



July 24, 2024 – Wednesday

Key Developments

Budget at a Glance: From changes in income tax rates to major reforms

The FM presented the Budget for the seventh straight time and highlighted the Modi government's nine priorities that are crucial for transforming India into a developed country by 2047.

Key Announcements:

Boosting Employment via 'Employment Linked Incentive'

- Direct Benefit Transfer of one-month salary for first-time employees, as registered in the EPFO, up to Rs 15,000 with an eligibility limit of salary of Rs 1 lakh a month. Total outlay of Rs 23,000 crores provided
- Employers with a 3-year track record of EPFO contribution must hire at least 50 employees or 25% of previous years' workforce (all new to the workforce), whichever is lower, to avail of the incentive which will be partly shared with the employee over the period of 4 years
- Reimbursement to employers of Rs 3000 per month for 2 years towards EPFO contribution for each additional employee within a salary of Rs 1 lakh per month
- Reimbursements to be provided to the employer every quarter if job creation exceeds 1,000 jobs

Skill enhancement

- Model Skill Loan Scheme will be revised to facilitate loans up to Rs 7.5 lakh with a guarantee from a government-promoted fund
- Financial support for loans will be provided up to Rs 10 lakh for higher education in domestic institutions
- Following 2 schemes have been launched: Skilling Programme and Upgradation of Industrial Training Institutes and Internship in Top Companies

Agriculture and Allied sectors

- Provision of Rs 1.52 lakh crore for agriculture and allied sector
- Release of new 109 high-yielding and climate-resilient varieties of 32 field and horticulture crops

MSMEs

- Credit guarantee scheme facilitating term loans to MSMEs for the purchase of machinery and equipment without collateral or thirdparty guarantee
- The limit of the 'Tarun' category of Mudra loan is increased from Rs 10 lakhs to Rs 20 lakhs for the entrepreneurs who have repaid their loan
- The onboarding Turnover floor for TReDS platform revised downward to Rs 250 crore from Rs 500 crore

Infrastructure and Housing

- Strong capex support over the next 5 years with current year provision for Rs 11.11 lakh crore (around 3.4% of GDP). Provision of Rs 1.5 lakh crore for long-term interest free loans to support the states in their resource allocation for infrastructure needs

Taxes on Income

- Under the new tax regime, 2 tax slabs have been revised. Income range of Rs 6 to 7 lakhs will now be taxed at 5% in place of the earlier 10% and Income Range of Rs 9 lakhs to 10 lakhs will now be taxed at 10% in place of the earlier 15%
- Under the new tax regime, the Standard deduction for salaried employees is to be increased from Rs 50,000 to Rs 75,000. Deduction on family pension for pensioners to be enhanced from Rs 15,000 to Rs 25,000

Taxes on Assets

- Abolition of Angel tax for all classes of investors
- Short-term gains on certain financial assets to attract a tax rate of 20%, while all other financial assets and all non-financial assets are to be taxed at an applicable tax rate
- Long-term gains on all financial and non-financial assets to attract a tax rate of 12.5%. The limit of exemption of capital gains on certain financial assets is increased to Rs 1.25 lakh per year

State-specific allocations

- Provision of Rs 26,000 crore to support road connectivity projects in Bihar
- Power plant projects in Bihar, including setting up of a new 2400 MW power plant, to be taken up for Rs 21,400 crore
- Rs 15,000 crore to be arranged for Andhra Pradesh via multilateral agencies

Major Custom Duties Revisions

- Reduction on duties on mobile phone, mobile PCBA and chargers to 15%
- Custom duties on Gold and Silver to be reduced to 6% and on platinum to 6.4%

Fiscal Math

- FY25 fiscal deficit budgeted at 4.9% of GDP, lower than interim budget (5.1%) and FY24 (5.6%). Govt aims for deficit below 4.5% in FY26
- Gross market borrowings budgeted at Rs 14.0 trillion for FY25, 9% lower than FY24 (also 1% lower than interim budget)
- Net market borrowings budgeted at Rs 11.6 trillion, 1% lower than FY24 (also 1% lower than interim budget)

<https://economictimes.indiatimes.com/news/economy/policy/union-budget-2024-at-a-glance-what-is-it-how-to-download-budget-pdf-features-budget-at-a-glance-from-income-tax-rates-to-major-reforms-heres-a-simplified-guide-to-budget-2024/articleshow/111943456.cms?from=mdr>

Economy

Focus is on creating jobs, giving a lift to small biz & middle class: Nirmala Sitharaman

Employment, skilling, small businesses and middle class are the primary focus of the budget, finance minister Nirmala Sitharaman said. In a post-budget media briefing, the minister spoke about the government's attempts to simplify the tax regime and spur job creation. Edited excerpts:

<https://economictimes.indiatimes.com/news/economy/policy/focus-is-on-creating-jobs-giving-a-lift-to-small-biz-middle-class-nirmala-sitharaman/articleshow/111969532.cms>

Banking and Finance

Revenue expenditure raised, capex remains untouched

Using the excess dividend from the Reserve Bank of India (RBI), the full FY25 Budget increased revenue expenditure by Rs 54,744 crore to Rs 37.09 trillion from the Interim Budget, while keeping the capital expenditure estimate unchanged at Rs 11.1 trillion. "Increased degree of freedom amid RBI's excess dividend bonanza of 0.4 per cent of GDP has been partly used to correct the fiscal path faster, while revenue expenditure allocations have increased by 0.2 per cent of GDP, in improving labour and skill development and health (which will improve human capital later), along with higher transfers to states (led by Bihar and Andhra Pradesh)," Madhavi Arora, lead economist at Emkay Global Financial Services, said.

https://www.business-standard.com/budget/news/budget-2024-raises-revenue-expenditure-for-fy25-keeps-capex-unchanged-124072301354_1.html

Appliances and consumer electronic industry hailed the Union Budget, saying moves such as duty waiver on critical materials for strengthening semiconductor ecosystem, additional three crore houses under PM Awas Yojana, and focus on energy transition would drive growth for the sector. With a vision to invigorate the manufacturing sector through various PLI (production linked incentive) schemes, this budget connects these initiatives directly to employment growth, said the Consumer Electronics and Appliances Manufacturers Association (CEAMA).

<https://economictimes.indiatimes.com/industry/cons-products/durables/budget-measures-to-enhance-competitiveness-in-domestic-export-markets-consumer-electronics-players/articleshow/111968020.cms>

Price tags get heavier for luxe products

Luxury products such as watches, handbags, and high-end televisions are set to get costlier with the government proposing to levy 1% tax collected at source (TCS) on notified goods of value priced at more than ₹10 lakh. The tax is, however, unlikely to dent demand as these products are largely bought by well-heeled consumers, according to retailers and market experts. Noting that there has been a surge in spending on luxury items by high-net-worth individuals, the government said the step has been taken for properly tracking such high-value expenses, and to widen and deepen the tax net. The amendment will take effect from January 1.

<https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-/jewellery/budget-news-tax-on-luxury-items-price-tags-get-heavier-for-luxe-products/articleshow/111969342.cms>

Infrastructure

Allocation to NHAI retained at ₹1.68 lakh crore for FY25

Finance Minister Nirmala Sitharaman on Tuesday retained the allocation to the state-owned National Highways Authority of India (NHAI) at ₹1.68 lakh crore for 2024-25. The Budget 2024-25 also retained the outlay of ₹2.78 lakh crore for the highways sector. The pre-election Budget 2024-25 document also had an outlay of ₹2.78 lakh crore for the highways sector.

<https://www.thehindubusinessline.com/economy/logistics/budget-2024-allocation-to-nhai-retained-at-168-lakh-crore-for-fy25/article68436328.ece>

Energy

Govt retains 14 pc rise in capital investment of Rs 67,000 cr by 8 power PSUs in FY25

The government in the Budget presented on Tuesday retained nearly 14 per cent rise in capital investment of Rs 67,286.01 crore proposed in the interim document by eight state-owned power companies for this fiscal. The government had provided for Rs 67,286.01 crore investment by the eight power sector firms in the interim budget presented on February 1, 2024, compared to Rs 59,119.55 crore for 2023-24 under the revised estimate. According to the budget document presented in Parliament on Tuesday, Power Grid Corporation -- a central public sector enterprise (CPSE) under the administrative control of the Ministry of Power -- witnessed the highest increase in proposed investment at Rs 12,250 crore for this fiscal from Rs 8,800 crore budgeted and revised estimate of investment for 2023-24.

<https://economictimes.indiatimes.com/industry/energy/power/govt-retains-14-pc-rise-in-capital-investment-of-rs-67000-cr-by-8-power-psus-in-fy25/articleshow/111962890.cms>

After bumper profits, govt scraps Rs 30,000 cr capital support to oil cos

The government has scrapped the Rs 30,000 crore equity infusion it had planned in state-owned fuel retailers after they made record profits in the fiscal year ended March 31, according to the Budget Finance Minister Nirmala Sitharaman presented on Tuesday. Sitharaman had on February 1 last year, while presenting the annual Budget for the 2023-24 fiscal (April 2023 to March 2024), announced an equity infusion of Rs 30,000 crore in Indian Oil Corporation (IOC), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) to support the three state-owned firm's energy transition plans.

<https://economictimes.indiatimes.com/industry/energy/oil-gas/after-bumper-profits-govt-scraps-rs-30000-cr-capital-support-to-oil-cos/articleshow/111962595.cms>

Union Budget proposes policy document for appropriate energy transition pathways for hard-to-abate sectors

The Union Budget for FY25 focuses on identifying the appropriate pathways to achieve energy transition along with a roadmap for decarbonising hard-to-abate sectors such as refineries and steel making.

<https://www.thehindubusinessline.com/economy/budget/budget-2024-union-budget-proposes-policy-document-for-appropriate-energy-transition-pathways-for-hard-to-abate-sectors/article68435974.ece>

Telecom

Upcoming 4G, 5G network roll outs to get costlier with customs duty hike

Upcoming 4G and 5G network rollouts are set to get costlier with finance minister Nirmala Sitharaman proposing a 5% increase in the basic customs duty (BCD) of printed circuit board assembly (PCBA) to 15% in Budget 2024-25. This is since nearly 80% of PCBAs — a vital telecom gear input - used in ubiquitous network equipment such as mobile base stations are imported, while the dependence on imported PCBAs used in optical fibre network gear, mobile switching centres (MSCs) and routers too is over 50%, say senior industry executives.

<https://economictimes.indiatimes.com/industry/telecom/telecom-policy/upcoming-4g-5g-network-roll-outs-to-get-costlier-with-customs-duty-hike/articleshow/111959503.cms?adcode=101>

States

Rajasthan govt to spend Rs 215 cr in FY25 on education scholarship scheme

The Rajasthan government plans to spend Rs 215 crore during the current financial year (FY25) on a scholarship scheme to help meritorious students study in top foreign and Indian universities.

The government has renamed the scheme as the Swami Vivekananda Scholarship for Academic Excellence (SVS). It was instituted by the previous Congress government under the name of the Rajiv Gandhi Scholarship for Academic Excellence. In 2021-22, when the scheme was launched, 73 students benefited from it, and over Rs 5 crore were allocated to it. In 2023-24, the state government spent over Rs 107 crore and the number of students who benefited from it rose to 372.

https://www.business-standard.com/education/news/rajasthan-govt-to-spend-rs-215-cr-in-fy25-on-education-scholarship-scheme-124072301135_1.html

Healthcare

Govt mulls dropping quality tests for cough syrups from developed market-approved plants

The government is considering a proposal to do away with quality tests for cough syrups manufactured in plants approved by the regulatory authorities of developed markets, according to people aware of the development. The proposal, which follows a representation from a stakeholder, suggests that testing at the prescribed laboratory may be waived for cough syrups being exported to the US, UK, Canada, EU, Japan, Australia, Singapore, Republic of Korea and Switzerland.

<https://economictimes.indiatimes.com/industry/healthcare/biotech/pharmaceuticals/govt-mulls-dropping-quality-tests-for-cough-syrups-from-developed-market-approved-plants/articleshow/111975181.cms>

External

Customs duty rejig to fire up Make in India engine

India has significantly rejigged basic customs duties to promote domestic manufacturing and help the country become part of the global value chain. Finance minister Nirmala Sitharaman announced a rejig in customs duty on a plethora of products including mobile phones and electronics, gold, silver, critical minerals, leather and certain chemicals to support local manufacturing.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/budget-2024-customs-duty-rejig-to-fire-up-make-in-india-engine/articleshow/111969395.cms>

UK businesses, investors react positively to Union Budget

The Union Budget tabled by Finance Minister Nirmala Sitharaman in the Lok Sabha on Tuesday has been received with much enthusiasm within the UK business and investor community, with the fall in the Corporate Tax rate for

foreign companies from 40 to 35 per cent and the abolition of the "Angel Tax" among the stand-out proposals. Announcements by the minister on India's fiscal deficit being on a downward trajectory, estimated at 4.9 per cent of GDP for this financial year, were among the aspects that experts feel would help boost "foreign investor sentiment" towards the economy. The country clocking an 8.2 per cent growth in the previous financial year and efforts to create jobs and enhance skills were among the other key highlights for UK business and industry. "Overall, I would say it's a positive Budget for the Indian economy. There have been some really positive measures, particularly on infrastructure and supporting the agricultural economy," said Anuj Chande, Partner and Head of the South Asia Group at Grant Thornton.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/uk-businesses-investors-react-positively-to-union-budget/articleshow/111968042.cms>