BUDGET FY24

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A fine balance of sustainability and fiscal prudence

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Budget FY24: A fine balance of sustainability and fiscal prudence

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The FY24 Budget has taken forward the government's fiscal management principles of the last few budgets. Long-term growth and stability continue to be emphasized, with spending being directed towards asset creation, coupled with supportive policy measures.

Against the backdrop of rising global headwinds, the Union Budget has struck the right chords by setting a base for sustainable economic growth, while ensuring fiscal prudence. While setting realistic revenue targets, the government has maintained a balanced spending strategy, i.e., geared towards infrastructure building, while stimulating domestic economic activity, job growth, and private investments. The government has provided a concerted policy push in the field of digitalization, agriculture, health, education, MSME, skill development, and long-term inclusive growth.

The overall budget math seems to be reasonable and sustainable. Although there has been no direct consumption stimulating measures, consumption and demand could receive a boost from higher levels of activity (and employment) that would be generated from the public investments.

Budget at a glance: Fine tunes financial management

The emphasis on fiscal consolidation is at the fore of Budget FY24, even as expenditure for furthering growth has remained.

The size of the FY24 Budget has been raised by 7.5% to INR45 lakh crore. This is lower than the 10.4% increase in aggregate expenditure in FY23 (revised estimate). While revenue expenditure continues to account for a major share of the total expenditure (78%), the allocation here has been near stable (an increase of 1% over FY23RE). On the other hand, there has been a sharp (37%) increase in capital expenditure to INR10 lakh crore.

Revenue is expected to see a modest increase with the expectation for tax and non-tax revenue seen as being reasonable and the quantum of fiscal deficit budgeted to see a limited increase of around 2%. In limiting the fiscal deficit to 5.9% of the GDP for FY24, despite the lower projected growth in nominal GDP (10.5% for FY24), the government is adhering to its commitment of progressively paring down the deficit to below 4.5% of GDP by FY26.

The outstanding debt of the central government is estimated to see a stable rate of increase of 11% in FY24. At INR169 lakh crore it would be 56% of GDP, 0.3% higher than FY23(RE) and 1.2% lower than FY22.

Fiscal Snapshot

	Unit	FY19	FY20	FY21	FY22	FY23(RE)	FY24(BE)	*FY24 (BE) v/s FY23 (RE): % change*	*FY23 (RE) v/s FY22: % change*
1. Revenue Receipts	**Rs Lakh Crore**	**15.53**	**16.84**	**16.34**	**21.70**	**23.48**	**26.32**	***12.1***	***8.2***
% of GDP		*8.2*	*8.4*	*8.3*	*9.2*	*8.6*	*8.7*		
2. Capital Receipts	**Rs Lakh Crore**	**7.65**	**10.02**	**18.76**	**16.24**	**18.39**	**18.71**	***1.7***	***13.2***
% of GDP		*4.0*	*5.0*	*9.5*	*6.9*	*6.7*	*6.2*		
3. Total Receipts (1 + 2)	**Rs Lakh Crore**	**23.18**	**26.86**	**35.10**	**37.94**	**41.87**	**45.03**	***7.5***	***10.4***
% of GDP		*12.3*	*13.4*	*17.7*	*16.0*	*15.3*	*14.9*		
4. Revenue Expenditure	**Rs Lakh Crore**	**20.07**	**23.51**	**30.84**	**32.01**	**34.59**	**35.02**	***1.2***	***8.1***
% of GDP		*10.6*	*11.7*	*15.6*	*13.5*	*12.7*	*11.6*		
5. Capital Expenditure	**Rs Lakh Crore**	**3.08**	**3.36**	**4.26**	**5.93**	**7.28**	**10.01**	***37.4***	***22.8***
% of GDP		*1.6*	*1.7*	*2.2*	*2.5*	*2.7*	*3.3*		
6. Total Expenditure (4 + 5)	**Rs Lakh Crore**	**23.15**	**26.86**	**35.10**	**37.94**	**41.87**	**45.03**	***7.5***	***10.4***
% of GDP		*12.2*	*13.4*	*17.7*	*16.0*	*15.3*	*14.9*		
7. Revenue Deficit (4 - 1)	**Rs Lakh Crore**	**4.54**	**6.67**	**14.50**	**10.31**	**11.11**	**8.70**	***-21.7***	***7.7***
% of GDP		*2.4*	*3.3*	*7.3*	*4.4*	*4.1*	*2.9*		
8. Gross Fiscal Deficit (GFD)	**Rs Lakh Crore**	**6.49**	**9.34**	**18.18**	**15.85**	**17.55**	**17.87**	*1.8*	*10.8*
9. GFD/GDP (%)	**%**	**3.44**	**4.59**	**9.20**	**6.70**	**6.40**	**5.90**		
10. Gross Market Borrowing	**Rs Lakh Crore**	**5.71**	**7.10**	**12.60**	**9.68**	**14.21**	**15.43**	*8.6*	*46.7*
% of GDP	%	3.0	3.5	6.4	4.1	5.2	5.1		
11. Outstanding debt	**Rs Lakh Crore**	**90.83**	**102.19**	**120.80**	**135.66**	**152.61**	**169.47**	*11.0*	*12.5*
12. Debt/GDP (%)	**%**	**48.0**	**50.9**	**61.0**	**57.3**	**55.9**	**56.2**		
13. GDP	**Rs Lakh Crore**	**189.00**	**200.75**	**198.01**	**236.65**	**273.08**	**301.75**	*10.5*	*15.4*

Source: Budget Documents, Nuvama Wealth Research

Budget Math : Analysis of Receipts, Expenditure and Debt

Income assumptions for the coming financial year are reasonable. The collections from the various tax sources are expected to see moderation in the growth rates in FY24 v/s FY23. The disinvestment target has been pegged to be marginally higher than the revised estimate of FY23.

As in the past two years, there has been a focus on expenditure management with greater allocation towards assest creation. The government would be relying on market borrowings to fund the higher expenditure.

Lower Growth in Tax Revenues

The government's revenues are budgeted to grow by 12% in FY24, nearly 4% higher than that in FY23(RE). The increase is to be led by gains in tax revenues (88% share). Tax revenues (net) are estimated to increase by 10%. Direct taxes i.e., corporate and income tax receipts are estimated to see double digit growth in FY24, albeit lower than in FY23(RE). Excise and customs duty receipts too are estimated to see higher growth.

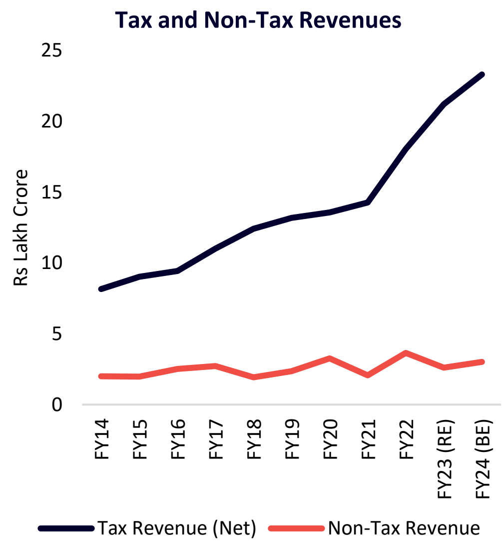
Non-tax revenues are projected to be 15% higher in the coming fiscal year with higher projected receipts from dividends and profits as well as economic services viz. telecom and the energy sector (which together are slated to increase 32% YoY to INR 1.16 lakh crore). Receipts from dividends and profits for FY24 are estimated to be 8% higher YoY at INR 0.9 lakh crore. Of this the RBI dividends are put at INR 0.48 lakh crore which is INR 7,047 crore higher than that of FY23(RE).

Non-tax revenues have been pressured in FY23, having declined by 28% from that in FY22 mainly on account of lower dividend transfer by the RBI and PSU banks (45% lower than the budget estimate of INR 0.73 lakh crore).

Key Components of Revenue Receipts

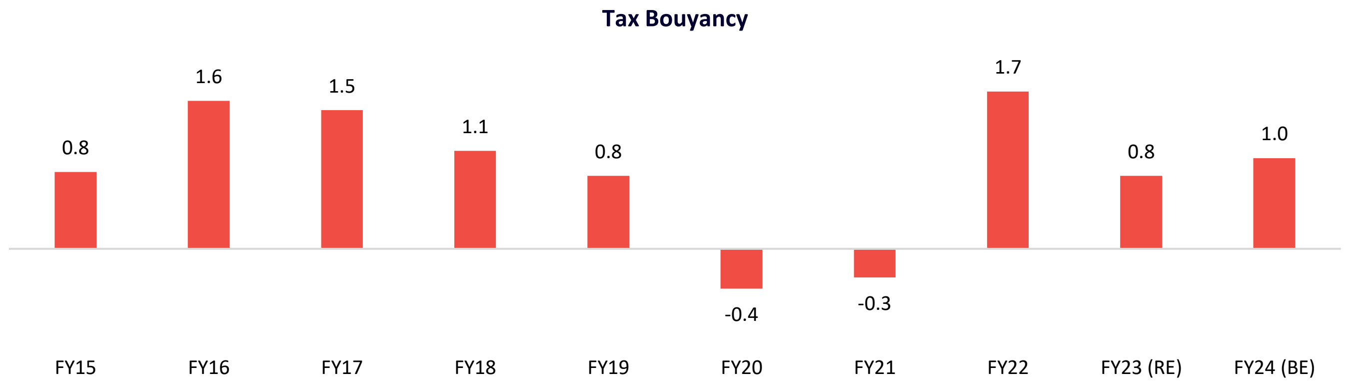
Rs Lakh Crore	FY19	FY20	FY21	FY22	FY23 (RE)	FY24 (BE)	*FY24 (BE) v/s FY23 (RE): % change*	*FY23 (RE) v/s FY22: % change*
1. Tax Revenue (Net)	**13.17**	**13.57**	**14.26**	**18.05**	**21.19**	**23.31**	***9.97***	***17.42***
1.1 Corporate Tax	6.64	5.57	4.58	7.12	8.35	9.23	***10.50***	***17.27***
1.2 Taxes on Income	4.73	4.93	4.87	6.96	8.15	9.01	***10.50***	***17.06***
1.3 Customs	1.18	1.09	1.35	2.00	2.10	2.33	***11.00***	***5.15***
1.4 Union Excise Duties	2.31	2.39	3.90	3.95	3.20	3.39	***5.94***	***-18.91***
1.6 GST	5.82	5.99	5.49	6.98	8.54	9.57	***12.01***	***22.33***
2. Non-tax revenue	**2.36**	**3.27**	**2.08**	**3.65**	**2.62**	**3.02**	***15.24***	***-28.31***
2.1 Interest Receipts	0.12	0.12	0.17	0.22	0.25	0.25	***0.73***	***12.65***
2.2 Dividends & Profits	1.13	1.86	0.97	1.61	0.84	0.91	***8.39***	***-47.74***
2.3 Grants-in-aid	0.01	0.004	0.02	0.01	0.03	0.02	***-17.25***	***97.55***
2.4 Other Non -Tax Revenue	1.08	1.27	0.90	1.80	1.48	1.81	***22.27***	***-17.38***
2.5 Receipts of UTs	0.02	0.02	0.02	0.02	0.02	0.02	***3.44***	***28.14***
REVENUE RECEIPTS (1+2)	**15.53**	**16.84**	**16.34**	**21.70**	**23.48**	**26.32**	***12.09***	***8.23***

Source: Budget Documents, Nuvama Wealth Research



Tax Buoyancy to improve

Tax buoyancy for FY24 is estimated to around 1, higher than 0.8 of FY23(RE). Within the main heads of Gross Taxes, larger buoyancy is expected for customs duty, corporate taxes and income tax (at around 1) while that of excise duty would be lower at 0.6. customs. The higher tax buoyancy despite lower GDP growth rate (15.4% for FY23(RE) v/s 10.5% for FY24) is indicative of greater compliance and tax collection efficiency.



Source: Budget Documents, Nuvama Wealth Research

Capital Receipts: Near Stable Disinvestment Target and Limited Increase in Market Borrowing

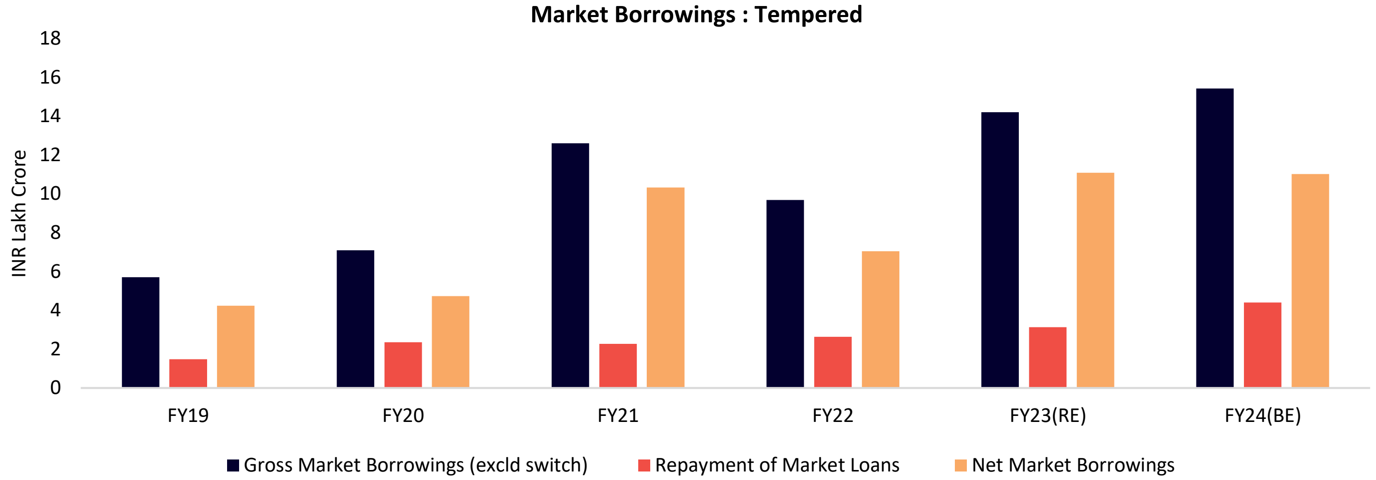
The disinvestment target for FY24 is INR 0.61 lakh crore, nearly unchanged from the revised estimate for FY23 (INR 0.60 lakh crore). The disinvestment target has been progressively scaled down in recent years (from INR 1.75 lakh crore in FY22) given the challenges and inability to meet the budgeted estimate.

Capital Receipts

Rs. Lakh crs	FY19	FY20	FY21	FY22	FY23(RE)	FY24(BE)	FY24 (BE) v/s FY23 (RE): % change	FY23 (RE) v/s FY22: % change
1. Non-debt Receipts	**1.13**	**0.68**	**0.58**	**0.39**	**0.84**	**0.84**	***0.60***	***112.06***
1.1 Recoveries of Loans & Advances	0.18	0.18	0.20	0.25	0.24	0.23	***-2.13***	***-5.00***
1.2 Disinvestment	0.95	0.50	0.38	0.15	0.60	0.61	***1.67***	***309.89***
2. Debt Receipts (Net)	**6.51**	**9.29**	**18.25**	**15.82**	**17.59**	**17.99**	***2.28***	***11.16***
2.1 Net Market Loans	4.23	4.74	10.33	7.04	11.08	11.81	***6.56***	***57.39***
2.2 Short term borrowings	0.07	1.50	2.03	0.77	1.00	0.50	***-50.00***	***29.13***
2.3 External Debt	0.06	0.09	0.70	0.36	0.24	0.22	***-7.36***	***-33.95***
2.4 Securities against Small Savings	1.25	2.40	4.84	5.51	4.39	4.71	***7.38***	***-20.38***
2.5 State Provident Funds	0.16	0.12	0.19	0.10	0.20	0.20	***0.00***	***93.86***
2.6 Other Receipts	0.74	0.44	0.13	17.43	0.80	0.54	***-32.09***	***-95.42***
CAPITAL RECEIPTS	**7.65**	**10.02**	**18.76**	**16.21**	**18.42**	**18.83**	***2.20***	***13.61***

Source: Budget Documents, Nuvama Wealth Research

The gross market borrowing is slated to increase by 8% in FY24 to INR 15.43 lakh crore. The increase in borrowings this time around is lower than the 47% YoY increase of FY23 as well as market estimates (of INR 16 lakh crore for FY24). This can lower the pressure on yields. The bond markets have reacted positively to the lower-than-expected borrowing programme – the 10 year GSec yields fell by 7 bps post the budget announcement to 7.27%.



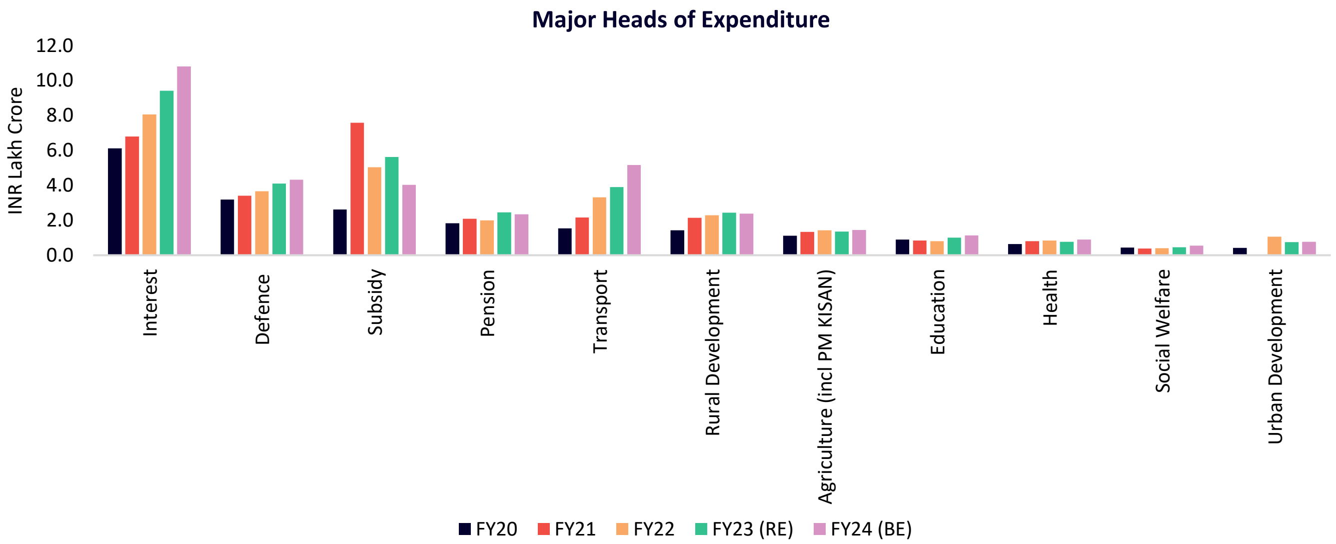
Source: Budget Documents, Nuvama Wealth Research

Major Heads of Expenditure: Interest Expenditure Stays Elevated

Interest payments continue to be the single largest head of expenditure, accounting for a quarter of the total expenditure in FY24 with an annual growth of 15%. The higher proportion of expenditure towards interest payments necessitates curtailing fiscal deficit.

Defence is the other major head of expenditure, accounting for nearly 10% of the total expenditure followed by subsidies which has a share of 9%. There has been a notable increase in spending towards the transport sector which is estimated to increase by over 30% in FY24(BE) to account for 11.5% of the spending outlay.

Allocation towards rural development in FY24(BE) have seen a decline (2% from FY23 RE) while that towards education (13% increase), health (15%) and social welfare (18%) has been raised. Allocations towards agriculture are budgeted to increase by 6% (to Rs.1.44 lakh crore) in FY24 (over FY23 RE).



Source: Budget Documents, Nuvama Wealth Research

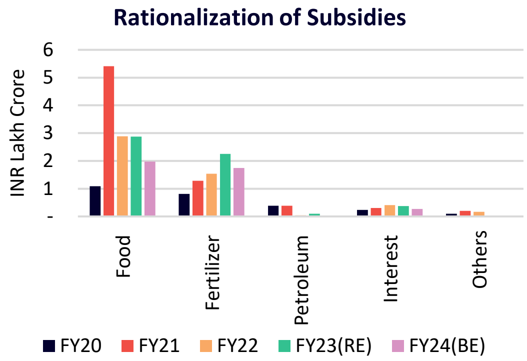
Revenue Expenditure Restrained: Lower spending on subsidies

The proportion of revenue expenditure in the total expenditure has been brought down to 78% for FY24, the lowest in 25 years. Furthermore, the annual allocation is only marginally higher at 1.2% for FY24 with greater focus being laid on spending for capital creation.

The spending on subsidies has been reduced in FY24. At INR 4 lakh crore it is 28% lower than that of FY23(RE). Food and fertilizer subsidy which accounts for over 90% of the total subsidy bill has been lowered by 31% and 22% respectively in FY24(BE) v/s FY23 (RE).

Key Components of Revenue Expenditure

Rs. Lakh crs	FY19	FY20	FY21	FY22	FY23 (RE)	FY24 (BE)	FY24 (BE) v/s FY23 (RE): % change	FY23 (RE) v/s FY22: % change
Revenue Expenditure	20.07	23.51	30.84	32.01	34.59	35.02	1.2	8.1
of which								
Interest	5.83	6.12	6.80	8.05	9.41	10.80	14.8	16.8
Subsidy	2.23	2.62	7.58	5.04	5.62	4.03	-28.3	11.5
Pension	1.60	1.84	2.08	1.99	2.45	2.34	-4.3	23.0



Source: Budget Documents, Nuvama Wealth Research

Lower Allocation towards welfare schemes

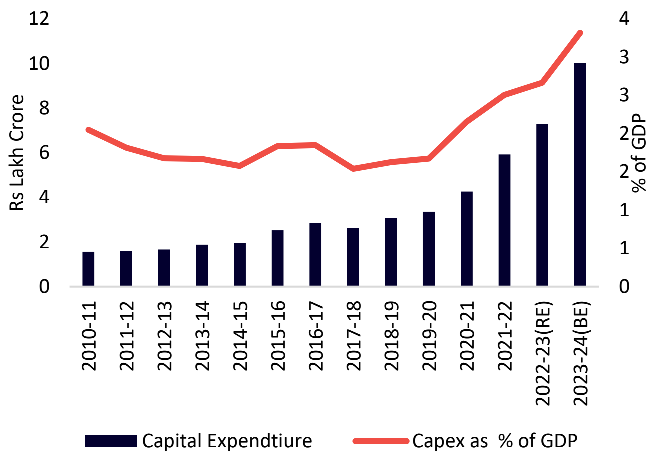
Contrary to expectations, the allocation towards various welfare schemes viz. the rural employment (MNREGA) and income support for farmer (PM-Kisan) has been lowered or left unchanged for FY24. Allocation towards schemes centred around infrastructure building (rural roads, highway development), healthcare and education have been higher.

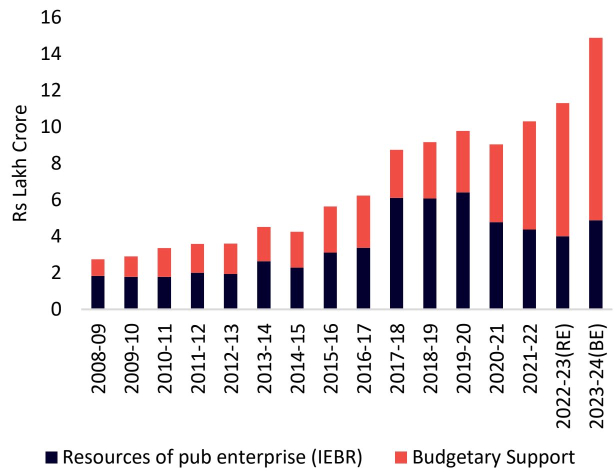
Rs. crore	FY19	FY20	FY21	FY22	FY23(RE)	FY24(BE)	FY24 (BE) v/s FY23 (RE): % change	FY23 (RE) v/s FY22: % change
Mahatma Gandhi National Rural Employment Guarantee Program	61,815	71,687	1,11,170	98,468	89,400	60,000	-33	-9
National Health Mission	31,502	35,155	37,478	32,958	33,708	36,785	9	2
National Education Mission	30,830	33,654	28,088	25,305	32,612	38,953	19	29
Pradhan Mantri Awas Yojna (PMAY)- Affordable Housing	25,443	24,964	40,260	90,020	77,130	79,590	3	-14
Pradhan Mantri Gram Sadak Yojna	15,414	14,017	13,688	13,992	19,000	19,000	0	36
National Livelihood Mission - Ajeevika	6,282	9,755	10,025	10,177	13,886	14,129	2	36
Urban Rejuvenation Mission: AMRUT and Smart Cities Mission	12,085	9,599	9,754	13,868	15,300	16,000	5	10
Swachh Bharat Mission (Gramin)	15,374	8,213	4,945	3,099	5,000	7,192	44	61
Pradhan Mantri Krishi Sinchai Yojna	8,143	8,199	7,877	11,278	8,085	10,787	33	-28
Food Subsidy to FCI	70,098	75,000	4,62,789	2,08,929	2,14,696	1,37,207	-36	3
Urea Subsidy	46,514	54,755	90,549	1,00,988	1,54,098	1,31,100	-15	53
Pradhan Mantri Kisan Samman Nidhi (PM-Kisan)	1,241	48,714	60,990	66,825	60,000	60,000	0	-10
Road Works	37,811	46,292	53,093	66,237	74,984	1,07,713	44	13
Food Subsidy for Procurement of Foodgrains	31,029	33,508	78,338	79,790	72,283	59,793	-17	-9
National Highways Authority of India	39,287	31,691	46,062	57,081	1,41,606	1,62,207	15	148
Nutrient Based Subsidy	24,090	26,369	37,372	52,770	71,122	44,000	-38	35
Crop Insurance Scheme	11,937	12,639	14,161	13,549	12,376	13,625	10	-9

Source: Budget Documents, Nuvama Wealth Research

Leaning towards capital expenditure

Capital expenditure for FY24 is at an all time high and 37% over the revised estimate of FY23. CAPEX as a percentage of GDP at 3.3% is the highest in 25 years (since FY99). On including the CAPEX to be undertaken by the public sector undertakings through their internal and external resources (Rs 4.9 lakh crore in FY24), the push to CAPEX would be INR 14.9 lakh crore, a 32% increase over FY23(RE)





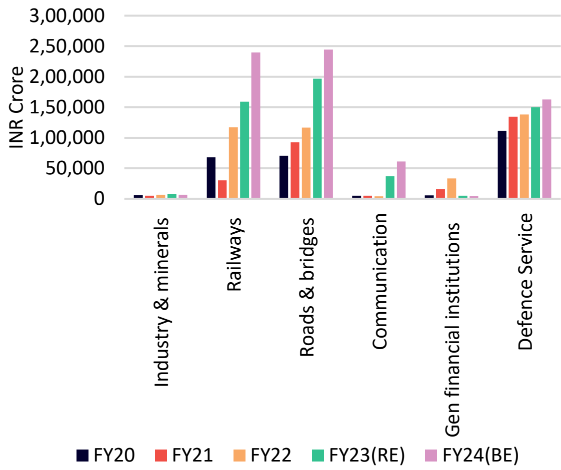
Source: Budget Documents, Nuvama Wealth Research

Allocations towards asset creation or capital outlay is estimated to increase by 35% in FY24 following the 16% increase of FY23. Asset creation is centered around roads and railways. Nearly 60% the capital outlay of FY24 (BE)is allocated to these segments. Spending on railways in 51% more than in FY23(RE) and that for roads and highways is 24% higher.

Key Components of Capital Outlay

Rs. Lakh crs	FY19	FY20	FY21	FY22	FY23 (RE)	FY24 (BE)	FY24 (BE) v/s FY23 (RE): % change	FY23 (RE) v/s FY22: % change
Capital Expenditure (1+2)	3.1	3.4	4.3	5.9	7.3	10.0	37.4	22.8
Loans and Advances (1)	0.3	0.2	1.1	0.6	1.1	1.6	51.6	85.1
Capital Outlay (2)	2.8	3.1	3.2	5.3	6.2	8.4	35.0	16.0
General Services (2.A)*	1.1	1.2	1.4	1.5	1.7	1.9	10.8	9.6
Social Services (2.B)	0.1	0.1	0.1	0.1	0.1	0.1	27.6	2.1
Economic Services (2.C)	1.6	1.8	1.7	3.7	4.4	6.4	44.3	19.1

*includes defence services



Source: Budget Documents, Nuvama Wealth Research

Key Policy Announcements

✓ **Government's continued focus of Agriculture sector**

- To bring innovative and affordable solutions for challenges faced by farmers an **Agriculture Accelerator Fund** will be set-up to encourage agri-startups in rural areas.
- **Atmanirbhar Clean Plant Program** to be launched (outlay of Rs. 2,200 crore) to boost availability of disease-free, quality planting material for high value horticultural crops.
- The **agriculture credit target** has been increased to Rs. 20 lakh crores with focus on animal husbandry, dairy and fisheries.
- New scheme for fisheries- PM Matsya Sampada Yojana have been launched with targeted investment of Rs 6000 crore, to improve value chain efficiencies, and expand the market.

✓ **Boost to the healthcare sector**

- 157 new nursing colleges are to be established.
- Facilities in select ICMR Labs are to be made available for research by public and private medical college faculty.
- Multidisciplinary courses for medical devices to be supported to ensure availability of skilled manpower.

✓ **Education sector** a National Digital Library for children and adolescents is to be set-up for facilitating availability of quality books. Additionally, to build a culture of reading, the National Book Trust, Children's Book Trust and other sources will be encouraged to provide and replenish noncurricular titles in regional languages and English to these physical libraries.

✓ **Support for vulnerable groups of the economy**

- Pradhan Mantri PVTG Development Mission will be launched with an outlay of Rs 15000 crore. This will help PVTG (particularly vulnerable tribal groups) families and habitations with basic facilities such as safe housing, clean drinking water and sanitation, improved access to education, health and nutrition, and road and telecom connectivity.
- Outlay for PM Awas Yojana (affordable housing for lower income groups) is being enhanced to Rs 79500 crore.

✓ **Thrust on Infrastructure and Investment continues**

- 50-year interest free loan to state governments is to be extended for one more year with a enhanced outlay of Rs 1.3 lakh crore.
- Fifty additional airports, heliports, water aerodromes and advance landing grounds to be revived for improving regional air connectivity.
- Cities to be incentivized to improve their credit worthiness for municipal bonds.
- Like the rural infrastructure development fund, an Urban Infrastructure Development Fund (outlay of Rs 10000 crore) will be established through use of priority sector lending shortfall. This will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities.

✓ **Relief for MSMEs**

- In cases of failure by MSMEs to execute contracts during the Covid period, 95% of the forfeited amount relating to bid or performance security, to be returned to them by government and government undertakings.
- Revamped credit guarantee scheme for MSMEs to take effect from 1st Apr’23 through infusion of Rs 9000 crore in the corpus. This will enable additional collateral-free guaranteed credit of Rs 2 lakh crore. Further, the cost of the credit is to be reduced by about 1%.
- Presumptive tax limit for MSME sector has been enhanced from Rs 2 lakh crore to 3 lakh crores.

✓ **Emphasis on green growth**

- With an overall outlay of Rs 35000 crore in the FY24 Budget, Green Mobility outlays Rs 19700 crore for the National Green Hydrogen Mission. The goal is to achieve 5 MMT annual production of green hydrogen by 2030 and facilitate the country’s transition to a low-carbon economy with its net-zero mission of 2070.
- PM Programme for Restoration, Awareness, Nourishment and Amelioration of Mother Earth (PM PRANAM) to be launched to incentivize States and UTs to promote alternative fertilizers and balanced use of chemical fertilizers.
- In furtherance of the vehicle scrapping policy mentioned in Budget 2021-22, additional funds have been allocated to scrap old vehicles of the Central Government. States to also be supported in replacing old vehicles and ambulances.

✓ **Skill Development**

- Pradhan Mantri Kaushal Vikas Yojana 4.0 will be launched to skill lakhs of youth within the next three years. The scheme would cover new age courses for Industry 4.0 like coding, AI, robotics, mechatronics, IOT, 3D printing, drones, and soft skills. To skill youth for international opportunities, 30 Skill India International Centres will be set up across different States.
- The digital ecosystem for skilling to be further expanded with the launch of a unified Skill India Digital platform.

✓ **Financial sector regulations**

- For investors to reclaim unclaimed shares and unpaid dividends from the Investor Education and Protection Fund Authority with ease, an integrated IT portal to be established.
- With digital payments gaining prominence further fiscal support is to be provided to digital public infrastructure.
- A one-time new small savings scheme (Mahila Samman Savings Certificate) will be made available for a 2 period up to March 2025 offering deposit facility upto Rs 2 lakh in the name of women or girls. This would be a tenor of 2 years at fixed interest rate of 7.5% with partial withdrawal option.
- The maximum deposit limit for Senior Citizen Savings Scheme will be enhanced from Rs 15 lakh to Rs 30 lakh.
- The maximum deposit limit for Monthly Income Account Scheme to be enhanced from Rs 4.5 lakh to Rs 9 lakh for single account and from Rs 9 lakh to Rs 15 lakh for joint account.
- To enable more Fintech innovative services, the scope of documents available in DigiLocker for individuals to be expanded.

✓ With an aim to promote to promote exports, boost domestic manufacturing, enhance domestic value addition, and improve consumption the Budget has laid down number of **tax proposals**

✓ **Indirect taxes**

- Basic customs duty rates on goods, other than textiles and agriculture, have been reduced from 21% to 13%.
- Custom duties on camera lenses for phone, laptops and DSLRs, Parts of TV panels, lithium ion batteries, denatured ethyl alcohol, shrimps, seeds used in the manufacturing of diamonds have been removed.
- However, custom duties on articles made of gold and platinum (25% from 20%), articles of silver (10% from 7.5%), copper scrap (2.5%), compound rubber (25% from 10%). In addition, National Calamity Contingent Duty on cigarettes — or taxes on cigarettes — by 16%. This is the first increase in the NCCD on cigarettes since the Union Budget for the financial year 2020-21.

✓ **Direct taxes**

- Presumption tax limits for MSMEs and certain professionals has been enhanced from Rs 2 crore and Rs 50 lakh to Rs 3 crore and Rs 75 lakh respectively. Moreover, to support MSMEs in timely receipt of payments, deduction for expenditure incurred on payments would be allowed only when payment is actually made.
- New co-operatives that commence manufacturing activities till 31.3.2024 shall get the benefit of a lower tax rate of 15 per cent, as is presently available to new manufacturing companies.
- A higher limit of Rs 2 lakh per member for cash deposits to and loans in cash by Primary Agricultural Co-operative Societies (PACS) and Primary Co-operative Agriculture and Rural Development Banks (PCARDBs) has been provided.
- The government also provided an opportunity to sugar co-operatives to claim payments made to cane growers for the period prior to the assessment year 2016-17 as expenditure. This is expected to provide them with a relief of almost Rs 10,000 crore.
- A higher limit of Rs 3 crore for TDS on cash withdrawal is being provided to co-operative societies.
- For **start-ups**, I the date of incorporation for income tax benefits has been extended from 31 Mar’23 to 31 Mar’24. Further, to provide the benefit of carry forward of losses on change of shareholding of start-ups from seven years of incorporation to ten years has been proposed.
- For better targeting of tax concessions and exemptions, the budget has proposed a capped deduction from capital gains on investment in **residential houses** under sections 54 and 54F to Rs 10 crore. Till now, there was no such limit and typically, high-net-worth individuals (HNIs) would utilize this avenue to reduce their Capital Gains tax liability.
- Additionally, the budget has proposed to levy tax on **insurance plans** issued on or after April 1, 2023, whose yearly premium is above Rs 5 lakh. If an investor is paying a premium of more than Rs 5 lakh for a savings life policy then, on maturity the income from the policy will be taxed. Till now, these insurance policies were added to the tax-free basket of investments. However, the new rules will not be implied on unit-linked insurance plans (ULIPs).
- **Other tax rationalization measures** include removal of minimum threshold of Rs 10000 for TDS and clarifying taxability relating to online gaming, not treating conversion of gold into electronic gold receipt and vice versa as capital gain, reduction of the TDS rate from 30% to 20% on taxable portion of EPF withdrawal and taxation on income from Market Linked Debentures (MLDs). Currently these MLDs are being taxed as long term capital gain at the rate of 10% without indexation. MLDs will be now be taxed as 'Short Term capital gains'; irrespective of the holding period or the tenure of the instrument.

- ✓ **Income taxes-** Budget 2020 introduced a simplified personal tax regime with effect from assessment year 2020-2021 with the objective of providing relief to taxpayers and simplifying the Income-tax law. However, since the savings under the scheme were not significant, there were not many takers for the scheme. The government has now proposed a revamp of the scheme to make it more attractive by increasing the basic exemption limit under this scheme from Rs 2.5 lakh to Rs 3 lakh and has also reduced the tax slabs to five as mentioned below

New Tax Slabs (INR)	%
0-3 Lakh	Nil
3-6 lakh	5%
6-9 lakh	10%
9-12 lakh	15%
12-15 lakh	20%
Above 15 lakh	30%

the benefit of standard deduction to the new tax regime has now been extended. In addition, each salaried person with an income of Rs 15.5 lakh or more will thus stand to benefit by Rs 52,500. Under the new tax regime, the surcharge rate has also been reduced from 37% to 25%. Lastly, the limit of Rs 3 lakh 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 Rs 30,000/- pm. In line with the increase in government salaries, the budget has increased this limit to Rs 25 lakh.

Sector	Key Announcements	Stocks to be watched
Cement	• PM Awas Yojana (affordable housing) outlay to be increased 3% from RE to INR 79,000 crore. It appears high optically but significantly lower (single digit) when compared to the revised base. Nevertheless, the allocation remains sizeable. • Capital Expenditure YOY increase of 33%. Effective Capex INR 13.7 lakh crore which would be 4.5% of GDP. • 50 additional airports, heliports, advanced landing ground for improved connectivity.	• General positive from demand side for the entire sector. • Announcements will further aid strong demand prospects in a pre-election year.
Capital Goods	• PM Awas Yojana (affordable housing) outlay to be increased 3% from RE to INR 79,000 crore. It appears high optically but significantly lower (single digit) when compared to the revised base. Nevertheless, the allocation remains sizeable. • Capital Expenditure YOY increase of 33%. Effective Capex INR 13.7 lakh crore which would be 4.5% of GDP. • 50 additional airports, heliports, advanced landing ground for improved connectivity.	• Thrust towards Railways continues; positive for likes of Siemens, ABB, CG Power, BHEL, Titagarh Wagons etc. • Positive for all electronics contract manufacturers (like Dixon, Amber, Kaynes, Syrma) on supply side as well demand side.
Real Estate	• For FY24E, allocation towards PM Awas Yojana has been increased by 3% from RE to INR 79,000cr. • It is proposed to cap deduction from capital gains on investment in residential house under sections 54 and 54F to INR 10cr. • It is proposed to make distributions made by the business trust to its unitholders by way of repayment of debt taxable in the hands of unitholders in case of REITs.	• Marginal positive for players in affordable housing • Marginal negative for the industry • Negative for REITs
Tourism/hospitality	• At least 50 destinations are proposed to be selected for tourism development with focus on both domestic and foreign tourists. Aspects such as physical connectivity, virtual connectivity, tourist guides, high standards for food streets and tourists' security, all the relevant aspects would be made available on an App to enhance tourist experience. It is proposed to set up 50 additional airports/heliports.	Long term positive for the sector
Logistics	• 100 critical transport infrastructure projects, for last and first mile connectivity for ports, coal, steel, fertilizer, and food grains sectors have been identified. They will be taken up on priority with investment of INR 75,000cr (INR 15,000cr from private sources). • Coastal shipping to be promoted for energy efficient and low cost transportation for passenger and freight through PPP and viability gap funding	Long term positive for the sector
Metal	• GoI's focus on infrastructure to continue; capital investment outlay to grow 33%; "Housing for all" outlay to grow 66% to 79kcr • Increase in the import duty on silver dore, bars and articles to align them with that on gold and platinum. **[Silver, gold and platinum to 10% from 12.5% but without any changes to the effective rate of customs duty]**	• Positive for steel sector companies • Neutral

Sector	Key Announcements	Stocks to be watched
Building Materials	• PM Awas Yojana (affordable housing) outlay to be increased 3% from RE to INR 790bn. • Increased allocation to PM Krishi Sichai Yojana FY24BE (budgeted allocation of INR 107 bn compared to INR 80bn FY23RE) • Reduction in duty on Heat Coil for use in the manufacture of Electric Kitchen Chimneys from 20% to 15% • Increase in duty on Electric Kitchen Chimney from 7.5% to 15%	• **Positive for Building materials companies (Tiles, Sanitaryware ,etc)** • Positive for Agri pipe demand, as the irrigation sector is the largest consumer of plastic pipes, accounting for 45-50% of the market. **Beneficiaries include Finolex Industries, Supreme Industries, and others.** • Importing heat coils for electric kitchen chimneys will allow domestic chimney manufacturers to obtain lower-cost raw materials. **Positive for Inflame Appliances.** • Because the majority of chimney players import their products from China, so increase in duty is a negative for them. However, this is a positive development for domestic manufacturers because it will make them more competitive with imports. **Negative for Stove Kraft and Sunflame (Recently acquired by V Guard) and Positive for Inflame Appliances.**
Financial Services	• Support to MSME sector continues; Govt. will infuse INR 9,000cr for ECLGS which will result in additional collateral-free guaranteed credit of INR 2 Lac cr. • Under the PM Awas Yojana, Govt. increased the allocation by 3% from RE to INR 79,000cr for both rural and urban locations under housing for all. To expand access to capital along with reduction in cost of intermediation, the Central govt will work with the financial sector regulators. • · Proceeds from traditional savings policies, which were previously tax exempt, will now be taxed for policies issued on or after 1st April, 2023 wherein the aggregate annual premium payments exceed a sum of INR 5 lac a year. • The budget also enhanced the attractiveness of the new tax regime vis-à-vis the old tax regime. There is now reduced incentive to purchase non-linked savings products for claiming deductions under the old tax regime. • Introduced a one-time new saving scheme, "Mahila Samman Savings Certificate", which will be available for a two year period up to March 2025. • This will offer deposits of INR 2 lac in the name of women or girls for a period of two years at fixed rate of 7.5%with a partial withdrawal facility. • To accelerate the business activities in GIFT IFSC, several few measures were taken: • Permitting acquisition financing by IFSC Banking Units of foreign banks • Establishing a subsidiary of EXIM Bank for trade re-financing • Amending IFSCA Act for statutory provisions for arbitration, ancillary services, and avoiding dual regulation under SEZ Act, and • Recognizing offshore derivative instruments as valid contracts. • Delegating powers under the SEZ Act to IFSCA to avoid dual regulation. • Setting up a single window IT system for registration and approval from IFSCA, SEZ authorities, GSTN, RBI, SEBI and IRDAI, 23 • Deposits limit for senior citizens saving schemes increased from INR 15 lac to INR 30 lac • MLD taxation has been increased from 10% to 30%. • MLD were a source of funding for NBFCs. Increased taxation on MLDs is likely to reduce attractiveness of the instrument for investors, which might reduce funding options for NBFCs.	• ICICI Bank, Bank of Baroda, City Union Bank, CSB , Shriram City Union, Bajaj Finance • Affordable HFCs like CanFin, Aavas, Home First and City Union Bank, Bandhan Bank, DCB, IndusInd Bank • Negative for all life insurance companies

Sector	Key Announcements	Stocks to be watched
Chemicals	• Increase in basic customs duty on Styrene from 2% to 2.5% • Increase in basic customs duty on Vinyl Chloride Monomer (VCM) from 2.% to 2.5% • Decrease in customs duty on Epichlorohydrin from 7.5% to 2.5% • Customs duty reduced to nill (from 5%) on Denatured ethyl alcohol for use in manufacture of industrial chemicals • Reduction in customs duty on Acid grade fluorspar (containing by weight more than 97% of calcium fluoride) from 5% to 2.5%	• Marginal positive for Styrenix Performance Materials Ltd/ Supreme Petrochem • Positive for BASF, Meghamani Fine Chem • Positive for Meghmani Finechem (only player in India to set up Epichlorohydrin facility) • Positive for Jubilant Ingrevia; Globus Spirit • Positive for SRF, Navin Flurorine, Gujaeat Fluorochem
Healthcare	• **Budget provisions related to healthcare sector** • Focus on establishing more nursing colleges, strengthening ICMR Labs, setting up a centre of excellence to boost pharma R&D and multidisciplinary courses for medical devices. • Budget expenditure allocation to Health and Family Welfare increased by 13% to INR86.18 thousand crore for FY23-24 from INR76.37 thousand crores (RE) for FY22-23.	• Impact on companies • Positive for Tarsons Products, Poly Medicure Ltd. • Positive for the sector in general

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