

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:

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

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

Govt reiterates rupee internationalisation commitment but not so easy, say bankers

Finance minister Nirmala Sitharaman has reiterated the government's intention to promote the rupee as an international currency. However, making rupee an international currency is easier said than done. Bankers say that global curencies like the dollar are very liquid and countries like the US still control vast amount of global trade. "These currencies are fully convertible and taking out and bringing in large sums of money is far more easier and quicker unlike countries like India. The rupee is not fully convertible on the capital account. Also, while India's trade is growing it is still not among the biggest in the world. To make the rupee as an international currency a lot of changes in the financial stack as well as capital account will have to be made over a period of time," said Ashhish Vaidya, managing director DBS Bank India.

https://economictimes.indiatimes.com/industry/banking/finance/banking/budget-2024-govt-reiterates-rupee-internationalisation-commitment-but-not-so-easy-say-bankers/articleshow/111964244.cms

India's public finances remain a weakness for credit profile, Fitch analyst says

India's fiscal deficit targets are achievable but the government's financial metrics still remain a weakness for the South Asian nation's credit profile compared to peers, an analyst at Fitch Ratings said on Tuesday. "Lowering of the deficit target to 4.9% from 5.1% of GDP is a clear signal of the government's commitment to deficit reduction," Jeremy Zook, director - Asia sovereign ratings, told Reuters. "In our view, this seems relatively achievable." https://economictimes.indiatimes.com/news/economy/finance/indias-public-finances-remain-a-weakness-for-credit-profile-fitch-analyst-says/articleshow/111963497.cms

Industry

Critical Minerals put on mission mode

The budget announced a Critical Mineral Mission, which will be supplemented by reduced import duties on important minerals such as lithium to aid setting up of beneficiation plants in the country. In addition, the government will also auction blocks for extracting offshore minerals "We will set up a Critical Mineral Mission for domestic production, recycling of critical minerals and overseas acquisition of critical mineral assets," FM Nirmala Sitharaman said in her budget speech.

https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/budget-2024-critical-minerals-put-on-mission-mode/articleshow/111969003.cms

PLI for toys, leather and footwear gets nod, Rs 6,000 outlay seen for scheme till FY32

The government will introduce the production-linked incentive (PLI) scheme for the toys and leather and footwear sectors, with a total outlay of over Rs 6,000 crore, according to the budget documents. Both schemes are set to run until 2031-32. The PLI for toys will have an outlay of Rs 3,489 crore, while the footwear and leather sector will receive Rs 2,600 crore. These schemes are pending cabinet approval, with a token allocation provided for this year. Several other sectors, including furniture, bicycles, chemicals and construction equipment, have also requested PLI schemes. However, there is no indication that the government has made any decisions regarding their demands. https://www.financialexpress.com/business/industry-pli-for-toys-leather-and-footwear-gets-nod-rs-6000-outlay-seen-for-scheme-till-fy32nbspnbsp-3563157/

Spending gets rural springboard: More money in consumer's hand will lead to a rise in demand for consumer goods

The budget's focus on infrastructure, rural outlay and tax savings is likely to fuel rural demand—crucial for sustained revival of packaged consumer goods and two-wheelers—while the focus on job creation will spur consumption in tier-2 and 3 cities, company executives said. The increase in capital gains taxes, however, could impede discretionary spending, they said. Rohit Jawa, MD and chief executive officer of the largest consumer goods company, HUL, said the budget is consumption friendly and will help FMCG categories going forward.

https://economictimes.indiatimes.com/industry/cons-products/fmcg/budget-2024-news-rural-spending-more-money-in-consumers-hand-will-lead-to-a-rise-in-demand-for-consumer-goods/articleshow/111969440.cms

Budget measures to enhance competitiveness in domestic, export markets: Consumer electronics players

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 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.

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

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.

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

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.

 $\underline{\text{https://economictimes.indiatimes.com/news/economy/foreign-trade/uk-businesses-investors-react-positively-tourion-budget/articleshow/111968042.cms}$