



2023 UNION BUDGET OF INDIA



Budget 2023

BUDGET 2023 – AN OVERVIEW

BUDGET IN AMRIT KAAL

India has emerged as one of the best performing markets in recent past amidst continuing global economic uncertainty. As a young nation, India is exploring new frontiers of economic opportunities strategically with focus on sustained growth and stability on many fronts, including taxation.

The Finance Minister of India called Union Budget 2023 – 24 as the first **Budget in Amrit Kaal**. It focuses on three key aspects- first, to provide opportunities to citizens, second, to provide a strong impetus to growth and job creation and finally, to strengthen macro-economic stability. The vision for the Amrit Kaal is an empowered and inclusive economy that is technology-driven and knowledge-based with a robust financial sector.

The Budget along the lines of the two-pronged growth strategy first unveiled in 2019 continued to focus on Incentivising the private sector thus creating jobs and pushing growth. And secondly on Minimum Government & Maximum Governance - increasing capex and raising more revenues via disinvestment. The Indian Finance Minister stated that all states must utilise their fifty-year loan for capital expenses by the end of 2023-24.

The Budget 2023-24 prioritises **7-pillars of growth – Saptarishi** which focuses on Inclusive Growth, Reaching the Last Mile, Infrastructure and Investment, Unleashing the Potential, Green Growth, Youth Power and Financial Sector.

SABKA SATH, SABKA VIKAS

A key theme of Union Budget 2023-24 is the focus on inclusive development - Sabka Sath, Sabka Vikas which specifically covers:

- Farmers, Women, Youth, Scheduled Castes, Scheduled Tribes, Other Backward Classes (OBCs), Divyangjan (PwDs) and Economically Weaker Sections (EWS),
- Overall priority for the underprivileged (Vanchiton ko Variyata),
- There has also been a sustained focus on UTs and the NER (North Eastern Region)

Key Takeaways of the Budget:

- Changes in the **new income tax regime** (in rebate limit and in tax slabs).
- A **33% increase in capital investment outlay** has been proposed, raising it to Rs 10 lakh crore (the **biggest in the past decade**).
- **Changes in customs duty; reduced on** import of certain inputs for mobile phone manufacturing, shrimp feed etc. and **increased on** cigarettes, gold articles, compounded rubber etc.
- **Capital outlay for the railways increased to the highest ever – Rs 2.40 lakh crore.**

The Government rightly sees infrastructure development as a driver of growth and employment. This is reflected in record capital outlays this year, which saw a 33% increase to reach INR 10 lakh crore.



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BUDGET 2023 –INFRASTRUCTURE OUTLAYS AND GROWTH IMPETUS

INFRASTRUCTURE OUTLAYS

There have been several major announcements in the Union Budget 2023 that has long term impact on development of Infrastructure and Real Estate.

- Outlay for **PM Awas Yojana** is being enhanced by 66% to over Rs. 79,000 crore.
- **Urban Infrastructure Development Fund (UIDF)** will be established through use of priority Sector Lending shortfall, which 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
- Investment of Rs. 75,000 crore, including Rs. 15,000 crore from private sources, for one hundred critical **transport infrastructure projects**, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors.
- **New Infrastructure Finance Secretariat** is established to enhance opportunities for private investment in infrastructure.
- Continuation of 50-year interest free loan to state governments for one more year to spur **investment in infrastructure** and to incentivize them for complementary policy actions.
- Encouragement to states and cities to undertake urban planning reforms and actions to transform our cities into '**sustainable cities of tomorrow**'.

Central Processing Centre to be setup for faster response to companies through centralized handling of various forms filed with field offices under the Companies Act.

Rs. 10 lakh crore capital investment, a steep increase of 33% for third year in a row, to enhance growth potential and job creation, crowd-in private investments, and provide a cushion against global headwinds.

More than 39,000 compliances reduced and more than 3,400 legal provisions decriminalized to enhance **Ease Of Doing Business**.

Revamped credit guarantee scheme for MSMEs to take effect from 1st April 2023 through infusion of Rs 9,000 crore in the corpus. This scheme would enable additional collateral-free guaranteed credit of Rs 2 lakh crore and also reduce the cost of the credit by about 1 per cent.

Entity DigiLocker to be setup for use by MSMEs, large business and charitable trusts to store and share documents online securely.

100 labs to be setup for 5G services based application development to realize a new range of opportunities, business models, and employment potential.

Jan Vishwas Bill to amend 42 Central Acts have been introduced to further trust-based governance.

Result Based Financing to better allocate scarce resources for competing development needs.



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BUDGET 2023 – IMPACT ON REAL ESTATE GROWTH

REAL ESTATE GROWTH IMPETUS

Budget 2023-24's infrastructure push would help grow the real estate sector in the long term. The biggest intervention that is expected to help the Real Estate market is the rationalisation of the personal income tax structure.

This is expected to lead to two things - raise disposable incomes for the middle class, particularly younger taxpayers, and transition the taxpayers to the new tax regime with minimal exemptions and lower and simpler tax slabs. This is expected to give a moderate boost to domestic consumption allowing more investment in housing sector. Further, enhanced outlay under PMAY is expected to target the shortfall of housing in EWS category.

Budget proposed to amend provisions for computing capital gains in case of joint development of properties to include amount received through cheques, etc. This can be claimed as deduction from income, it can also be included in the cost of acquisition or improvement on transfer, thereby reducing capital gains.

Budget proposed to cap deduction from capital gains on investment in residential house under sections 54 and 54F to Rs 10 crore. This can help sanitise real estate investments further where large investments from businesses are invested in real estate.

The outlay of Rs 10,000 crore for urban infrastructure development is another major boost that is expected to drive real estate as local economic activity increases due to growth impetus. The proposition of tier II and tier III cities with developers and funds creating more commercial, residential, and retail development. Municipal bodies are also to be supported in raising funds – these could have a cumulative impact on real estate.

It also proposes to provide exemption to any income arising to a body or authority or board or trust or commission, (not being a company) which has been established or constituted by or under a Central or State Act with the purposes of satisfying the need for housing or for planning, development or improvement of cities, towns and villages or for regulating any activity or matter, irrespective of whether it is carrying out commercial activity

An increase in tax rebate slab from Rs 5 lakh to Rs 7 lakh in the new tax regime could push investments in the affordable segment.

All the above impetus are expected to have a multiplier effect on the overall economy, job creation, expansion in the entrepreneurial ecosystems, and a general surge in income levels. The positive ramification of such a gigantic shift won't just be restricted to housing but also commercial, warehouse, retail and other categories of Indian real estate.

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V Realty

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