

UNION BUDGET

2018-19



Survey Statements

- ✓ Increase in registered indirect and direct tax payers
- ✓ Formal non-agricultural payroll much greater than expected
- ✓ States' prosperity is directly correlated with international and inter-state trade
- ✓ India's firm export structure is substantially more unrestricted than in other large countries
- ✓ Clothing incentive package boosted exports of ready-made garments
- ✓ Indian parents continue to have children until they get the desired number of sons

Factors warranting caution



- ✓ Soaring oil prices
- ✓ Sharp corrections in over-inflated stock prices
- ✓ Sudden halt in capital flows in emerging markets

Short-term catalysts

Temporary effects of demonetisation and GST receding

Exports expected to be major driver

Soaring oil prices may affect consumption and increase CPI inflation

Growth projections

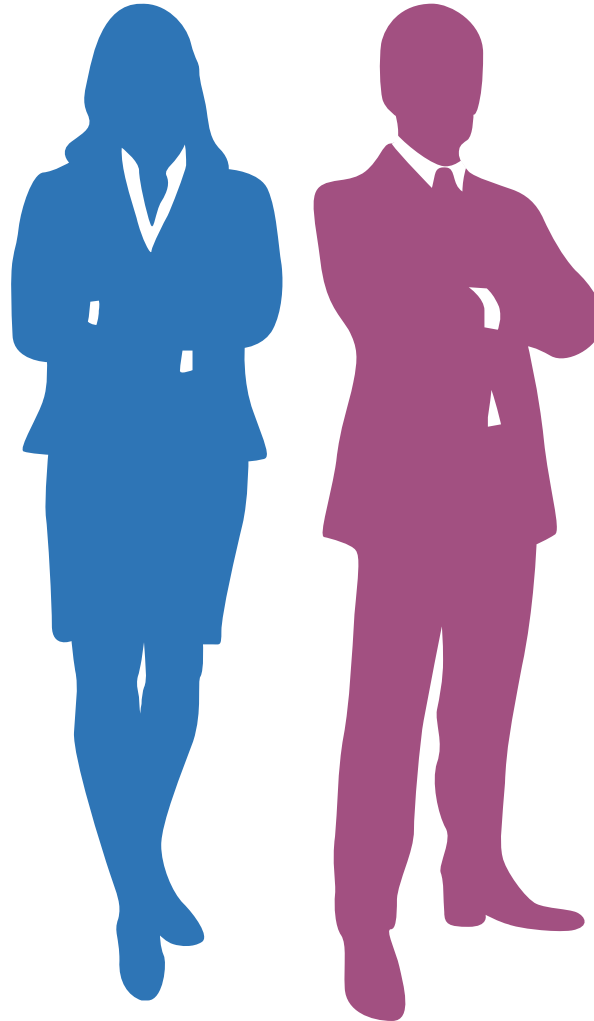
- 2017-18: Real GDP growth of 6.75%; nominal GDP growth of 10.5%
- 2018-19: Real GDP growth of 7-7.5%

Policy Agenda for FY19

- ✓ Macro-economic policies may be tighter and support agriculture
- ✓ Stabilize GST and counterfoil threats from rising oil prices and overinflated stock prices

Fiscal Policy Outlook

- ✓ Fiscal Deficit at 3.3% of GDP projected for FY19
- ✓ Central government's Debt to GDP ratio to be brought down to 40%
- ✓ Budget Revised Estimates for expenditure in FY18 are Rs. 21.57 lakh crore (net of GST compensation transfers to states) as against Budget Estimates of Rs. 21.47 lakh crore



Capital Markets Outlook

- ✓ Long-term capital gains on equities and equity-oriented fund exceeding Rs. 1 lakh will be taxed at 10% without any indexation benefit. However, all gains up to January 31, 2018, shall be grandfathered
- ✓ Department of Investment and Public Asset Management shall come up with more ETF offers including debt ETF
- ✓ SEBI shall consider asking large companies to meet 25% of debt requirement from bond markets
- ✓ Government shall take steps to strengthen environment for venture capitalists and angel investors

Direct Taxation

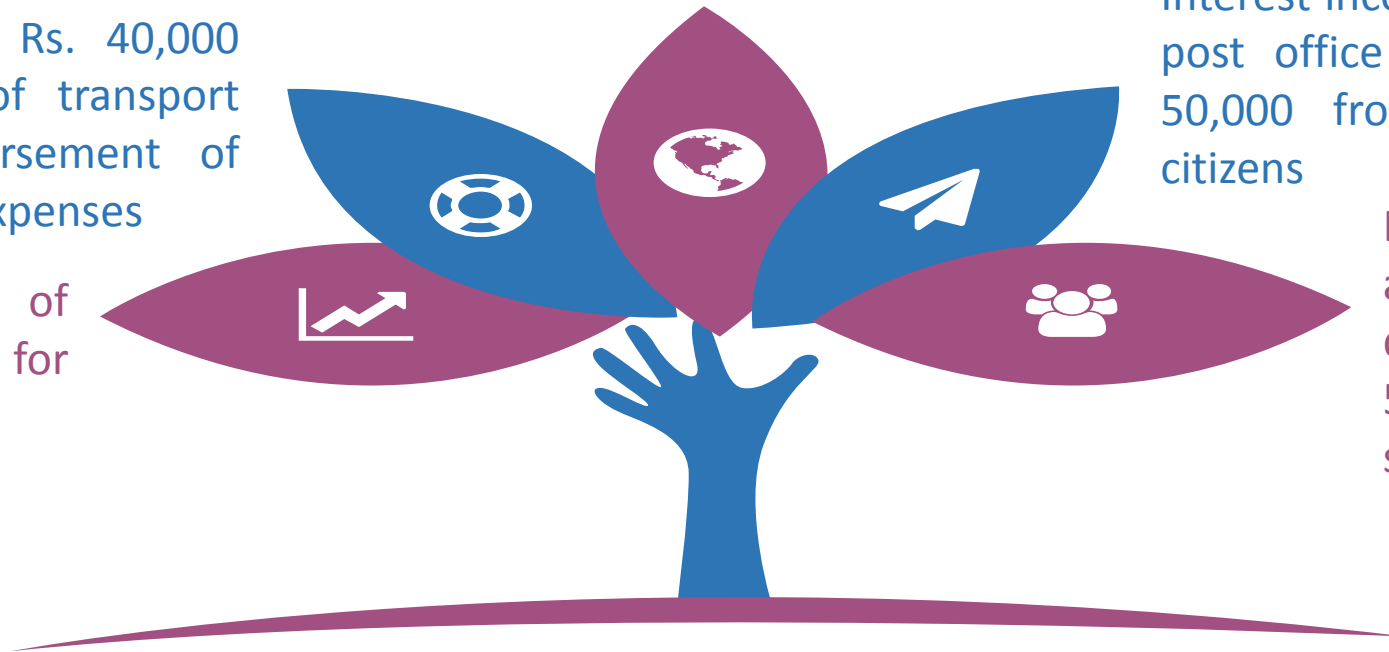
Standard Deduction of Rs. 40,000 put in place in lieu of transport allowance and reimbursement of miscellaneous medical expenses

No change in structure of income tax rates for individuals

Corporate tax of 25% extended to companies with FY17 turnover of up to Rs. 250 crore

Interest income exemption on bank and post office deposits increased to Rs. 50,000 from Rs. 10,000 for senior citizens

Health Insurance premium and/or medical expenditure deduction increased to Rs. 50,000 from Rs. 30,000 for senior citizens



Indirect Taxation

- ✓ GST revenue will be received only for 11 months
- ✓ Customs Duty on certain products such as mobile phones and televisions has been increased to provide a fillip to 'Make in India'
- ✓ Social welfare surcharge of 10% on imported goods in place of Education Cess and Secondary and Higher Education Cess

Minimum support price for all unannounced kharif crops will be one and a half times their production cost

1

Institutional farm credit raised to Rs. 11 lakh crore in FY19 from Rs. 8.5 lakh crore in FY15

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Operation Green with a fund allocation of Rs. 500 crore launched to address price fluctuations in potato, tomato and onion

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Two new funds of Rs. 10,000 crore announced for Fisheries and Animal Husbandry

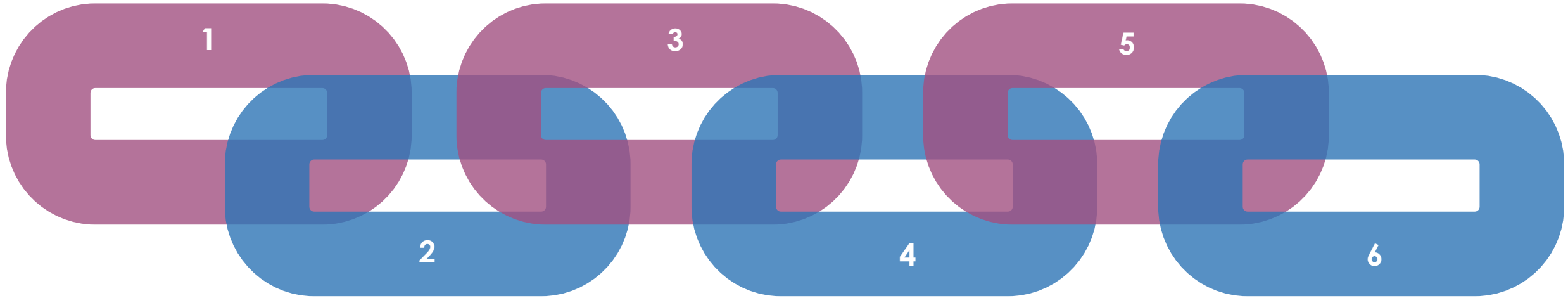
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Agricultural credit target increased from Rs. 8.5 lakh crore to Rs. 11 lakh crore

4

Rs. 16,000 crore allocated to Pradhan Mantri Saubhagya Yojana scheme

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✓ Rs. 3 lakh crore target set for MUDRA Yojana

✓ Rs. 3,794 crore allocated to MSME sector in the form of capital support and interest subsidy

Rs. 5.97 lakh crore allocated to infrastructure



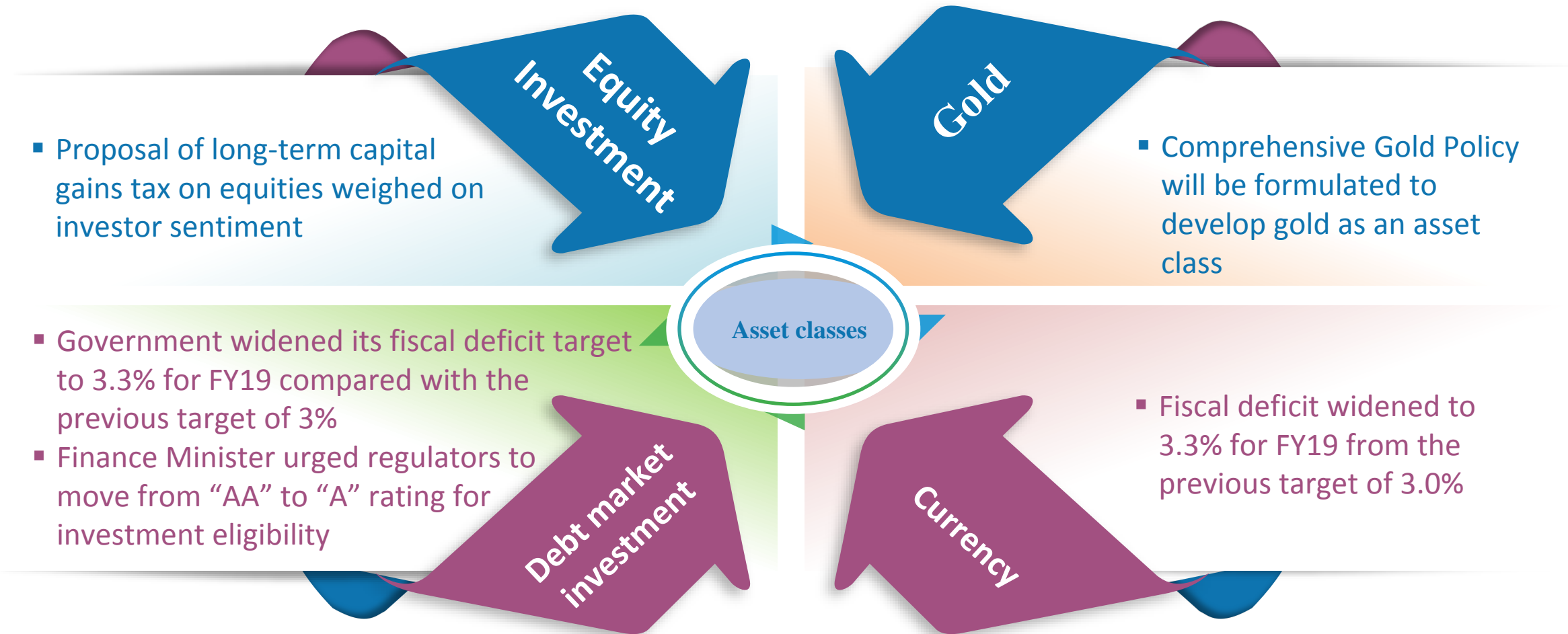
✓ Rs. 1.48 lakh crore allocated for railway capital expenditure

✓ Rs. 80,000 crore target set for disinvestment

✓ Outlay on health, education and social protection will be Rs. 1.38 lakh crore

Health, Education and Social Protection

✓ World's largest health protection scheme covering over 10 crore poor and vulnerable families launched with a family limit up to Rs. 5 lakh



Investors



- ✓ Sentiment of mutual fund investors was hurt following government announcement of tax @10% on LTCG exceeding Rs. 1 lakh without any indexation benefit
- ✓ Lack of indexation will hurt long-term investors as this is out of alignment with LTCG norms of other asset classes wherein investors receive an indexation benefit for holding the asset for say 5 years or longer

AMCs & Distributors



- ✓ The 10% LTCG tax and dividend distribution tax @10% generated mixed reaction among mutual fund houses
- ✓ Some of the asset management houses are of the opinion that the short-term impact of equity inflows will settle down soon and growth schemes will be more attractive going forward against dividend-paying schemes
- ✓ A section of mutual fund houses is also of the opinion that the non-equity oriented mutual fund categories can benefit from the tax announcements

Thank You

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