

With most of the spending is targeted to revive the farm sector, create farm infrastructure and lift the rural sector, the Union Budget 2018 turned out to be more popular than populist. 150% increase in MSP for crops, support to organic farming, doubling the expenditure allocation to INR 1,400 crores for food processing sector, state of the art facilities to 42 food parks, liberalisation of agricultural exports, allocation of INR 10,000 crores to fisheries, animal husbandries and related infrastructure were some of the key highlights announced towards improving agriculture and rural economy, health, infra, senior citizens of the country. But, in spite of the market voices proclaiming it as a 'make or break' budget for the government before the elections in 2019, the finance minister, Mr. Arun Jaitley, took the middle path and delivered a fairly poised budget. The current government's first post-GST and last pre-poll Budget addressed made sure that most of the social spending will make a long-term impact on the well-being of the economy.

### Key Take Away:

The Finance Minister tried to club the various budgetary allocations as under:

#### 1. Agriculture and Allied sectors:

- Announced an Agricultural market and infra fund of Rs 2000 crore fund will be set up to strengthen the market connectivity
- A sum of Rs 500 crore will be allocated for Operation Green to be launched. It will promote agricultural products
- The government aims towards generating higher incomes for farmers, by helping them produce more with lesser cost. With this intent, the government has increased the Minimum Support Price of Kharif Crops to 1.5 times of their produce price
- "Bamboo is green gold," Hence it is proposed to launch a restructured bamboo mission with a fund of Rs 1200 crore
- Launched a special scheme to manage crop reduce in Haryana, Punjab and Delhi to reduce pollution and Agricultural credit target increased from Rs 8.5 lakh crore to Rs 11 lakh core
- Extended the facility of Kisan credit card to fisheries and for animal husbandry
- Rs 10,000 crore set aside for Fisheries and Aquaculture Development Fund and an equal amount to be set aside for Animal Husbandry Infra Fund

#### 2. Infrastructure

- Total requirement of Rs. 50 Lakh crores for improving the Infrastructure
- Bharatmala project: To develop 35,000 KM under phase 1 with an outlay of Rs 5.35 lakh crore
- Construction of new tunnel in Sera Pass to promote tourism. 10 prominent tourist sites will be made iconic tourist destinations, with an amalgamation of private funding, marketing and branding
- Government to introduce pay-as-you-use system for toll payments
- Out of 100 smart cities 99 cities with an outlay of Rs 2.04 lakh crore
- Railway capex has been pegged at Rs 1.48 lakh crore, up from Rs 1.31 lakh crore last year; Government to eliminate unmanned crossings
- Railway stations to be more high tech. All stations with footfall of greater than 25,000 to have escalators. More stations and trains will progressively be built with WiFi and CCTV camera
- Rs 60 crore has been allocated to increase the number of air trips by at least 5 times to 1 billion trips a year
- UDAN Scheme to connect 64 unconnected airports across the country

#### 3. Income Tax:

- No change in personal income tax slabs and rates

- Implemented a surcharge of 10% on income above Rs 50 lakh but less than Rs 1 cr, 15% on income above Rs 1 cr to continue
- Standard Deduction returns after a decade; Rs 40,000 to be allowed in lieu of transport allowance and medical expenses
- Interest income exemption on deposits with banks and post offices for senior citizens increased from Rs 10,000 to Rs 50,000
- Senior citizens will be able to claim benefit of deduction up to Rs 50,000 annually on health insurance premium and/or general medical expenditure incurred
- Government introduces long-term capital gains on equity market; long-term capital gains over Rs 1 lakh to be taxed at 10%
- Education cess increased to 4% from 3%
- E-assessment of Income Tax Act to eliminate person-to-person contact

#### **4. Rural Population**

- Focussed on empowering the citizens staying in the rural areas of the country. 8 crore poor women to get new LPG connections; while 4 crore poor people will get power connection under the Pradhan Mantri Saubhagya Yojana with an estimated expenditure of Rs. 16,000 crores
- Planned to construct 2 crore toilets in next fiscal year under Swachh Bharat Mission
- Targeted house for all by 2022. 1 cr houses to be built under Pradhan Mantri Awas Yojana in rural areas
- In 2018-19, ministries to spend Rs 14.34 lakh crore for creation of livelihood in rural areas; national livelihood scheme to get Rs 5,750 crore

#### **5. The Poor and the Underprivileged**

- Sanctioned Rs 9,975 crore for social security schemes for the next fiscal year.
- PM Jivan Bima Yojana has benefited 5.22 crore families
- Government to expand PM Jan Dhan Yojana - All 16 crore accounts will be included under micro insurance and pension schemes
- Social inclusion schemes for Scheduled Castes - Rs 52,719 crore & Scheduled Tribes Rs 39,139 crore

#### **6. Education**

- Government to increase digital intensity in education. Technology to be the biggest driver in improving quality of education
- Rs. 1 lakh crore allocated to revitalisation and upgradation of education sector Promoting learning based outcomes and research
- By 2022, every block with more than 50 per cent ST population will have Ekalvy schools at par with Navodaya Vidyalayas
- Government aims to move from black board to digital board schools by 2022
- Government will identify 1000 Btech students each years and provide them to do PHDs in IIT and IISc, while also teaching undergraduate students once a week at that time

#### **7. Healthcare**

- 1.5 lakh centres to be set up to provide health facilities closer to home. Rs 1,200 crore to be allocated for this programme
- Flagship National Healthcare protection scheme, with approximately 50 crore beneficiaries. Up to Rs 5 lakh per family per year for secondary and tertiary care hospitalisation. World's largest government-funded healthcare programme
- Universal health coverage to be expanded further
- Government allocated Rs 600 crore allocated for tuberculosis patients

- Jaitley announces setting up of one medical college for every three parliamentary constituencies, with 24 New government medical colleges also being envisioned. Government also will work on upgrading hospitals to medical colleges

## **8. Technology & Digital Economy**

- Allocation to Digital India scheme doubled to a whopping Rs 3073 crore
- 5 lakh WiFi Hotspots to provide Broadband access to 5 crore rural citizens, total cost incurred of Rs 10,000 cr
- Government to take measures to stop cryptocurrency circulation, as it is not considered legal tender
- Government to explore the usage of Blockchain technology

## **9. Financial Sector**

- Government to allow strong Regional Rural Banks to raise capital from the market to enable them increase their credit to rural economy
- Bank recapitalization program has been launched with bonds of INR 80,000 crore being issued this year. This recapitalization will pave the way for the public sector banks to lend additional credit of INR 5 lakh crore
- RBI norms to nudge companies to access bond market for funds
- Disinvestment target of Rs 80,000 crore for FY19

## **10. Fiscal Situation**

- Revised the fiscal deficit target for 2018-19 to 3.3% of the GDP against the earlier target of 3%
- After breaching the deficit target for 2017–18 revised the target estimates at 3.5% of GDP from 3.2%
- The target revision is because the government will receive GST revenue only for 11 months in 2017-18
- Face a shortfall in non-tax revenue due to lower revenue through spectrum auction
- Part of the shortfall was met through higher direct tax collections and disinvestment
- The government hopes to breach the disinvestment target in 2017–18 by collecting Rs 1 lakh crore against the budget estimate of Rs 72,500 crore
- Disinvestment target for 2018-19, has set for Rs 80,000 crore
- Recapitalisation of PSU Banks will allow banks Rs 5 lakh crore of additional lending in 2018-19

Impact on tax rate change on Mutual Funds:

Comparison of the tax incidences on various Mutual Fund offerings

Fund Type	Long Term Applicability (in Years) after	Long Term Capital Gains Tax Rate	Short Term Capital Gains Tax Rate	Dividend Distribution Tax (%)
A. Equity Funds (including ELSS)	1 Year	10% without indexation benefit <sup>^</sup>	15%	10%#
B. Debt Funds	3 Years	20% with indexation benefit	As per Income Tax Slab	25%
C. Liquid/ Money Market Funds	3 Years	20% with indexation benefit	As per Income Tax Slab	25%
D. Arbitrage Funds	1 Year	10% without indexation benefit <sup>^</sup>	15%	10%#
<b>E. Hybrid Funds</b>				
i. Hybrid Aggressive	1 Year	10% without indexation benefit <sup>^</sup>	15%	10%#
ii. Hybrid Conservative	3 Years	20% with indexation benefit	As per Income Tax Slab	25%

<sup>^</sup> Cost is calculated based on closing price of Jan 31<sup>st</sup>, 2018

# DDT on Equity was NIL earlier

Source: Finance Bill, 2018

Information on tax benefits are based on prevailing taxation laws.

Investors are requested to kindly consult their tax advisor for actual tax implication before investment.

Source: [www.indiabudget.nic.in](http://www.indiabudget.nic.in)

**Disclaimer:** The information used towards formulating the outlook has been obtained from sources published by third parties. While such publications are believed to be reliable, however, neither the AMC, its officers, the trustees, the Fund nor any of their affiliates or representatives assume any responsibility for the accuracy of such information and assume no financial liability whatsoever to the user of this document. The document is solely for the information and understanding of intended recipients only. Internal views, estimates, opinions expressed herein may or may not materialize. These views, estimates, opinions alone are not sufficient and should not be used for the development or implementation of an investment strategy. Forward looking statements are based on internal views and assumptions and subject to known and unknown risks and uncertainties which could materially impact or differ from the actual results or performance from those expressed or implied under those statements.

**Mutual Fund investments are subject to market risks, read all Scheme related documents carefully**