

## Union Budget 2018-19

January 30<sup>th</sup>, 2018

**The Union Budget 2018-19** will be the fifth and final full budget of the present Government and we believe the FY19 Union Budget due on 1 February will focus on Banking, agriculture, infrastructure and affordable housing with aim of improving tax collections.

**On the macro front**, India's GDP growth averaged about 7.3% between the years 2014-15 and 2016-17, fiscal deficit in FY18 is expected to expand beyond the targeted 3.2%, this is primarily due to adjustment impact of key structural reforms mainly GST and demonetization. However, these disruptions effects may stay on for some more months.

**The Government may consider revision of income tax slabs for individuals** to Rs 3 lakh from present Rs 2.5 Lakh. There has not been any meaningful increase in the Section 80C limit in the last few years. Therefore, it is expected that the limit of Section 80C deduction will be raised to Rs 2 lakh from the existing Rs 1.5 lakh. (Possibility of higher increase also cannot be ruled out.)

The government is expected to tweak rules relating to **taxation of capital gains** from Equity Investments and increase the holding period for long term capital gains on Equity Investments to over two years from one year at present. To bring the equity investments in line with debt products in terms of taxation guidelines, raising the investment holding period to three years for equity investments cannot be ruled out.

In India major employment currently is within informal sector and formal sector has very small percentage share in it. **Employment generation** is the key focus area of any developing nation in its growth phase. Therefore we expect some announcement on requirement of publishing monthly payroll report by the formal sector.

One of the key agenda of the Government is to double **the farmer's income**. The Finance Minister is also expected to raise rural allocation in the form of higher spending under the MNREGA employment scheme to boost the rural economy.

**The Direct Benefit Transfer** scheme can be further expanded to include all subsidies, as they are better targeted and can also reduce leakages.

The government has been constantly pushing for **Digitization** in every field. With an objective of creating taxpayer-friendly environment, the FM may consider introducing jurisdiction-free e-assessments, digital processing of PAN application and electronic collection of documents by the tax department from assesses, faster processing of taxpayers requests including issuance of refund and online rectification.

**Expect robust disinvestment proceeds in FY19**

Following the expected robust gains under disinvestment proceeds in FY18 (INR 900bn), we expect the government to budget a high target even in FY19.

The Modi government will continue to focus on **affordable housing**, to achieve its mission of 'Housing for All by 2022', it is expected to give real estate, particularly affordable housing a further push.

| Sector Wise   | Positive For  |
|---|---|
| <p><b>Banking and Financial Services</b></p> <p>Higher allocation of funds to housing – particularly affordable housing and urban development.</p> <p>Final blueprint and roadmap of mega recap plan to fund PSU banks will help.</p> <p>Disinvestments in PSUs.</p>              | <ul style="list-style-type: none"> <li>▪ <b>DHFL</b></li> <li>▪ <b>SBI</b></li> <li>▪ <b>Bajaj Holdings</b></li> </ul>  |
| <p><b>Infrastructure and Real Estate</b></p> <p>Higher allocation towards road (EPC Projects) Railways and metros.</p> <p>Increase in targets for housing for all under PMAY (Rural and Urban) Scheme.</p> <p>Increased infrastructure spending to benefit the cement sector.</p> | <ul style="list-style-type: none"> <li>▪ <b>Prestige Estates</b></li> <li>▪ <b>Oberoi Realty</b></li> <li>▪ <b>Dilip Buildcon</b></li> <li>▪ <b>Brigade Enterprises</b></li> <li>▪ <b>Ultra Tech Cement</b></li> <li>▪ <b>Century Ply Board</b></li> <li>▪ <b>NBCC</b></li> </ul> |
| <p><b>Auto, Agriculture</b></p> <p>Financial incentives to replace vehicles older than 10/15 years and long-term measures for agricultural sector to push farmer productivity, improve income levels.</p>   | <ul style="list-style-type: none"> <li>▪ <b>M&amp;M</b></li> <li>▪ <b>Ashok Leyland</b></li> <li>▪ <b>Jain Irrigation</b></li> <li>▪ <b>Captain polyplast</b></li> </ul>  |
| <p><b>Defense</b></p> <p>Increased allocation toward capital spending in the budget.</p> <p>Higher budgetary allocation for defense capex outlay for focus on defense deals and military modernization.</p>   | <ul style="list-style-type: none"> <li>▪ <b>Bharat Electronics</b></li> <li>▪ <b>Gujarat Pipavav</b></li> <li>▪ <b>Astra Microwave</b></li> </ul>   |
| <p><b>Consumer Goods</b></p> <p>Measures likely in the coming budget to boost rural spending and with GST effect stabilizing.</p>   | <ul style="list-style-type: none"> <li>▪ <b>Dabur India</b></li> <li>▪ <b>Hindustan Unilever</b></li> </ul>   |
| <p><b>Custom Duty on Gold</b></p> <p>Jeweller’s association has demanded lowering the custom duty to 4-5%.</p>  | <ul style="list-style-type: none"> <li>▪ <b>Thangamayil Jewellers</b></li> </ul>  |

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