



POLICY COVERAGE

B U D G E T

2020

A Budget with Focus on Rural
Development & Infrastructure:
Short-term Issues Remains

ANAROCK

VALUES OVER VALUE

The union budget presented by the finance minister is a road map for fiscal consolidation. The measures announced are primarily focused at instilling a financial discipline into the system along with recognition and rewards for wealth creation. The road map of the journey towards a USD 5.0 trillion economy has carefully created an enabling environment for ease of doing business, attracting investments and creating employment through skill development and technical education. While the impacts of these measures are farfetched, these are certainly right steps to prepare a nation for such a robust growth. The vision of this growth is based on three broad fundamentals of Aspirational India, Economic Development and Caring Society.

Major focus has been laid to ensure a transparent governance mechanism and enhance the ease of doing business in the country. These are expected to create an enabling and a conducive environment for industry and commerce in India.

Most of the initiatives and steps announced today are indicative of focus on the employment generation, simplification of processes and encouraging investor participation.

Banking and finance: Investor involvement & wealth creation

A bold step has been taken to allow some public sector banks to raise additional capital from the capital market is expected to improve the capital adequacy. Allowing retail investors to create wealth through selling part of the government's holdings in Life Insurance Corporation and IDBI bank also indicates the government's endeavour to seek alternate sources of revenues and containing the fiscal deficit to manageable levels.

Measures to enhance the transparency

The budget also announced several measures to enhance transparency and accountability in the system. These include transitioning to online exams and education programme, instantly allotting the PAN online based on Aadhaar and amending the Income Tax Act to enable faceless appeal on the lines of faceless assessment. Such measures are capable of instilling trust in the system, thereby assuring the investors of an open, transparent, and healthy business environment.

Employment: Paving the way for rural growth

Creating the required infrastructure for generating employment has been clearly drafted. Recognition of our competitive cost advantage in the electronics manufacturing sector proposals for encouraging manufacture of mobile phones, electronic equipment and semi-conductor packaging will aid job creation.

The upcoming hospitals in the PPP models, particularly in areas where there are no Ayushman empaneled hospitals, will generate employment opportunities in semi urban and rural geographies. Development of museums at Rakhigarhi (Haryana), Hastinapur (Uttar Pradesh) Shivsagar (Assam), Dholavira (Gujarat) and Adichanallur (Tamil Nadu) are capable of generating employment at the local levels and catalyse the economic growth in the region through tourism.

Transportation: To create new opportunities to decentralise growth

A sound transport infrastructure is rudimentary for a developing nation. With a major focus on warehousing and logistics sectors, the road and rail transport systems aid in the process of national development. An allocation of INR 1.7 lakh crore has provided a foundation for the major projects including the completion of the coveted Delhi-Mumbai Expressway by 2023. Additionally, the long-delayed Chennai-Bengaluru Expressway project will also be launched by the Centre. These projects are expected to create new markets for real estate developments as the major cities saturate.

Real estate: Alternate assets to emerge

Major focus on healthcare, education, warehousing, and data centres is expected to decentralise real estate development across the country. Affordable housing segment continues to be the blue-eyed boy of Indian real estate. The tax exemptions allowed for the buyers and the developers have been extended for another year. This is aimed to provide the necessary fillip to the segment which will help to achieve the government's vision of Housing for All. The tax exemptions allowed in the new regime are also targeted to benefit the buyers of affordable housing.

The emphasis on 'Study in India' campaign will provide significant boost to student housing sector in the country. The development of additional smart cities and the establishment of data centre parks would also increase real estate activity in certain pockets.

In a bid to boost the ailing real estate sector, last year, the government created an Alternate Investment Fund (AIF) to provide last-mile funding. In this budget, the industry was hoping for provision for speedy implementation and clarity on project selection priority, deployment, etc; which has not been addressed.

Taxation: Income tax rate cuts but with a rider

The budget proposed a new tax regime and rejigging income tax slabs to reduce total tax payable by individuals. As per the new regime, the income between INR 5 lakh and INR 7.5 lakh will be taxed at 10% down from current 20%, income between INR 7.5 lakh and INR 10 lakh will be taxed at 15% down from current 20%, and income between INR 10 lakh and INR 12.5 lakh will be taxed at 20% down from current 30%. Income between INR 12.5 lakh and INR 15 lakh will be taxed at 25% down from current 30%. Lastly, incomes above INR 15 lakh will continue to be taxed at 30%. The new tax regime offers lower tax rates and simultaneously removes tax exemptions and will result in lower tax outgo for the taxpayer. Taxpayers have an option to choose between the existing income tax regime with tax exemptions and a new regime with slashed income tax rates.

All in all, it is a balanced budget, which has largely focused on rejuvenating economic growth with multiple nuts and bolts measures. It wouldn't be wrong to say that the government has pressed all the right buttons to push start the economic growth.

ANUJ PURI
Chairman
ANAROCK Group





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2020



Agriculture & Rural Development

Major focus on agriculture and rural development to increase farmers' incomes.

Agriculture & Rural Development



Announcements

1. “PM KUSUM” to cover 20 lakh farmers for stand alone solar pumps and further 15 lakh for grid connected pumps.
2. Negotiable Warehousing Receipts (e-NWR) has crossed more than INR 6,000 crore, to be integrated with National Agriculture Market (e-NAM).
3. INR 15 lakh crore: Agriculture credit target for the year 2020-21. NABARD re-finance scheme will be expanded.
4. “Kisan Rail” and “Krishi Udaan” to be launched by Indian Railways and Ministry of Civil Aviation respectively for a seamless national cold supply chain for perishables.
5. Emphasis on fish production and aqua culture through “Sagar Mitras”.
6. Setting up warehouses on PPP mode in the block/taluka level where states can provide land as equity.
7. Hospitals in PPP mode in the first phase in aspirational districts where presently there are no Ayushman empaneled hospitals.



Implications

1. Farmers’ incomes to be doubled by 2022, resulting in a robust rural economy.
2. Easy access to agricultural credit will help to introduce advance farming techniques and machinery.
3. Developing cold chain in partnership with rail and air will help to create a wider market for perishables, resulting in improved revenues.
4. Create employment opportunities for youth in coastal areas through aqua culture and fish production.
5. Warehousing will enable efficient distribution of agriculture produce and generate employment in rural areas.
6. Major healthcare projects will help to create new employment opportunities in rural areas.



Infrastructure

National Infrastructure Pipeline of INR 103 lakh crore has already been launched as a structured roadmap for the development of infrastructure in the country. It consists of more than 6,500 projects across sectors.

Infrastructure



Announcements

1. INR 1.7 lakh crore has been provided for transport infrastructure in 2020-21.
2. Accelerated development of highways: development of 2,500 km access-controlled highways, 9,000 km of economic corridor, 2,000 km of coastal and land port roads and 2,000 km of strategic highways.
3. Delhi-Mumbai Expressway is expected to be completed by 2023 and the work on Chennai-Bengaluru Expressway to be started.
4. Railways: Large solar power capacity to be set-up on the land owned by railways, redevelopment of four stations and 150 passenger trains via PPP model, development of 148 km long Bengaluru Suburban transport project at an estimated cost of INR 18,600 crore.
5. 100 more airports would be added by 2024 under the UDAN scheme.
6. Allocated INR 22,000 crore to power and renewable energy sector in 2020-21.
7. Focus on Inland Waterways and Jal Vikas Marg development.
8. Proposed to release a National Logistic Policy soon with single logistic window.



Implications

1. Continued focus on infrastructure for the job creation and sustainable future. Well-established infrastructure clears many bottle-necks, eases business and has a positive ripple effect on the economy in long-term.
2. Various modes of transport such as road, rail, water, and air witnessed major announcements which leads to higher liveability index for citizens and spurs demand of various real estate assets including residential, commercial, retail and warehousing.
3. Proposal to develop suburban transport project in Bengaluru is likely to provide impetus to city's real estate market.
4. Development of inland waterways and National Logistics Policy is expected to stimulate demand for warehousing and logistics sector.



Investments

Helping public sector banks and corporates to raise capital from overseas markets.

Investments



Announcements

1. Disinvestment of Life Insurance Corporation of India by way of Initial Public Offer.
2. Sale of balance holding in IDBI bank to private, retail and institutional investors through stock exchange.
3. Increase in Foreign Portfolio Investment limit for corporate bonds from currently 9% of outstanding stock to 15% of outstanding stock.
4. Foreign Direct Investment and external commercial borrowings to be allowed in education sector.
5. The government proposes to expand its Debt based-Exchange Traded Fund consisting primarily of government securities.
6. Government securities will be opened for domestic and non-resident investors.
7. Five archaeological sites will be developed as iconic sites with on-site museum.
8. Setting up Investment Clearance Cell to provide end to end facilitation.
9. INR 1,000 crore investments towards MSME exports of which EXIM bank and SIDBI will contribute INR 50 crore each. Remaining will be funding through debt.



Implications

1. Easy availability of credit to be utilized for:
 - Infrastructure development
 - Upgradation of educational facilities and systems in the country
 - Development of tourism will enable inflow of foreign currency
2. Investment Clearance Cell will also push the requirement of analytics and learning to ease the overall process of lending.
3. Boost to MSMEs by availability of funds will enhance the economic growth of the nation as nearly 95% of the manufacturing firms in India are in the MSME bracket.



Banking & Financial Services

Focus on financial discipline and robust risk management.

Banking & Financial Services



Announcements

1. NIRVIK scheme for higher export credit disbursement, higher insurance coverage, and reduction in premium for small exporters and simplified procedure for claim settlements.
2. Deposit insurance coverage for a depositor is increased from INR 1 lakh to INR 5 lakh.
3. The limit for NBFCs to be eligible for debt recovery under 'SARFAESI' is reduced from an asset size of INR 500 crore to INR 100 crore or loan size from existing INR 1 crore to INR 50 lakh.
4. Public Sector Banks to approach capital markets for raising additional capital.



Implications

1. To support small exporters to increase their export capabilities.
2. Reduction in the debt recovery limit of NBFCs will ensure resolution of NPAs faster. This will enable NBFCs to recover funds from stalled projects.
3. This will help banks to improve their CASA ratio which has fallen by almost 5% annually. Increasing the deposit insurance coverage will help boost the sentiments of account holders and availability of cash with the public sector banks.
4. Allowing public sector banks to approach capital markets for fund raising aims at lowering the burden of recapitalization and ensures higher governance standards.





POLICY COVERAGE
BUDGET
2020



Housing & Real Estate

Affordable housing continued to be the focus area of the government.

Housing & Real Estate



Announcements

1. Driving demand of affordable housing: An additional deduction of up to INR 1.5 lakh for interest paid on loans for purchase of affordable housing assets has been extended till 31st March 2021.
2. Driving supply of affordable housing: Tax holiday on the profits earned by developers of affordable housing project has been extended till 31st March 2021.
3. Proposed to attach a medical college to an existing district hospital in PPP mode.
4. Relaxation while taxing income from capital gains, business profits and other sources in respect of transactions in real estate. Increased the limit from 5% to 10%.



Implications

1. Though, real estate sector of India has not witnessed any direct announcements except affordable housing but boost to other sectors such as education, infrastructure, data centre, and warehousing and logistics are expected to have positive impact on Indian real estate sector.
2. Emphasis on “Study in India” is likely to tap the student housing market while private sector policy on data centre parks across the country is expected to increase demand for commercial assets.
3. Affordable housing continued to be the focus area. The affordable segment is expected to witness increased activities across the country.





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Taxation

The tax proposals in the Budget 2020-21 introduced further reforms to stimulate growth, simplify tax structure, bring ease of compliance, and reduce litigations.

Taxation



Announcements

1. Concessional corporate tax rate of 15% to new domestic companies in the power sector.
2. Simplified and new income tax regime as an option to the old regime. (Refer to table below)
3. Dividend Distribution Tax (DDT) removed and classical system of dividend taxation adopted.
4. Five-year tax holiday for ESOP, tax exemption for startups with turnover up to INR 100 crore for 10 years, and the establishment of a seed fund will boost the startup ecosystem.
5. It is proposed to amend the Income Tax Act to enable faceless appeal on the lines of faceless assessment.
6. Simplified GST return shall be implemented from April 1, 2020. Refund process to be fully automated.
7. 100% tax exemptions for sovereign wealth funds for their investments in the priority sectors.
8. Under 'Vivad se Vishwas' scheme, a taxpayer would be required to pay only the amount of the disputed taxes and will get complete waiver of interest and penalty, provided it is paid by March 31st, 2020.



Implications

1. This will help in attracting investments in power sector.
2. The proposed tax structure will provide relief to taxpayers, particularly to those with an income below INR 15 lakh.
3. This will increase the attractiveness of the Indian Equity Market and provide relief to a large investors. A bold move to make India an attractive destination for investment.
4. The announcement will unlock the immense entrepreneurship potential in India, thereby contributing to the overall economic development.
5. The measured will impart greater efficiency, transparency, and accountability to the assessment process.
6. It will make return filing simple with features like SMS based filing for nil return, return pre-filing, improved input tax credit flow and overall simplification.

Income Brackets	Tax Rates
Upto INR 2.5 Lakh	Exempt
INR 2.5 Lakh - INR 5 Lakh	5%
INR 5 Lakh - INR 7.5 Lakh	10%
INR 7.5 Lakh - INR 10 Lakh	15%
INR 10 Lakh - 12.5 Lakh	20%
INR 12.5 Lakh - INR 15 Lakh	25%
Above INR 15 Lakh	30%



Education

Impetus on education is expected to strengthen the skill set of Indian workforce.

Education



Announcements

1. Allocated INR 99,300 crore for the education sector and INR 3,000 crore for skill development.
2. The government is expected to introduce foreign direct investment (FDI) in the sector.
3. The New Education Policy is expected to be announced soon.
4. Announced a degree-level online education program to be offered by institutes ranked in the top 100 by the National Institutional Ranking Framework.
5. About 150 higher educational institutions will start apprenticeship embedded degree/diploma courses by March 2021.
6. Under “Study in India” program, Ind-SAT is proposed to be held in Asian and African countries.

Implications

1. Budget 2020 focuses on education to provide quality education and to develop skills. Emphasis on the sector will improve the skillset of Indian workforce which will further help to keep India ahead of other countries.
2. The government is planning to introduce External Commercial Borrowings and FDI in the sector to deliver higher quality education.
3. “Study in India” program will attract foreign students, creating opportunity for student housing.



About ANAROCK

ANAROCK is India's leading independent real estate services company with a presence across India and the Middle East. The Chairman, Mr. Anuj Puri, is a highly respected industry veteran and India's most prominent real estate thought leader.

The Company has diversified interests across the real estate lifecycle and deploys its proprietary technology platform to accelerate marketing and sales. ANAROCK's services include Residential Broking and Technology, Retail, Investment Banking, Hospitality (via HVS ANAROCK), Land Services, Warehousing and Logistics, Investment Management, Research and Strategic Consulting. The Company has a unique business model, which is an amalgamation of traditional product sales supported by a modern technology platform with automated analytical and reporting tools. This offers timely solutions to its clients, while delivering financially favourable and efficient results.

ANAROCK has a team of over 1,800 certified and experienced real estate professionals who operate across all major Indian and GCC markets, and within a period of two years, has successfully completed over 300 exclusive project mandates. ANAROCK also manages over 80,000 established channel partners to ensure global business coverage.

Our assurance of consistent ethical dealing with clients and partners reflects our motto - Values Over Value.

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VALUES OVER VALUE