

# Budget 2024: A new horizon for real estate

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As India unveils the Union Budget for 2024-25 (**Budget**), the real estate sector stands on the cusp of significant change. The government's latest proposals are set to address longstanding challenges and unlock new growth avenues. From technological advancements in land record management to fiscal incentives designed to spur development and homeownership, this Budget reflects a comprehensive approach to building an inclusive real estate market. This article delves into the key proposals in the Budget for the real estate sector, exploring its potential impact on various stakeholders and the broader economic landscape.

## 1 Digitisation of urban and rural land records

In a significant effort towards optimisation of land title management, for urban areas, the Budget proposes enhanced digitisation of land records with the integration of a geoinformatics system (GIS) (i.e., a system of capturing, storing, displaying, and checking geographical data) and land tax administration with the aid of IT systems. For rural areas, the Budget proposes assigning Unique Land Parcel Identification Numbers (ULPIN) or a 'Bhu-Aadhaar' for all lands, in addition to digitisation of

The Union Budget for 2024-25 brings forth a series of transformative measures aimed at revitalising the real estate sector. Key highlights include the advanced digitisation of land records in urban and rural areas, potential stamp duty reductions with a focus on women, the rollout of Pradhan Mantri Awas Yojana 2.0 promising 3 crore new homes, a simplified capital gains tax structure, and reforms in rental income taxation.



establishment of a land registry linked to farmers registry. These steps should play an instrumental role in enabling stakeholders to expeditiously conduct title searches on land plots in India.

## 2 Stamp duty reductions

The Budget encourages state governments to rationalise stamp duties on property transactions and emphasises the need for such rationalisation, specifically for women. States with comparatively higher stamp duties, such as Kerala, Madhya Pradesh, Meghalaya, Assam, Tamil Nadu, and West Bengal, are likely to witness such rationalisation. The duty rationalisation in Maharashtra (during COVID-19 in 2020-21) is an indicator that such a move could not only lead to an uptick in transactions but also in revenues for state exchequers.

## 3 Affordable housing

To address the housing needs of the poor, under the Pradhan Mantri Awas Yojana 2.0 (PMAY 2.0), which is close to being rolled out, the Budget proposes an additional 3 crore houses in urban and rural areas, with a staggering investment of INR 10 lakh crore by the central government. Further, the Budget indicates interest subsidies in this segment to increase home loan affordability and eligibility. Taken together, these moves are expected to increase investments from homebuyers and participation from developers, given the recent shift in the developers' interest from affordable to luxury housing.

## 4 Capital gains tax

To simplify long-term capital gains (LTCG) tax computation, the Budget proposes to do away with indexation (i.e., adjustment in property prices to align with inflation), except for properties purchased before 1 April 2001. The removal of indexation benefits may lead to higher taxes for property owners who have not had a significant appreciation in property value. Further, the rate of the LTCG tax is proposed to be reduced from 20% to 12.5% for all assets. This is a welcome move for recent property investments as well as long-term property investments, which have witnessed significant appreciation. For property investments with relatively lower appreciation, this move is likely to boost reinvestments as a tax-saving measure.

## 5 House rent income – tax treatment and tax deducted at source

In a bid to cut down on tax circumvention, the Budget proposes taxation of rental income from housing under the head '*income from house property*' only, as opposed to the head '*profits and gains of business or profession*'. Further, the Budget proposes to lower the tax deducted at source (TDS) (payable on rental income exceeding INR 50,000) from 5% to 2%, effective from 1 October 2024. The Budget indicates the formulation of additional reforms in the rental housing market to bring about transparency. These developments are likely to pave the way for greater activity in the rental market, coupled with increased investments in the housing segment.

## 6 TDS on property sales

It is now clarified that a 1% TDS deduction (mandatory in case of sale consideration exceeding INR 50 lakh, except in cases of agricultural lands) cannot be avoided regardless of the split of consideration amongst any number of transferors/transferees.

## 7 Revised capital gains tax framework for units of real estate investment trusts

The revised capital gains tax framework for units of real estate investment trusts (REIT) includes increased tax rates and reduced holding periods.

### 7.1 Period of holding to classify an asset as long-term capital asset

Particulars	Existing provisions	Proposed provisions
▪ Listed REIT	36 months	12 months
▪ Unlisted REIT	36 months	24 months

### 7.2 Tax rates arising on transfer of units of REITs

*Long term capital gains:*

Particulars	Existing provisions	Proposed provisions
▪ Listed REIT	Resident – 10% (without indexation)	Resident – 12.5% (without indexation)
	Non-resident – 10% (without indexation)	Non-resident – 12.5% (without indexation)
▪ Unlisted REIT	Resident – 20% (with indexation benefit)	Resident – 12.5% (without indexation benefits)
	Non-resident – 10% (without indexation)	Non-resident – 12.5% (without indexation)

*Short term capital gains:*

Particulars	Existing provisions	Proposed provisions
▪ Listed REIT	Resident – 15% (without indexation)	Resident – 20% (without indexation)
	Non-resident – 15% (without indexation)	Non-resident – 20% (without indexation)
▪ Unlisted REIT	Resident – applicable tax rate	Resident – applicable tax rate
	Non-resident – applicable tax rate	Non-resident – applicable tax rate

The Budget also proposes various measures such as a transit-oriented (re)development plan across 14 densely populated cities, 'investment ready' industrial parks across 100 cities, development of an industrial node at Gaya on the Amritsar-Kolkata Industrial Corridor, and low-cost residential projects for labour-intensive activities, amongst various other promising proposals which are likely to directly and indirectly boost the real estate sector.

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