

India Union Budget 2022-23

Point of view

Building, Construction and Real Estate

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Key announcements for the sector

- A budgetary allocation of INR 48,000 crores has been made towards affordable housing with an ambitious target to build 80 lakh houses for identified eligible beneficiaries of PM Awas Yojana (PMAY) in both rural and urban areas. Further, the central government will work with state governments for reduction of time required for approvals to promote affordable housing in urban areas.
- Data centers have been accorded the infrastructure status.
- Extension of the Emergency Credit Line Guarantee Scheme (ECLGS) until March 2023, shall provide much-needed support to the Ministry of Micro, Small and Medium Enterprises (MSMEs) and help them mitigate the effects of the pandemic. The guarantee cover is extended from INR 450,000 to INR 500,000 Crore and has a special focus on the hospitality sector.
- PM Gati Shakti Plan - National Master Plan for Multi-modal Connectivity, intends to boost the infrastructure network across the country through its seven engines: Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics infrastructure.
 - Road: Around 25,000 kms of national highways and expressways to be added in FY22-23 at a cost of INR 23,000 crores.
 - Railways: 400 new Vande Bharat trains are proposed to be manufactured in the next 3 years. Additionally, 2,000 kms of rail network would be brought under the KAWACH technology in the next fiscal as part of the Government's intent for safety and capacity augmentation.
 - 100 cargo terminals would be developed in the next 3 years.
 - Multi-modal logistics parks have been identified at 4 locations which would be awarded on PPP basis.
- In order to augment tourism and connectivity across hill stations, National Ropeways Development Program under the 'Parvat Mala' project is proposed to be implemented on a Public Private Partnership (PPP) mode with 8 ropeway projects proposed to be constructed in FY 2023.
- The Parliament had passed the SEZ Act in 2005 with the aim of attracting foreign direct investment (FDI) and creating a competitive and hassle-free environment for companies engaged in exports of goods and services. To promote development of enterprises and hubs and improve occupancy within the operational Special Economic Zones (SEZs), SEZ Act will be replaced with a new legislation.
- The Budget proposed to formulate a high-level committee of planners, economists, and institutions to provide recommendations on urban sector policies, planning, governance, capacity building and implementation. The Budget has earmarked INR250 Crore each for creation of five Centers of Excellence across India which shall provide certified training in urban planning domain.

- Customs duty rates have been calibrated to facilitate domestic manufacturing of wearable devices, shareable devices, and electronic smart meters. Duty concessions have been proposed for parts of mobile phones such as transformers, chargers, camera lens of mobile camera module, and certain other such items. The duty concessions are expected to supplement the domestic electronics manufacturing industry in India. Additionally, the government has earmarked INR 195,000 crores towards solar equipment manufacturing.

Tax Perspective

- TDS on transfer of immovable property (other than agricultural land) to be 1 percent on the amount of Stamp Duty Value or the actual consideration whichever is higher.
- Bonus Stripping and Dividend Stripping provisions will now be applicable to securities and units of Infrastructure Investment Trust (InvIT), Real Estate Investment Trust (REIT) and Alternative Investment Fund (AIF)
- Surcharge on Capital gains capped at 15 percent
- Surcharge applicable to Association of Persons (AoP) consisting of only Companies as its members capped at 15 per cent
- Following amendments have been proposed in Customs duty rate which would be effective from 2nd Feb 2022:

Description of product	Present Customs duty rate	Proposed Customs duty rate
Silica Sand	2.5% BCD	5% BCD
Marbles and Granites covered under HSN 2515 and 2516, respectively other than: a) Rough Marble and Travertine blocks; b) Marble slabs	10% BCD	40% BCD

- Anti-Dumping Duty and Countervailing duty on import of certain steel products such as bars and rods of alloy steel from China has been permanently revoked
- The time limit for availing GST input tax credit by a registered person in respect of any invoice or debit note pertaining to a financial year is extended up to 30th November of the following financial year
- Amendment in GST law to do away with two-way communication process in return filing and enforcing credit availability to the recipient based on credit appearing in system-generated GSTR-2B
- GST law has been amended to provide for levy of interest on input tax credit wrongly availed and utilized

Implications for the sector

- The budgetary allocation of INR 48,000 crores reinforces the Government's focus on tackling the housing issues in key markets across India and to promote middle and low-income housing.
- According infrastructure status to Data Centers shall improve credit availability for key industry players/ developers while paving the way for enhanced access to long-term capital at cheaper costs.
- The extension of the ECLGS scheme and its enhancement to INR 5 lakh crores with a special focus on the hospitality sector shall provide respite to the hospitality sector which has been reeling under the impact of the pandemic.
- The PM Gati Shakti plan will serve as a digital platform that shall bring together 16 ministries ranging from Railways to Roadways to seamlessly integrate different modes of transport to improve logistic efficiency, reduce costs and ensure seamless multi-modal connectivity for movement of people, goods and services.

This will not only provide the necessary fillip to real estate activity around the key nodes but will also help augment industrial and warehousing activity across key clusters.

- The 'Parvat Mala' project shall help in reducing travel time and pollution, improve connectivity to key hill stations and help in promoting tourism and tourism allied industries such as hospitality, restaurants, retail and wellness segments amongst a few.
- Replacing the existing SEZ Act with a legislation could reduce the compliance burden and allow companies operating within the enclaves to sell their products in the domestic market without additional customs duty. The SEZ Act has been positively leveraged by services sector, while companies in the manufacturing segment have languished. If the legislation is outlined, allowing SEZ to cater to domestic markets then a SEZ which is catering to the domestic market, shall behave like a domestic tariff area entity. If the same entity is facing the international market, it will behave like an SEZ unit. It will still be one unit. This legislation would help in reviving the SEZ enclaves and give boost to the Make in India initiative.
- The focus on urban planning is critical to support the growing urban population, to improve livelihoods and promote sustainable living. This shall also assist in fostering real estate development across Tier 2 and 3 cities in India.
- The duty concessions laid out for the electronic manufacturing industry and solar equipment manufacturing industry shall supplement the domestic manufacturing ecosystem and increase demand for industrial/ SEZ space.

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