

₹ Union
BUDGET
2025-26

Unlocking prosperity | A New Era for Real Estate

Policy and tax reforms providing a boost to the sector



Maadhav Poddar

Partner
EY - India

Maadhav Poddar

With a view to further incentivize the real estate sector in India, the Finance Minister has announced several policy initiatives. Banking on the success of SWAMIH Fund I , another fund (SWAMIH Fund 2) of INR 15,000 crores will be established as a blended finance facility with contributions from the Government, banks and private investors. This is expected to accelerate completion of stalled housing projects and bring relief to home buyers. Further, policy initiatives have been introduced for Urban development through establishment of Urban Challenge Fund, of INR 1 lakh crore which will play a pivotal role in growth of cities.

- **Annual value of self occupied property**
 - The annual value of property is considered as NIL while computing income under the head 'house property' in case of:
 - Self occupied house; and
 - Another owned house, where it cannot be occupied due to employment, business or profession carried on at any other place.
 - The annual value of another owned house will now be considered as NIL, even if, the owner cannot occupy the same due to any reason including employment, business or profession carried on at any other place.
 - This amendment is effective from 1 April 2025.
- **Benefit of lower tax rate extended on long-term capital gains to business trust**
 - Income of business trust other than short term capital gains on equity shares listed on recognized stock exchange, unit of equity oriented fund, unit of business trust (listed securities) and long term capital gains on assets other than listed securities is taxable at MMR.
 - Due to this long term capital gains on listed securities is taxed at MMR in the hands of business trust.
 - In order to rationalise taxation of business trust, long term capital gains on listed securities will now be taxed at 12.51% instead of MMR.
 - This amendment is effective from 1 April 2026.
- **Rationalisation of threshold for TDS on rental income**
 - Any person, other than individual and HUF, paying rent of an amount exceeding INR 2,40,000 during the year was required to deduct tax at the rate 2%/10%.
 - The threshold amount of INR 2,40,000 has been amended to INR 50,000 per month.
 - This amendment is effective from 1 April 2025.
- **Amendment in input tax credit provisions**
 - The CGST Act provides for restrictions on claiming input tax credit on certain items.
 - Amendment has been introduced in the CGST Act relating to input tax credit provisions, to replace 'plant or machinery' with 'plant and machinery'.
 - This amendment is effective from 1 July 2017.
- **Key policy announcements**
 - Urban sector reforms to be incentivized for urban land development.
 - Urban Challenge Fund of INR 1 lakh crore to be set-up for implementation of proposals announced in July 2024 Budget such as 'Cities as growth hubs', 'Creative redevelopment of cities' and 'Water and Sanitation'. An allocation of INR 10,000 crore is proposed for Financial Year 2025-26.
 - With the success of SWAMIH Fund I, another fund (SWAMIH Fund 2) of INR 15,000 crore will be established as a blended finance facility with contribution from Government, banks and private investors for expeditious completion of 1 lakh units in stressed housing projects.
 - With a focus to develop 50 tourism sites across country, land for building key infrastructure to be provided by states and hotels in such tourism sites will be included in Infrastructure Harmonised Master List. This will also facilitate employment led growth in these sites.

Impact analysis

The Budget aims to continue the Viksit Bharat journey with a focus on real estate and infrastructure sector which is evident from strong emphasis on urban development and setting up of another fund under PPP for providing support to stressed housing projects. With the removal of deemed taxes on second homes and the tax slab revision exempting income tax on income upto INR 12 lakhs is expected to increase interest and activity in the housing market. In essence, the Budget is geared towards sustainable development and driving long term growth in the real estate sector.

Glossary

MMR - Maximum Marginal Rate

TDS - Tax deducted at source

HUF - Hindu Undivided Family

CGST Act - Central Goods and Services Tax Act, 2017

SWAMIH - Special Window for Affordable and Mid-income Housing

PPP - Public Private Partnership



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Our offices

Ahmedabad

22nd Floor, B Wing, Privilon
Ambli BRT Road, Behind Iskcon Temple
Off SG Highway
Ahmedabad - 380 059
Tel: + 91 79 6608 3800

8th Floor, Building No. 14A
Block 14, Zone 1
Brigade International Financial Centre
GIFT City SEZ
Gandhinagar - 382355, Gujarat
Tel +91 79 6608 3800

Bengaluru

12th & 13th Floor
"UB City", Canberra Block
No.24 Vittal Mallya Road
Bengaluru - 560 001
Tel: + 91 80 6727 5000

Ground & 1st Floor
11, 'A' wing
Divyasree Chambers
Langford Town
Bengaluru - 560 025
Tel: + 91 80 6727 5000

3rd & 4th Floor
MARKSQUARE
#61, St. Mark's Road
Shantala Nagar
Bengaluru - 560 001
Tel: + 91 80 6727 5000

1st & 8th Floor, Tower A
Prestige Shantiniketan
Mahadevapura Post
Whitefield, Bengaluru - 560 048
Tel: + 91 80 6727 5000

Bhubaneswar

8th Floor, O-Hub, Tower A
Chandaka SEZ, Bhubaneswar
Odisha - 751024
Tel: + 91 674 274 4490

Chandigarh

Elante offices, Unit No. B-613 & 614
6th Floor, Plot No- 178-178A
Industrial & Business Park, Phase-I
Chandigarh - 160 002
Tel: + 91 172 6717800

Chennai

6th & 7th Floor, A Block,
Tidel Park, No.4, Rajiv Gandhi Salai
Taramani, Chennai - 600 113
Tel: + 91 44 6654 8100

Delhi NCR

Aikyam
Ground Floor
67, Institutional Area
Sector 44, Gurugram - 122 003
Haryana
Tel: + 91 124 443 4000

3rd & 6th Floor, Worldmark-1
IGI Airport Hospitality District
Aerocity, New Delhi - 110 037
Tel: + 91 11 4731 8000

4th & 5th Floor, Plot No 2B
Tower 2, Sector 126
Gautam Budh Nagar, U.P.
Noida - 201 304
Tel: + 91 120 671 7000

Hyderabad

THE SKYVIEW 10
18th Floor, "SOUTH LOBBY"
Survey No 83/1, Raidurgam
Hyderabad - 500 032
Tel: + 91 40 6736 2000

Jaipur

9th floor, Jewel of India
Horizon Tower, JLN Marg
Opp Jaipur Stock Exchange
Jaipur, Rajasthan - 302018

Kochi

9th Floor, ABAD Nucleus
NH-49, Maradu PO
Kochi - 682 304
Tel: + 91 484 433 4000

Kolkata

22 Camac Street
3rd Floor, Block 'C'
Kolkata - 700 016
Tel: +91 33 6615 3400

6th floor, Sector V,
Building Omega, Bengal Intelligent
Park, Salt Lake Electronics Complex,
Bidhan Nagar
Kolkata - 700 091
Tel: +91 33 6615 3400

Mumbai

14th Floor, The Ruby
29 Senapati Bapat Marg
Dadar (W), Mumbai - 400 028
Tel: + 91 22 6192 0000

5th Floor, Block B-2
Nirlon Knowledge Park
Off. Western Express Highway
Goregaon (E)
Mumbai - 400 063
Tel: + 91 22 6192 0000

3rd Floor, Unit No.301Building
No.1, Mindspace-GigaplexIT Park,
MIDC, Plot No. IT-5
Airoli Knowledge Park
Airoli West,
Navi Mumbai - 400 708
Tel: + 91 22 6192 0003

Altimus, 18th Floor
Pandurang Budhkar Marg
Worli, Mumbai - 400 018
Tel: +91 22 6192 0503

Pune

C-401, 4th Floor
Panchshil Tech Park, Yerwada
(Near Don Bosco School)
Pune - 411 006
Tel: + 91 20 4912 6000

10th Floor, Smartworks
M-Agile, Pan Card Club Road
Baner, Pune - 411 045
Tel: + 91 20 4912 6800

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