



2019-20

UNION
BUDGET
P R E V I E W

After being the first full time woman defence minister under earlier term of Modi Government, Nirmala Sitharaman has made history again by gaining one of the heavyweight portfolio i.e. finance. Thus, Union Finance Minister Nirmala Sitharaman is set to present her first budget of the Modi 2.0 government on July 5th against the backdrop of India's economy hitting five-year low growth of 6.8% in FY19. With the liquidity distress in the system, elevated unemployment level & falling business confidence, we believe the Modi-led BJP government need to present a full-fledged budget with a clear road map for next five year in terms of reforms and policies & how they intend to put economy back on growth track & thus simultaneously resolving various key issues of multiple sectors.

Further, government needs to keep clean watch on fiscal deficit too while considering any stimulus package announcement, if any. Moreover, recent slowdown in economy has put tax department under severe challenge to achieve FY20 tax collection target & this could further weigh on Fiscal Deficit. Overall, Corporate India as well as individual tax payers has high hope from upcoming union budget of Modi Government to lift economy from recent slowdown & provide adequate employment in the system.






Key things to watch out in Union Budget 2019-20:

1. Measures to boost distress agrarian economy.
2. Measures to boost job creation in the system.
3. Increase in income tax exemption limit.
4. Policies promoting investment cycle particularly private capex.

Union Budget Preview




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Below mentioned are some of the industry expectations from the Union Budget 2019-20

Industry	Proposed	Impact	Stocks in Focus
Agriculture 	<p>Higher realization, better market linkage & focus on better agri export policy</p> <p>Hike in institutional credit for agriculture sector from Rs 11 lakh crores in FY19</p> <p>Interest free loan of upto Rs 1 lakh for short term loan between 1-5 years.</p>	<p>Positive for pipe, FMCG & auto cos</p>	<p>Chambal Fert, Cormondal Intl, HUL, Marico, Finolex Ind, M&M etc</p>
Automobiles 	<p>Increase in depreciation rates on electric vehicles from 15% to 70% maximum.</p> <p>Cut in GST rate on two wheelers from 28% to 18%.</p>	<p>Positive for electric vehicle manufacturers</p> <p>Positive for two wheeler manufacturers</p>	<p>Mahindra & Mahindra, Maruti, Ashok Leyland, Tata Motors</p> <p>Bajaj Auto, TVS Motors, Hero MotoCorp Limited</p>
Banks & Financial Services 	<p>Recapitalization of PSU banks & easing of tight liquidity condition by providing special windows to NBFC</p> <p>Enhance deduction limit under 80C from current level of Rs 1,50,000 to at least Rs 3,00,000</p> <p>Any consolidation of weak public sector banks with strong public sector banks</p> <p>Measures to boost deposit growth in the system</p>	<p>Positive for PSU Banks, Private banks & NBFCs</p>	<p>SBI, ICICI Bank, HDFC Bank, Kotak Bank, Bajaj Finance, Shriram Transport Fin, Chola Finance, LIC Housing etc</p>
Capital Goods 	<p>Any measures to boost private sector capex to benefit capital goods industry</p> <p>Increase in basic custom duty on imported capital goods</p>	<p>Positive for Capital goods cos</p>	<p>ABB, Siemens, BHEL, Grindwell Norton, Cummins India & Thermax. etc.</p>
Cement 	<p>Expectation of GST rates cut from 28% to 18%.</p> <p>Increase in government thrust on infrastructure spending (government outlay Rs 4.56 lac cr. during interim budget)</p> <p>Reduction in import duty on pet coke from current 10% to 2.5%</p>	<p>Positive for cement sector</p>	<p>Ultratech Cement, ACC, Shree Cement, Heidelberg Cement, JK Cement etc</p>





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Chemicals 	Exemption of customs duty on import of power plant equipment for captive power generation which is currently 5%.	Positive for chemical manufacturers.	Gujarat Alkalies & Chemicals, Meghmani Organics, Tata Chemicals, GHCL
	Customs Duty on Caustic Soda and Soda Ash should be raised from 7.5% to 15%.	Positive Local producers will have a competitive advantage over importers. However, it will be a negative for companies that use caustic soda as basic raw material to manufacture end products	
	Customs Duty on Hydrogen Peroxide be increased from 7.5% to 10%.	Positive Local producers will have a competitive advantage over importers. However, it will be a negative for Paper, Textile and FMCG companies that use Hydrogen Peroxide as raw material to manufacture end products.	National Peroxide
	Import duty on Butadiene to reduce from 2.5% to nil and on Crude Butadiene from 5% to nil.	Positive Synthetic rubber manufacturers and users would be benefited.	Mirza Intl, Bata, Relaxo, Khadim, Apollo Tyres, JK Tyres, Ceat
Fertilizers 	Status Quo on Subsidy at Rs 70,000cr	Negative for fertilizers cos	RCF, Chambal Fertilizers
FMCG 	Easy credit access for MSME and wholesalers to enhance the supply cycle	Positive: It will boost the supplies covering semi urban and rural areas	Dabur, HUL, Marico, Godrej Consumer






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Health Care/Pharma 	<p>Increase weighted deduction limit in respect of capital expenditure to 150% from 100% under section 35AD</p> <p>Enhancement of standard deduction (medical reimbursement and conveyance) not to be less than Rs 1,00,000 p.a.</p> <p>Healthcare sector should be accorded with National Priority Sector or Infrastructure Status</p> <p>Hike in tax exemption on preventive health checkups from Rs 5000 to Rs 20,000 under section 80D</p>	<p>Positive for Healthcare & Pharma Sector</p>	<p>Dr. Lal PathLab, Thyrocare, Apollo Hospital, Lupin, Merck Ltd, Aurobindo Pharma, Eris Life etc.</p>
Housing & Real Estate 	<p>Deduction of interest paid on borrowed capital u/s 24 should be increased to Rs 3 lacs per annum</p> <p>It is recommended that a different rate of variation for stamp duty calculation may be provided for metro and nonmetro cities.</p> <p>The limitation provided by the Finance Act, 2017 limiting the set-off of loss of house property to the extent of Rs. 200000 should be removed.</p> <p>Timeline for approval under section 80IBA of the Act be extended to 31st March 2020 and profits from projects eligible for deduction should be exempted from the ambit of MAT/AMT.</p>	<p>Positive It will be positive for housing finance companies as borrowings will increase</p> <p>Positive Real Estate will be valued fairly</p> <p>Positive It will promote investments in real estates.</p>	<p>LIC Housing Finance, L& T Finance, Brigade Enterprises, Prestige Estate, Oberoi Realty</p>
IT 	<p>Budget allocation for the Make in India, Digital India and smart cities initiatives should be increased.</p>	<p>Positive IT will provide more projects for IT providers</p>	<p>HCL Tech, Infosys, TCS, Wipro</p>
Insurance 	<p>Allow to carry forward and set off business losses for an indefinite period which is currently eight years.</p> <p>Exemption of annuity received from pension Funds</p> <p>Enhance deduction limit U/S 80C to Rs.2,00,000 for insurance premium with an overall increase to Rs.3,00,000 under the section 80C</p> <p>Provide similar tax treatment to pension plans of Life Insurance Companies as similar to Schemes of Central Government.</p>	<p>Positive Insurance companies will be benefited</p> <p>Positive This will improve demand for the insurance products</p>	<p>ICICI Life Prudential, SBI Life, HDFC Life, National India Insurance</p>


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Media 	Tax incentives in the form of tax holiday period, lower rates, weighted deductions, subsidies etc. for the film exhibition industry be provided, in order to increase penetration of the exhibition industry in Tier 2 and 3 cities.	Positive Margins of Entertainment companies would improve	PVR, Eros Media, Inox Leisure
	Tax benefits should be extended for amalgamation of entities	Positive It will encourage consolidation and better growth	
Power 	Deduction benefits of entity restructuring under section 80IA of the Act should be provided for power sector undertakings.	Positive Power generation and T&D companies would be benefited	NHPC, Power Grid, Adani Power, Reliance Power
Paper & Paper board 	Increase of custom duty on paper & paper boards from current 10%. Import of capital goods for technological up-gradation should be permitted at NIL rate	Positive for paper cos	JK Paper, West Coast Paper, TNPL, IPAPAM etc
Steel 	Reduction in import of pet coke & met coke from 2.5% & 5% respectively to NIL duty	Positive for Steel Cos	JSW Steel, Tata Steel, SAIL etc
	Any exclusion from purview of proposed mega free trade pact i.e. Regional comprehensive economic policy (RCEP). Increase in basic custom duty on imports of certain steel products from 10% to 15% -25%		
Telecom 	Any reduction in tax levy under GST from 18% to 12% or relaxation in interest cost burden to provide relief to telecom sector	Positive for Telecom sectors	Bharti Airtel, Reliance JIO & Vodafone Idea.
	To grant infrastructure status to telecom industry		
	To also look at spectrum usage charge, license fee & 5G spectrum auction charges. To exempt telecom equipment from custom duty.		

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Textiles /Footwear 	Increase budgetary allocation to the sector (FY19 - package announcement was Rs 7140cr) Export oriented sectors like textile, handlooms, leather products should provide additional fiscal support. Reduction in import duty on textile machinery from 18%. GST rate on footwear priced above Rs 1000 to cut from 18% to 12%	Positive for textile & footwear cos	Bata, Relaxo Footwear, Trident, Arvind Ltd, Nitin spinners, Siyaram Silk, KPR Mills etc
<i>Source: FICCI, ACMIIL Research</i>			

Direct Tax:

Individual Tax payers:

- Proposed Income Tax Slabs and Rates for Financial year 2019-20**

As per the Interim Budget 2019, individual taxpayers having taxable annual income up to Rs.5 lakh will get full tax rebate u/s 87A. Therefore, they will not be required to pay any income tax. However, income tax slabs and rates remain unchanged for the FY20. It is recommended that the following revised tax slabs for individual taxpayers:

Slab (Rs. lakhs)	Tax rate
0-3	Nil
3-5	5%
5-10	10%
10-20	20%
Beyond 20	30%

Further, levy of surcharge on individuals @ 10% and 15% having total income above Rs. 50lakhs and Rs.1 crore respectively should be completely abolished.

- Raising the cap on tax benefit for investments and removing LTCG on MFs & Shares**

The limit for deduction under section 80C for tax saving investments was last enhanced in 2014 to Rs 1.5 lakh and covers mostly debt instruments. This limit should be raised to at least Rs. 3 lakh to encourage individual income earners to channelize maximum savings into investments, promoting economic growth in their own small way.

In order to encourage taxpayers to invest in mutual funds and shares, the gains from sale of such units/shares should be made more tax-friendly by removing long-term capital gain tax.

Corporate Tax:

- It is recommended that the government should reduce the corporate tax rate across the board to 25% (irrespective of turnover). It would spur economic growth and increase overall tax collections.
- The income tax rates for unincorporated bodies i.e. firm, Limited Liability Partnership. (LLPs), etc. should also be reduced to 25% from the current 30%.

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