



## Newsflash – Analysis of the Budget 2026: Real Estate and Infrastructure Sectors

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## 1.0 Background

1.1 In India, the real estate sector is the second-largest employer, after agriculture. The sector is expected to reach US\$ 1 trillion in market size by 2030 and contribute 13% to the country's GDP by 2025. Retail, hospitality, and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs. Private equity inflows into India's real estate sector are on the rise.



1.2 The Securities and Exchange Board of India (SEBI) has given its approval for the Real Estate Investment Trust (REIT) platform, which will allow all kinds of investors to invest in the Indian real estate market. It is expected to create an opportunity worth Rs. 1.25 trillion (US\$ 19.65 billion) in the Indian market in the coming years.

1.3 Additionally, SEBI has decided that from 1 January 2026, investments by Mutual Funds and Specialised Investment Funds (SIFs) in REITs will be treated as equity-related instruments, which is expected to ease participation constraints and potentially improve secondary market liquidity. From April to November 2025, Rs. 13,893 crore was raised by listed REITs and Infrastructure Investment Trusts (InvITs).

## 2.0 Key Policy Matters

### 2.1 Sustained Impetus on Public Capital Expenditure

The Budget, 2026 ('the Budget') proposes to **increase public capital expenditure to Rs. 12.2 lakh crore** for the fiscal year 2026-27, a substantial rise from the Rs. 11.2 lakh crore allocated in the previous financial year. This Rs. 1 lakh crore year-on-year increase reaffirms the government's conviction in its capex-led growth model. This could also be a big impetus for the infrastructure sector as such allocation ensures continued momentum for large-scale projects, building public assets, and also emphasise on public-private sector partnership for investment and participation in new development phases.

### 2.2 De-risking Private Investment: The Infrastructure Risk Guarantee Fund

A key barrier to private investment in capital-intensive, long-gestation infrastructure projects is the inherent risk during development and construction. To strengthen the confidence of private developers regarding risks during the infrastructure development and construction phase, the Budget proposes to set up an **"Infrastructure Risk Guarantee Fund"** to provide prudently calibrated partial credit guarantees to lenders.

### 2.3 Fostering New Growth Centres: Urban and Regional Development

Recognizing that cities are the engines of growth, the Budget introduces the "**City Economic Regions**" (CER) initiative to amplify the economic potential of urban agglomerations beyond the major metropolises. This program will focus on developing modern infrastructure in Tier II, Tier III, and temple towns, with a proposed allocation of Rs. **5000 crore over 5 years per CER**. This targeted investment is poised to have a transformative impact on urban real estate, leading to increased property valuations, the development of new residential and commercial corridors, and the creation of new regional economic hubs.

### 3.0 Key Initiatives Driving Real Estate and Infrastructure Growth

Moving beyond broad allocations, the Budget introduces specific, transformative initiatives aimed at modernizing assets, enhancing national connectivity, and strengthening the entire construction value chain. These proposals are designed to unlock new sources of financing, improve logistical efficiency, and build domestic capacity, creating a multiplier effect across the real estate and infrastructure landscape.



### 3.1 Revolutionizing Asset Monetization through REITs

The Budget proposes to accelerate the recycling of significant real estate assets held by Central Public Sector Enterprises (CPSEs) through the **establishment of dedicated REITs**. This strategic move provides a structured and transparent mechanism to unlock the immense value tied up in public sector real estate assets.

### 3.2 Enhancing National Connectivity: A Multi-Modal Approach

The Government has outlined a multi-pronged strategy to reduce logistics costs and improve connectivity, which is fundamental to both infrastructure development and the viability of real estate projects across the country.

3.2.1 **High-Speed Rail and Freight Corridors:** The Budget proposes to set up **7 new High-Speed Rail corridors** designated as 'growth connectors' between major urban centres, including Mumbai-Pune and Delhi-Varanasi. These corridors will spur transit-oriented development and enhance regional economic integration. Along with this, a new **Dedicated Freight Corridor** will be set up from Dankuni in the East to Surat in the West, which will significantly improve the efficiency of goods movement.

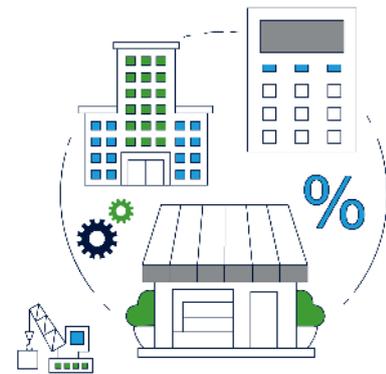
3.2.2 **Waterways and Coastal Shipping:** In order to promote environmentally sustainable cargo movement, the Budget includes a plan to operationalize **20 new National Waterways** over the next 5 years. Additionally, a **Coastal Cargo Promotion Scheme** will be launched to incentivize a modal shift from road and rail, aiming to double the share of inland waterways and coastal shipping in the nation's logistics mix.

### 3.3 Strengthening Urban Infrastructure Financing

To unlock a critical source of funding for urban development, the Budget introduces a new incentive scheme to deepen the municipal bond market. A financial incentive of Rs. **100 crore** will be provided for single bond issuances of over **Rs. 1,000 crore** by large cities. This measure is strategically linked to the CER initiative; while the CER program creates the demand for urban infrastructure funding in emerging growth centres, this bond incentive scheme strengthens the supply of that funding by encouraging Urban Local Bodies to tap capital markets.

### 4.0 Major Direct and Indirect Tax Amendments Impacting the Real Estate and Infrastructure Sectors

Beyond budgetary outlays, the Finance Bill, 2026 ('the Bill') strategically employs tax levers to alter corporate behaviour, enhance project profitability, and reduce compliance friction, thereby improving the underlying financial architecture of the real estate and infrastructure sectors.



#### 4.1 Corporate Taxation: The Minimum Alternate Tax (MAT) Regime Overhaul

The corporate tax rate remains the same under the new regime as well as under the old regime. To accelerate the transition of corporations to the simplified, lower-rate tax regime introduced in 2019, the Bill proposes a significant rationalization of the Minimum Alternate Tax (MAT) regime, a framework designed to ensure companies pay a minimum level of tax regardless of exemptions, which will directly impact the profitability of capital-intensive firms.

4.1.1 **Final Tax with Reduced Rate:** The MAT rate is proposed to be reduced to **14%**, and it will be a final tax, meaning no further credit will accumulate from 1 April, 2026.

4.1.2 **Set-off of MAT Credit in new, lower tax regime:** In order to promote and incentivise companies to move to the new, lower tax regime, it is proposed that domestic companies opting for concessional tax regime for a tax year 2026-27 and onwards shall be allowed to set-off MAT credit available as on 31 March 2026 to the extent of 25% of the tax payable for that tax year. The remaining tax credit shall be allowed to be carried forward to subsequent tax years and shall be eligible for set-off up to 15 tax years from the tax year immediately succeeding the tax year in which the credit became allowable.

#### 4.2 Facilitating ease of Real Estate Transactions

To reduce the compliance burden in cross-border property transactions, a key compliance step in property transactions on the sale of immovable property by a non-resident has been simplified. The resident buyer will now be permitted to deduct and deposit the tax at source (TDS) using their own PAN-based challan, eliminating the previous requirement to obtain a separate Tax Deduction and Collection Account Number (TAN). This practical reform streamlines the process and reduces procedural delays.

### 4.3 Incentives to Attract Global Business and Investment

The Bill introduces a series of targeted tax incentives aimed at making India a more attractive destination for global capital, high-value manufacturing, and specialized talent

- 4.3.1 **Tax Holiday for Cloud Services:** A long-term tax holiday is proposed until the year 2047 for foreign companies that provide global cloud services by utilizing data centre services from India. This is a major incentive to attract investment in the data centre ecosystem. Further, this will also be a boost for the Indian real estate and infrastructure sector as such incentives will facilitate setting up huge data centres in India.



- 4.3.2 **Safe Harbour for Component Warehousing:** To support just-in-time logistics for electronics manufacturing, The Hon'ble Finance Minister announced a safe harbour provision for non-residents for component warehousing in a bonded warehouse. This will be set at a profit margin of 2% of the invoice value. This initiative will support the development of modern, specialized warehouses and multimodal logistics parks, giving a boost to the infrastructure sector in India.

### 4.4 Certain Procedural Changes proposed in the Budget

- 4.4.1 It is proposed to streamline the assessment and penalty framework to avoid multiple proceedings and prolonged uncertainty for taxpayers, by providing that penalty for under-reporting or misreporting of income shall be imposed along with the assessment order. Further, interest for delay in payment of tax demand raised on account of penalty levied can be levied only after passing of order by CIT(A) or ITAT (for appeal against DRP) [earlier 30 days from date of service of demand notice], as the case may be.



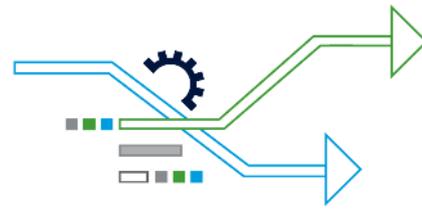
- 4.4.2 The time limit to file revised return of income is proposed to be extended from 31 December to 31 March from the end of relevant tax year, on payment of fees. The proposed amendment shall be effective from 1 March 2026, relevant for FY 2025-26 onwards.
- 4.4.3 It is proposed to rationalize / decriminalise certain offences by making punishments proportionate to the crimes. Further, the "rigorous imprisonment" is proposed to be changed with "simple imprisonment" in majority cases.

### 4.5 Impact of Customs Duty Rationalization

The Bill continues the process of rationalizing customs duties to support strategic sectors. A notable amendment is the extension of the **basic customs duty exemption on the import of goods required for Nuclear Power Projects until 2035**. Such measures directly lower the capital cost for specific large-scale infrastructure ventures, making them more financially viable and encouraging investment in critical national projects.

## 5.0 Synthesizing the Path Forward

The Budget reinforces the government's strategy of leveraging infrastructure development as the primary engine for economic growth. The proposals present a coherent and multi-faceted approach, combining high-level macroeconomic support with targeted, sector-specific initiatives.



The clear emphasis on enhancing logistical connectivity, developing new urban growth centres, and creating innovative financing mechanisms signals a continued commitment to building a modern, resilient, and competitive economy. For stakeholders, the Budget provides a clear roadmap with distinct policy drivers. The strategic direction indicated by the Budget is one of infrastructure-led growth, enhanced private sector participation, and targeted urban development. These measures are not merely economic objectives but fundamental cornerstones of the long-term vision for a 'Viksit Bharat'.

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