A Budget for Rural India
BUDGET 2018-19

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TATA CAPITAL
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Budget at a Glance- Quick Analysis

In Rs. Crores

Particulars	2016-2017 (Actuals)	2017-2018 (RE)	2018-2019 (BE)	Change over RE
Revenue Receipts	1374203	1505428	1725738	14.63%
Tax Revenue (net to centre)	1101372	1269454	1480649	16.64%
Non-Tax Revenue	272831	235974	245089	3.86%
Capital Receipts	600991	712322	716475	0.58%
Recovery of Loans	17630	17473	12199	-30.18%
Other Receipts	47743	100000	80000	-20.00%
Borrowings and other liabilities *	535618	594849	624276	4.95%
Total Receipts	1975194	2217750	2442213	10.12%
On Revenue Account	1690584	1944305	2141772	10.16%
Interest Payments	480714	530843	575795	8.47%
Grants in Aid for creation of capital assets	165733	189245	195345	3.22%
On Capital Account	284610	273445	300441	9.87%
Total Expenditure	1975194	2217750	2442213	10.12%
Revenue Deficit	316381 (2.1)	438877 (2.6)	416034 (2.2)	
Effective Revenue Deficit	150648 (1.0)	249632 (1.5)	220689 (2.2)	
Fiscal Deficit	535618 (3.5)	594849 (3.5)	624276 (3.3)	
Primary Deficit	54904 (0.4)	64006 (0.4)	48481 (0.3)	

Fiscal deficit is 3.5% of GDP at Rs 5.95 lakh crore in 2017-18. Projecting fiscal deficit to be 3.3% of GDP in the next fiscal

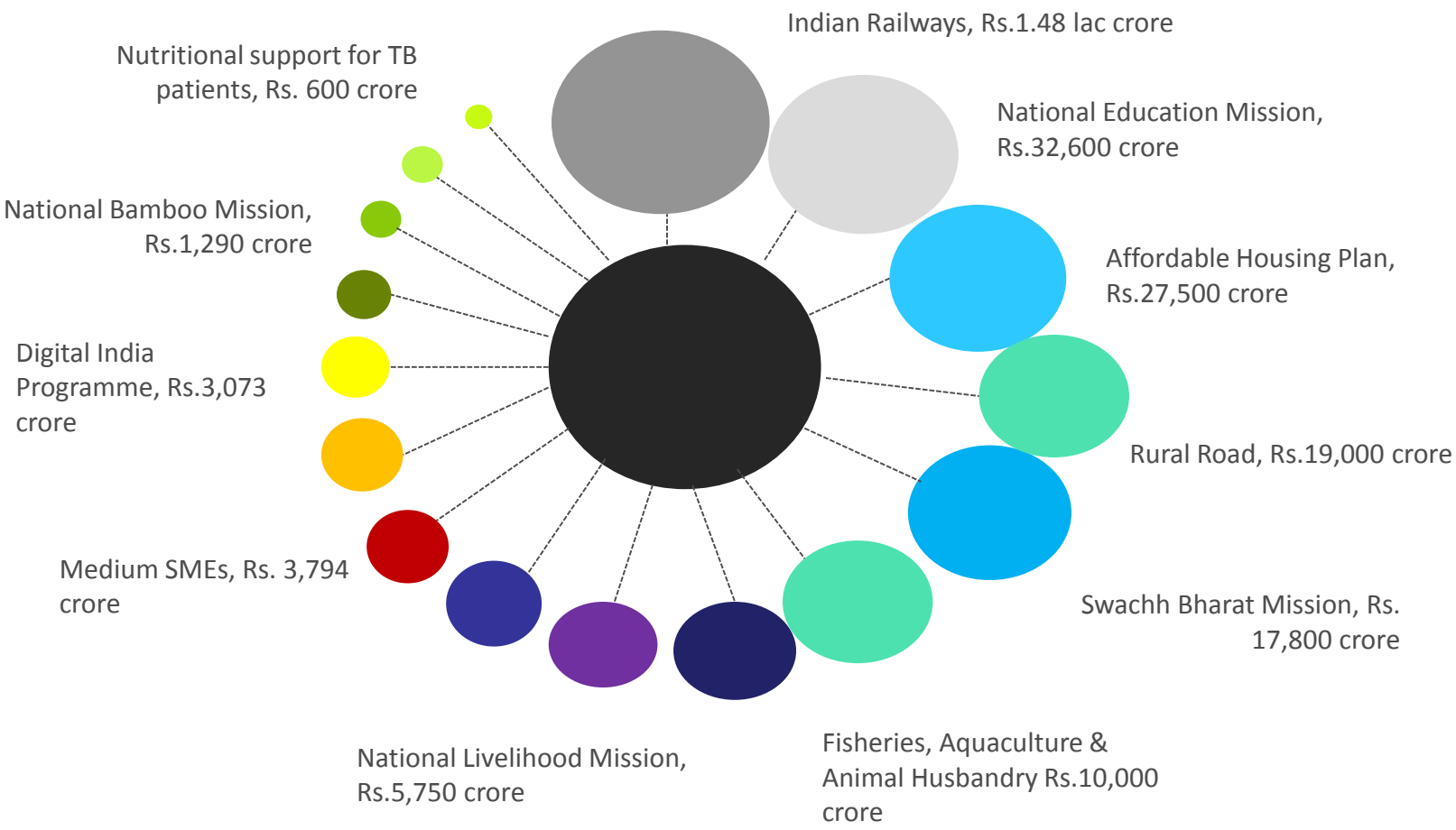
Fiscal Deficit for 2013-14 was 4.4% of GDP. Fiscal Deficit was brought down to 4.1% in 2014-15 to 3.9% in 2015-16, and to 3.5% in 2016-17.

FY19 revenue deficit pegged at 2.2% of GDP.

Budget Key Highlights

- Estimates 7.2% to 7.5% GDP growth in second half of current fiscal year
- Exports to grow by 17% in 2017-18
- Minimum support price of all crops to be increased to atleast 1.5 times of production cost
- Reduced corporate tax by 25% extended to cos with turnover of Rs 2.5 to benefit small, micro and medium enterprises
- Govt to provide free LPG connection to 80 million women under Ujjwala scheme, up from earlier target of 50 million
- National Insurance Co, Oriental Insurance Co and United Assurance Co to be merged into one entity and subsequently listed
- National Highways exceeding 9,000-km will be completed in 2018-19
- Govt to allocate Rs 7,140 crore for textiles sector in 2018-19
- Govt does not consider crypto-currency as legal; will take all measures against its illegal use
- Target for loan disbursement under Mudra scheme set at Rs 3 trillion for next fiscal
- Agriculture ministry will reorient ongoing programmes to promote cluster-based horticulture production
- Cooking gas being given free to poor under PMUY, 40 mn unconnected being provided electricity connection, stent prices slashed

Allocations of Important Ministries – Rural & Infra Focus



Check the impact on your pocket

What's Costlier?

Footwear

Laptop

Cars and Motorcycles

Cigarettes

Mobile phones

Television set

Gold and Silver

Perfumes, scent sprays

What's Cheaper?

LNG

Solar Panels

Cashews

Measures to overhaul the economy

Measures	Announcements
MSME and Employment	• Benefit of reduced 25% corporate tax rate extended to firms with turnover up to Rs. 250 crore • Online loan sanctioning to be revamped • To on board PSU banks on MSME bill discounting platform and link it with Goods & Service Tax Network • To announce proposal to effectively address NPAs of MSMEs • Mudra Yojana: Rs4.6 trillion has been sanctioned; to set up a target of Rs3 trillion under Mudra • Government to contribute 12% of new employees' EPF for three years • To reduce women's contribution to EPF to 8% for first three years of employment
Agriculture	• Fisheries and aquaculture, animal husbandry fund to be set up: corpus of Rs10,000 crore • Credit to agriculture targeted at Rs. 11 trillion-- a 10% rise over 2017-18 target • NITI Aayog to prepare an institutional mechanism to ensure farmers get benefit of support prices, either through procurement or paying them the difference between market prices and MSPs • Favourable taxation treatment to farmer produce organizations • To launch restructured National Bamboo Mission with Rs1,290 crore • Creation of Rs 2000 crore agriculture market infrastructure fund to connect 22,000 rural markets to the electronic national agriculture market (e-NAM) platform • A plan targeted at farmers to generate solar power and purchasing surplus electricity

Measures to overhaul the economy

Measures	Announcements
Infrastructure & Investments	• Government announced an allocation of Rs 5.97 lakh crore for 2018-19 for infra spending, up by over Rs 1 lakh crore from the ongoing fiscal. • National Highways exceeding 9,000 km will be completed in 2018-19 • NHAI would transfer the road projects into SPVs to use innovative structures such as infrastructure trusts for fund mobilization • For Indian Railways, the government has allocated capital expenditure of Rs 1,48,528 crore for 2018-19, and all trains will soon have state-of-the-art facilities such as WiFi and CCTVs. • Will add 90 km of tracks to Mumbal's local train network at Rs 11,000 crore to also allocate Rs 17,000 cr for Bengaluru metro network
Telecom	• Government proposes to set up 5 lakh wifi-hotspots that will provide internet to five crore rural citizens in 2018-19 • Government provided Rs10,000 crore for creation and augmentation of telecom infrastructure in 2018-19 • Department of Telecom will support the setting up of indigenous 5G center at IIT Chennai

Measures to overhaul the economy

Measures	Announcements
Education	• Scheme for revitalizing school infrastructure, with an allocation of Rs.1 trillion over four years . RISE - Revitalizing Infrastructure in School Education - scheme will be financed via a restructured higher education financing agency • Govt to launch PM's research fellows to identify 1,000 best BTech students • To start integrated B.Ed programme for teachers • To increase digital intensity in education; to move from black board to digital board • By 2022, every block with more than 50% ST population to have Ekalavya model residential school • To launch 'the revitalizing of infra and systems in education' with Rs1 trillion corpus
Health	• National health protection scheme to give Rs5 lakh a year health cover to 10 crore poor families under the largest such state funded scheme in the world • As per the national health policy 2017, health and wellness centres will be launched. Around 1.5 lakh centres will provide free essential drugs, maternal and child services. The finance ministry allocated Rs1,200 crore for this flagship programme. • Tuberculosis: to allocate Rs600 crore to give nutritional support to all TB patients • To set up 24 new govt medical colleges and hospitals by upgrading existing district hospitals • SCs and STs: To increase allocation in programmes to Rs56,600 crore and Rs39,100 crore respectively • 1.5 lakh health centres to provide comprehensive healthcare; committing Rs1,200 crore

Impact on Investors

TATA

Debt

- Considering the four potential sources of uncertainties viz. Fed Rate Hikes, upswing in commodity prices; specifically oil, rising inflation amid geo political tensions, the focus continues to remain on macro stability.
- Government bond yields reacted negatively after the Finance Minister projected a Fiscal Deficit of 3.3% of GDP for the year 2018-19. The Revised Fiscal Deficit estimates for 2017-18 were put at Rs 5.95 lakh crore at 3.5% of GDP.
- As visibility of further rate cuts diminishes, it would be prudent to remain at the shorter/medium end of the curve.

Equity

- The last full Budget of the present government, presented by Finance Minister Arun Jaitley, disappointed the middle-class by not announcing any changes in the income tax slab while choosing to dedicate the fiscal space to farmers, poor, rural population and small businesses. It also proposed to provide housing to all poor in the country by 2022.
- The FM levied 10% tax on Long Term Capital Gains (LTCG) exceeding Rs 1 lakh, without allowing any indexation benefit. However, all gains up to 31 January 2018 will be grandfathered. Proposed to introduce tax on distributed income by equity oriented mutual funds at the rate of 10%. Proposed to increase cess on personal income tax and corporation tax to 4% from present 3%. The Budget has taken India's middle class out of equation and was a disappointment for investors.
- While, the impact of 2018 budget is positive for Agriculture and Food Processing sector, Infrastructure sector, Affordable housing sector, Health insurance industry and the textile sector.
- The Budget was targeted at the farming community and rural India, there was not too much in it for either the middle class or the investing class or indeed corporate India. Going forward, we believe Equity markets are expected to track earnings recovery post GST impact and sustained recovery in macro indicators to take further direction.

Tax Measures

- Long-term capital gains on listed equity shares exceeding Rs. 1 lac to be taxed at 10%; gains grandfathered till 31 January 2018.

- Introduced Dividend Distribution Tax (DDT) on equity oriented mutual fund at the rate of 10%.

- Budget 2018 announced to hike the cess on income tax from current 3% to 4% thereby increasing the tax payable by all categories of tax payers.

- Higher medical reimbursement and travel allowance limit at Rs. 40,000 for salaried taxpayers.

- Salaried taxpayers: no changes to I-T structure for individuals.

- **Relief To Senior Citizens**
- Exemption of interest income on deposits with banks and post offices to be increased from Rs. 10,000 to Rs. 50,000.

- Hike in deduction limit for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D.

- Increase in deduction limit for medical expenditure for certain critical illness from Rs. 60,000 (in case of senior citizens) and from Rs. 80,000 (in case of very senior citizens) to Rs. 1 lakh for all senior citizens, under section 80DDB.

- Proposed to extend Pradhan Mantri Vaya Vandana Yojana up to March, 2020. Current investment limit proposed to be increased to Rs. 15 lakh from the existing limit of Rs. 7.5 lakh per senior citizen.

Tax Savings Scenarios for Individuals

Budget 2018 hikes cess on income tax to 4% from 3%: Here's how much you will pay more

Resident individual below the age of 60 years				
Net Income range	**Income tax rates and CESS**	**Net Taxable Income**	**Post Budget Tax Liability**	**Increase in Tax due to CESS**
Upto Rs. 2.5 lacs	Nil	Rs. 2.5 lacs	-	-
Above Rs. 2.5 lacs – Rs. 5 lacs	5% of (total income minus Rs. 2.5 lacs) + 4% CESS	Rs. 5 lacs	Rs. 13,000	Rs. 125
Above Rs. 5 lacs – Rs. 10 lacs	Rs. 12,500 + 20% of (total income minus Rs. 5 lacs) + 4% CESS	Rs. 10 lacs	Rs. 1,17,000	Rs. 1,125
Above Rs. 10 lacs	Rs. 1,12,500 + 30% of (total income minus Rs. 10 lacs) + 4% CESS	Rs. 15 lacs*	Rs. 2,73,000	Rs. 2,625

* Assumed Rs. 15 lac as income for highest tax bracket

Tax Savings Scenarios for Individuals

Budget 2018 hikes cess on income tax to 4% from 3%: Here's how much you will pay more

Resident individual 60 years or above but below 80 years				
Net Income range	**Income tax rates and CESS**	**Net Taxable Income**	**Post Budget Tax Liability**	**Increase in Tax due to CESS**
Upto Rs. 3 lacs	Nil	Rs. 3 lacs	-	-
Above Rs. 3 lacs – Rs. 5 lacs	5% of (total income minus Rs. 3 lacs) + 4% CESS	Rs. 5 lacs	Rs. 10,400	Rs. 100
Above Rs. 5 lacs – Rs. 10 lacs	Rs. 10,000 + 20% of (total income minus Rs. 5 lacs) + 4% CESS	Rs. 10 lacs	Rs. 1,14,400	Rs. 1,100
Above Rs. 10 lacs	Rs. 1,10,000 + 30% of (total income minus Rs. 10 lacs) + 4% CESS	Rs. 15 lacs*	Rs. 2,70,400	Rs. 2,600

* Assumed Rs. 15 lac as income for highest tax bracket

Tax Savings Scenarios for Individuals

Budget 2018 hikes cess on income tax to 4% from 3%: Here's how much you will pay more

Resident individual 80 years and above				
Net Income range	**Income tax rates and CESS**	**Net Taxable Income**	**Post Budget Tax Liability**	**Increase in Tax due to CESS**
Upto Rs. 5 lacs	Nil	Rs. 5 lacs	-	-
Rs. 5 lacs – Rs. 10 lacs	20% of (total income minus Rs. 5 lacs) + 4% CESS	Rs. 10 lacs	Rs. 1,04,000	Rs. 1,000
Above Rs. 10 lacs	Rs. 1,00,000 + 30% of (total income minus Rs. 10 lacs) + 4% CESS	Rs. 15 lacs*	Rs. 2,60,000	Rs. 2,500

* Assumed Rs. 15 lac as income for highest tax bracket

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