Union Budget - 2014-2015- 10th July 14

Budget Highlights

- First budget by Modi-led NDA Government, dealing with the onerous task of balancing myriad issues while addressing growth, clearly lived upto the pre-budget optimism. FM went for laying the economic roadmap for the country to reach a growth of 7-8% while following a path of fiscal prudence and roadmap for consolidation with commitment to reduce the deficit to 3% of GDP by 2016-17, which is encouraging. Contrary to the expectation, Jaitley went on to retain the challenging target of 4.1% for the Year set by the ex minister in the Vote-on-Account. Budget refrained from populism (will help in containing inflation) and at the same time laying the path for economic growth – getting the country out of morass.

- Budget refrained from disproportionate increased in consumption led social spending. It focused on giving boost to infrastructure and manufacturing sector. With Economic survey emphasizing the need for $ 1 tn investment requirement in Infrastructure over next 5 years, impetus to infrastructure spending is a positive. Extension of the investment allowance to SME's and venture capital fund for new startups will help in job creation and will go a long way in promoting investment and entrepreneurship culture in India. Opening Defense, Insurance and E-Commerce to FDI, correcting inverted duty structures and setting up of industrial clusters would encourage manufacturing. Tax breaks on REITs and Infrastructure Investment Trust are steps in right direction helping channelize household funds in Real Estate and infrastructure. Simultaneously, a lower divestment target might allow for some room for the private sector in what is expected to be a active fund raising season. Support of the government towards macro issues like Education and skill development are commendable.

- Increase in the IT exemption limit - by ` 50000 - will help boost the disposable income. Increase in the 80 C limit and raising deduction for housing interest payment limit will help boost savings and channelize private capital to contribute towards the growth. Promised to move towards consensus creation on GST – a Game changer - during the year increases the possibility of GST seeing the light of the day by the time of the next budget. While the budget fell short of rationalizing subsidies(in order to free up capital for more productive spending) and non clarity on the retro taxation issue was a disappointment, intent and direction of the budget was positive. Stable and investor friendly tax regime will attract investor money in the capital formation and help spur next wave of growth.

- Introducing a unified KFC norms for the entire financial sector, a single demat account for all financial transactions and a Unified account scheme by EPFO to ensure PF portability will make life easy for investors. Though Capital gains on debt mutual funds will impact investors with under 3 year view. Allowing banks to raise long term funds which will not attract reserve requirements like SLR, CRR to fund infrastructure projects is a big departure from past.

- **In a nutshell, Budget simplifies doing business in India, increases cap on FDI which will attract long term foreign funds into the economy. With all ingredients of growth in place, economy is set for good times in the foreseeable future.**