EXPECTATIONS FROM INTERIM BUDGET 2024

The Interim Budget for the financial year 2024-2025 has been scheduled to take place on February 1, 2024, at 11 am.

What is Interim Budget?

An interim budget is like a quick, short-term money plan for the government. If there's not much time or if elections are around the corner, it steps in instead of the full budget. This budget is handy for making sure important things like services and spending for the initial months of the financial year stay on track.

"Anticipation is building for the Interim Budget 2024, as it plays a vital role in the financial calendar. People are eager to know about the government's spending plans, fiscal deficit, and how it might affect personal taxes."

Here are ten important points from the government's economic review:

1. **India's economy is expected to grow faster than 7.2% in FY24, making it the third consecutive year of such growth.**
2. **Over the last ten years, increased public sector investment, a healthy financial sector, and strong non-food credit growth have contributed to India's moderate economic growth.**
3. **India is now the world's third-largest fintech economy, following the USA and the UK.**
4. **India has surpassed Hong Kong to become the fourth-largest stock market globally, thanks to interest from both domestic and global investors and ongoing IPO activity.**
5. **The PM Jan Dhan Yojana has significantly increased the percentage of women with bank accounts, from 53% in 2015-16 to 78.6% in 2019-21.**
6. **The female labour force participation rate has risen from 23.3% in 2017-18 to 37% in 2022–23, and programs like Skill India Mission, Start-Up India, and Stand-Up India are encouraging female participation in human capital development.**
7. **The female Gross Enrolment Ratio in higher education has increased fourfold from 6.7% in FY01 to 27.9% in FY21, and overall GER has more than doubled from 24.5% to 58.2% between FY05 and FY22.**
8. **Micro, medium, and small enterprises (MSMEs) are becoming more dynamic with supportive government measures.**
9. **The adoption of Goods and Services Tax (GST), market unification, and increased production incentives have improved economic efficiency and reduced logistics costs.**
10. **The space tech industry is requesting the government to expand GST exemption to satellites and launch vehicles, along with urging a relaxation of custom duties for the space sector in the interim budget**

Few Expectations from Interim Budget 2024

Capex Trends Since 2015:

The government's spending on building things (capex) has increased significantly from Rs 5.6 lakh crore in 2015 to Rs 18.6 lakh crore in 2024.

In this period, spending on creating assets went up by 5.1 times, grants to states increased by 2.8 times, and resources for public sector enterprises grew by 2.1 times.

Telecom Industry's Requests:

The telecom industry is asking for friendlier taxes and supportive measures from the government.

They want to get rid of the Universal Service Obligation Fund (USOF) levy, reduce the license fee from 3% to 1%, and discuss matters around adjusted gross revenue (AGR).

Stock will be in focus - Bharti Airtel, VODA-IDea, JIO

Auto Companies' Demands:

Auto companies want the government to keep supporting green transportation and focus on building more infrastructure.

Luxury carmakers are hoping for fair taxes, and the industry wants stable policies, continued emphasis on investment, and infrastructure growth.

Stock will be in focus - Tata Motors, M&M, Maruti Suzuki, Force Motors.

Power Sector Anticipation:

The power sector is expected to do well because the government is concentrating more on renewable energy.

The budget might have more details about the Pradhanmantri Suryodaya Yojana, making electricity more affordable.

There could be announcements about spending more on renewable energy projects and introducing incentives for eco-friendly initiatives.

Stock will be in focus - SJVN, NTPC, Powergrid, Tatapower, Adani Power, NHPC

Edtech Firms:
Edtech companies are looking forward to potential tax incentives in the upcoming budget. They hope for a decrease in Goods and Services Tax (GST) rates on digital educational content and services. This, they believe, would make online learning more affordable, benefiting both students and edtech companies.

Tea Industry:
The tea industry is waiting for support to become more self-sustainable.

MSME Sector:
Small and medium-sized enterprises (MSMEs) are expecting growth and increased investment. The Chairman of the National Council for MSME ASSOCHAM hopes for enhanced Production Link Incentives (PLI) and a broader scope for investment, pointing to the success seen in spiritual destinations like Varanasi and Ayodhya.

Dividend Target:
In the upcoming budget, the government aims to significantly increase dividend earnings, targeting about Rs 70,000 crore from the Reserve Bank of India (RBI) and financial institutions (FIs). This follows a successful financial year with higher-than-expected dividends.

Infrastructure Boost:
The Ministry of Finance notes that the government is rapidly expanding the country's infrastructure, including roads, railways, and airports. The focus on both physical and digital infrastructure in the last decade has been substantial and transformative.

Renewable Energy Boost:
Renewable energy is getting more attention, with a 58% increase in the budget allocation to Rs 20,671 crore in FY24.
Analysts think this sector will continue to be in focus in the FY25 budget.

Potential Securities Transaction Tax Hike:
There's talk about a possible increase in securities transaction tax (STT) in the upcoming budget.
This is being discussed because stock market indices are at new highs, more people are getting into trading, and there's a lot more trading in derivatives compared to regular stock trading.

Capital Gains Taxation:
"The way we tax capital gains needs a revamp. Right now, it's a bit complicated—long term, short term, different rates for different gains. It would be better if we simplify things, like having consistent rules for how long you hold an investment to be considered long term or short term, and the tax rates should be the same for various types of assets. Also, tweaking the base year for calculating long-term gains would be good. These changes, aligned with the government's push for taxpayer-friendly measures, could improve overall compliance," says Puneet Mishra, Partner, M&A Tax & Regulatory Services, BDO India.

Focus on infrastructure to develop ports, airports, railways, and highways likely
As we approach the interim Union Budget before the general elections, and with expectations of political continuity, we anticipate a continued emphasis on developing infrastructure. This includes improving ports, airports, railways, and highways—essential for the country's economic progress. Additionally, we might see investments in renewable energy and initiatives supporting financial inclusion, all aimed at fostering growth and development," according to experts.

Here are the top 5 income tax expectations simplified:

1. Increase in Standard Deduction:
The suggestion is to raise the standard deduction from salary income. This is the amount you can deduct from your salary before calculating taxes. It was introduced as INR 50,000, but due to inflation, there's an expectation for an increase, especially benefiting those with higher incomes.

2. Including Bangalore and Hyderabad in HRA Benefits:
Currently, higher House Rent Allowance (HRA) benefits are given to those living in metro cities like Chennai, Delhi, Kolkata, and Mumbai. The proposal suggests extending this benefit to cities like Bangalore and Hyderabad, where the cost of living is comparable or even higher.

3. Extending 80D Limit to New Tax Regime:
Deduction under section 80D for medical and health insurance premiums is currently available only for those in the old tax regime. The expectation is to extend this benefit to individuals in the new tax regime as well, considering medical expenses are a basic necessity.

4. Deduction for Education Loan (Section 80E):
The idea is to make the deduction for education loans available under the new tax regime as well. This could support government-backed schemes and skill development initiatives, promoting the entrepreneurial development of young taxpayers.

5. Exemptions or Deductions for Electricity and Electronic Gadgets:
With the shift to a hybrid work culture, there's a suggestion to introduce tax benefits for expenses related to electricity and electronic gadgets, considering the increased reliance on digital tools and the internet. This aligns with the Digital India program.