

## Union Budget 2020-21: Positive impact on infrastructure and real estate sector

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*The Union Budget reflects the government's intent to infuse investment in infrastructure, create job and fuel consumption demand. It was already envisaged in the Economic Survey report that the government will push infrastructure spending and also try to attract private investments in the sector. The announcement of setting up investment clearance cell is in line with that strategy.*



The real estate industry was eagerly waiting for the Union Budget 2020-21 announcements. Amid the anticipated economic slowdown and stressed real estate sector, the industry was expecting measures to ease the liquidity crunch and a one-time restructuring of loans. Although some of the demands could not be met, the government announced measures to boost up the [affordable real estate](#) sector and changed the income tax slabs, which will eventually help in boosting the real estate demand.

The new tax regime and extension of the date to sanction housing loans by a year will ensure surplus funds in the hands of potential home-buyers, acting as a positive tool in recuperating consumer confidence and prompt investments. Further to this, reduced taxation of 5 percent to diminish adversities in real estate transactions and the extended affordable housing approval date for developers to claim the tax holiday will attract more builders to actively participate and develop more affordable projects thereby fueling the momentum of "Housing for All by 2022".

The allocation of Rs 1.7 trillion for the transport sector, Rs 22,000 crore for the energy sector, adding 104 more airports under Uday Desh ka Aam Nagrik (UDAN) scheme and the announcement of the completion of Delhi-Mumbai expressway and two other projects by 2023 will catalyze further economic activities and employment generation. The important concern will be to sync them with the existing programs and roll out the implementation without any delay. Announcement of developing five archaeological sites was needed to ensure continuity with the on-going large scale infrastructure projects such as Smart Cities, [Atal Mission for Rejuvenation and Urban Transformation \(AMRUT\)](#), as these projects have a longer gestation period. The development of smart cities will help in reinvigorating the real estate demand in these cities and the nearby areas.

Some of the additional demands included the introduction of a single-window clearance mechanism for the real estate sector. This coupled with an extension of industry status to the whole real estate sector was a long pending demand. Though the government could not go ahead with the demands, the removal of Dividend Distribution Tax for companies will certainly have a positive effect on the profit margin of the companies.

The funding mechanism for the National Infrastructure Pipeline will also give a boost to the overall infrastructure of the nation and thereby help the ancillary industries such as cement, and steel. The proposed move will also help in the generation of employment opportunities for the local youth.

The real estate sector was expecting more favourable announcements in terms of the input tax credit in the [Goods and Services Tax regime \(GST\)](#); passing additional tax-rebate to buyers in some form; special funds to the real estate sector and provisions of a faster clearance. Moreover, the suggestion of a survey on slashing property prices may not be significantly possible by developers, as the input costs have been escalating.

Overall, we see it as a balanced budget that should put the economy back on the recovery curve. The points of caution will be to keep a check on the fiscal deficit front. However, the industry feels that there will be more policy reforms which will be introduced in follow-up announcements. Faster rollout of these announcements is key to improve cash flow in the market.