

**Trade**



**Nivesh**

*Nivesh in Safe Hands*

**2017 budget**

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# BUDGET 2017

The 2017 Union Budget, presented by Finance Minister Arun Jaitley on Wednesday, 01 FEBRUARY 2017, was broadly focused on 10 themes — the farming sector, the rural population, the youth, the poor and underprivileged health care, infrastructure, the financial sector for stronger institutions, speedy accountability, public services, prudent fiscal management and tax administration for the honest. This report is focused on detailed summary and sector wise impact on market after Budget announcement.

Key points from budget are summarized below.

## **KEY POINTERS:**

- ◆ **Reduce existing tax rate for income of Rs 2.5-5 lakhs to 5% from 10%, says FM**
- ◆ **Maximum cash donation receivable by political party from one source at Rs 2,000, says FM**
- ◆ **Propose carry-forward of MAT to 15 years from 10 years, says FM**
- ◆ **Propose to make changes in capital gains tax for housing, says FM**
- ◆ **Peg fiscal deficit for 2017-18 at 3.2%, in-line with market expectations, says FM**
- ◆ **Govt raises allocation for MNREGA from Rs 38500 cr in FY17 to Rs 48000 cr in FY18, says FM**
- ◆ **Net borrowing limited to Rs 3.48 lk cr, says FM**
- ◆ **Govt doubles lending target of banks to Rs 2.44 lakh cr**
- ◆ **Allocation of capital expenditure up 25% YoY, says FM**

# SECTORAL IMPACT

SECTOR	ABSTRACT FROM BUDGT ANNOUNCEMENT	IMPACT	SOME COMPANIES OF SECTOR
<b>INFRASTRUCTURE</b>	GOVT TRYING TO EXPAND AIRPORT CAPACITY OVER NEXT 10-15 YEARS, WITH PARTICIPATION OF PRIVATE SECTOR	POSITIVE	LARSEN
	INCREASED ALLOCATION FOR INFRASTRUCTURE		ADANI PORTS
	ATLEAST 25 STATIONS RE-DEVELOPMENT CONTRACTS WILL BE AWARDED IN 2017-18		
	GOVT DOUBLES LENDING TARGET OF BANKS TO RS 2.44 LAKH CR		
	GOVT ALLOCATED RS 3.96 LAKH CR FOR INFRASTRUCTURE, ANNOUNCES A NEW TRADE INFRASTRUCTURE EXPORT SCHEME		
<b>POWER - GENERATION &amp; DISTRIBUTION</b>	COUNTERVAILING DUTY ON MACHINERY FOR RENEWABLE ENERGY CUT TO 6%	POSITIVE	NTPC
	FOCUS ON SOLAR CONTINUES AS 7000 STATIONS TO BE SOLAR POWERED		POWER GRID CORP
	GOVT TO TAKE UP SECOND PHASE OF SOLAR POWER DEVELOPMENT FOR ADDITIONAL 20,000 MW		NHPC
<b>POWER - TRANSMISSION &amp; EQUIPMENT</b>	GOVT TO ACHIEVE 100% RURAL ELECTRIFICATION BY MAY 1, 2018	POSITIVE	GE T&D INDIA
			KALPATARU POWER
			GE POWER INDIA
<b>CIGARETTES</b>	GOVT HIKES EXCISE DUTY ON VARIOUS LENGTHS OF CIGARETTES BY 2.5% & 6%	NEGATIVE	ITC
			GODFRY PHILIP
			VST
<b>CEMENT</b>	GOVT ALLOCATED RS 3.96 LAKH CR FOR INFRASTRUCTURE	POSITIVE	ULTRA TECH CEMENT
			SHREE CEMENTS
			AMBUJA CEMENTS

# SECTORAL IMPACT

REAL ESTATE	GOVT PROPOSES TO MAKE CHANGES IN CAPITAL GAINS TAX FOR HOUSING	POSITIVE	DLF
	GOVT DOUBLES LENDING TARGET OF BANKS TO RS 2.44 LAKH CR		OBEROI REALTY
	AFFORDABLE HOUSING TO BE GIVEN INFRA STATUS		GODREJ PROP
	RE-FINANCING OF HOUSING LOANS TO GIVE IMPETUS TO REAL ESTATE SECTOR		
RETAIL	GOVT REDUCES EXISTING TAX RATE FOR PERSONAL INCOME OF RS 2.5-5 LAKH TO 5% FROM 10%	POSITIVE	ADITYA BIRLA FASHION.
			TRENT
			FUTURE RETAIL
ENGINEERING	GOVT PROPOSES TO INVEST RS 1.31 LAKH CR IN RAILWAYS IN 2017-18	POSITIVE	QUESS CORP
			SHANTHI GEARS
			LG BALAKRISHNAN
REFINERIES	GOVT CUTS BASIC CUSTOMS DUTY ON LNG TO 2.5% FROM 5%	POSITIVE	RELIANCE
	GOVT PROPOSES TO CREATE INTEGRATED PSU OIL MAJOR		ONGC
			IOC
TEXTILES	GOVT PROPOSES CARRY-FORWARD OF MAT TO 15 YEARS FROM 10 YEARS	POSITIVE	BOMBAY RAYON
	ECONOMIC SURVEY: RS 6,000CR ANNOUNCED TO BOOST EMPLOYMENT & EXPORTS IN APPARELS INDUSTRIES		SUTLEJ TEXTILES
			GARWARE WALL

# SECTORAL IMPACT

<b>HOUSING</b>	INSTEAD OF BUILD-UP AREA, CARPET AREA WILL BE COUNT-ED FOR AFFORDABLE HOUSING	POSITIVE	ASHIANA HOUSING
	GOVT PROPOSES TO FINISH 1 CR HOUSES BY 2019 FOR THOSE LIV-ING IN KACHCHA HOUSES		NILA INFRA
	ECONOMIC SURVEY: OVER RS 16,000 CR MADE AVAILABLE TO SELF-HELP GROUPS		PENINSULA LAND
<b>BANKS - PUBLIC SECTOR</b>	RESOLUTION OF FINANCIAL FIRMS AMENDMENTS TO HELP BANKING SECTOR	POSITIVE	SBI
	GOVT ALLOCATED RS 10,000 CR FOR RECAPITALISATION OF PSU BANKS		BANK OF BARODA
			PNB
<b>ELECTRICALS</b>	DEFENCE EXPENDITURE EX-CLUDING PENSION AT RS 2.74 LAKH CR	POSITIVE	BHARAT ELEC
			CG CONSUMER
			GENUS POWER
<b>OIL DRILLING AND EXPLORATION</b>	GOVT TO SET-UP NEW CRUDE OIL RESERVES	POSITIVE	ONGC
			GAIL
			CAIRN INDIA
<b>TRANSPORT &amp; LO-GISTICS</b>	TRANSPORT SECTOR ALLOCAT-ED RS 2.41 LAKH CR	POSITIVE	INTERGLOBE AVIA-TION
			CONTAINER CORP
			AEGIS LOGISTICS
<b>CONSTRUCTION &amp; CONTRACTING - CIVIL</b>	NATIONAL HIGHWAY ALLOCA-TION AT RS 64,000 CR	POSITIVE	NCC
			HCC
			ASHOKA BUILDCON
<b>HOSPITALS &amp; MED-ICAL SERVICES</b>	NEW RULES FOR PRICING MEDI-CAL DEVICES SHOULD BENEFIT COMMON MAN	NEGATIVE	APOLLO HOSPITAL
			FORTIS HEALTH
			NARAYANA HRUDA
<b>PERSONAL CARE</b>	GOVT RAISES ALLOCATION FOR MNREGA FROM RS 38500 CR IN FY17 TO RS 48000 CR IN FY18	POSITIVE	HUL
			GODREJ CONSUMER
			DABUR INDIA

# SECTORAL IMPACT

<b>COMPUTERS - SOFTWARE - TRAINING</b>	GOVT HIKED ALLOCATION FOR WOMEN SKILL DEVELOPMENT TO RS 1.84 LAKH CR IN FY18	POSITIVE	ZEE LEARN
	GOVT TO SET UP 100 INDIA-INTERNATIONAL SKILL CENTRES		NIIT
	GOVT TO CREATE INNOVATION FUND FOR SECONDARY EDUCATION		
	GOVT TO UNDERTAKE REFORMS IN UGC TO IMPROVE HIGHER EDUCATION		APTECH
<b>HOTELS</b>	5 SPECIAL TOURISM ZONES TO BE SET UP IN PARTNERSHIP WITH STATES	POSITIVE	INDIAN HOTELS
			EIH
			MAHINDRA HOLIDAY
<b>FOOD PROCESSING</b>	GOVT TO SET UP DAIRY PROCESSING FUND	POSITIVE	NESTLE
			BRITANNIA
			GLAXOSMITH CON
<b>PLASTICS</b>	LONG-TERM IRRIGATION FUND SET UP IN NABARD, ADDITIONAL CORPUS RS 20,000 CR	POSITIVE	SUPREME IND
			ASTRAL POLY TEC
			JAIN IRRIG (D)
<b>FERTILISERS</b>	GOVT WILL TAKE STEPS TO MAKE SURE FARMERS GET BETTER PRICES FOR HARVEST	POSITIVE	COROMANDEL INT
	GOVT COMMITTED TO DOUBLE FARMER INCOME IN FIVE YEARS		GSFC
	ECONOMIC SURVEY: FOCUS OF GOVT HAS BEEN HOLISTIC DEVELOPMENT OF AGRICULTURE		GNFC
<b>AUTO - TRACTORS</b>	GOVT COMMITTED TO DOUBLE FARMER INCOME IN FIVE YEARS	POSITIVE	HMT
			ESCORTS
			VST TILLERS
<b>ELECTRIC EQUIPMENT</b>	ECONOMIC SURVEY: OVER 20CR LED BULBS HAVE BEEN ISSUED VIA UJJWALA YOJAN	POSITIVE	HAVELLS INDIA
			CROMPTON GREAVE
			TECHNO ELECTRIC

Following are the highlights of Mr. Jaitley's Budget speech:

## **DEMONETISATION:**

1. Demonetisation is expected to have a transient impact on the economy.
2. It will have a great impact on the economy and lives of people .
3. Demonetisation is a bold and decisive measure that will lead to higher GDP growth.
4. The effects of demonetisation will not spillover to the next fiscal.

## **AGRICULTURE SECTOR:**

1. Sowing farmers should feel secure against natural calamities.
2. A sum of Rs. 10 lakh crore is allocated as credit to farmers, with 60 days interest waiver.
3. NABARD fund will be increased to Rs. 40,000 crore.
4. Government will set up mini labs in Krishi Vigyan Kendras for soil testing.
5. A dedicated micro irrigation fund will be set up for NABARD with Rs 5,000 crore initial corpus.
6. Irrigation corpus increased from Rs 20,000 crore to Rs 40,000 crore.
7. Dairy processing infrastructure fund will be initially created with a corpus of Rs. 2000 crore.
8. Issuance of soil cards has gained momentum.
9. A model law on contract farming will be prepared and shared with the States.

# RURAL POPULATION/YOUTH

## RURAL POPULATION:

1. The government targets to bring 1 crore households out of poverty by 2019.
2. During 2017-18, five lakh farm ponds will be taken up under the MGNREGA.
3. Over Rs 3 lakh crore will be spent for rural India. MGNREGA to double farmers' income.
4. Will take steps to ensure participation of women in MGNREGA up to 55%.
5. Space technology will be used in a big way to ensure MGNREGA works.
6. The government proposes to complete 1 crore houses for those without homes.
7. Will allocate Rs. 19,000 crore for Pradhan Mantri Gram Sadak Yojana in 2017-18.
8. The country well on way to achieve 100% rural electrification by March 2018.
9. Swachh Bharat mission has made tremendous progress; sanitation coverage has gone up from 42% in Oct 13 to 60% now.

## FOR YOUTH:

1. Will introduce a system of measuring annual learning outcomes and come out with an innovation fund for secondary education.
2. Focus will be on 3,479 educationally-backward blocks.
3. Colleges will be identified based on accreditation.
4. Skill India mission was launched to maximise potential. Will set up 100 India International centres across the country.
5. Courses on foreign languages will be introduced.
6. Will take steps to create 5000 PG seats per annum.



## ENERGY SECTOR:

1. A strategic policy for crude reserves will be set up
2. Rs. 1.26,000 cr for energy production-based investments received
3. Trade infra export scheme will be launched 2017-18.

## FOR THE POOR AND HEALTH CARE:

1. Rs. 500 crore allocated for Mahila Shakthi Kendras.
2. Under a nationwide scheme for pregnant women, Rs. 6000 will be transferred to each person.
3. A sum of Rs. 1,84,632 crore allocated for women and children.
4. Affordable housing will be given infrastructure status.
5. Owing to surplus liquidity, banks have started reducing lending rates for housing.
6. Elimination of tuberculosis by 2025 targeted.
7. Health sub centres, numbering 1.5 lakh, will be transformed into health wellness centres.
8. Two AIIMS will be set up in Jharkhand and Gujarat.
9. Will undertake structural transformation of the regulator framework for medical education.
10. Allocation for Scheduled Castes is Rs. 52,393 crore
11. Aadhaar-based smartcards will be issued to senior citizens to monitor health.

## FINANCIAL SECTOR:

1. FDI policy reforms - more than 90% of FDI inflows are now automated.
2. Shares of Railway PSE like IRCTC would be listed on stock exchanges.
3. Bill on resolution of financial firms to be introduced in this session of parliament.
4. Decided to abolish FIPB in 2017-18.
5. Foreign Investment Promotion Board to be abolished.
6. Revised mechanism to ensure time bound listing of CPSEs
7. Computer emergency response team for financial sector to be formed.
8. Pradhan Mantri Mudra Yojana lending target at Rs 2.44 lakh crore for 2017-18
9. Digital India - Bhim app will unleash mobile phone revolution - two new schemes to promote the app.
10. Govt to introduce two new schemes to promote BHIM App - referral bonus for users and cash back for traders: FM.
11. Negotiable Instruments Act might be amended.
12. DBT to LPG consumers , Chandigarh is kerosene free, 84 govt schemes are on the DBT platform.
13. Head post office as the central office for rendering passport services
14. Easy online booking system for Army, defence personnel
15. For big-time offences - including economic offenders fleeing India, the govt. will introduce a legislative change or new law to confiscate the assets of these people within the country.

## INFRASTRUCTURE; RAILWAYS:

1. A total allocation of Rs. 39,61,354 crore has been made.
2. Total allocation for Railways is Rs. 1,31,000 crore.
3. No service charge on tickets booked through IRCTC.
4. Raksha coach with a corpus of Rs. 1 lakh crore for five years (for passenger safety).
5. Unmanned level crossings will be eliminated by 2020.
6. 3,500 km of railway lines to be commissioned this year up from 2,800 km last year.
7. SMS-based "clean my coach service" is put in place.
8. Coach mitra facility will be introduced to register all coach related complaints.
9. By 2019 all trains will have bio-toilets.
10. Five-hundred stations will be made differently-abled friendly.
11. Railways to partner with logistics players for front-end and back-end solutions for select commodities.
12. Railways will offer competitive ticket booking facility
13. Rs. 64,000 crore allocated for highways.
14. High speed Internet to be allocated to 1,50,000 gram panchayats
15. New Metro rail policy will be announced with new modes of financing

# FISCAL SITUATION/POLITICAL PARTIES

## FISCAL SITUATION:

1. Total expenditure - Rs. 21, 47,000 crore
2. Abolition on plan, non-plan expenditure, focus on capital expenditure ( Capital expenditure will be 25.4 per cent)
3. Rs. 3,000 crore under Dept of Economic Affairs for implementing Budget announcements.
4. Defence expenditure, excluding pension, at Rs 2,74,114 crore
5. Expenditure in science and technology — Rs. 37,435 crore
6. Total resources transferred to States and UTs is Rs 4.11 lakh crore
7. Recommended 3% fiscal deficit for three years with deviation of 0.5% of GDP.
8. Revenue deficit - 1.9 %
9. Pegged fiscal deficit of 2017-18 at 3.2% of GDP and remain committed to achieving 3% in the next year.

## ON FUNDING OF POLITICAL PARTIES:

1. Maximum amount of cash donation for political parties will be Rs 2,000 from any one source from Rs 20,000
2. Political parties will be entitled to receive donations by cheque or digital mode from donors.
3. Amendment is being proposed to RBI Act to enable issuance of electoral bonds that government will scheme. Donor can purchase these bonds from banks or post office via cheque or digital transactions. They can be redeemed only by registered political parties.

# TAX PROPOSALS

## TAX PROPOSALS:

1. Proportion of direct tax to indirect tax is not optimal.
2. 1.95 crore individuals showed income between Rs 2.5 lakh to Rs 5 lakh.
3. Out of 76 lakh individual assessee declaring income more than Rs 5 lakh, 56 lakh are salaried.
4. Only 1.72 lakh people showed income of more than Rs 50 lakh a year.
5. Between Nov 8 to Dec 30: Deposits between Rs 2 lakh and Rs 80 lakh was made in 1.09 crore accounts.
6. Net tax revenue of 2013-14 was Rs 11.38 lakh crore.
7. Out of 76 lakh individual assessee declaring income more than Rs 5 lakh, 56 lakh are salaried.
8. 1.95 crore individuals showed income between Rs 2.5 lakh to Rs 5 lakh.
9. Rate of growth of advance tax in Personal I-T is 34.8% in last three quarters of this financial year.
10. Holding period for long term capital gain lowered to 2 years
11. Propose to have carry-forward of MAT for 15 years.
12. Capital gains tax to be exempted for persons holding land from which land was pooled for creation of state capital of Telangana.
13. Corporate tax: In order to make MSME companies more viable, propose to reduce tax for small companies of turnover of up to 16. Rs 50 crore to 25%. About 67 lakh companies fall in this category. 96% of companies to get this benefit.
14. Propose to reduce basic customs duty for LNG to 2.5% from 5%
15. SIT on black money suggested no cash transactions of more than Rs 3 lakh. Govt has accepted this proposal.
16. Income Tax Act to be amended. No transaction above Rs 3 lakh to be permitted in cash.
17. Limit of cash donation by charitable trust reduced to Rs 2,000 from Rs 10,000.
18. Net revenue loss in direct tax could be Rs. 20,000 crore.
19. India's tax to GDP ratio is not favourable.
20. Out of 13.14 lakh registered companies, only 5.97 lakh companies have filed returns for 2016-17.

# PERSONAL INCOME TAX

## PERSONAL INCOME TAX:

1. Existing rate of tax for individuals between Rs. 2.5- Rs 5 lakh reduced to 5% from 10%
2. All other categories of tax payers in subsequent brackets will get benefit of Rs 12,500.
3. Simple one page return for people with annual income of Rs. 5 lakh other than business income.
4. People filing I-T returns for the first time will not come under govt. scrutiny.
5. 10% surcharge on individual income above Rs. 50 lakh and up to Rs 1 crore to make up for Rs 15,000 crore loss due to cut in personal I-T rate. 15 surcharge on individual income above Rs. 1 crore to remain.

Income	Tax rate
<b>Individual tax payers</b>	
Up to Rs 2,50,000	No tax
Rs 2,50,001 to Rs 5,00,000	0.05
Rs 5,00,001 – 10,00,000	0.2
More than Rs 10,00,000	0.3
<b>Senior citizens who are 60 years old and above but less than 80 years</b>	
Up to Rs 3,00,000	No tax
Rs 3,00,001 to Rs 5,00,000	0.05
Rs 5,00,001 to Rs 10,00,000	0.2
More than Rs 10,00,000	0.3
<b>Senior Citizens who are 80 years old and above</b>	
Up to Rs 5,00,000	No tax
Rs 5,00,001 to Rs 10,00,000	0.2
More than Rs 10,00,000	0.3
(Surcharge of 10 per cent on income of all individuals above Rs 50 lakh and less than Rs 1 crore and surcharge of 15 per cent on income above Rs 1 crore).	

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