits:

- 👉 Funds metro, smart city & highway projects, boosting property values.
- 👉 Encourages state-led housing & commercial development.

11. National Framework for Global Capability Centers (GCCs)

GCCs are technology & service hubs set up by multinational companies to manage global operations. These centers drive demand for office spaces, IT parks, and commercial properties.

Budget Proposal:

- National framework to promote GCCs in **tier-2 cities**.

Key Benefits:

- 👉 Boosts demand for office spaces, IT hubs, and co-working spaces.
- 👉 Drives corporate investments, creating job opportunities & real estate expansion.

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