

**Union Budget Highlights 2018-19**February 01<sup>st</sup>, 2018

Highlights of the Union Budget for 2018-19 (Apr-Mar), presented by Finance Minister Arun Jaitley in Parliament today:

**FY19 ESTIMATES**

- \* Fiscal deficit target pegged at 3.3% of GDP
- \* Fiscal deficit seen at 6.24 trln rupees
- \* Net market borrowing pegged at 4.62 trln rupees
- \* Net short-term borrowing 170 bln rupees
- \* Gross market borrowing pegged at 6.06 trln rupees
- \* Provide 646 bln rupees for switch/buyback FY19 gilts by Mar
- \* Gilts repayments 1.43 trln rupees
- \* Nominal GDP growth seen 11.5%
- \* Revenue deficit pegged at 2.2% of GDP
- \* Revenue deficit seen at 4.16 trln rupees
- \* Total expenditure seen at 24.42 trln rupees
- \* Disinvestment target at 800 bln rupees
- \* Gross tax revenue 22.7 trln rupees
- \* GST collections seen 7.44 trln rupees
- \* CGST collections seen 6.04 trln rupees
- \* GST compensation cess mop-up seen at 900 bln rupees
- \* Transfer to states seen at 1.43 trln rupees
- \* Total transfer to states pegged at 12.69 trln rupees
- \* Excise mop-up pegged at 2.60 trln rupees
- \* RBI surplus, PSU bank dividend seen 548 bln rupees
- \* Total infra spend at 5.97 trln rupees
- \* Communication receipts seen 486.6 bln rupees
- \* Defence outgo 2.82 trln rupees
- \* Pension outgo 1.68 trln rupees
- \* Dividend from PSUs seen at 525 bln rupees
- \* Food subsidy 1.69 trln rupees
- \* Petroleum subsidy seen 249.3 bln rupees
- \* Fertiliser subsidy seen 701 bln rupees
- \* Total subsidy seen 2.93 trln rupees vs 2.64 trln FY18
- \* Agri credit target at 11 trln rupees
- \* Transport outgo seen at 1.35 trln rupees
- \* Small savings receipts seen 750 bln rupees
- \* Rural development outgo seen 1.38 trln rupees
- \* Customs mop-up pegged at 1.13 trln rupees
- \* Interest outgo seen 5.76 trln rupees
- \* Income tax pegged at 5.29 trln rupees
- \* Farm, allied activities outgo 638.36 bln rupees
- \* Gilts buyback pegged at 719 bln rupees
- \* Corporation tax pegged at 6.21 trln rupees
- \* To conduct 280.6 bln rupees of gilt switches FY19
- \* To issue 650 bln rupees of bonds to PSU banks FY19
- \* Allocates 550 bln rupees to MGNREGA in FY19, unch from FY18
- \* No direct equity infusion into PSU banks from FY19 Budget
- \* Allocate 275 bln rupees to PM affordable housing plan
- \* Allocate 190 bln rupees to PM rural road plan

- \* Allocate 326 bln rupees to National Education Mission
- \* Allocate 306 bln rupees to National Health Mission
- \* Allocate 178 bln rupees to Swachh Bharat Mission
- \* Estimates assume real GDP growth of 7.2%

#### **FY18 REVISED**

- \* Direct tax revenue up 12.6%
- \* Fiscal deficit 3.5% of GDP
- \* Gilts buyback at 570 bln rupees
- \* Gilts switches 430 bln rupees
- \* Dividend from PSUs revised to 548 bln rupees
- \* RBI surplus, PSU bank dividend revised to 516 bln rupees
- \* Small savings receipts 1.03 trln rupees
- \* Non-tax revenue to see shortfall
- \* GST revenue for only 11 months
- \* Divestment target revised to 1 trln rupees
- \* Hope to grow 7.2-7.5% in H2 FY18
- \* Exports expected to grow 15% in FY18

#### **DIRECT TAXES**

- \* Propose only modest change in long-term capital gains tax
- \* To tax long-term capital gains on shares over 100,000 rupees at 10%
- \* Tax on short-term capital gains from shares unchanged at 15%
- \* 200 bln rupee more revenue on long-term capital gains tax
- \* To tax dividend given by equity schemes of MFs at 10%
- \* No long-term capital gain tax on shares till Jan 31, 2018
- \* Eases rules on long-term capital gains tax on realty
- \* Anti tax evasion steps led to extra 900-bln-rupee revenue
- \* Seeing buoyancy in personal income tax collection
- \* 80-bln-rupees revenue loss on income tax standard deduction
- \* To allow 40,000 rupees standard deduction in income tax
- \* Personal income tax rates unchanged
- \* Senior citizen exemption on interest income up at 50,000 rupee
- \* 25% corporate tax for cos with up to 2.5 bln rupee turnover
- \* Corp tax to remain 30% for cos above 2.5-bln-rupee turnover
- \* To forego 70-bln-rupee revenue on corp tax benefit for MSME
- \* Lower corporate tax rate to aid 99% MSMEs
- \* Announces tax sops for farm producer companies
- \* Propose post-harvest tax incentives
- \* Health, education cess increased to 4%
- \* To get 110 bln rupees more revenue from health, edu cess
- \* Tax sops for transactions at international financial centres
- \* To amend IT Act to roll out e-assessment

#### **INDIRECT TAXES**

- \* CBEC to be renamed Central Board of Direct Tax and Customs
- \* Govt recasts excise duty structure for petrol, diesel
- \* Net excise duty on fuels remains largely unchanged
- \* Excise on unbranded diesel cut by 2 rupee to 6.33 rupee/ltr
- \* Excise on unbranded petrol cut by 2 rupee to 4.48 rupee/ltr
- \* Plan changes in customs duty act for ease of doing business
- \* Social welfare surcharge of 3% on import of some goods
- \* To raise customs duty on certain items

- \* To raise customs duty on mobiles to 20% from 15%
- \* Custom duty on certain TV parts raised to 15%
- \* Customs duty on mobile phones raised to 20% from 15%
- \* Customs duty on some mobile phone parts up at 15%
- \* Customs duty on mobile phone lithium ion battery up at 15%
- \* Customs duty on smartwatches, wearable devices up at 20%
- \* Customs duty on perfumes, toiletries raised to 20% from 10%
- \* Customs duty on watches, clocks raised to 20% from 10%
- \* Customs duty on furniture raised to 20% from 10%
- \* Customs duty on footwear up at 20% vs 10% earlier
- \* Customs duty on footwear parts up at 15% vs 10% earlier
- \* Customs duty on certain parts of vehicles up at 15%
- \* Customs duty on truck, bus radial tyres up at 15%
- \* Customs duty on completely built up vehicle kits up at 25%
- \* Customs on completely knocked down vehicle kits up at 15%
- \* Customs duty on most fruit, vegetable juices up at 50%
- \* Customs duty on orange juice up at 35% vs 30% earlier
- \* Customs duty on refined safflower oil, coconut oil up at 35%
- \* Customs duty on refined groundnut, cottonseed oil up at 35%
- \* Customs duty on raw cashew cut to 2.5%
- \* Customs duty on tempered glass for solar equipment scrapped
- \* Customs duty on LCD, LED, OLED panels up at 15%
- \* Customs duty on parts of LCD, LED, OLED TVs up at 15%
- \* Customs duty on imitation jewellery up at 20% vs 15%
- \* Customs on pre-form of silica for optical fibre up at 5%
- \* Customs duty on silk fabric up at 20% vs 10%
- \* Customs duty on some sport equipment up at 20% vs 10%
- \* Customs duty on some toys up at 20% from 10% earlier
- \* Customs duty on sunglasses up at 20% from 10% earlier
- \* Customs duty on raw materials for cochlear implant scrapped
- \* Import duty on cut, polished coloured gemstone 5% vs 2.5%
- \* Import duty on diamond up at 5% vs 2.5% earlier
- \* Social welfare surcharge on import of gold, silver at 3%
- \* Social welfare surcharge on import of petrol, diesel at 3%
- \* Crude palm kernel oil, corn oil customs duty up at 30%
- \* Crude safflower oil, coconut oil customs duty up at 30%
- \* Crude groundnut oil, cottonseed oil customs duty up at 30%

#### **FY20 & FY21 ESTIMATES**

- \* FY20 revenue deficit pegged at 1.8% of GDP
- \* FY20 fiscal deficit target pegged at 3.1% of GDP
- \* FY21 revenue deficit pegged at 1.6% of GDP
- \* FY21 fiscal deficit target pegged at 3.0% of GDP

#### **POLICY STEPS**

- \* Aim to lower central govt debt-to-GDP ratio to 40%
- \* To take all steps to eliminate use of crypto-currencies
- \* To encourage blockchain technology in payment system
- \* To provide 30.73 bln rupees for Digital India plan
- \* To take more steps to curb black money
- \* Govt committed to revised fiscal glide path
- \* Prepared to accept key recommendations of FRBM committee
- \* NITI Aayog to set up plan for artificial intelligence R&D

- \* 100 bln rupees for animal husbandry, fisheries develop fund
- \* To set up 2 new funds of total 100 bln rupees for fishery
- \* To set up 500,000 WiFi hotspots for rural connectivity
- \* To review refinancing policies under MUDRA plan
- \* Online loan facility for MSMEs to be revamped
- \* To address bad loan problems of MSMEs
- \* 37.94 bln rupees for MSME credit support
- \* Job creation core of policy planning
- \* To take steps for improving start-up funding environment
- \* PSUs to be part of e-trade receivables platform
- \* To link e-trade receivables platform with GSTN
- \* 3 trln rupees lending target for MUDRA plan FY19
- \* Smart City scheme outlay 2.04 trln rupees
- \* Reforms in stamp duty regime in consultation with states
- \* To set up unified fincl mkt regulator for GIFT city
- \* To introduce pay-as-you-use toll system
- \* Identified 372 reform actions for ease-of-doing business
- \* To infuse more equity in FCI
- \* Plan to assign every enterprise in India a unique ID
- \* To bring out domestic defence production policy

#### **MACROECONOMY MATTERS**

- \* Firmly on course to achieve 8% plus growth
- \* Achieved average 7.5% growth in first 3 years of govt
- \* This Budget to consolidate gains of last 4 years' budgets
- \* India stands out as the fastest growing economy in world
- \* India a \$2.5-trln economy now
- \* India to become fifth largest economy very soon
- \* Govt has implemented fundamental structural reforms
- \* Promised to reduce poverty, build strong India
- \* Direct transfer mechanism is a global success story
- \* Will focus on health, infrastructure, senior citizens
- \* Focus on 'ease of living' for common man
- \* To move ahead on ease-of-doing business
- \* Demonetisation has reduced cash in circulation
- \* Recapitalised banks have better capacity to support growth
- \* Indirect tax system made simpler with GST
- \* FDI increased due to govt actions
- \* Manufacturing sector back on growth path
- \* There's a premium on honesty because of govt's reforms

#### **AGRICULTURE**

- \* FY19 Budget aims to strengthen agri, rural economy
- \* Seek paradigm shift to double farmers' income by 2022
- \* Govt committed to welfare of farmers
- \* Govt to create mechanism for post harvest facilities
- \* MSP hikes not enough, farmers must be able to get benefits
- \* NITI Aayog to make robust system for fair price to farmers
- \* Next kharif crop MSP to be at least 1.5 times of cost
- \* Emphasis on generating gainful farm, non-farm jobs
- \* Focus on low-cost farming, higher selling price
- \* Institutional system for farm goods price, demand forecast
- \* Export of farm commodities to be liberalised

- \* Agri export potential \$100 bln
- \* To launch Operation Green in line with Operation Flood
- \* Allocate 5 bln rupees for Operation Green
- \* Allocate 2 bln rupees for medicinal, aromatic crops
- \* To encourage women self-help groups for organic farming
- \* Cluster-based models to be developed for horticulture crops
- \* e-NAM to be exempt from APMC regulations
- \* 470 APMCs connected to e-NAM, rest to be connected by Mar
- \* To develop, upgrade 22,000 rural haats to agricultural mkts
- \* To allocate 20 bln rupees for farm development fund
- \* Favourable tax treatment for farm mfg organisations
- \* Kisan credit card benefit also to animal husbandry, fishing
- \* To launch bamboo mission for 12.9 bln rupees
- \* To set up 42 mega food parks for farm exports

### **INDUSTRY, INFRASTRUCTURE**

- \* To allocate 71.5 bln rupees to textiles sector FY19
- \* Allocation for food processing sector 14 bln rupees FY19
- \* To expand airports' capacity to handle 1 bln trips a year
- \* To construct tunnel under Sela Pass
- \* To award water supply contracts worth 194.28 bln rupees

### **FINANCIAL SECTOR & MARKETS**

- \* RBI norms to nudge cos to access bond mkts for fund raising
- \* To monetise PSUs using via invest trusts from next year
- \* SEBI to mull asking large cos to meet 25% of debt from market
- \* Regional rural banks to be allowed to raise money from markets
- \* To merge 3 public sector insurance cos into 1
- \* To list entity post merger of 3 public sector insurance cos
- \* To explore more ETFs, including debt-based ETFs
- \* Govt to have separate policy for hybrid fincl instruments
- \* To frame policy to develop gold as asset class
- \* RBI to transfer NHB shareholding to govt
- \* Gold monetisation policy to be revamped
- \* RBI Act being tweaked to allow standing deposit facility
- \* Regulators should ease corp bond rtg requirement for invest
- \* To come up with more ETF offers, including debt ETF

### **RAILWAY PLANS**

- \* Rail track renewal target at 3,600 km
- \* Special attention being given to rail track maintenance
- \* Capex for Railways pegged at 1.48 trln rupees FY19
- \* 170 bln rupees for suburban rail infra in Bengaluru
- \* FY19 allocation at 110 bln rupee for Mumbai Rail Transport
- \* To eliminate 4,267 unmanned railway crossings in 2 years
- \* All trains to soon have WiFi system, CCTVs

### **SOCIAL SECTOR**

- \* To set up dedicated affordable housing fund under NHB
- \* Aim 5.1 mln rural houses under affordable housing plan
- \* Aim to give houses to all poor by 2022
- \* Aim to build 20 mln more toilets under Swachh Bharat
- \* More than 60 mln toilets built under Swachh Bharat plan

- \* To give 80 mln LPG connections under Ujjwala scheme
- \* To spend 1 trln rupees on education infra over 4 years
- \* To subsidise removal of crop residue to tackle pollution
- \* To set up Ekalavya schools for scheduled tribes
- \* To treat education holistically pre-nursery to class 12
- \* To give 40 mln power connections under Saubhagya Yojana
- \* To move from blackboard to digital board
- \* Allocate 99.75 bln rupees for social security plan FY19
- \* Allocation to National Livelihood Mission 57.50 bln rupees
- \* Allocate 14.3 trln rupees for rural infra FY19
- \* Allocate 26 bln rupees underground water irrigation plan
- \* Health protection scheme to cover 100 mln poor families
- \* Allocate 12 bln rupees for health wellness centres
- \* To launch PM research fellow plan for 1,000 BTech students
- \* To set up 2 new schools of planning & architecture
- \* 600 mln Jan Dhan accts to get micro insurance benefit
- \* 24 new medical colleges to be set up via hospital upgrade
- \* Aim 1 medical college for every 3 Parliament constituency
- \* 6-blN-rupees nutritional support for Tuberculosis patients
- \* Govt progressing towards universal health coverage
- \* Health scheme to have 500,000 rupee/family/yr benefit
- \* Allocate 566.2 bln rupees for Scheduled Castes welfare
- \* Cover all poor family in PM insurance plan in mission mode
- \* 187 projects sanctioned under Ganga cleaning programme
- \* Allocate 391.35 bln rupees for welfare of Scheduled Tribes
- \* Govt women employees to contribute 8% to EPF in first 3 years
- \* To contribute 12% of new employees' wages in EPF for 3 years
- \* To supply water to all homes in 500 cities under Amrut plan
- \* LIC 8% assured income plans for sr citizen extended to 2020

#### **MISCELLANEOUS**

- \* Salary hike for President, Vice-President, governors
- \* New law to govern salaries of lawmakers
- \* Lawmakers' salary to be revised every 5 yrs
- \* Special scheme to fight pollution in Delhi-NCR
- \* To develop 10 places as iconic tourism destinations

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