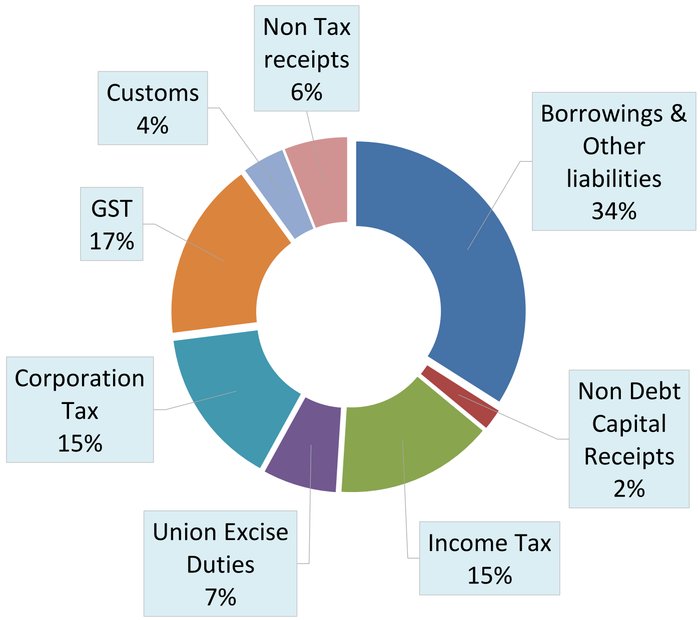
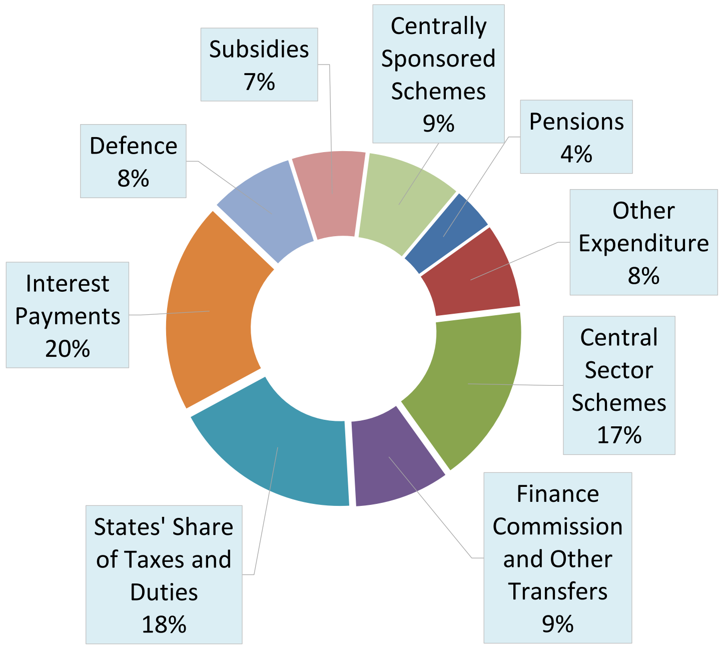
The Goodies

- A Pro-Growth Budget focussed on inclusive growth with tax sops (for Middle Class & Senior Citizens) and increased Outlay on Agriculture, Infrastructure, Railways & Energy Transition aimed at a force multiplier impact on the Economy.
- In a slowing world experiencing recessionary trends, the Budget's thrust on the Digital Ecosystem has clearly been a defining feature to fix several structural issues.
- Union Budget adheres to Fiscal Prudence and Market Borrowings as well as the estimated Fiscal Deficit is in line with our expectations.
- Measures to strengthen ease of doing business in Gift City also includes recognising offshore derivative instruments as valid contracts.
- Budget's mega push on Capital Expenditure at a time when Private Sector capex is showing signs of a pick up spells good times ahead for several Infrastructure Companies in the listed space.
- No Change in Capital Gain Tax on Equities.

Rupee Comes From



Rupee Goes To



Direct Taxes

- **Rejig of Tax slabs with raised rebate:** Income earned up to ₹0.7mn, up from ₹0.5mn earlier, has no tax liability. The basic exemption limit in the new tax regime has been raised to ₹0.3mn, from ₹0.25mn earlier. The number of slabs under new regime has now come down to five from six.

- **Standard Deduction:** For salaried individuals and pensioners under the new tax regime, a standard deduction has been introduced and the benefit would be equivalent to ₹52,500.

- **Peak rate surcharges comes down:** To give relief to the highest taxpayers and to those who switch to new regime, the surcharges in the highest tax bracket has been reduced to 25% from 37% earlier. Therefore, the effective tax rate (cumulative) is down to 39% from 42.7% earlier.

- **Capping the gains on residential property investments:** Govt. recommended capping the deduction from capital gains on residential property investment under 54 and 54F at ₹100mn. Moreover, proposed to change the rules for calculating capital gains in case of joint property development.

- **Leave encashment limit raised:** The limit of ₹0.3mn for tax exemption on leave encashment on retirement of non-government salaried employees was last fixed in the year 2002, when the highest basic pay in the government was ₹30 thousand per month. In line with the increase in government salaries, it is proposed to increase this limit to ₹2.5mn.

Direct Taxes

- **Tax relief for cooperative sector:** To promote the cooperative sector, the Government announced a slew of measures, including a concessional tax of 15% to promote new societies focusing on manufacturing and a higher limit of ₹30mn for TDS on cash withdrawal.

- **TCS on foreign remittance:** The rate of TCS (Tax collected at source) for foreign remittances for education and for medical treatment is proposed to continue to be 0.5% in excess of ₹0.7mn. However, for foreign remittances for other purposes has witnessed increased in TCS rate from 5% to 20%.

Tax slabs under the new tax regime	
₹0- 3 Lakh	Nil
₹3 - 6 Lakh	5%
₹6 - 9 Lakh	10%
₹9 - 12 Lakh	15%
₹12 - 15 Lakh	20%
Above ₹15 Lakh	30%

Indirect Taxes

- **Custom duty relief:** GOI announced customs duty relief for components like camera lens and lithium – ion batteries. It may make mobile phones cheaper. Furthermore, the government will reduce the basic custom duty on cells of TV panels to 2.5%.

- **Raised customs duty:** Basic customs duty on electric kitchen chimneys raised from 7.5% to 15%.

- **Higher import duty:** Vehicles (including EVs), imitation jewelleries, bicycles, toys and components will witness higher import duty.

- **Lower import duty:** Aircraft, Gold (including gold plated with platinum), base metal or silver, and scrap of precious metals will attract lower import duty.

BFSI

- **Banks – ECLGS relief to MSMEs:** The ECLGs for MSMEs will be extended with an infusion of ₹90bn. This scheme will provide comfort to Banks which are normally reluctant to lend to MSMEs in the absence of collateral. The guarantee cover was expanded by ₹500bn to a total cover of ₹5tn with additional amount being earmarked exclusively for hospitality and related enterprises.

- **Insurance Cos – No tax exemption for aggregate premium over ₹0.5mn:** Govt. has proposed to not provide tax exemption on maturity benefit under a section if the aggregate premium paid by an individual is above ₹0.5mn for life insurance policies. The move is likely to be negative for saving products which are usually high in value and margins.

- **NBFCs – Short term capital gain tax introduced on MLDs:** The Union Budget carries an amendment in the Finance bill to tax market linked debentures (MLDs) as short term capital gain tax. As per finance bill, a special provision for taxation of capital gain has been introduced in case of MLDs, they are currently being taxed as long term capital gain at a rate of 10% without indexation.

- **NBFCs – No announcement for PSL status for eligible gold loans:** NBFCs were expecting the PSL status for eligible gold loans, including microloans, loans to farmers and micro businesses. While gold loans provided by NBFCs are not considered as priority sector lending while gold loans by banks to farmers are.

- **PSU Banks – No recapitalization announcement:** The FM did not earmark any specific amount for PSBs for FY24. The budget didn't give any clarity on the roadmap of PSB privatization as well.

Infrastructure, Housing & Urban Planning

- Capex target expanded by 33% from ₹7.5 tn to ₹10 tn. FY24 effective capex seen at ₹13.7 tn.
- Huge increase in Capex Outlay shows continued support on Developing Infrastructure. This is extremely positive for companies in infra, cement, consumer electricals, capital goods and engineering sectors.
- ₹795bn allocated for PMAY, the Affordable Housing scheme which is an increase of 66% and is positive for fast moving electrical goods (FMEG) companies especially economy segment players.
- Plans to set up ₹100bn/year for Urban Infra Development Fund will help in creating public infra in Tier 2-3 cities- Positive for Building Materials in general.
- Indian Railways capital outlay at ₹2.4 tn which is positive for companies catering to Railways.
- Lower customs duty on mobiles, camera and TV component imports are positive for electronic manufacturing companies.
- 100 critical transport infrastructure projects identified for last and first mile connectivity for ports, coal, steel, fertilizer and food grains. Investment earmarked at ₹75k cr (including ₹15k cr from private sources)

Rural and Agriculture

- The agriculture credit target increased to ₹20 tn with focus on animal husbandry, dairy and fisheries. Positive for FMCG and consumer durable companies.
- Ministry of Rural Development allocation at ₹1.6 tn.
- ₹60 bn allocated for launch of new schemes for Fisheries and its value chain.
- ₹22 bn allocated for Horticulture industry and its value chain.
- Allocation of ₹25.2 bn for computerization of 63,000 Primary Agricultural Credit Societies for the small farmers and marginalized sections of the society.
- Pradhan Mantri PVTG Development Mission to be launched for vulnerable tribal groups for which allocation is about ₹150 bn.
- For the drought prone central region of Karnataka, the central assistance of ₹53bn shall be given to provide sustainable micro irrigation and filling up of surface tanks for drinking water.
- Ministry of Chemicals and Fertilisers allocated ₹1.78 tn.

Going Green

- Under the Green Hydrogen Mission, the GOI has outlaid an investment of ₹197 bn
- The FM provided ₹350 bn for priority capital investments towards Energy Transition & net zero objectives, and Energy Security by Ministry of Petroleum & Natural Gas
- The Inter-state transmission system for evacuation and grid integration of 13 GW renewable energy from Ladakh will be constructed with investment of ₹207 bn including central support of ₹83 bn.
- The GOBARdhan scheme will be established and shall include 200 compressed biogas (CBG) plants, including 75 plants in urban areas, and 300 community or cluster-based plants at total investment of ₹100 bn.
- Adequate funds allocated to scrap old polluting vehicles of the Central Government. States will also be supported in replacing old vehicles and ambulances. Positive for CV makers particularly.
- Scheme for Faster Adoption and Manufacturing (FAME) for EVs allocation has been increased from ₹29 bn to ₹52 bn. Positive for Auto sector.

Miscellaneous

- Expenditure on Health has gone up from 1.4% of GDP in FY19 to 2.1% of GDP in FY23.
- Allocation for Defence at ₹5.94 tn from ₹5.25 tn allocated during last budget. Government is committed to reduce imports and promote indigenization in Defence sector.
- Eklavya Model Residential Schools allocation increased from ₹20 bn to ₹59.4 bn.
- Jal Jeevan Mission allocation is at ₹700 bn , up from ₹600 bn last budget.

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