House View - Union Budget 2025-26

February 2025

CBRE

Introduction

Finance Minister Nirmala Sitharaman presented the Union Budget 2025-26, aiming to advance the vision for Viksit Bharat, encompassing poverty eradication, ensuring quality education for children, providing affordable and comprehensive healthcare, developing a skilled workforce with meaningful employment, increasing women's participation in the economy, and strengthening India's agricultural sector to make it "the food basket of the world."

The minister's eighth Budget presentation was set against a backdrop of lower-than-expected real GDP growth of 5.4% in Q2 FY2025 and global uncertainties, prompting the RBI to revise its GDP projection to 6.6% for the current fiscal.

The minister stated that the government's development policies and structural reforms over the past decade have positioned India as the world's fastest-growing major economy, adding that this Budget is a continuation of government efforts to accelerate growth, secure inclusive development, invigorate private sector investments, uplift household sentiments, and enhance spending power of India's rising middle class. The Budget's proposed development measures span 10 broad areas focussing on Garib, Youth, Anna-data, and Nari, mentioned below:

- Spurring agricultural growth and productivity
- Taking everyone together on an inclusive growth path
- Supporting MSMEs
- Investing in people, economy and innovation
- Promoting exports
- Building rural prosperity and resilience
- Boosting manufacturing and furthering Make in India
- Enabling employment-led development
- Securing energy supplies
- Nurturing innovation

Source: CBRE Research, January 2025

Budget 2025-26: Key stats

INR 11.2 lakh crore

Capex budget for FY2026, versus INR 11.1 lakh crore in FY2025

INR 15,000 crore

Allocation for SWAMIH Fund 2 during FY2026

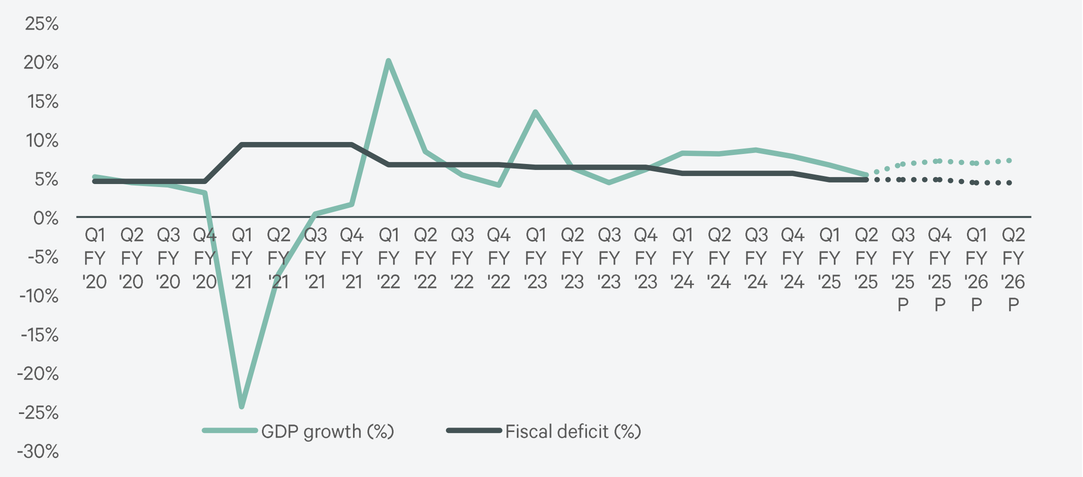
INR 10,000 crore

New Fund of Funds for Start-ups

INR 1 lakh crore

Urban Challenge Fund for urban sector reforms

India's GDP and Fiscal Deficit trends over the years



Source: GDP: National Statistical Office, Reserve Bank of India; Fiscal Deficit: Controller General of Accounts; CBRE Research, January 2025
Note: Above mentioned FY25P numbers are projections from RBI.

MSMEs

Announcement	Quick View
The government announced a significant increase in MSME investment and turnover limits – by 2.5 times and 2 times, respectively.	The government is committed to strengthening MSMEs, recognising them as the second engine of growth. Empowering over 1 crore registered MSMEs, who employ 7.5 crore people and generate 36% of our manufacturing, to scale up and compete globally. This would drive growth, generate youth employment, and strengthen the foundation of MSME sector.
Guarantee cover for Micro and Small Enterprises will be enhanced, increasing the limit from INR 5 crore to INR 10 crore. For well-run exporter MSMEs, term loan limits will be increased up to INR 20 crore.	Enhancing the credit guarantee cover would facilitate easier access to credit for small businesses, including those that are vendors to large corporations. This would inject crucial capital into the MSME sector and boost economic activity.
Micro enterprises registered on the Udyam portal will be eligible for credit cards with an INR 5 lakh limit, with 10 lakh such cards to be issued in the first year.	Simplifying access to working capital for micro-enterprises, smoothing operations and paving the way for growth.
A dedicated Export Promotion Mission will be launched to facilitate easy access to export credit, provide cross-border factoring support, and assist MSMEs in navigating non-tariff measures in overseas markets.	Opening global market avenues for MSMEs by facilitating export credit and navigating trade barriers. This measure would foster stronger trade relationships between MSMEs and their international customers.

Rs. in Crore	Investment		Turnover	
	Current	Revised	Current	Revised
Micro Enterprises	1	2.5	5	10
Small Enterprises	10	25	50	100
Medium Enterprises	50	125	250	500

Start-ups

Announcement	Quick View
A new Fund of Funds (FFS), with expanded scope and a fresh contribution of another INR 10,000 crore will be set up. The finance minister further added that FFS has already led to the creation of an INR 91,000 crore investment corpus for start-ups via Alternative Investment Funds (AIFs). The government announced to improve access to credit. For start-ups, the credit guarantee cover will be enhanced from INR 10 crore to INR 20 crore, with the guarantee fee being moderated to 1% for loans in 27 focus sectors important for Atmanirbhar Bharat.	The government's Fund of Funds has already been instrumental in directing investments into emerging businesses, and this new funding is anticipated to enhance that impact further - expanding to more sectors, promoting innovation, and generating job opportunities.

Source: CBRE Research, January 2025

Manufacturing

Announcement	Quick View
The government will establish a National Manufacturing Mission that encompasses small, medium, and large industries to advance "Make in India" initiative. The mission will prioritise the manufacturing of clean technologies, focusing on sectors such as solar photovoltaic cells, electric vehicle (EV) batteries, wind turbines, and grid-scale batteries.	India's manufacturing sector is on the cusp of a transformative journey, attracting significant interest on the global stage. It accounts for a share of 14% of the country's GDP and employs a workforce of over 27.3 million people.[1] The mission will boost the 'Atmanirbharta' (self-reliance) initiative of the GoI, by offering policy support for investments, execution roadmaps, and a structured monitoring framework for central ministries and states. This boost in the manufacturing of cleantech is in line with India's overarching climate objectives, which aim to achieve 500 GW of green energy capacity by 2030 and ensure that 50% of its cumulative electric power installed capacity comes from non-fossil sources[2]. Additionally, the country is dedicated to reducing its emissions intensity by 45% compared to 2005 levels by 2030.[3]
A Focus Product Scheme for the footwear and leather sectors will be implemented to enhance productivity and competitiveness. Specific measures will be introduced for the toy sector to make India a global hub for toy manufacturing, developing clusters and skills for innovative production.	A greater focus on the footwear and leather sectors is projected to generate employment for 2.2 million individuals, yield a turnover of INR 4 lakh crore, and result in exports surpassing INR 1.1 lakh crore. Additionally, an emphasis on the toy sector may foster collaborations between Indian toy manufacturers and global brands, advancing the country's 'Make in India' campaign.

Manufacturing

Announcement	Quick View
Basic Customs Duty exemptions have been extended to several additional critical minerals, specific types of textile machinery, parts of open cells, 35 additional goods for EV battery manufacturing and 28 for mobile phone batteries, and raw materials, components, consumables, and parts for shipbuilding for another 10 years.	A set of indirect tax measures designed to bolster domestic manufacturing and increase value addition across key sectors. In particular, these exemptions are expected to promote the domestic production of lithium-ion batteries. According to the Economic Survey, "India imports 75 percent of its lithium-ion batteries from China." With the lithium-ion battery market projected to grow at a CAGR of 23% by 2027, localising the technology and raw materials for electric mobility will foster significant growth in the sector.

Source: CBRE Research, January 2025 1. Fortifying India's I&L Landscape with a New Manufacturing Growth Formula, CBRE, September 2025; 2. Ministry of New and Renewable Energy, Press Information Bureau, April 2023; 3. Ministry of Environment, Forest and Climate Change, ,Press Information Bureau, December 2022

Commercial Real Estate

Announcement	Quick View
The government announced that a National Framework will be formulated as guidance to states for promoting global capability centres (GCCs) in emerging tier-II cities. This will suggest measures for enhancing availability of talent and infrastructure, building-byelaw reforms, and mechanisms for collaboration with industry.	GCCs have maintained a strong presence in India in the last few years, contributing 35-40% of the overall office leasing activity in 2024, and registering an over 20% growth compared to 2023. Global firms have actively established and expanded their GCC operations by capitalising on the country's skilled talent pool and a favourable business climate. This growth momentum is expected to persist into 2025, with new entrants setting up global centres and existing firms scaling their facilities. We believe that companies from sectors including technology, E&M, and BFSI would likely drive demand for both traditional and flexible office spaces for their GCCs, with continued demand from niche sectors such as automobile, semiconductors, and life sciences[1]. The latest budgetary measures are poised to further decentralise GCC growth landscape beyond established hubs such as Bengaluru, Hyderabad, and Delhi-NCR. This broader distribution is expected to mitigate migration pressures on major urban areas and contribute to a more balanced national economic development.

SWAMIH Fund 2

Announcement	Quick View
Special Window for Affordable and Mid-Income Housing (SWAMIH) Fund 2 will be created as a blended finance facility, with contributions from the government, banks, and private investors.	Building on the success of the SWAMIH Fund, which facilitated the completion of 50,000 dwelling units in distressed housing projects and is set to finish another 40,000 units by 2025, the INR 15,000 crore SWAMIH Fund 2 aims to expedite the completion and revive additional 100,000 units. This is likely to assist in releasing trapped inventory, restore buyer confidence, and enhance supply.

Source: 1. India Office Figures Q4 2024, CBRE Research, January 2025

Urban Infrastructure

Announcement	Quick View
The finance minister announced a renewed push for infrastructure projects in public-private partnership mode. Each infrastructure-related ministry will come up with a three-year pipeline of projects that can be implemented in PPP mode. States would also have access to the India Infrastructure Development Fund (IIPDF). To further support states, the government has proposed an outlay of 1.5 lakh crore for 50-year interest free loans for capex and incentives for reforms. The government announced a second Asset Monetisation Plan for 2025-30, to plough back capital of INR 10 lakh crore in new projects.	The Budget emphasises urban development as one of six focus areas targeted for transformative reforms. The allocation of INR 1.5 lakh crore in interest-free loans, coupled with the Asset Monetisation Plan, is projected to stimulate national infrastructure growth. The 50-year loan tenure will alleviate the financial burden on states, enabling them to pursue larger and longer-term infrastructure projects. This increased infrastructure development is anticipated to generate employment opportunities and stimulate economic activity. Increased infrastructure development would create more jobs and boost economic activity.
The government announced the setting up of the Urban Challenge Fund of INR 1 lakh crore to implement the proposals for 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation. This fund will finance up to 25% of the cost of bankable projects with a stipulation that at least 50% of the cost is funded from bonds, bank loans, and PPPs. From this, INR 10,000 crore has been earmarked for FY2026.	The Urban Challenge Fund of INR 1 lakh crore is likely to be pivotal step towards transforming cities and ensuring balanced regional development. It would aid in improving urban infrastructure, adopting sustainable water and sanitation practices and creatively redevelop existing urban spaces.

Urban Infrastructure

Announcement	Quick View
The Budget has proposed a National Geospatial Mission to develop foundational geospatial infrastructure and data. Using the PM Gati Shakti master plan, this mission will facilitate modernisation of land records, urban planning, and design of infrastructure projects. It was also announced that for supporting PPPs and assisting the private sector in project planning, access to relevant data and maps from the PM Gati Shakti portal will be provided.	The modernisation and enhancement of land records has potential to transform the landscape for developers. Access to more complete, accurate and up-to-date information on land ownership, boundaries etc. would reduce ambiguity, disputes and save time. It would also add to efficiency in project planning.
The government will launch modified UDAN scheme to connect 120 destinations to help 4 crore additional passengers in the next 10 years.	Currently, 619 routes connecting 88 airports have benefited 1.4 crore passengers. The modified UDAN scheme signals a continued commitment to boosting regional air connectivity in India, making air travel more accessible to a larger population.

Source: CBRE Research, January 2025

Tourism

Announcement	Quick View
Top 50 tourist destination sites in the country to be developed in partnership with states through a challenge mode. Land for building key infrastructure facilities will have to be provided by states while hotels in these destinations will be included in the infrastructure Harmonised Master List (HML). Medical Tourism and Heal in India will be promoted in partnership with the private sector while easing up visa norms. In line with the Budget 2024-25, places of spiritual and religious significance will continue to be in special focus, especially those related to the life of Lord Buddha.	The collaboration between central and state governments will not only enhance infrastructure but also promote tourism nationwide, thereby attracting more visitors and benefiting local communities. Inclusion of hotels (in the 50 tourist destination sites) in the HML is a significant development, which will facilitate access to cheaper, long-term financing, enabling hotels to upgrade their facilities and offer world-class services, thereby further boosting the sector. The focus on medical and wellness tourism through the 'Heal-in-India' initiative is a progressive step that will bolster India's position as a global leader in healthcare.

FDI in Insurance

Announcement	Quick View
The budget recommends raising the FDI limit in the insurance sector from 74% to 100%, with the intention of drawing in more foreign investment into the Indian insurance market. This increased limit will apply to companies that invest the entire premium within India.	The announcement represents an important milestone in the pursuit of achieving the goal of "Insurance for all" by 2047[1]. Alongside attracting investments from prominent foreign insurance companies, it is a4lso expected to improve competition within the sector, introduce innovative products, technological advancements, and advanced risk management practices in the country.

Ease of Doing Business

Announcement	Quick View
A High-Level Committee for Regulatory Reforms will be set up to review non-financial sector regulations, certifications, licenses, and permissions.	This will allow to strengthen trust-based economic governance and enhance 'ease of doing business', especially in matters of inspections and compliances.
The government has announced a series of measures to significantly improve the ease of doing business. • Revamping the Central KYC Registry • Implementing a streamlined system for periodic updates • Streamlining company merger requirements and expanding the scope for fast-track mergers • Revamping Bilateral Investment Treaties (BITs) • Launching an Investment Friendliness Index of States • Replacing outdated laws with a new "light-touch" regulatory framework	

Source: CBRE Research, January 2025; 1. IRDAI

Taxation

Announcement

In a landmark announcement during the Budget 2025-26 address, the finance minister unveiled a significant enhancement to the tax rebate under Section 87A of the Income Tax Act, 1961. This revision effectively eliminates income tax liability for resident individuals with a net taxable income of up to INR 12 lakh, a substantial increase from the current threshold of INR 7 lakh, excluding income taxed under special rates such as capital gains within the new tax regime.

Furthermore, salaried individuals benefiting from the standard deduction of INR 75,000 under the new tax regime will incur no income tax liability if their gross taxable income does not exceed INR 12.75 lakh.

The proposed revisions to the tax rate structure under the new tax system are designed to potentially benefit all taxpayers. The details of these revised tax slabs are as follows:

Income	Tax rate
INR 0-4 lakh	Nil
INR 4-8 lakh	5%
INR 8-12 lakh	10%
INR 12-16 lakh	15%
INR 16-20 lakh	20%
INR 20- 24 lakh	25%
Above INR 24 lakh	30%

“A taxpayer in the new regime with an income of INR 12 lakh will get a benefit of INR 80,000 in tax; a person having income of INR 18 lakh will get a benefit of INR 70,000 in tax; a person with an income of INR 25 lakh gets a benefit of INR 1.1 lakh,” the finance minister added.

In addition, the finance minister announced that the annual tax deducted at source (TDS) exemption limit on rental income has been increased from INR 2.4 lakh to INR 6 lakh. Furthermore, the minister announced rationalising the TDS for senior citizens and increasing the threshold from INR 50,000 to INR 1 lakh.

Quick View

The finance minister emphasised that the revised tax structures will significantly reduce the tax burden on the middle class, thereby potentially increasing disposable income and stimulating household savings and investment.

These enhancements to the tax rebate are projected to significantly stimulate domestic consumption, a crucial driver of India's economy. By alleviating the tax burden on the middle class, these measures are expected to bolster purchasing power, drive consumer demand, and ultimately contribute to economic growth. Specifically, within the real estate sector, the increased disposable income resulting from these tax revisions could improve affordability for prospective homebuyers, potentially fuelling housing demand and further stimulating economic activity.

These measures are also aimed at streamlining tax compliance by reducing the volume of transactions subject to TDS. This targeted approach is expected to particularly benefit small taxpayers receiving small payments.

Source: CBRE Research, January 2025

Conclusion

The Budget addressed several key areas to foster economic growth and cater to the needs of various segments. Focus was maintained on the four engines of growth namely - Agriculture, MSME's, Investments, and Exports. Expectations of income tax reforms were met, particularly for the middle-class income tax-payer, making it more attractive by providing relief to taxpayers and senior citizens. The government also focussed on boosting consumption and investment through measures such as increased capital expenditure, incentives for infrastructure development, and support for sectors such as tourism, manufacturing and MSMEs. Additionally, the Budget included provisions for strengthening the agricultural sector, promoting ease of doing business, and addressing social welfare concerns. In a nutshell, the Budget remained balanced with the intention of boosting consumption and thereby GDP growth.

Contacts

Research

Abhinav Joshi
Head of Research - India, Middle East & North Africa
abhinav.joshi@cbre.co.in

Nitish Girotra
General Manager
nitish.girotra@cbre.com

Shubhi Chawla
Senior Associate
shubhi.chawla@cbre.com

Swati Sisoudiya
Associate
swati.sisoudiya@cbre.com

Vidhi Dheri
Director, National Operations, India Research
vidhi.dheri@cbre.co.in

Rajorshi Sanyal
General Manager, India Research
rajorshi.sanyal@cbre.com

Simran Sawant
Senior Associate
simran.sawant@cbre.com

Follow Us

CBREalty

© Copyright 2025. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Business Line Contacts

Advisory & Transactions

Ram Chandnani

Managing Director,
Advisory & Transaction Services, India
ram.chandnani@cbre.co.in

Capital Markets

Gaurav Kumar

Managing Director & Co-Head,
Capital Markets, India
gaurav.kumar@cbre.co.in

Consulting & Valuations

Rami Kaushal

Managing Director,
Consulting & Valuations, India, Middle East & Africa
rami.kaushal@cbre.co.in

Capital Markets

Nikhil Bhatia

Managing Director & Co-Head,
Capital Markets, India
nikhil.bhatia@cbre.co.in

Global Workplace Solutions

Rajesh Pandit

Managing Director,
Global Workplace Solutions, India & Property Management, India, SE Asia, Middle East & North Africa
rajesh.pandit@cbre.co.in

Operations

Rajat Gupta

Managing Director,
Operations, India, SE Asia & Middle East
rajat.gupta@cbre.com

Project Management

Gurjot Bhatia

Managing Director,
Head - Project Management Advisory, Asia Pacific
gurjot.bhatia@cbre.co.in

Follow Us

CBREalty

© Copyright 2025. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.