

Wednesday, July 24, 2024

# mint

livemint.com



Budget 2024: Growth@work

P1

## On popular demand, extending the offer till 31<sup>st</sup> July, 2024.

Get zero brokerage on

# share. market

— A  PhonePe Product —

\*Open a Demat Account by 31<sup>st</sup> July, 2024 and get

# 0

## Zero Brokerage\* on

F&O | Intraday | Equity Delivery  
Wealth Baskets# till 31<sup>st</sup> Dec, 2024

Zero Pledging & Unpledging Charges  
till 31<sup>st</sup> Dec, 2024

Zero Account Opening Fees



Download  
ShareMarket



\*Completed applications submitted on or before 31<sup>st</sup> July, 2024 will be eligible for offer, subject to successful account opening. For existing customers, offer extended till 31<sup>st</sup> Dec, 2024. PhonePe Wealth Broking Private Limited (hereinafter referred to as PPWB), a SEBI Registered Stock Broker having Registration No. INZ000302639, a SEBI registered Research Analyst having Registration No. INH000013387 and a Depository Participant having Registration No. IN-DP-696-2022. PPWB is a Trading Member of National Stock Exchange of India Limited (Member ID 90226) and BSE Limited (Member ID 6756). PPWB offers Depository Participant services through CDSL and Mutual Fund distributor with AMFI Registration No: ARN-187821. Registered office - 2, Floor 3, Wing A, Block A, Salarpuria Softzone, Bellandur Village, Varthur Hobli, Outer Ring Road, Bangalore South, Bangalore, Karnataka - 560103. Investments in the securities market are subject to market risks, read all related documents carefully before investing. Brokerage will not exceed the SEBI prescribed limit. For more details, pls visit <https://share.market/> #MF and Wealthbasket is not an Exchange Traded Product and will not have access to Exchanges' Investor Redressal Forum or Arbitration Mechanism.

# This monsoon Change to the new **Aquaguard**

**CASH  
BENEFITS  
UPTO  
₹13,000/-\***



**BLAZE INSTA**

### HOT AND AMBIENT

MRP (RO+UV)	₹37,000/-
INSTANT DISCOUNT	₹10,001/-
CASHBACK OFFER	₹3,000/-
<b>FINAL PRICE</b>	<b>₹23,999/-</b> (For 1 Unit)



**SLIMTECH**

### GLASS RANGE

MRP (RO+UV)	₹37,000/-
INSTANT DISCOUNT	₹10,001/-
CASHBACK OFFER	₹3,000/-
<b>FINAL PRICE</b>	<b>₹23,999/-</b> (For 1 Unit)



**SUPERIO**

### STAINLESS STEEL TANK

MRP (RO+UV)	₹28,000/-
INSTANT DISCOUNT	₹8,500/-
CASHBACK OFFER	₹1,000/-
<b>FINAL PRICE</b>	<b>₹18,500/-</b> (For 1 Unit)



**DESIGNO NXT**

### UNDER THE SINK

MRP (RO+UV)	₹36,000/-
INSTANT DISCOUNT	₹9,001/-
CASHBACK OFFER	₹3,000/-
<b>FINAL PRICE</b>	<b>₹23,999/-</b> (For 1 Unit)

**+91 12050 97282 or +91-70398 83333 FOR FREE DEMO AT HOME  
OFFER ALSO AVAILABLE ON UV MODELS**

Cashback offer available on cards of leading banks and on UPI payments.

Attractive zero down payment finance schemes also available via cards and leading finance companies.



\*Terms and conditions apply. Offer valid on select models and in select stores till stocks last. Pricing constitutes recommended retail pricing and may vary. Offer valid on UPI payments via **pine labs** machines only. Finance offer is provided & fulfilled by the respective banks at their sole discretion, subject to their terms at applicable interest rates and Eureka Forbes disclaimers all claim/liabilities with respect to the same. Eureka Forbes reserves the right to amend/withdraw and suspend offer/terms without any prior notice.

AVAILABLE AT ALL LEADING LARGE FORMAT CHAINS:



Wednesday, July 24, 2024

# mint

Think Ahead. Think Growth.

mint primer

## THE BUDGET IN FIVE MINUTES

BY VIVEK KAUL

On 23 July, finance minister Nirmala Sitharaman presented the Narendra Modi government's first budget after the Lok Sabha election. Her budget speech was 14,703 words long—slightly longer than the 2023 speech, but nowhere as long as the ones in 2020 and 2019. Let's look at the major points in the budget:

### 1 Personal income tax

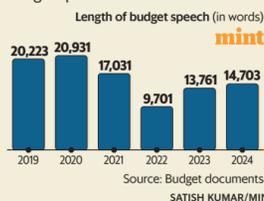
When it comes to personal income tax, a few significant changes have been proposed. First, the standard deduction available to salaried employees will go up to ₹75,000 from the current ₹50,000. Second, income tax rates for those in the new tax regime—used by more than two-thirds of those filing income tax returns—have been revised. This will lead to savings of up to ₹17,500 during the year. Third, the government has proposed a comprehensive review of the Income Tax Act to make it concise and lucid.

### 2 Realty: No indexation

This was the government's big move in the budget. So far, long-term capital gains made on selling real estate came with indexation benefits—that is, inflation could be taken into account while calculating capital gains, which led to substantially lower tax outflows. This has ceased to exist, with effect from 23 July. This is a bold move which should rein in, to some extent, those buying residential real estate only for investment purposes—turning it into a financial asset, keeping homes locked and driving up prices—and make things difficult for those wanting a home to live in. These gains will now be taxed at 12.5%.

### Words that matter

Finance minister Nirmala Sitharaman's budget speech lasted 85 minutes.



### 3 Stocks and derivatives

The number of individuals—particularly the youth—punting on stocks and their derivatives like futures and options, has gone up dramatically in recent years. In order to disincentivize such behaviour, the government has proposed to increase the securities and transaction tax on futures and options to 0.02% and 0.1%, respectively. Further, the short-term capital gains tax on shares has been increased to 20% from the current 15%. The long-term capital gains tax on gains beyond ₹1.25 lakh has been increased to 12.5% from the current 10%.

### 4 Job-linked incentives

There are plans to introduce employment-linked incentives for individuals entering the workforce in formal sectors. The government plans to carry out a direct benefit transfer of a month's salary in three

### Tax buoyancy

Data shows that the government's tax collections have risen over the years.



Revised estimates used for 2023-24, and budget estimates for 2024-25.

Source: Centre for Monitoring Indian Economy and budget documents

SATISH KUMAR/MINT

installments to fresh employees, up to a limit of ₹15,000, for those earning up to ₹1 lakh. Companies creating new jobs in the manufacturing sector will get incentives on the contributions they make to the Employees' Provident Fund.

### 5 Bihar & Andhra Pradesh

The Bharatiya Janata Party does not have a majority on its own in the Lok Sabha and is dependent on the Janata Dal (United) and Telugu Desam Party—parties operating primarily in Bihar and Andhra Pradesh, respectively. In this backdrop, the budget has proposed to support the development of several road connectivity projects in Bihar. Further, recognizing Andhra Pradesh's need for a capital city, the government has decided to facilitate special financial support through multilateral development agencies. ₹15,000 crore will be arranged in 2023-24, with additional amounts in future years.

### 6 Fiscal deficit

In 2024-25, the government plans to reduce its fiscal deficit to ₹16.1 trillion, or 4.9% of the gross domestic product (GDP). Fiscal deficit is the difference between what a government earns and what it spends. GDP measures the size of an economy. Fiscal deficit in 2023-24 was at 5.6% of the GDP. So, the government is trying to continue to cut down on the fiscal deficit, which had swelled to 9.2% in 2020-21 due to the spread of the pandemic.

### 7 Direct taxes

In recent years, the government has collected a higher amount of direct tax through personal income tax than through corporation tax. The trend is expected to continue in 2024-25 as

well, with the government hoping to earn ₹10.2 trillion through corporation tax and a massive ₹11.9 trillion through personal income tax. There are two reasons for this trend. First, corporates now pay a lower rate of income tax than in the past. Second, in recent years, collections of personal income tax have probably been boosted thanks to investors trading more and more in stocks and their derivatives like futures and options.

### The fisc challenge

The government has estimated fiscal deficit at 4.9% of GDP for FY25.



Revised estimates used for 2023-24, and budget estimates for 2024-25.

Source: Centre for Monitoring Indian Economy and budget documents

SATISH KUMAR/MINT

### 8 The stock market

The BSE Sensex, India's most popular stock market index, closed the day flat at 80,429 points, down by less than 0.1%. But the index did gyrate through the day and was down by more than 1.6% at one point, when the market came to know that capital gains on buying and selling stocks will be taxed at higher rates. Nonetheless, by the close of trading, those losses had more or less been recovered, suggesting all over again that while the marketmen may try to outwardly project the importance of the budget, over the years, this government document has mattered less and less to them.

## QUICK EDIT

### Recruiter incentives: Will they work?

In an apparent response to anxiety over unemployment, the Union budget unveiled a programme to stimulate job creation. Recruits of formal enterprises who enter the workforce for the first time can expect a month's salary—with a cap of ₹15,000—from the government, which will also give a cash incentive to employers and employees for their contributions to India's state-run provident fund (PF) scheme. Further, the PF contribution of employers will be reimbursed up to ₹3,000 per month over two years for each additional employee hired. Broadly speaking, this proposal seems modelled on the production-linked incentive (PLI) scheme run by the

Centre for manufacturers. There is a big difference, though. Enlarging output is an aim backed by the profit motive of a business anyway, but recruiting more people enlarges its wage bill, which is a cost. These are contrary objectives. This means that the inducement for hiring needs to be truly tempting for it to be effective. So, will it work? This depends entirely on the finances of companies. Also, every firm's optimal staff size has a limit and it's rare for an employer to stay understaffed for too long. AI tools can be employed too. Ultimately, we may find that employment is best boosted the classic old way—by raising aggregate demand in the economy.

# BUDGET 2024: What it means for you

As finance minister Nirmala Sitharaman prepared to deliver the first budget of Modi 3.0, expectations ran high. Would the budget address the various pain points in the economy? There were quite a few—though India was the fastest growing large economy in the world registering an enviable growth of over 8%, it was not creating enough quality jobs. The informal economy had shrunk in recent years and its ability to create large number of jobs was impaired. The rural sector was in distress and this caused consumption to be uneven. All these need policy interventions and the budget was seen as a panacea. The finance minister has largely addressed these concerns. Here is a look at the winners and losers.

TARUN KUMAR SAHU/MINT



## YOUTH



They are clearly the biggest beneficiaries of the budget as the government doubled down its focus on job-led growth. Five new schemes have been launched with an outlay of ₹2 trillion to educate, skill and employ

41 million youth who will be entering the workforce in the next five years. The schemes drive job creation in the formal sector and incentivize both employees and employers. As many as two million youth will be skilled in the next five years. That apart, an internship scheme has been announced to prepare over 10 million youth for joining the workforce.

## MIDDLE CLASS



One of the long-standing demands from individual taxpayers has been a reduction in income tax rates. This became a reality in this year's budget. The finance minister lowered the tax burden on the salaried middle class by

increasing the standard deduction from ₹50,000 to ₹75,000. She also tweaked income tax rates to benefit them. The savings from income tax is estimated at ₹17,500 and is expected to positively impact 40 million salaried employees. The tax cuts were made available to only those taxpayers who opted for the new regime.

## FARMERS



Apart from allocating ₹1.52 trillion for agriculture and allied services in the budget, the government has taken steps to improve the state of the farmers in the medium to long term.

To shield them from the vagaries of nature and ensure adequate output, the government plans to launch 109 climate-resistant varieties of 32 crops. That apart, it wants farmers to embrace natural farming with proper institutional support. A mission will be launched for increasing the output of pulses and oil seeds. This will go a long way in making India self sustainable in these commodities.

## CONSUMERS



The reduction in income tax rates leaves more money in the hands of salaried workers. The finance minister puts the saving at ₹17,500 per salaried employee. Thanks to the tweaking of indirect tax rates, some of the most

coveted items have become cheaper. They are mobile phones, gold, silver and platinum. Lithium-ion batteries too will become cheaper, and this could bring down the cost of electric vehicles. The ball is now in the consumers' court to spend. However, telecom equipment, solar glass and non-biodegradable plastics will become costlier.

## MSMEs



The informal economy took a hit in recent years. The number of informal enterprises shrank and so did the number of people they employed.

This budget has offered enhanced support for them through a credit guarantee scheme, increased Mudra loan limit from existing ₹10 lakh to ₹20 lakh and a policy for credit support, even if Medium, Small and Micro Enterprises (MSMEs) are under stress for reasons beyond their control. These measures will ensure that funding is not an issue for MSMEs striving to grow.

## INVESTORS



Investors have got a raw deal. The government increased short-term capital gains tax on certain financial assets from 15% to 20%, and long-term capital gains from 10% to 12.5%. The only consolation is that the limit of

exemption from capital gains has been increased from ₹1 lakh to ₹1.25 lakh. The securities transactions tax on futures and options has been increased sharply. This has been done as volumes in forward and options market have reached alarmingly high levels. Also, proceeds of buyback schemes will now be taxed in the hands of the investor.

## COMPANIES



Foreign companies saw their income tax rates reduced from 40% to 35%. The finance minister attributed this move to attract a larger dose of foreign capital—something India

needs to meet its developmental needs. Indian firms have been offered incentives to create more jobs, especially for the youth entering the workforce for the first time. Corporates have also been allowed to tap into their corporate social responsibility funds to fund their skilling needs. This should motivate them to upgrade skill levels of employees without worrying about the bottom line.

## STARTUPS



The government has finally abolished Angel tax, a long-standing demand of the startup community. It was first introduced in the 2012 budget

primarily to check money-laundering through startups. It treated investments received from foreign investors as income and taxed them at 30%. This levy deterred investments, depriving startups of badly needed funds. The abolition of this levy is considered a game changer, and is expected to foster a more vibrant and dynamic startup ecosystem, boosting entrepreneurship across the country.

## INDIA RISING: THE THEME OF MINT'S BUDGET ISSUE

This is a Budget for India's youth—with a focus on employment and skilling, including a raft of special incentives for those entering the formal workforce for the first time. From plans to build hostels for young workers to a venture fund for emerging areas such as the space economy, this is a budget with a clear eye on the coming generations.

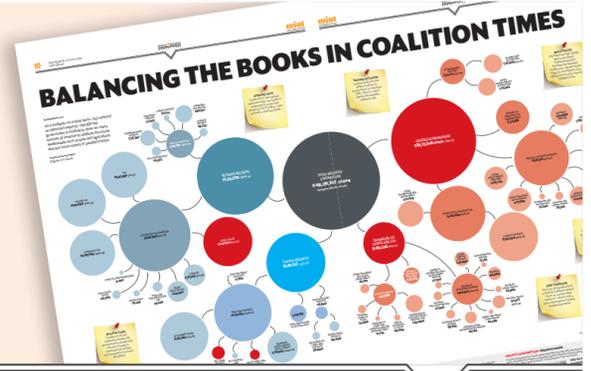
In keeping with this, *Mint* spoke to 15 young people from across the country, who voted for the first time in the 2024 general election, asking them where they hoped the country and the economy would take them. They're politically aware, socially conscious, ecologically sensitive youth who are ready to voice their opinion. They're the force behind India Rising.

Wednesday, July 24, 2024

# mint

livemint.com

- Investors of all hues hit by capital shock ▶ P2
- After nasty surprise, a volatile spell in markets ▶ P6
- A carrot to make the big shift in jobs formal ▶ P8
- Balancing the books in coalition times ▶ P10-11





**Indiabulls HOME LOANS**  
Indiabulls Housing Finance Limited

is now



**SAMMAAN CAPITAL**

**INSIDE ▶▶**

- India's old tax regime gets a long goodbye ▶ Page 3
- A move to water down retail frenzy ▶ Page 4
- How to create a nation of big spenders ▶ Page 16
- Angel tax cut has startup investors on cloud nine ▶ Page 18

# GROWTH@WORK

With a sharp focus on jobs, FM delivers a budget with credible numbers, aided by buoyant revenues



The maiden budget of the third Narendra Modi government that was unveiled by finance minister Nirmala Sitharaman on Tuesday has two main intersecting themes — continuity in the headline fiscal strategy combined with a pivot in the fine print. The continuity comes from the fact that the government remains on the path of fiscal consolidation that it has set for itself. The pivot can be implicitly read in the slew of measures that seek to boost labour incomes in an economy that is gasping for more household spending on consumer goods. Budget 2024 is based on a credible set of numbers. The assumption that the underlying economy will grow by 10.5% this fiscal year is believable. So is the modest tax buoyancy of 1.05, which means that the government expects its net tax collections to grow in tandem with the economy rather than outpace it. Such a conservative approach has been a feature of Indian budgets in recent years, and a welcome break from some of the rather dodgy accounting in many earlier budgets.

However, the numbers in the new budget deserve close scrutiny. The revenues of the Union government have been bolstered this year by the exceptional dividend given by the Reserve Bank of India (RBI) in May. The government had assumed in the interim budget presented in February that the cen-

tral bank would pay it ₹0.8 trillion, which was close to the amount received in the previous year as well. The actual dividend paid to the government in May was ₹2.11 trillion. The extra ₹1.31 trillion that has come into the government kitty is a one-time bonanza that is unlikely to be repeated every year, and such windfalls should ideally be saved rather than used to fund recurring payments.

**Tax revenues**  
The exceptional RBI dividend plus an extra ₹2.57 trillion of net tax collected from an expanding economy helped increase Union government revenues by ₹4.03 trillion over the previous year. The increase in revenue has been used to bring down the fiscal deficit even below the level estimated in February, as well as to support higher nominal spending.

That the fiscal deficit target for the ongoing year is now 0.2 percentage points lower than what was announced before the elections indicates that a new era of coalition politics will not send the government off its chosen fiscal road, despite the need to selectively shower money on states where key allies have a political base. However, India still needs to remain disciplined on the fiscal front. At 1.4% of GDP, the primary deficit, which does not include interest payments, and is a good indicator of the sustainability of public debt over the medium term, is still too high for comfort.

Buoyant tax revenues combined with a bumper dividend from the Indian central bank have given the government headroom to spend more even while keeping the fiscal deficit well under control. The granular numbers point to the possibility of an interesting shift.

The Modi government has been spending a growing slice of its revenues on capital expenditure that not only generates demand in other parts of the economy through a high multiplier,

but also eases some of the supply constraints on Indian producers. However, the finance minister has announced no change in capital expenditure compared to that in the interim budget, other than a small increase in the interest-free loans given to the states for infrastructure.

There are two possible reasons why the capital spending budget has been held constant compared to February. First, four months into the fiscal year, it will be tough for ministries to suddenly increase spending on projects that need a lot of planning. It is a question of state capacity. Second, the government has decided that the compression in revenue spending in recent years has gone too far. Budgeted revenue spending will be ₹0.55 trillion higher than what was estimated in February, while the capital spending estimate has not changed.

**Budget theme**  
One running theme in the budget is an attempt to raise labour incomes — be it through wage subsidies, direct measures to boost employment, support for small enterprises that create jobs, lower income tax rates. The government has done well to provide these incentives for employment generation or skilling rather than focus on income support schemes such as the rural jobs scheme, the free food scheme and the direct transfers of money to farmers. The latter provide immediate benefits. The former tries to address a stark challenge that will take years to deal with.

There is a macroeconomic backstory to this. The splendid economic recovery after the pandemic has been led by corporate profits rather than household incomes. Weak job creation combined with anaemic growth in real wages has undermined consumer spending, which grew at half the rate of the



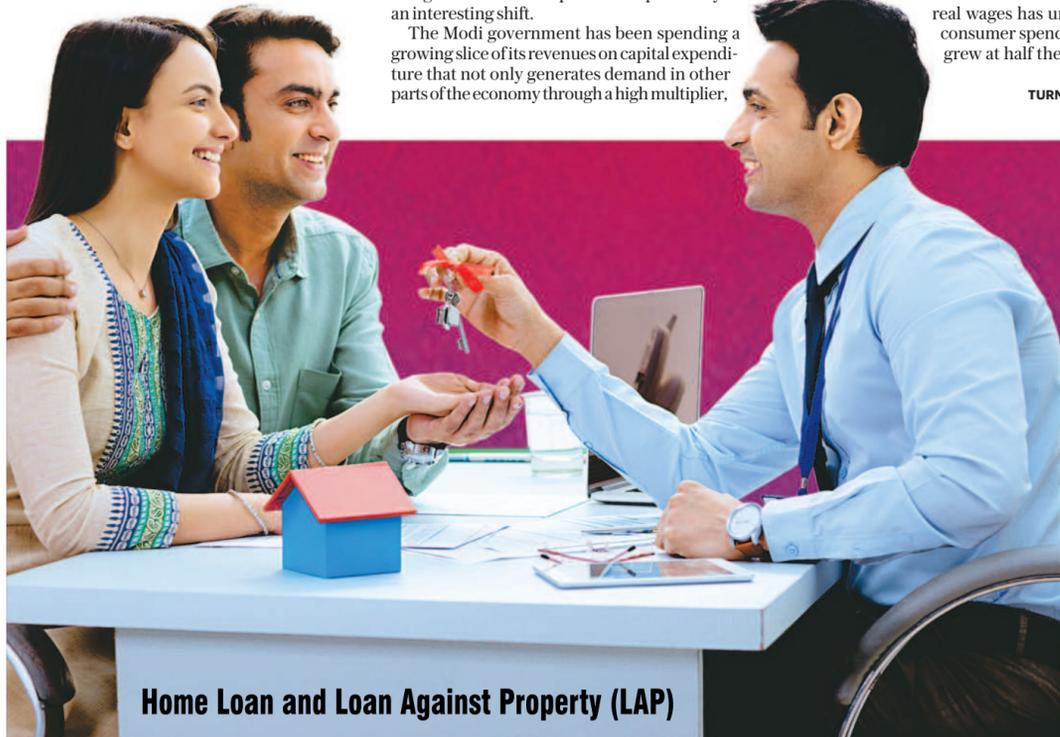
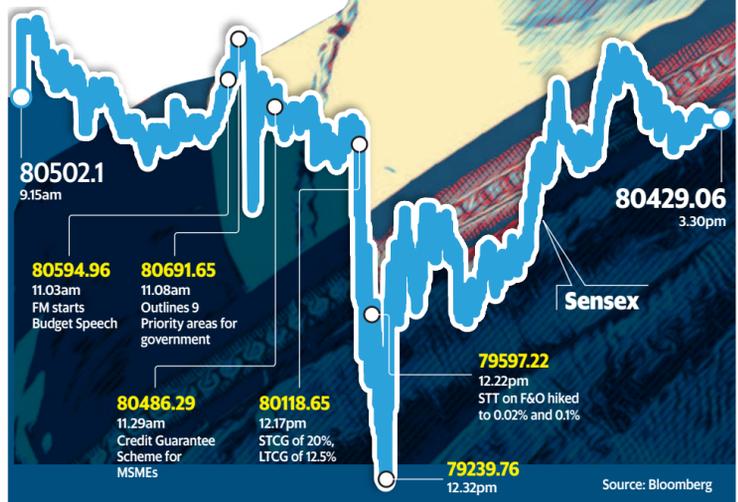
**This budget empowers every segment of society. It paves the way for prosperity...**

**NARENDRA MODI**  
Prime Minister

TURN TO PAGE 20

**“ We are determined to ensure that all Indians, regardless of religion, caste, gender, age make substantial progress in realizing life goals and aspirations**

**NIRMALA SITHARAMAN**  
Finance Minister



**Home Loan and Loan Against Property (LAP)**

**Ab hoga har sapna poora sammaan se!**



*Jiyo Sammaan Se*

1800 572 7777

www.sammaancapital.com

8929 899 391

SMS 'HOME' at 56677

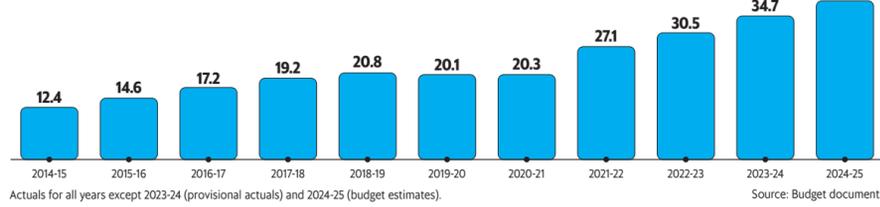
## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

## TOTAL TAX COLLECTIONS

## WHY DOES IT MATTER?

Tax collections are the Centre's main source of revenues. The more taxes it collects, the more it can spend. The total tax collected can be broken into two parts. The first is direct taxes, which is income tax paid by individuals and companies. The second is indirect taxes, which is principally the goods and services tax (GST).

Total tax collections (in ₹ trillion)



## WHAT DO THE NUMBERS SAY?

- ▶ Between 2017-18 and 2024-25, the share of GST and personal income tax in total revenues rose from 45% to 58.6%.
- ▶ However, the share of Centre's tax revenues as a share of GDP has remained flat, at 11-12%.

## KEY STAT

12.3%

AVERAGE ANNUAL GROWTH RATE IN TAX REVENUES BETWEEN 2021-22 AND 2024-25. THIS IS UP FROM 10.1% BETWEEN 2014-15 AND 2019-20.

ALL 'FIRST PRINCIPLES' GRAPHICS BY HOWINDIALIVES.COM/DESIGN BY SATISH KUMAR/MINT

TEXT BY PRATISHTHA BAGAI/PHOTO: PRADEEP GAUR/MINT

I want taxes to be simplified... some of the rules and regulations are too complex for the general public.

## SAUMYA GUPTA, 18, Mangaluru

Saumya, who is currently preparing to become a Company Secretary, feels very "responsible as a citizen" after casting her first vote in Mangaluru, Karnataka. She is glad to hear of the plans for reforms in the tax regime. "As a future taxpayer, I want taxes to be simplified. As a student of taxation policy, I feel some rules and regulations are too complex for the general public." But she is disappointed that there were no announcements for improved rail connectivity. "Many towns, like my hometown of Banswara, are yet to be connected to the railway network. It would make travel cheaper and easier for people."

# Investors of all hues hit by CAPITAL SHOCK

## Changes to capital gains tax, removal of indexation benefits to impact investments

Neil Borate & Jash Kriplani  
NEW DELHI/MUMBAI

## QUICK TAKE

The long-term capital gains tax on both non-financial and financial assets will now attract a rate of 12.5%

For stocks and equity mutual funds, the short term capital gains tax rate has been increased from 15% to 20%

Indexation benefits have been removed across all asset classes and is likely to impact real estate investors the most

The government has rolled out significant changes to the capital gains tax framework that are expected to impact a wide range of investors. Beginning 24 July, new tax rates on capital gains for various asset classes will be implemented.

Finance minister Nirmala Sitharaman in her Union budget for 2024-25 increased the short-term capital gains tax on certain financial assets to 20% from 15%. The long-term capital gains tax on all financial and non-financial assets will attract a tax rate of 12.5%. Indexation benefits have been removed across all asset classes.

Mint decodes how different asset classes will be taxed and what the changes means for investors.

**Stocks, equity mutual funds**

For stocks and equity mutual funds, the short-term capital gains tax rate has been increased to 20% from 15%, while the long-term capital gains tax rate has been increased to 12.5% from 10%. At the same time, the exemption limit has been increased from Rs 1 lakh to Rs 1.25 lakh.

"The move will nudge more long-term investing in equities as the taxation on short-term capital gains has been increased," said Niranjana Avasthi, head of product and marketing at Edelweiss Asset Management.

**Other mutual funds**

The mutual fund industry welcomed the clarity in the budget for fund-of-funds and gold/silver exchange-traded funds, or ETFs.

Changes in the previous budget had led to fund-of-funds and gold/silver ETFs getting treated as debt funds for taxation purposes.

Under the new rules, equity fund of funds will be taxed at slab rate of the investor if held for less than 24 months, and the long-term capital gains tax rate of 12.5% will be applicable.

The new rates will be standard across equity FoFs, gold/silver ETFs, and gold funds. For long-term holding to be applicable, 24 months will be the applicable period.

"The requirement of investment of not more than 35% in equity shares has also impacted other funds which are not debt-oriented funds, but invest below 35% in equity shares," read the memorandum of the Union Budget.

"There was an anomaly for fund-of-funds after

the previous budget and this clarity is a welcome step," said Swarup Mohanty, chief executive officer of Mirae Asset MF.

"We also see some impact for arbitrage funds as there is a hike in securities transaction tax (STT) on the futures and options segment," said A. Balasubramanian, chief executive officer of Aditya Birla Sun Life Mutual Fund.

The STT on options has been increased from 0.0625% to 0.1% and on futures from 0.0125% to 0.02%.

**Real estate**

The removal of indexation benefit is likely to impact real estate investors the most. Indexation had allowed investors to adjust their acquisition price as per inflation, helping them lower their capital gains for taxation purposes.

"This proposal is going to discourage long-term investment in properties and encourage short-term investment," said Prakash Hegde, a Bengaluru-based chartered accountant. "The saddest part is that people who were already holding it till now will lose the indexation benefit."

**Debt mutual funds**

Debt mutual funds will continue to be taxed at the slab rate of the investor. The mutual fund industry had hoped for a reversal of last year's budget changes on debt funds that had removed indexation benefits. However, gains from debt funds will continue to be taxed at the slab rate of the investor, regardless of their holding period.

**Other investments**

Unlisted investments such as physical gold will now get the benefit of long-term holding period after 2 years of holding. This was 3 years under previous rules. The new rules will give investors the benefit of long-term capital gains tax rate of 12.5%, which has been standardized across asset classes.

neil.borate@livemint.com  
Sashind Ningthoukhongjam has contributed to this article.

## WHAT HAS CHANGED

Union Budget 2024 made a slew of changes on capital gains taxes across different asset classes. The new long-term capital gains tax rate is 12.5%, while the short-term capital gains tax rate has been revised to 20%. The budget has also effectively scrapped the 36-month holding period for an asset to be eligible for long-term capital gains. Now, there are only two buckets—12 months and 24 months.



## ALL LISTED ASSETS

	Earlier STCG	Now STCG	Holding Period	Holding Changed?	Earlier LTCG	Now LTCG
Stocks	15%	20%	12 months	No	10%	12.50%
Equity mutual funds	15%	20%	12 months	No	10%	12.50%
Debt and non-equity MFs	Slab rate	Slab rate	N/A	No	Slab rate	Slab rate
Bonds (listed)	15%	20%	24 months	Yes#	10% without indexation	12.50%
Reits/Invits	15%	20%	12 months	Yes*	10%	12.50%
Equity FoFs	Slab rate	Slab rate	24 months	N.A.	Slab rate	12.50%
Gold/silver ETF	Slab rate	Slab rate	24 months	N.A.	Slab rate	12.50%
Overseas FoFs	Slab rate	Slab rate	24 months	N.A.	Slab rate	12.50%
Gold funds	Slab rate	Slab rate	24 months	N.A.	Slab rate	12.50%

Annual LTCG exempt amount hiked from ₹1 lakh to ₹1.25 lakh for stocks and equity MFs

## ALL UNLISTED ASSETS

	Earlier STCG	Now STCG	Holding Period	Holding Changed?	Earlier LTCG	Now LTCG
Real estate (physical)	Slab rate	Slab rate	24 months	No	20%**	12.5%
Bonds (unlisted)	Slab rate	Slab rate	24 months	N.A.	Slab rate	Slab rate
Physical gold	Slab rate	Slab rate	24 months	Yes*	20%**	12.5%
Stocks (unlisted)	Slab rate	Slab rate	24 months	No	20%**	12.5%
Foreign equities/debt	Slab rate	Slab rate	24 months	No	20%**	12.5%

\*36 months; \*\*With indexation

#12 months  
Note: The changes for gold funds, FoFs, feeder funds apply after 1 April 2025  
Changes for other asset classes are effective for assets sold after 23rd July 2024



Scan the code to share this quickly.

PRANAY BHARDWAJ/MINT

## FOR ANY QUERIES/DELIVERY ISSUES

CALL: 60004242, Monday-Saturday, 10am-6pm (Delhi, Mumbai, Bengaluru, Kolkata, Chennai, Hyderabad, Ahmedabad, Chandigarh, Pune and Lucknow) MAIL: delivery@livemint.com TO SUBSCRIBE: Give a missed call on 7039035039 or visit www.mintreaders.com or write to us at subscription@livemint.com

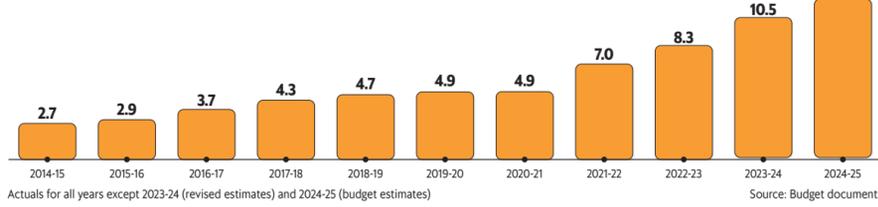
First published in February 2007 to serve as an unbiased and clear-minded chronicler of the Indian Dream.

RAVI KRISHNAN (EDITOR), PUBLISHED/PRINTED BY MANHAR KAPOOR ON BEHALF OF HT MEDIA LTD, 18-20 Kasturba Gandhi Marg, New Delhi 110001

Printed at HT Media Ltd presses at Plot No. 8, Udyog Vihar, Greater Noida, Distt Gautam Budh Nagar, Uttar Pradesh 201306; •MNSPrinters Pvt. Ltd, 345/4, Bhatrahalli, Near KR Puram RTO, Old Madras Road, Bangalore 560049; •Saraswati Print Factory Pvt. Ltd, 789, Chowbhaga (W), Near China Mandir, Kolkata 700105; •MNSPrinters Pvt. Ltd, 76/1, Poonamallee High Road, Velappanchavadi, Chennai 600077; •Bhaskar Print Planet, Survey No. 148P, Changodar Bavlva Highway, Sanand (Tal), Distt Ahmedabad, Gujarat; •Jagati Publications Ltd, Plot No. D75 & E52, APIE Industrial Estate, Balanagar, Rangareddy Distt. Hyderabad 500037 \*Also available in Chandigarh, Pune and Lucknow.  
RNI Registration DELENG/2007/22485. Mint welcomes readers' responses to all articles and editorials. Please include your full name, address and telephone number. Send in your views to the editor at letters@livemint.com. ©2024 HT Media Ltd All Rights Reserved

FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Income tax collections (in ₹ trillion)



WHAT DO THE NUMBERS SAY?

▶ A major shift that has happened in the post-covid era is that personal income taxes now account for more than 50% of direct taxes.  
▶ Personal income taxes accounted for 52% of direct tax (corporation tax plus personal income tax) in 2023-24, against 39% in 2015-16.

KEY STAT

3.6%

PERSONAL INCOME TAX COLLECTIONS AS A SHARE OF GDP IN 2024-25.

INCOME TAX COLLECTIONS

WHY DOES IT MATTER?

This is what the government collects from individuals and organizations other than companies by way of taxing their income. Given that a focus of the government in its first budget after the election will be jobs and welfare, a key concern will be the need to find tax revenues to pay for an expansion of welfare schemes.



TEXT BY GHAZAL CHENGAPPA

Support for small businesses with grants or low-interest loans fuels innovation, growth and community prosperity.

**GAYAN GOWRAMMA P.M., 21, Bengaluru**  
Gayam Gowramma PM, 21, a recent graduate in history and economics from Bengaluru, is preparing for the civil services. Having voted in the Karada, Kodagu-Mysore constituency, she hopes the government will continue to focus on job creation, business growth and infrastructure improvements over the next five years. She was hoping for lower taxes and increased support for small businesses, along with more spending on education and social services.



Respond to this column at feedback@livemint.com

WHY SHOULD TAXPAYERS PAY FOR RUNAWAY INFLATION?

The budget has delivered a rude shock to most taxpayers. In the guise of rationalization of the capital gains provisions, there has been a significant increase in capital gains tax liability in most cases. Relatively straightforward is the increase in the rate of tax on long-term capital gains and short-term capital gains on listed equity shares and equity-oriented funds from 10% and 15%, respectively, to 12.5% and 20%. Given the buoyant stock markets in recent years, this may be a tax increase that investors may shrug off and bear with a little heartburn.

The big shock, however, lies in the complete elimination of indexation of cost for all other long-term capital assets, including unlisted shares, immovable property, gold, overseas shares and units. The indexation benefit allowed asset owners to adjust purchase price for inflation, lowering tax liability. The reduction in rate from 20% to 12.5%, reduction of holding period of all assets to 24 months to qualify as long-term assets, and increase in exemption limit from ₹1 lakh to ₹1.25 lakh are extremely poor substitutes for elimination of this cost indexation benefit. There will be cases where cost indexation resulted in no taxable gains or minimal gains, and 20% tax on that would have been negligible. Tax on the entire gains at the lower rate of 12.5% would be far higher.

The cost inflation index was notified each year so as to nullify 75% of inflation of the preceding year. So, only gains in excess of 75% of inflation were taxable. Inflation has natural effect of enhancing value of assets, such as immovable property, gold, investments. The objective of indexation was to tax those gains that were over and above inflation rates, and not to tax appreciation attributed to 75% of inflation.

To illustrate, if you bought a flat for ₹50 lakh in 2001 that appreciated after 23 years to ₹2.50 crore, the indexed cost today would be ₹1.815 crore, considering capital gains index of 363 for FY25. If you were to sell it for ₹2.50 crore, you would have to pay capital gains tax at 12.5% of ₹2 crore (less surcharge and cess) amounting to ₹25 lakh.

Had you sold it before the budget, the tax would be 20% of ₹68.5 lakh or only ₹13.70 lakh. So, now the longer you hold assets, the worse off you are, since you pay tax on the annual appreciation due to inflation. This does not apply only to assets bought after the amendment, but to all assets that you sell on or after 23 July 2024, irrespective of when you bought it. It also applies to assets that you may have inherited. The only saving grace is if you acquired an asset prior to April 2001, you are allowed to take the fair market value of the asset as on 1 April 2001, in place of its actual purchase cost, and may therefore get the benefit of not paying tax on appreciation till April 2001.

The distinction between capital gains tax rates on listed shares and equity-oriented mutual funds on one hand, and other assets has now been eliminated, with long-term capital gains from both being taxed at 12.5% without indexation of cost. The difference lies in the holding period to qualify as long term—12 months for listed equity and equity-oriented MFs, versus 24 months for others. Of course, the difference in tax rates for short-term capital gains continues with 20% for listed equity and equity mutual funds, versus the normal tax rate for other assets.

A correction has been made to ETFs investing in overseas equity and gold funds, which were earlier classified as debt funds with gains therefrom treated as short term. This is now being rectified, and would be long term if held for 24 months. But this amendment applies with effect from April 2025. Gains from unlisted bonds and debentures transferred or maturing on or after 23 July will now be classified as short-term capital gains, irrespective of holding period, taxable at slab rates of tax. Taxation on buyback of shares is another blow. Instead of the company paying a 20% buyback tax, the entire price will be taxed as dividend for the shareholder, and he can only claim capital loss in respect of the cost of shares, that can be offset against other capital gains. A completely unfair method of taxation—ideally, only the difference between buyback price and cost should have been taxed as capital gains of the shareholder.

One hopes the government reconsiders elimination of cost indexation benefit. If it can't keep inflation in check below the targeted 4%, why should taxpayers suffer by paying higher taxes? Taxation of buyback amount as dividend also deserves to be reconsidered—at least the cost of shares should be deductible. It is unfair to expect taxpayers to pay tax on income which is higher than their real income.

Gautam Nayak, partner, CNK & Associates LLP

Taxing buyback as dividend should be reconsidered

# India's old tax regime gets A LONG GOODBYE

70% of taxpayers opted for the new regime in the past year, prompting changes to slab rates

Aprajita Sharma  
aprajita.sharma@livemint.com  
NEW DELHI

The message from the Union Budget 2024 was loud and clear: say goodbye to the old income tax regime. Finance minister Nirmala Sitharaman proposed three important changes to the new tax regime, while the old one was left untouched.

Sitharaman tweaked the slab rates. Income up to ₹3 lakh will attract no tax, while it will be 5% for ₹3 lakh-7 lakh, 10% for ₹7 lakh-10 lakh, 15% for ₹10 lakh-12 lakh, 20% for ₹12 lakh-15 lakh and 30% for those earning ₹15 lakh and above.

The standard deductions for salaried employees under the new tax regime was increased from ₹50,000 earlier to ₹75,000. Besides, the limit on an employer's contribution to an employee's National Pension System (NPS) account, which attracts tax deduction for employees in the new tax regime, was increased to 14% of the basic salary from the earlier 10%. Considering all these changes, the total annual tax savings in the new regime will amount to a maximum of ₹17,500.

However, does it mean everyone should move to the deduction- and exemption-free simplified tax regime? Not necessarily. We compared both the regimes for different income groups to deduce which one works for whom.

First things first. If your annual income is up to

Old vs new

Calculate your total deductions and exemptions under the old regime and refer to the table below

Income level	Break-even deduction* limit
Upto ₹5 lakh	Nil#
₹600,000	100,000
₹800,000	250,000
₹1,000,000	350,000
₹1,200,000	418,750
₹1,500,000	458,333
₹15,75,000 up to ₹5 cr	483,333

Deductions > break-even  
Old tax regime ✓  
Deductions < break-even  
New tax regime ✓

For those earning from ₹16 lakh up to ₹5 crore if the deductions and exemptions are together more than ₹4.83 lakh, the old regime is better. Else the new tax regime scores well.

Beyond ₹5 crore: New tax regime is better\*\*

\*Deductions (including standard deduction) + Exemptions, #under both tax regimes  
\*\*Due to a lower surcharge rate of 25% applicable in new tax regime against 37% in the old tax regime  
\*Rebate under section 87A and standard deduction are considered while computing the tax liability  
Source: ByTheBook Consulting LLP

₹7 lakh, choose the new tax regime because the existing tax rebate of ₹25,000 under Section 87A makes your tax liability zero. For the salaried class, the threshold is higher at ₹7.75 lakh, thanks to the increase in standard deduction in the new regime from ₹50,000 to ₹75,000, which is not available to the self-employed. Those with income above the nil-tax threshold will have to calculate the total amount of deductions and exemptions that they can claim under the old tax regime. We computed the break-even amount for each income level (see gfx). If your deductions and exemptions exceed the break-even amount, opt for the old tax regime, otherwise the new tax regime will be better.

For annual income of ₹10 lakh, the break-even limit is ₹3.5 lakh, assuming tax deductions of ₹4 lakh against investments, donations or insurance premium. Since deductions are higher than the break-even limit, the old regime will make sense.

If your annual income is ₹15 lakh, and you have the required investments to claim deductions of over ₹4.58 lakh, you must opt for the old regime. The highest break-even point is at ₹4.83 lakh and is applicable for income of ₹15.75 lakh-₹5 crore.

"People with an annual income of more than ₹5 crore need not make this comparison. They should always go for the new tax regime, thanks to a lower surcharge rate of 25% applicable in the new tax regime against 37% in the old tax regime," Anurag Jain, co-founder and partner, ByTheBook

LLP Consulting, said.

Chartered accountant Naveen Wadhwa calculated the breakeven point by the income threshold and the typical deductions taken. To be sure, people generally opt for deductions adding up to ₹4 lakh—₹1.5 lakh under Section 80C, ₹50,000 under Section 80D (₹25,000 for self and another ₹25,000 for parents) and ₹2 lakh on housing loan interest under Section 24 (b).

"If your annual income is more than ₹14.75 lakh, the new tax regime will be better against ₹4 lakh deduction, while those earning below ₹14.75 lakh should opt for the old tax regime. This income threshold comes in at ₹7.75 lakh if you opt for deductions only under Section 80C and 80D," said Wadhwa, vice president of Taxmann.

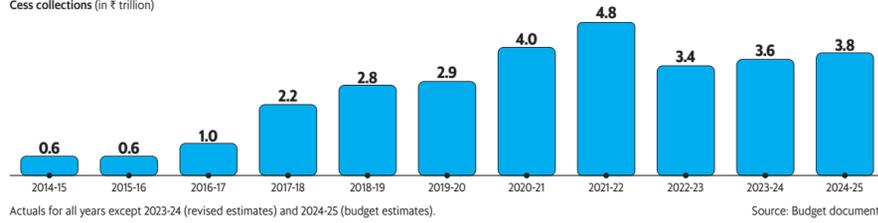
However, please note, under Section 80D you can claim benefits of up to ₹1 lakh, if both you and your parents are senior citizens, and ₹75,000, if your parents are above 60 years.

To be sure, about 70% of the taxpayers opted for the new tax regime so far in FY24.

"The proposed changes will provide the necessary impetus for salaried individuals to stick with the new tax regime rather than revert to the old regime. It is welcoming as it will bring forth the much-needed change in the mindset that investments should be made keeping personal goals in mind rather than looking at it from a tax-planning angle. The simplified regime will also curtail fraud and litigation," said Jain.

## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Cess collections (in ₹ trillion)



## CESS

## WHY DOES IT MATTER?

India is a federal country, which means the Centre shares taxes collected by it with states via a formula fixed once in five years. At present, the share of states is 41%. The Centre has another tax levy called cess, which it needn't share with states. That said, cess can only be spent for the purpose for which it's collected (for example, building roads).

## WHAT DO THE NUMBERS SAY?

► In the last decade, cess collections grew at a compounded rate of 20%, while tax collections increased 12%.  
► About 15% of taxes collected by the Centre in 2024-25 will come from cess, against 3.4% in 2014-15.

## KEY STAT

32%

STATES' SHARE OF THE CENTRE'S TAX RECEIPTS (AGAINST THE MANDATED 41%) IF CESS WAS ALSO ADDED TO THE KITTY.

"I feel maximum investments should be in the startup ecosystem, keeping in mind the goal of a 5 trillion economy."

## NEEL GHOSH, 20, Alipurduar

A second-year student at Techno Main Salt Lake in Kolkata, Neel was hoping for a revision in economic policies. "A majority of the earnings of small and mid-scale business owners goes to GST and CGST, no profit is left for them," says the 20-year-old from Alipurduar in West Bengal, whose father runs a furniture business. Neel is pursuing an undergraduate degree in computer applications, and aspires to build a startup in 3-5 years. "In the Union Budget, I feel maximum investments should be in the startup ecosystem, keeping in mind the goal of a 5 trillion economy."

# A move to water down RETAIL FRENZY

The increase in taxes on transactions likely to impact profitability for F&O traders

Dipti Sharma  
dipti.sharma@livemint.com  
MUMBAI

## QUICK TAKE

Securities transaction tax was introduced in 2004 to rein in speculative trading and bring in revenue

This year's proposals include increased securities transaction tax on derivatives as well as higher capital gains levies

Market experts say this would affect trading volumes, particularly by professional high-frequency traders

The frenzied trading in derivatives that had regulators scrambling for the alarm bells is expected to dampen, at least for a while, with the government increasing taxes on transactions in a major blow to investors and traders.

The changes announced in the Union Budget on Tuesday follow the Economic Survey's warning a day earlier about the sharp increase in retail, or individual, investor participation in the stock markets. The Securities and Exchange Board of India (Sebi) is also planning measures to rein in retail speculation in trading in futures and options.

The budgetary proposals include increased securities transaction tax, or STT, on derivatives as well as higher capital gains levies on listed financial instruments, which market experts say would affect trading volumes, particularly those involving professional high-frequency traders. Finance minister Nirmala Sitharaman in her budget for 2024-25 proposed raising the STT on the sale of options from 0.0625% to 0.1% of the premium, and on futures from 0.0125% to 0.02% of the trading price.

She also raised the short-term capital gains tax on listed financial instruments from 15% to 20%, and the long-term tax from 10% to 12.5%.

For options traders, the securities transaction tax will increase by about 60%, said Roop Bhootra, chief executive officer of investment services at Anand Rathi Shares and Stock Brokers.

"This move would definitely have a negative impact on professional traders who are trading more on intraday basis and generating exceptionally high-volume trades as it will increase their trading costs," he said.

The securities transaction tax was introduced in 2004 to rein in speculative trading and rake in revenue from the financial markets. Investors and traders must pay STT regardless of whether they make a profit or a loss.

Average daily turnover in equity futures on the National Stock Exchange increased by 1.5

times between 2018-19 and 2023-24, and in options by 18 times, said Krishna Rao, managing director and co-head, equity broking, at JM Financial Services Ltd.

Data on the National Stock Exchange (NSE), the world's largest equity derivatives marketplace, show that the notional turnover of equity derivatives jumped to ₹79,928 trillion in 2023-24 from ₹3,445 trillion in FY20.

"The increase in STT on derivatives was on expected lines and a right step so as to limit the F&O transactions by the high-frequency traders," Rao said.

High-frequency traders usually work with thin profit margins and at very low cost. The higher STT is expected to adversely affect such traders, forcing them to slash volumes in the near term.

Some market experts, however, believe these traders would adjust their strategies and not be discouraged in the long term.

"HFTs may cut back on their volumes immediately (post 1 October) as their spreads will get narrower due to the hike in STT," said Dhiraj Relli, managing director and chief executive of HDFC Securities Ltd.

But if the stock markets continue to be volatile, especially on the bullish side, these traders may seek to compensate with higher volumes, he said.

Ajay Menon, managing director and chief executive officer, broking and distribution, at Motilal Oswal Financial Services Ltd, said the higher STT will impact profitability for F&O traders.

"We may see the volumes getting impacted in the near term, particularly for clients who were trading in thin margin spreads," he said. "For positional traders, there will be some impact but we expect volumes to recover gradually."

Relli of HDFC Securities said traders would have to also wait for the outcome of the consultation paper to be floated by the Securities and Exchange Board of India, which will outline measures to address the retail frenzy in F&O trading.

"If other steps to curb F&O volumes are taken then it may cumulatively impact the F&O volumes and even HFTs will have to adjust to this new norm," he said.

On Monday, the Economic Survey for 2023-24 said the sharp rise in retail investors in the stock market warranted careful consideration. "This is crucial because the possibility of overconfidence leading to speculation and the expectation of even greater returns, which might not align with the real market conditions, is a serious concern," the survey said.

Derivatives trading seems to be fuelling the surge in active retail participation, it added.

"Derivatives trading holds the potential for outsized gains. Thus, it caters to humans' gambling instincts and can augment income if profitable," the Economic Survey said, adding that a major stock market correction could lead to more substantial losses for retail investors involved in derivatives trading.

## Tax on share buyback income: A game-changer or setback?

Dipti Sharma  
dipti.sharma@livemint.com  
MUMBAI

An unexpected development in this year's budget was the proposal to tax share buyback income. Finance minister Nirmala Sitharaman proposed that income received on share buybacks should be taxed for the recipients.

"It is proposed that the income from buyback of shares by companies be chargeable in the hands of the recipient investor as dividend, instead of the current regime of additional income-tax in the hands of the company," Sitharaman said.

Further, the cost of such shares will be treated as a capital loss to the investor, she said.

"For investors, taxation on share buybacks could potentially dampen enthusiasm as the income will now be taxed at the same rate as dividends," said Vipul Bhowar, senior director, listed investments, at Waterfield Advisors.

According to Prashant Bhojwani, partner, corporate tax, tax and regulatory services at BDO India, buyback income will now be taxed at a higher rate than the previous 20% rate for companies. Moreover, shareholders receiving this income cannot deduct any expenses, although they can use the purchase price of the shares bought back to reduce other capital gains.

In simple terms, income from share buybacks will now be taxed as dividend for shareholders, based on their income-tax brackets.

Currently, buybacks are taxed at 20% in the hands of companies, with no additional tax for investors. However, going forward, companies will no longer withhold taxes on buybacks.

Although this potentially reduces their overall tax liability on buyback of shares, the change could still lower investor enthusiasm. On the other hand, companies no longer face a 20% tax burden on buybacks, which boosts their cash flow. This would affect mainly cash-rich companies and high-income investors.

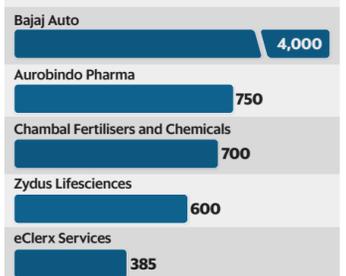
Buyback income being taxed in the hands of investors takes away the advantage of lower buyback tax which was paid by the company, and this equates buyback proceeds and dividends in the form of taxation, said Sailesh Raj Bhan, CIO-equity investments at Nippon India AMC. "Preference of buybacks over dividends should reduce post this development."

Ajay Menon, managing director and CEO, broking and distribution at Motilal Oswal

## Top 5 buybacks of 2024

So far, in 2024, 20 companies have wrapped up buyback plans totalling ₹8,335 crore.

Proposed aggregate amount (in ₹ crore)



Source: Capitaline Database  
SATISH KUMAR/MINT

Financial Services Ltd, agreed.

"Overall, this move would make buybacks less attractive now, with similar taxation as dividends. Hence, going forward, we could see fewer buyback announcements with companies preferring dividends," he said.

In essence, the advantage of choosing buybacks over dividends has vanished.

In 2023, 38 listed companies completed buybacks worth ₹45,130.34 crore. So far, in 2024, 20 companies have wrapped up buyback plans totalling ₹8,335.33 crore, according to Capitaline Database.

Roop Bhootra, chief executive of investment services at Anand Rathi Shares and Stock Brokers, pointed out that the buyback route was one of the last left for investors seeking to exit a company without any tax liability. According to him, the net result of this new development could be a lower number of buybacks, going ahead.

Bhootra also said companies might now look to deploy surplus money in capital expenditure.

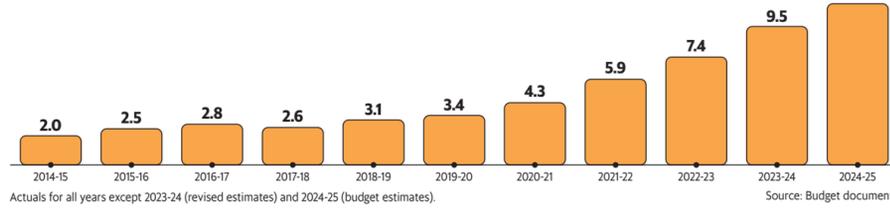
"As the buyback tax (under Section 115QA @23.296%) remains the same in the hands of companies, there will be no incentive for promoters to go for buyback and instead, they may come back to prefer dividends as a preferred route for distributing income," said Dhiraj Relli, managing director and CEO at HDFC Securities.

The amendment will take effect from 1 October 2024.

In 2023, 38 listed companies completed buybacks worth ₹45,130 crore

FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Capital expenditure (in ₹ trillion)



WHAT DO THE NUMBERS SAY?

- ▶ Post-covid, capital expenditure by the Centre has trebled in five years. But it includes a large chunk of capex earlier done by public sector undertakings (PSUs).
- ▶ Overall, public sector capex, including that of government companies, actually fell from 4.9% of GDP in 2019-20 to 4.33% budgeted for 2024-25.

KEY STAT

-0.7

THE DECREASE IN PERCENTAGE POINTS IN PUBLIC SECTOR CAPEX (CENTRE + PSUs) AS A SHARE OF GDP IN 2024-25, COMPARED WITH 10 YEARS AGO.

CAPITAL EXPENDITURE

WHY DOES IT MATTER?

Capital expenditure is spending of a desirable nature, as it has a multiplier effect in terms of building new assets, creating jobs and adding to economic output. This is as opposed to spending of a regular nature like paying salaries or upkeep of offices, which amounts to nearly 80-90% of the Centre's total spend. The objective is to increase capex.

TEXT BY POOJA SINGH; PHOTO: PRADEEP GAUR/MINT



“After covid, it has become essential to focus on improving healthcare systems, including access for all.”

CHIRAG GHAI, 19, New Delhi

Over the next five years, Chirag expects the government to make efforts to boost economic growth, reduce unemployment and manage inflation. “Post-covid it has become essential for the government to focus on improving healthcare systems, including better access to services and initiatives to address public health challenges,” says the student of Maharaja Agrasen Institute of Management.

## Infra stocks down as capex stays unchanged

The Union Budget 2024-25 kept infrastructure spending unchanged from the interim budget at ₹11.1 trillion, bringing no cheer to infra stocks, with the Nifty Infra Index down 0.8%.

But there are bright spots. For one, the government's focus on rural development, providing all-weather connectivity to 25,000 rural habitations via PMGSY-IV, will expand the rural road network. Further, the ₹26,000-crore highway project in Bihar and irrigation projects worth ₹11,500 crore will open new doors for construction firms and also improve demand for cement companies.

Shares of NCC and GR Infraprojects rose about 7% and 3%, respectively, on Tuesday. But cement stocks did not budge as much despite the allocation of ₹10 trillion to help 10 million poor middle-class families buy houses. Also, a continued focus on low-cost housing (both urban and rural) is positive for construction demand. Meanwhile, the government aims to provide ₹1.5 trillion for long-term, interest-free loans to states for their infrastructure projects, up from ₹1.3 trillion in the interim budget.

Separately, the Nifty Realty index fell by 2.3% on Tuesday. The budget fine print indicated that indexation benefit on real estate property sales would be removed.

“For individual taxpayers under the new tax regime, the increased standard deduction limit to ₹75,000 from the previous ₹50,000 along with the new income tax slabs implies savings, but hardly enough to boost housing demand,” said Anuj Puri, chairman of Anarock Group.

MANVI AGARWAL

## STT, cap gains to hit brokers, exchanges

In financial services, the most adverse impact of the budget announcements will be on financial intermediaries such as stock exchanges, brokers and wealth managers. Higher capital gains tax would hurt trading demand, and higher STT (securities transaction tax) on futures and options can reduce trading volumes. Investors pay STT on all trades (F&O and others), but capital gains tax is paid only when a profit is made.

Affordable housing finance companies—Aadhar Housing, Aavas Financiers, Apts Value Housing, and Home First Finance—will benefit due to the renewed focus under the PM Awas Yojana Urban 2.0. For them, the roadmap has become clear as they will get an assistance of ₹2.2 trillion over the next five years. A provision of interest subsidy to facilitate loans at affordable rates is also envisaged. The scheme seeks to address housing needs of 10 million urban poor and middle-class families with an investment of ₹10 trillion.

For banks, appropriate changes to IBC, and strengthening of the NCLT and appellate tribunals will be initiated to speed up insolvency resolution. Indian banks can lend more under the Mudra loan scheme and also to MSMEs. These loans qualify for priority sector lending and will aid banks to meet their targets.

MANISH JOSHI

# Consumer stocks shine for a day WITHOUT SIN TAX

FMCG stocks reacted positively to the budget, although its impact on earnings will be reflected over time

Harsha Jethmalani & Pallavi Pengonda

The Nifty FMCG index was the top gainer among sectoral indices on Tuesday, rising 2.7%. The biggest gainer was ITC Ltd, (shares gained about 6%), after tobacco taxes were left unchanged. Investor focus now shifts to cigarette volume performance in coming quarters.

For the other FMCG companies, subdued consumer demand, especially in the rural areas, has been a concern amid rising income inequality in recent years and elevated inflation. So, it helps that the government has taken steps to boost consumption, albeit to a certain extent only.

The budget announced measures to buoy employment and agricultural income. To begin with, a proposal was made to allocate ₹2.7 trillion for rural development. A provision of ₹1.52 trillion was announced for agriculture and allied activities. The government had already announced higher minimum support prices for all major crops a month ago, “delivering on the promise of at least a 50% margin over costs”, finance minister Nirmala Sitharaman said in her budget speech.

These measures should help improve rural demand, which bodes well for FMCG and auto companies (mainly entry-level two-wheelers, cars and tractors) that have meaningful exposure to the hinterland.

QUICK TAKE

On Tuesday, the Nifty FMCG index was the top gainer among sectoral indices, rising 2.7%, with ITC being the top gainer

Various budget measures can be expected to boost demand, especially in the rural market

A further re-rating in FMCG, two-wheelers and other rural-focused stocks hinges on the monsoon season

Employment linked incentives should raise disposable incomes and aid demand.

The budget also announced some rationalization of personal income taxes. “Change in tax slabs and higher standard deduction will drive an additional ₹17,500 per year tax saving for a taxpayer with ₹15 lakh in taxable income, opting for the new regime, which is a slight positive for small-ticket consumption plays including Zomato, Nykaa, Trent, QSR (Jubilant Food, Devyani),” said analysts from Jefferies India in a report on 23 July.

Meanwhile, shares of jewellery companies Titan Co. and Kalyan Jewellers India rose 4-6% on Tuesday. A reduction in custom duties on gold is expected to increase the affordability of gold jewellery products, particularly in the run-up to the festive/wedding season. It also accelerates organized channel penetration.

The impact of the budget on earnings could be reflected over time. But for now, it is sentimentally positive. That said, a further re-rating in FMCG, two-wheelers and other rural-focused stocks continues to hinge on how the monsoon season pans out. So far in 2024, the Nifty FMCG index has rallied by around 9%, underperforming Nifty50's double-digit returns. Plus, the valuations of many FMCG and discretionary stocks such as paints/jewellers, are rich and do not provide much comfort.

harsha.j@htlive.com

## Lower customs duty a boost for metals and mining industries

The metals and mining sector would benefit from budget proposals to boost domestic refining and processing capacity of critical minerals. Steel and copper companies stand to gain from the removal of basic customs duty (BCD) on ferro nickel and blister copper, and extension of nil BCD on ferrous scrap and nickel cathode, which are used as input materials for their production.

The finance minister also announced the decision to launch the auction of first phase of offshore blocks for mining of these minerals. The first auction for onshore blocks mining was conducted in June.

Yet, the Nifty Metals index fell on Tuesday thanks to a decline in customs duty for precious metals such as gold and silver, which affect companies such as Vedanta Ltd and Hindalco Industries Ltd.

The processing of ores of metals such as aluminium and zinc also produces a small amount of gold and silver, which adds to the profits of these companies.

What came as a disappointment, though, was the absence of announcements on imposition of anti-dumping duty on steel imports that are up 37%

year-on-year in FY24 and 28% y-o-y in the first quarter of FY25.

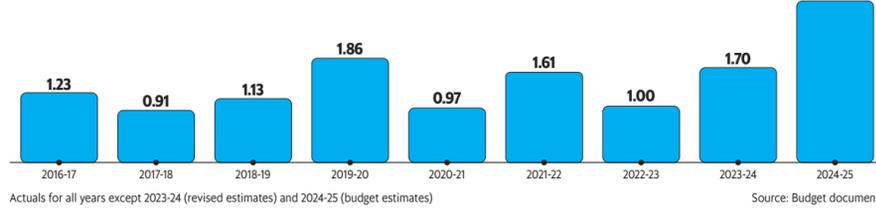
The finance minister laid emphasis on increasing domestic production, recycling and overseas acquisition of mines of critical minerals such as lithium, copper, cobalt and rare earth elements to reduce import dependency. The words “metal” and “mineral”, together, found mention 19 times in the speech as against only twice in February's interim budget. The proposal to reduce the BCD for 25 critical minerals to nil from 2.5-10% now would boost domestic refining and processing capacity of these minerals and help sectors such as nuclear energy, renewables, space, defence, telecommunications, electronics, etc.

The budget also announced the setting up of a joint venture between NTPC Ltd and Bharat Heavy Electricals Ltd to build an advanced ultra super critical thermal power plant, which has a much higher efficiency. This would help the development of domestic capacity for production of high-grade steel and other metallurgical materials, which have wide-ranging uses across several sectors.

ASHISH AGRAWAL

## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Dividends and profits (in ₹ trillion)



Actuals for all years except 2023-24 (revised estimates) and 2024-25 (budget estimates)

Source: Budget documents

REVENUE FROM  
DIVIDENDS AND PROFITS

## WHY DOES IT MATTER?

This is the surplus that companies and institutions owned by the Centre transfer to it. For the Centre, this is a relatively small revenue source—about 9% in 2024-25. The government will welcome additions under this head, as it is looking to expand spending on welfare schemes and employment generation.

WHAT DO THE  
NUMBERS SAY?

- ▶ After ups and downs, 2024-25 is a big year, with the central bank transferring ₹2.1 trillion this year as dividend.
- ▶ Thanks to the bumper central bank dividend, the estimated year-on-year increase in this head in 2024-25 is 70%.

## KEY STAT

# ₹56,260 CRORE

DIVIDENDS BUDGETED TO BE  
TRANSFERRED TO THE CENTRE  
FROM BANKS AND NON-FINANCIAL  
PUBLIC SECTOR UNDERTAKINGS.

TEXT BY PRATISHTHA BAGAI; PHOTO: SAMEER JOSHI/MINT

“Coming from a generation facing acute joblessness, I feel the government needs to invest more in MSMEs.”



**RADHIKA PRASHANT CHUDASAMA, 22, Pune**

Radhika, who recently commenced her career as an industrial designer, aspires to expand her father's construction materials business. She firmly believes the micro, small & medium enterprises (MSMEs) sector is the backbone of the economy as they provide employment and contribute close to one third of India's GDP. “Coming from a generation facing acute joblessness, I feel the government needs to invest more in MSMEs,” she says. She hopes that more funds are channelled into research and innovation that will give the sector a push in the next five years.

# After nasty surprise, a VOLATILE SPELL

The budget also avoided setting targets for disinvestment and asset monetization

Ram Sahgal  
ram.sahgal@livemint.com  
MUMBAI

## QUICK TAKE

A burst of volatile trading is expected due to changes in the long and short-term capital gains framework

PSU banks and mid- and small-caps with relatively high retail shareholding could witness a correction

Continue SIP allocation with focus on sectors such as capital goods, consumer durables and IT, say experts

Let the dust settle on the budget's tax shocker before chasing any likely dip, but mutual fund investors can continue their investments—in sum, that's the message from stock market veterans for retail investors, after the Union budget proposed higher capital gains tax for profits from share sales.

“The rise in long-term capital gains tax is severe, but the prospects of the market remain the same, so, any likely adverse reaction from here onwards might be short-lived,” said Raamdeo Agrawal, chairman & co-founder, Motilal Oswal Financial Services. “Retail investors should continue their equity asset allocation through the systematic investment plan (SIP) route, which is the best way for them.”

Finance minister Nirmala Sitharaman increased the long-term capital gains tax (LTCG) to 12.5% for gains above ₹1.25 lakh from shares sold after a year, from 10% on gains above ₹1 lakh earlier. Short-term capital gains (STCG) tax was raised to 20% from 15% on gains from sale of shares held for less than a year. “We might have a short spell of volatile trade, but investors will take the impact of the hikes in their stride as they are making money from investments,” Agrawal said after the budget speech concluded.

Agrawal's expectation that the dust would settle seemed to ring true, with Nifty and Sensex recovering sharply from the day's low. The market moves were mirrored by fear gauge India Vix, a measure of market risk, closing significantly off the day's high.

Shortly after the announcement of higher capital gains taxes, the Nifty plunged 1.77% to the day's low of 24,074.2, but recovered to close just a tenth of a percentage point lower at 24,479.05. Similarly, the Sensex, which tanked 1.6% to 79,224.32, recovered to close 0.09% lower at 80,429.04.

On Tuesday, foreign institutional investors (FIIs) sold shares worth a provisional ₹2,975.31 crore, while domestic institutional investors (DIIs) bought shares worth ₹1,418.82 crore.

India Vix, which hit an intraday high of 16.07, coinciding with the market's intraday fall, closed 17.42% lower at 12.75, as the markets recovered. The higher the Vix, more the volatility, and vice versa.

Ital gains tax and pressure on lenders from repricing deposits. This could increase market volatility. “There is a possibility that given the hike in STCG, PSU banks and mid- and small-caps which have relatively high retail shareholding could witness a correction, with no sight for a relief on the net interest margin front,” said Andrew Holland, CEO, Avendus Capital Public Markets Alternate Strategies. Indeed, Nifty PSU Bank was among Tuesday's biggest sectoral losers, closing down 1.4% to 7218.9. This, in turn, dragged the Bank Nifty lower by 0.96% to 51778.6. The Nifty Midcap 150 index ended 0.44% lower at 20947.8, while the Nifty Smallcap 250 index closed 0.6% lower at 17212.5. Aditya Birla Sun Life's Balasubramanian also believes that bank stocks might move sideways in the sessions ahead. This could limit potential gains for the market, as financials' weighting in the Nifty stood at a record 34.44% at the end of June. A potentially deeper pullback is also premised on weaker corporate earnings in the current quarter, after early-bird Q1 earnings of 204 companies showed aggregate net profit falling 10.7% on higher input costs. Also, a rate cut by the Reserve Bank of India seems distant, Holland added. While the Nifty trades at a trailing price-to-earnings ratio of 24.57, in line with its five-year average PE of 24.67 times, the Nifty Midcap 150 currently trades at 43.01 times (35.47x) and the Nifty Smallcap 250 index at 33.81 times (28.3).

A. Balasubramanian, MD & CEO, Aditya Birla Sun Life MF, said the impact of the tax increase was “negligible” on investments held for three to five years and market buoyancy would continue, “albeit not at the pace seen in the past two-three years.”

“A 2.5 percentage point increase amounts to just 0.5 percentage extra tax per year for a five-year holding period, which is negligible, given the scope of profits on investment,” said Balasubramanian. “Investors could continue their SIP allocations with focus on sectors such as capital goods, consumer durables and IT, given the savings on tax for salaried individuals in the ₹7.5-10 lakh bracket, stress on infra development, etc.”

However, other experts said the broader markets and sectoral indices like Bank Nifty could underperform benchmarks, thanks to higher short-term cap-

## A REASSURING VIEW OF THE INDIA GROWTH STORY



RASHESH  
SHAH

CHAIRMAN,  
EDELWEISS GROUP

Respond to this column at  
feedback@livemint.com

The Union Budget 2024 marks a pivotal moment in India's economic journey, introducing a sweeping array of initiatives aimed at invigorating growth and transforming the financial landscape. These measures are poised to impact the financial services sector and capital markets, driven by increase in capital expenditure, significant tax reforms, and enhanced support for crucial sectors.

### Increase in LTCG tax

A notable adjustment is the increase in short-term capital gains (STCG) tax to 20% from 15%, applicable to all financial assets. Additionally, the long-term capital gains (LTCG) tax has been raised to 12.5% from 10%, although profits up to ₹1.25 lakh per year remain exempt.

This adjustment aims to bolster revenue and align India's tax regime with global standards. While this may raise concerns among investors, its impact may be moderated by the stability and growth of the capital markets. The markets have shown considerable resilience in the face of regulatory changes, and it is expected that the increase in LTCG tax will be absorbed without causing any major disruptions.

The more pressing issue will be whether this budget will catalyse restored earnings growth for Indian companies. While tax changes can generate short-term excitement, the true measure of success will be their capacity to foster long-term growth.

### Increased STT on F&O

The budget proposal to raise the security transaction tax (STT) to 0.02% for futures and 0.1% for options is intended to temper risky trading behaviour that has been a concern for regulators. By imposing a higher STT, the government aims to curb speculative trading and bring a necessary check to the F&O dynamics. However, this increase could also impact market turnover and revenue for exchanges.

### Boost to FDI inflows

The budget has proposed simplifying the rules and regulations governing FDI and overseas investments. This move is expected to facilitate

higher inflows and promote the use of the Indian rupee in international transactions. By prioritizing and easing regulations, the budget aims to create a more attractive investment climate, encouraging global investors to channel their funds into Indian markets.

### Tax on share buybacks

Historically, taxation on share buybacks was managed at a company level, with investors not facing additional tax liabilities. The new budget reform shifts the tax burden to investors, treating buyback income as dividend income that will be taxed according to the investor's income tax slab. Buyback and tax-free dividend always had a gap, and the equalisation was expected. While this reform is expected to enhance corporate cash flow and invigorate share repurchase programs, it could also discourage investors due to the higher tax implications. The new tax structure might affect promoters of cash-rich firms who relied on buybacks as a method to return capital to shareholders.

### Angel tax, other reforms

A significant boost to startups comes with the abolition of the angel tax for all classes of investors. This is anticipated to create a supportive environment for startups, fostering innovation and potentially revitalizing market sentiment. In addition, the budget introduces several tax reforms to improve ease of doing business, including rationalization of tax slabs and a reduction in corporate tax rates for SMEs. Such reforms are expected to enhance credit flow and unlock new investment opportunities within the financial services sector, providing a more conducive environment for business growth.

### Conclusion

By reinforcing India's financial markets and addressing critical areas such as capital gains taxation, STT on F&O, and digital payments, the budget sets the stage for a resilient and dynamic economic environment.

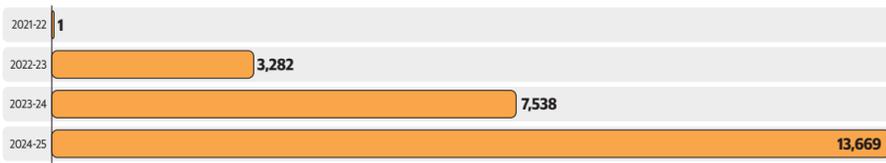
As the financial services sector adapts to these changes, the overall impact on capital markets and economic growth will become clearer, shaping India's financial landscape in the years to come.

With combination of increased capital expenditure, strategic tax reforms, and support for key sectors, the budget aims to provide diverse opportunities for the financial services sector to expand and innovate. The Union Budget 2024 presents a reassuring view of India's growth story through this comprehensive framework designed to stimulate economic growth and enhance the financial ecosystem.

The budget aims to provide opportunities for the financial sector to expand

FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Spending on production-linked incentive scheme (in ₹ crore)



Actuals for all years except 2023-24 (revised estimates) and 2024-25 (budget estimates).

Source: Budget documents

WHAT DO THE NUMBERS SAY?

- ▶ The Centre's intended outlay for the scheme, launched in March 2020, is ₹1.97 trillion. As of 2023-24, total expenditure is ₹10,821 crore.
- ▶ Of the amount spent under the budget, ₹3,121 crore was in pharma and ₹4,559 crore in the electronics and IT sector.

KEY STAT

₹13,669  
CRORE

AMOUNT BUDGETED TO BE SPENT UNDER THE PLI SCHEME FOR 2024-25—A 81% INCREASE OVER 2023-24.

PLI SCHEME

WHY DOES IT MATTER?

Manufacturing has been a weak link for the Indian economy. As one lever to change this, this government introduced the production linked incentive (PLI) scheme, which subsidizes domestic manufacturing by companies across a range of key sectors, including auto, IT hardware and pharma.



TEXT BY GHAZAL CHENGAPPA; PHOTO: SAMPATH KUMAR G P/MINT

“I've seen a lot of people lose jobs lately, [and] many people are willing to take on any job for the sake of job security.”

SAIADITYA PATTNAIK, 19, Bengaluru

Saiaditya is set to begin his bachelor's in music production in Mumbai in September. Originally from Odisha, Pattnaik has lived for 14 years in Whitefield, where he voted for the first time in this election. “Since I'm going into college, I want to see more job opportunities. My dad works in HR, and I've seen a lot of people lose jobs lately. Even IITs don't see enough placements, and many people are willing to take any job for the sake of job security.”



K.M. BIRLA

CHAIRMAN, ADITYA BIRLA GROUP

Respond to this column at [feedback@livemint.com](mailto:feedback@livemint.com)

NO FREEBIES, TARGETED SPENDS TO PUSH CONSUMPTION

All budgets are tough balancing acts in India, but the FY25 budget presented by finance minister Nirmala Sitharaman was a remarkable exercise in balancing economic growth with fiscal prudence. While India's macro-economic backdrop was favourable ahead of the budget, it would not be wise to fritter away the hard-fought gains of fiscal consolidation just as it was being recognised worldwide. And yet there was a need to address several constituencies—women, youth, farmers, rural and urban poor, consumers, startups, and of course, domestic industry.

It was, therefore, a pleasant surprise to see the budget delivering on all key fronts. It was fiscally prudent, with this financial year's budget deficit target estimated at 4.9% of GDP, lower than the 5.1% estimated in the interim budget in February this year. The government has sensibly avoided reckless freebies and sops, preferring to focus instead on targeted spending on skill development, job creation, and farmer welfare. A package of measures to help MSMEs tide over hurdles to borrowing is laudable, as it provides the much-needed support to a section of industry that is on the fringes of the formal economy.

For India to transform into a developed economy, a massive spurt in job creation is inevitable. While the industry is doing its utmost through new capacities and expansions, it is heartening to see the government step in with some timely support. The incentives to first-time employment in manufacturing available to both employers and employees is expected to help increase jobs by 5 million.

Rapid creation of infrastructure through the building of new highways, expressways, and airports is a major feature of prime minister Narendra Modi's economic programme.

This budget does not disappoint, with capex spending at ₹11.1 trillion estimated at 3.4% of GDP. The government's sustained thrust on capital expenditure has been a key driver of economic growth over the last decade.

Apart from spending on roads and railways, the budget also sets aside a substantial portion of money for infrastructure development in two of India's largest states, Andhra Pradesh and Bihar.

The budget also announced expeditious construction of 1 crore houses for the urban poor through an investment of ₹10 trillion and targets the setting up of 12 industrial parks near cities to facilitate industrial investment. A National Critical Mineral Mission to expedite rare earth mineral exploration is a commendable move to ensure self-sufficiency in this crucial sector. These new initiatives will not only drive consumption of industrial products like cement, and steel, but also promote rapid urbanization.

Tax rationalization and cuts in import duties on precious metals, mobile phones and chargers are expected to sustain consumer demand. Changes under the new tax regime are estimated to put an additional ₹17,500 per month in the hands of the salaried class.

Lower duties on imported copper and other metals will enable affordability of metals crucial for industrialization and energy transition.

India is poised to retain its position as the world's fastest-growing major economy and this budget helps clear the way ahead with a number of path-breaking moves and initiatives.

Finance minister Sitharaman has promised an overhaul of the Income Tax Act, 1961 to make it simple, lucid and user-friendly. The government has also promised measures to rationalize the GST rates and simplify foreign direct investment (FDI) rules to encourage investments. This, along with the reduction in taxes for foreign companies, is a signal that the country remains attractive to foreign investors wishing to set up shop here. The unpopular angel tax has been abolished and a commitment has been made to increase the size of the space economy by five times.

A venture capital fund worth ₹1,000 crore has been set up for this purpose. The finance minister has also indicated her intent to reform factor markets—land and labour. That could trigger massive productivity gains in the economy. The budget promises stability, continuity and consistency. It ushers in dynamism through focused, targeted initiatives aimed at capacity creation. It eases rules for MSMEs while delivering infrastructure build-up across the country. And most importantly, it lays the foundation for realising the ambitious target of Viksit Bharat by 2047.

Kumar Mangalam Birla is the chairman of Aditya Birla Group.

The budget promises stability, continuity & consistency

Cuts and credit: The starter pack FOR SMALL MAKERS

Customs duty cuts and schemes for MSMEs set to boost domestic manufacturing, increase competitiveness

Nehal Chaliawala & Shouvik Das  
MUMBAI/DELHI

The Union budget has given the manufacturing sector a shot in the arm, experts said, taking forward the Narendra Modi government's Make in India agenda. From fiscal incentives to policies addressing skill gap, finance minister Nirmala Sitharaman has given manufacturers several reasons to cheer.

The credit guarantee scheme announced for micro, small and medium enterprises (MSME) engaged in manufacturing can help bridge the large funding gap faced by smaller businesses, experts told *Mint*. The MSME sector is estimated to face a funding shortage of ₹20-25 trillion, as per Crisil. The scheme will enable capital investment in machinery and equipment, helping these companies scale up manufacturing.

“Banks account for 75% of lending to this segment. Public sector banks will do well to set up in-house, technology-driven underwriting capacity to serve new borrowers and bring them into the formal credit fold,” Crisil noted.

The many tweaks proposed by the finance minister to customs duty rates will help limit imports and aid local manufacturing, the experts added. For instance, an increase in the customs duty on printed circuit boards assembly (PCBA) for specific telecom equipment from 10% to 15% is expected to boost local manufacturing of telecom equipment. This includes 4G/5G next-generation radio access network and wireless equipment, customer premises equipment, IoT (internet of things) access devices, switches, routers and core transmission equipment.

“This would provide a boost to domestic manu-

QUICK TAKE

Credit guarantee scheme will bridge the funding gap faced by micro, small and medium enterprises

The tweaks proposed to customs duty rates will help limit imports and aid local manufacturing

Higher infrastructure and affordable housing outlay will boost steel and cement sectors

facturing, increase competitiveness, create jobs, and make mobile phones more affordable, resulting in increased digital penetration,” said Nittin Arora, partner at Grant Thornton Bharat, adding that the increased basic customs duty on PCBAs will create a level playing field and attract foreign investment.

Similarly, the government's decision to scrap import duties on critical minerals and formulate a comprehensive critical minerals mission will go a long way to kickstart the local production of lithium-ion cells and electronics for electric vehicles (EV), said industry participants.

Companies in the electric vehicle supply chain say that the critical minerals mission can help ramp up the local e-waste recycling economy, which can help India build its own reserves of lithium, cobalt and nickel, among other key minerals, and reduce the country's dependence on imports. This is in line with the government's ambition of making India a global leader in manufacturing EVs.

“A comprehensive mandate, including domestic production, recycling and overseas acquisition of critical mineral assets can help make India self-sufficient in the critical elements used in battery-manufacturing supply chains, as well as in other industries such as pharmaceuticals,” said Nitin Gupta, chief executive of Attero, an e-waste recycling company.

Solar cell and module manufacturers will get a multi-fold boost—not just from zero customs duty on several capital goods but also from demand generation through the PM Surya Ghar Muft Bijli Yojana. The latter looks to provide subsidies for rooftop solar installation to 10 million households and mandates use of locally made solar cells and modules. However, the sector will feel a short-term pinch as the zero customs duty on import of

solar glass and tinned copper interconnects used in making cells has been discontinued.

“While the increase in basic customs duty on glass imports will result in higher input costs for domestic power producers in the short term, this is a necessary long-term measure to strengthen the domestic supply chain, especially given our ambitious goal of achieving 50GW of renewable energy annually,” said Shashank Sharma, founder, chairman and chief executive officer, Sunsure Energy Pvt. Ltd.

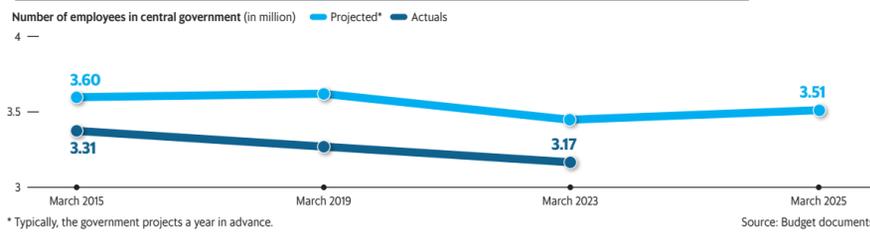
The allocation of ₹1,000 crore (\$120 million) in venture capital (VC) for the private space sector will boost research and development for commercial product development. It will be a multi-year outlay, and will be managed by a professional fund manager, a senior government official with direct knowledge of the matter told *Mint*.

While details are yet to be announced, industry stakeholders said that the government's space fund could have a multiplier effect as it would help assure international investors of the Centre's role as an anchor customer and stakeholder in space ventures. Narayan Prasad Nagendra, chief operations officer at Dutch space firm Satsearch, said that the biggest impact of such a fund is in defining the Centre's role in the private space sector.

“Governments typically do not place bets on a single company—their goal is to see an industry succeed. As a result, such a fund becomes more impactful as the Centre backing private space startups assures global big-ticket investors to back such companies, too. A government outlay of ₹1,000 crore could thus have a multiplier effect in terms of its industry impact,” he added.

nehal.chaliawala@livemint.com  
Alisha Sachdev and Gulveen Aulakh also contributed to the story.

## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET



## GOVERNMENT JOBS

## WHY DOES IT MATTER?

The key challenge before the Indian economy has been, and remains, the creation of new jobs. Every avenue counts. One of those avenues, and a prized one at that, is government jobs, at both the central and state levels. The central government employs about 3.17 million and has been looking to expand.

## WHAT DO THE NUMBERS SAY?

▶ Between March 2015 and March 2023, however, the staff count of the central government shrank by about 139,000.

▶ There is usually a gap between how many the government wants to employ and how many it actually does.

## KEY STAT

8%

THE GAP BETWEEN THE EMPLOYMENT NUMBERS PROJECTED IN BUDGET 2022 AND THE ACTUAL STRENGTH IN MARCH 2023.

“I want the government to provide jobs for young people over the next five years. I really have no expectations beyond that.”

**FIRDIOUS AHMED SHEIKH, 23**, Anantnag

Firdous has just completed his BSc in anesthesiology from Jammu Medical College and is currently doing an internship in Verinag, about 25km from Anantnag in Kashmir. Sheikh, who voted for the first time in Dooru constituency earlier this year, hopes the government will keep its promise of providing more employment and skilling opportunities, especially for young job-seekers, in the next five years. “I want the government to provide jobs. I really have no expectations beyond that.”

# A carrot to make the big SHIFT FORMAL

Incentives announced to ease companies into skilling and employment

Devina Sengupta & Pratishtha Bagai  
MUMBAI

## QUICK TAKE

Five initiatives proposed to improve employment, skilling and other opportunities for 41mn youth over five years

Employment-linked scheme to give a month's wages to all employees entering the workforce

The government said companies can use CSR funds to account for 10% of internship costs and training expenses

A key focus of the Union budget is generating employment, and bringing large sections of the young workforce from the informal to the formal sector is one of the government's goals. The Union budget has allocated ₹1.48 lakh crore for education, employment and skilling to alleviate concerns over unemployment, by rolling out schemes aimed at bringing youth, women and skilled workers into the labour force.

“I am happy to announce the Prime Minister's package of five schemes and initiatives to facilitate employment, skilling and other opportunities for 4.1 crore youth over a five-year period with a central outlay of ₹2 lakh crore... This year, I have made a provision of ₹1.48 lakh crore for education, employment and skilling,” finance minister Nirmala Sitharaman said on Tuesday.

A key proposal is an employment-linked incentive scheme, which will give a month's wages to all employees entering the workforce in all formal sectors. “The direct benefit transfer of one month's salary in three instalments to first-time employees, as registered in the EPFO, will be up to ₹15,000. The eligibility limit will be a salary of ₹1 lakh per month. The scheme is expected to benefit 2.1 crore youth,” the minister said.

The Employees' Provident Fund Organisation (EPFO) has seen a consistent rise in new EPF subscribers aged 18-28 since the pandemic. Yearly net payroll additions to the EPFO more than doubled from 6.11 million in FY19 to 13.15 million in FY24.

“The employment incentive scheme where ₹15,000 will be given over three months is a boost to get workforce to shift from the informal to the formal sector,” said Guruprasad Srinivasan, CEO of Quess Corp. In the formal sector, employees get provident fund, labour welfare funds and have access to other benefits. “The scheme will also help MSMEs which hire a large number of informal workers to recruit from the more formal sector,” Srinivasan added.

Recruiters in the staffing sector noted that the split of ₹15,000 over three months will prevent many employees from taking the benefit in the first

month and leaving their jobs.

The budget provisioned an incentive on a specified scale to be given directly both to the employee and the employer with respect to their EPFO contribution in the first four years of employment. The scheme is expected to benefit three million youth entering employment, and their employers. The government will also reimburse employers up to ₹3,000 per month for two years towards their EPFO contribution for each additional employee.

“Credit of one month's salary in the EPFO account for first-time employees may also impact the gig economy given that this incentive is applicable to the formal employment sector,” noted Anshul Prakash, partner, employment labour & benefits at law firm Khaitan & Co.

Over the last few years, the gig workforce has

gained prominence both in skilled and unskilled employment. In the Economic Survey, the government had noted that their strength is expected to expand to 23.5 million by 2029-30. “Gig workers are expected to form 6.7% of the non-agricultural workforce, or 4.1% of the total livelihood in India, by 2029-30,” it had said.

The other prominent aspect to mitigate unemployment levels is to reduce the gap in skill sets across sectors. The FM announced a centrally sponsored scheme for skilling in collaboration with state governments and industry, under which two million youth will be skilled over a five-year period.

Atul Soneja, chief operating officer, Tech Mahindra, said these programmes “align with the industry's increasing demand for a workforce equipped with contemporary skills”, especially in tier 2 and 3 cities, which “are emerging as talent hubs and will contribute to long-term growth and the creation of local employment opportunities”.

The budget highlighted that the Model Skill Loan Scheme will be revised to facilitate loans of up to ₹7.5 lakh with a guarantee from a government promoted fund. This is expected to help 25,000 students every year. “The financial support for loans up to ₹10 lakh for higher education and skilling loans up to ₹7.5 lakh will significantly enhance access to education and skill development, covering 100,000 students every year. This will make the lending space more competitive than before, especially for NBFCs,” said Akshay Chaturvedi, founder of edtech firm Leverage Edu, which also has an NBFC.

In a first-of-its-kind initiative, the government will roll out a scheme to upskill 10 million youth in top 500 companies over the next five years. These interns will be paid ₹5,000 a month along with a one-time assistance of ₹6,000. The government said companies can use their CSR funds to account for 10% of the internship costs, and training expenses.

“Cross-sector collaboration can address the rapidly growing skills gap and social inequities, ensuring students transition smoothly into high-demand job roles. Businesses will also benefit from a diverse and skilled talent pool, reducing recruitment time and costs,” said Raghav Gupta, managing director, APAC and India, Coursera.

devina.sengupta@livemint.com

## A ROADMAP FOR 15 MILLION NON-FARM JOBS A YEAR



AJIT ISAAC  
CHAIRMAN,  
QUESS CORP

Respond to this column at  
feedback@livemint.com

The lack of enough jobs was one of the key issues that perhaps deprived the BJP of an absolute majority in the new Lok Sabha. The political message was clear: The new government must provide quality jobs for the youth. The government appears to have understood this and finance minister Nirmala Sitharaman's budget focuses on employment with practical measures, provided the bureaucracy also plays ball and executes the intentions of the government. The budget emphasises four key areas: formal employment, manufacturing, women in the workforce, and skilling. These are crucial to ensure India's educated youth are employed in the years to come.

Formal employment: 80% of India's 57.7 crore workers is employed in the informal sector—agriculture, self-employment, MSMEs—and lacks access to social security benefits. A major challenge is shifting these informal workers to the formal sector, ensuring they receive job contracts, minimum wages, provident fund, Employees' State Insurance Corporation benefits, and other benefits. The budget's three employment-linked incentive schemes represent a positive step toward creating new formal jobs. The “First Timers” scheme offers a one-month wage

(up to ₹15,000) to individuals newly entering the formal sector. This aims to attract and retain employees by disbursing the incentive in three instalments. The scheme could help mitigate early attrition issues. Additionally, the “Support to Employers” scheme, which reimburses employers up to ₹3,000 per month for EPFO contributions, will help promote business expansion and help informal employers formalise.

Manufacturing: As of 2023, manufacturing accounted for 17% of India's GDP, and reaching the target of 25% by 2025 appears challenging. The anticipated benefits from the China Plus One strategy have not materialised, with many companies choosing Vietnam and Mexico over India. However, the budget incentives could boost the manufacturing sector. One of the

employment incentive schemes focuses specifically on “Job Creation in Manufacturing,” providing EPFO benefits to employers to spur hiring and transition of workers from informal to formal employment. New credit guarantee schemes for MSMEs and an increase in Mudra loan limits to ₹20 lakh could enable small manufacturing units to expand. To maximize these benefits, the Centre should link manufacturing expansion with job creation. Tracking the number of jobs created by loan beneficiaries could ensure that growth in the sector translates into meaningful employment opportunities.

Women in workforce: India's female labour force participation rate stands at just 37%, considerably lower compared to other advanced and developing economies. The budget's provision for setting up working women's hostels in collaboration with the industry is a significant step. This initiative addresses the challenge of providing safe accommodation for women, making it easier for employers to hire women.

Skilling: India faces massive skills shortage, with employers struggling to find candidates with the right skill sets. The budget's commitment to upgrading 1,000 industrial training institutes (ITIs) through hub and spoke models and initiating an internship scheme to place one crore youth in top companies over the next five years, with a monthly allowance of ₹5,000, could make a substantial impact if implemented effectively. The fine print of all these schemes has to be deciphered and the devil will largely remain in the details.

Many important areas in the employment sector remain unaddressed in this budget and require attention in future. India needs to raise the minimum wage to keep pace with inflation. More efforts are needed to boost women's participation in the workforce, potentially through additional tax benefits such as 80JAA for hiring women. The 80JAA tax benefit is a great incentive that facilitates the transition of employees from informal to formal jobs. Staffing companies that generate formal sector employment can greatly benefit from this provision.

Nevertheless, the budget has laid a solid ground for future budgets to focus on employment. India needs to create 1-1.5 crore non-farm jobs a year to absorb the youth joining the workforce, and this budget seems to be a step in the right direction. It is a budget that instils hope, and expectations in the youth of India and one hopes that it will set a virtuous chain of events in motion to help the country become a five-trillion-dollar economy.

Ajith Isaac is managing director of Quess Corp

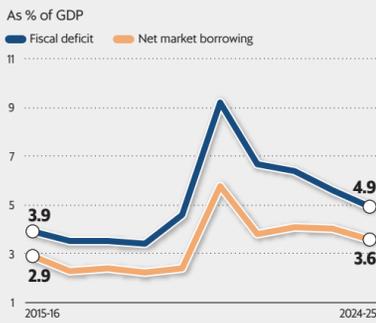
80% of India's 57.7 million workers is employed in the informal sector

# Mixed moves on Budget Day BY THE NUMBERS

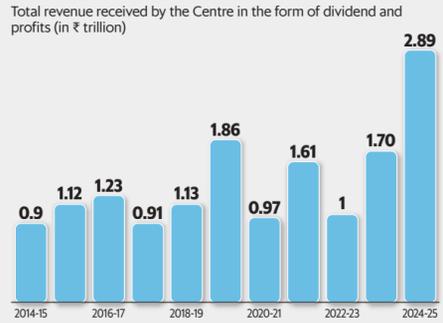
BY TEAM PLAIN FACTS

Under pressure from the disappointment in the Lok Sabha polls, the government got a massive boost for its 2024-25 budget in the form of a windfall dividend transfer by the Reserve Bank of India (RBI). With help from that revenue gain, the Centre chose to focus on cutting the fiscal deficit, and offer some tax relief to boost consumption, but only with a marginal increase in revenue expenditure. Did the budget manage to fire on all cylinders, or did it just showcase policy continuity? Mint breaks it down:

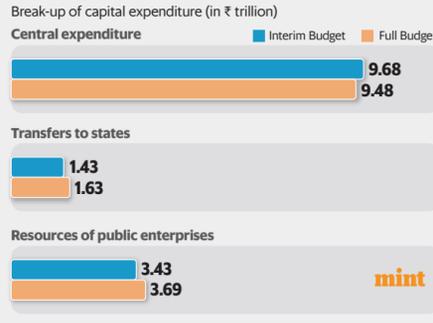
## Centre stays firm on fiscal consolidation path, pegs fiscal deficit aim at 4.9% of GDP



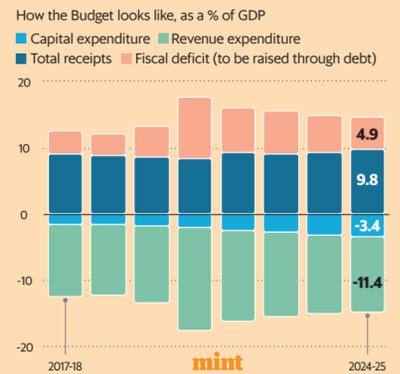
## Revenue windfall: Dividend, profit transfers increase substantially in FY25



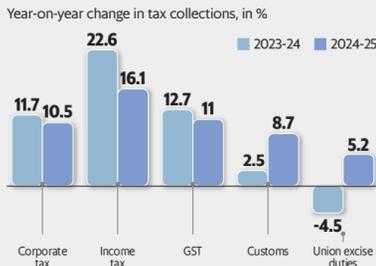
## Capex break-up shows Centre is passing the spending baton to states and PSUs



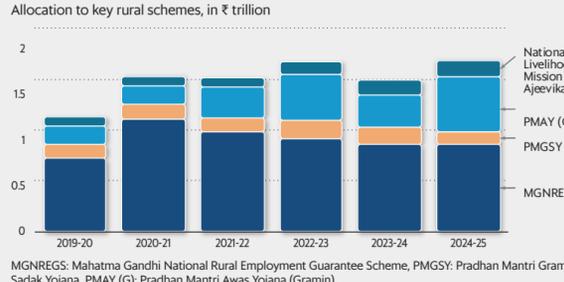
## Lower revenue spending despite increased receipts leads to fiscal deficit cut



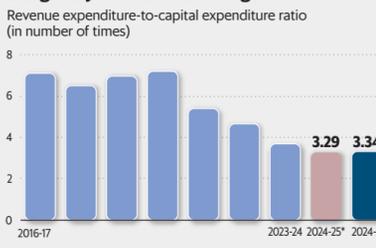
## Growth in tax collections estimated to slow down in FY25, even for GST



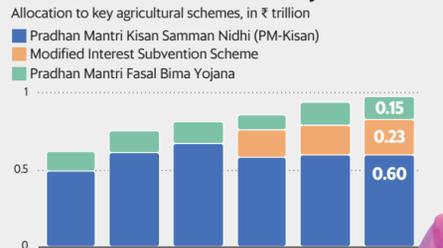
## In rural sector, only housing scheme sees substantial rise



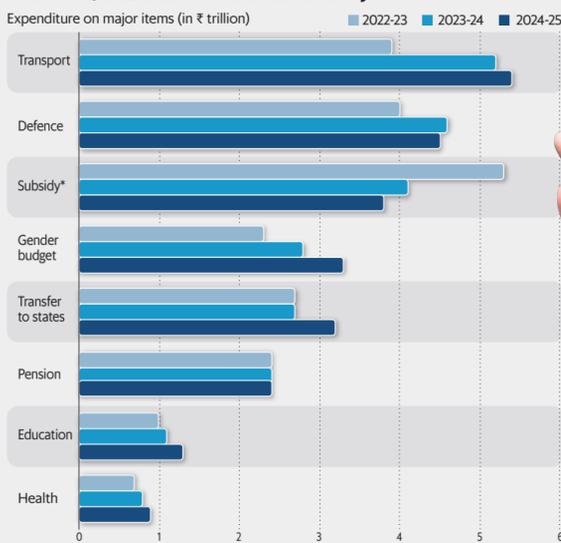
## Revenue-to-capital spending ratio rises marginally from interim budget estimates



## Modified interest subvention scheme the only farm scheme to see increased outlay



## Transfers to states, gender budget receive strong push; education, health also see increased outlay



## Breaking down the math of fiscal deficit

The Centre has aimed a fiscal deficit of 4.9% of GDP for the current financial year, down from 5.1% set in the interim budget in February, and the 5.6% figure achieved in 2023-24. Fiscal deficit is the difference between the government's spending and revenue, and is a key metric to assess the Budget.

The narrowing of the deficit will be driven both by lower revenue expenditure as a share of GDP, as well as higher earnings. Revenue expenditure, or the funds allocated for day-to-day operations, is expected at 11.4% of GDP, down from 11.8% in 2023-24. Capital expenditure, the second major component of spending, will rise to 3.4% of GDP from 3.2% in 2023-24.

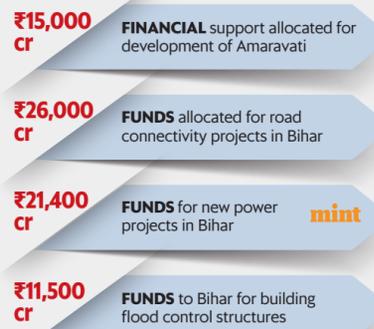
This means overall expenditure is now pegged at 14.8% of GDP, slightly down from 15% in FY24.

However, when compared with the interim budget, the government seems to have loosened its purse strings by actually increasing its revenue spend in the wake of an unexpectedly poor electoral performance. The interim budget had pegged it at 11.2% of GDP.

This increase hasn't resulted in the fiscal deficit aim taking a hit because the government also plans to raise its total revenue to 9.8% of GDP from 9.4% in 2023-24. The government retains a 10.5% nominal GDP growth aim.

## Coalition politics makes its presence felt in the budget

Some key announcements for Andhra Pradesh and Bihar



## Coalition dharma: What Bihar, Andhra got

One standout aspect of the Budget was the big win scored by states run by key National Democratic Alliance members, in the form of generous packages for Bihar and Andhra Pradesh. This shows that after all, economics can't be separated from politics.

The interim budget, presented in February by a government that had enjoyed a brute majority for a decade, had avoided any pacifist moves. Much has changed since, courtesy the ruling party's newfound need to please allies. Nitish Kumar's Janata Dal (United) and N. Chandrababu Naidu's Telugu Desam Party were key to the NDA government's third shot at power. The shower of schemes for their two states in infrastructure, tourism and education reflect coalition dharma at play.

Both coalition partners had reportedly demanded 'special category status' for their states, which would have meant tax breaks and preferential funding. While that did not happen, two of Naidu's pet projects got the Centre's backing: ₹15,000 crore for development of the new capital city of Amaravati and funding for the Polavaram irrigation project. Bihar, too, saw ₹26,000 crore allocated for road projects, while announcements about building new airports, medical colleges and sports infrastructure in the state were also made.

After an unexpected loss of majority in the elections, the temptation to deliver a pro-welfare or a populist Budget could have run high for the ruling party. But on D-Day, finance minister Nirmala Sitharaman chose to keep her moves mixed.

The top priority seemed to be to cut fiscal deficit, thanks to a generous windfall from RBI. This made space for some relief for taxpayers—but the increase in budget size compared with the interim budget was minimal, especially for some sectors related to the most vulnerable Indians.

The Centre is aiming the spending-revenue gap at 4.9% of GDP, 20 basis points lower than the goal set in February. That's thanks to an additional ₹1.39 trillion received in the form of "dividends and profits"—that includes the RBI bonanza.

Nearly half of this gain will go towards higher revenue spending. This raises the revenue spending-to-capital spending ratio marginally: though not ideal, it's not worrisome enough, either. (Since revenue spending goes on day-to-day operations,

and capital spending goes to building assets, a lower ratio is desirable.) Capital expenditure, the holy grail of the Centre's post-pandemic rebuilding strategy, was left unchanged, at ₹1.1 trillion.

But the break-up of capex shows the Centre has actually passed the baton to the states and public sector enterprises, while cutting down on its own share.

The highlight of the budget was the relief to taxpayers, which will result in just a 16% growth in income tax collections, down from 22.6% in 2023-24. Also, what may either point to a conservative estimation or the possibility of a slowdown indeed, the government is also projecting slower growth for corporate tax and goods and services tax (GST) collections.

The attempt to ensure macroeconomic stability and woo the middle class comes, partly, at the cost of rural India. A tight monetary policy and soaring inflation had squeezed the budgets of millions in recent years, and hopes were high for relief. But several rural development initiatives grappled for a larger slice of the pie.

Among key schemes, only the one on

housing secured a substantial elevation in funding: allocations increased 70% since 2023-24 to ₹54,500 crore. The outlay for the National Livelihood Mission - Aajeevika was up only marginally by 6.5%.

Meanwhile, the allocation for the crucial rural jobs scheme has been left unchanged at ₹86,000 crore, and the estimated spend on the rural roads scheme has come down to ₹12,000 crore from the revised estimate of ₹17,000 crore in the previous year.

The Centre has earmarked ₹1.52 trillion for the agriculture-related sectors in 2024-25, about 8% up over 2023-24. (The segment also saw a 3.4% increase over the amount provisioned in the interim budget.) A massive boost came to the Rashtriya Krishi Vikas Yojana, which was increased 23% to ₹7,553 crore, but other major schemes in the sector saw flat or reduced funding.

The budget skipped raising allocations in two flagship schemes: Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) and Pradhan Mantri Fasal Bima Yojana. The Modified Interest Subvention Scheme (which offers farmers concessional short-

term agri-loans up to ₹3 lakh for crop cultivation and related activities) was the lone exception: its funds rose 22% to ₹22,600 crore.

Meanwhile, spending on other key areas got a limited boost, with states' coffers and gender budgeting witnessing a significant push. The gender budget saw a near-19% rise in its outlay to ₹3.3 trillion, while transfers to states (the money the Centre shares with them out of its tax revenue) saw an 18% surge to ₹3.2 trillion since 2023-24.

Education and health saw an increase of 15.4% and 12.7%, respectively. Further, on account of the encouraging pace of the post-pandemic economic recovery, the subsidy budget, which includes food, fertilizer and petroleum subsidies, was reduced from ₹4.1 trillion to ₹3.8 trillion.

The budget overall pointed towards policy continuity—the trend of choosing fiscal prudence over higher welfare spending—as India's inclusion in global bond index will increase scrutiny over debt and borrowing levels. Welfare, once again, has been left for another day, as and when the demand arises.

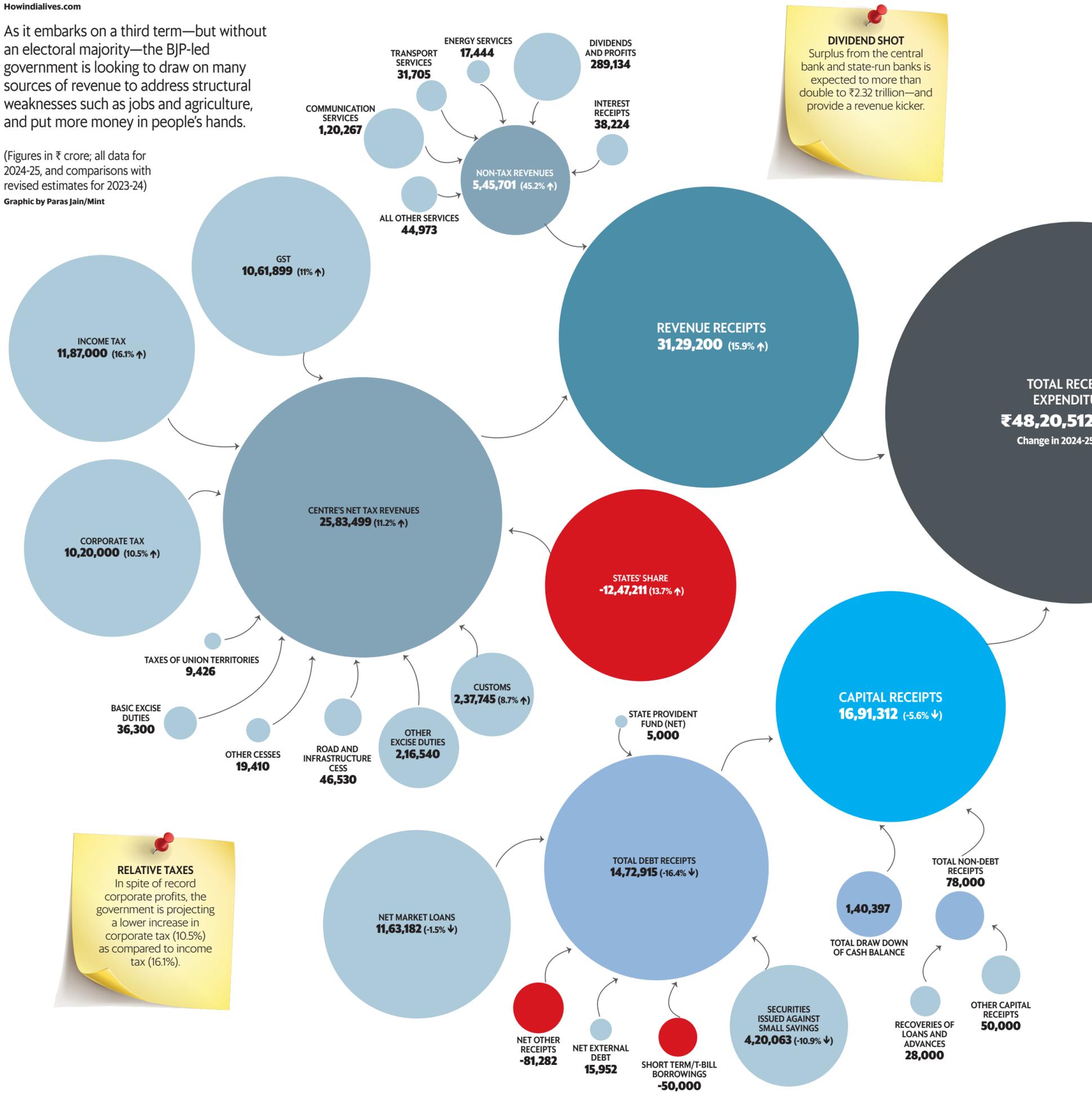
# BALANCING THE BOOK

Howindiaives.com

As it embarks on a third term—but without an electoral majority—the BJP-led government is looking to draw on many sources of revenue to address structural weaknesses such as jobs and agriculture, and put more money in people's hands.

(Figures in ₹ crore; all data for 2024-25, and comparisons with revised estimates for 2023-24)

Graphic by Paras Jain/Mint



\*Expenditure components are less than the total expenditure by ₹46,679 crore as the budget numbers have been rearranged for easier reading.

Some sub-entries don't add up to larger bubbles because of exclusion of smaller items or reconciliation issues. All the percentage change figures use revised estimates for 2023-24 for comparison.

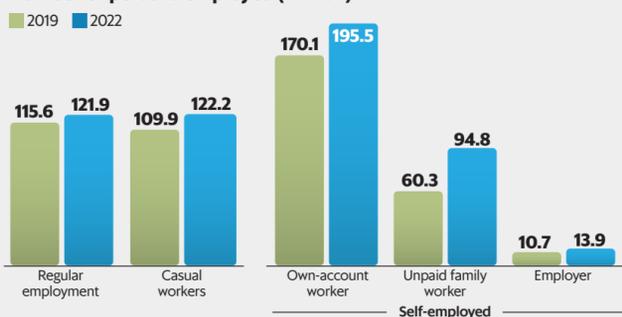
## THE BACKDROP OF CHALLENGES SHAPING BUDGET 2024

Going into the 2024 general elections, the ruling Bharatiya Janata Party (BJP) played up its achievements on jobs, welfare schemes and growth. The shock from an electoral result way below expectations makes this a major budget for the party, leading to a core focus on economic revival at an all-round level. With major state elections due later this year and next year, the BJP-led coalition has its work cut out on these four fronts.

### JOBS: QUESTIONS OF QUALITY

The big challenge is to generate jobs of good quality. Total jobs have increased from 466 million in 2019 to 544.5 million in 2022, as per the India Employment Report 2024. However, much of this is either in the self-employed space, especially unpaid family work in rural areas among women, or in casual work. Both spaces are characterized either by low wages or barriers to growth.

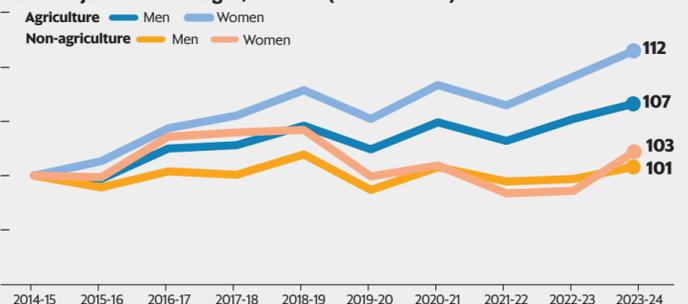
### Number of persons employed (million)



### RURAL WAGES: FACING STAGNANCY

The other major challenge facing the economy is wages earned by workers. Rural wages for non-agricultural labourers, after adjusting for inflation, has been essentially flat since 2014-15. Wages for agricultural workers have been better, but only marginally so, rising by 6% over the last nine years for men and 11% for women.

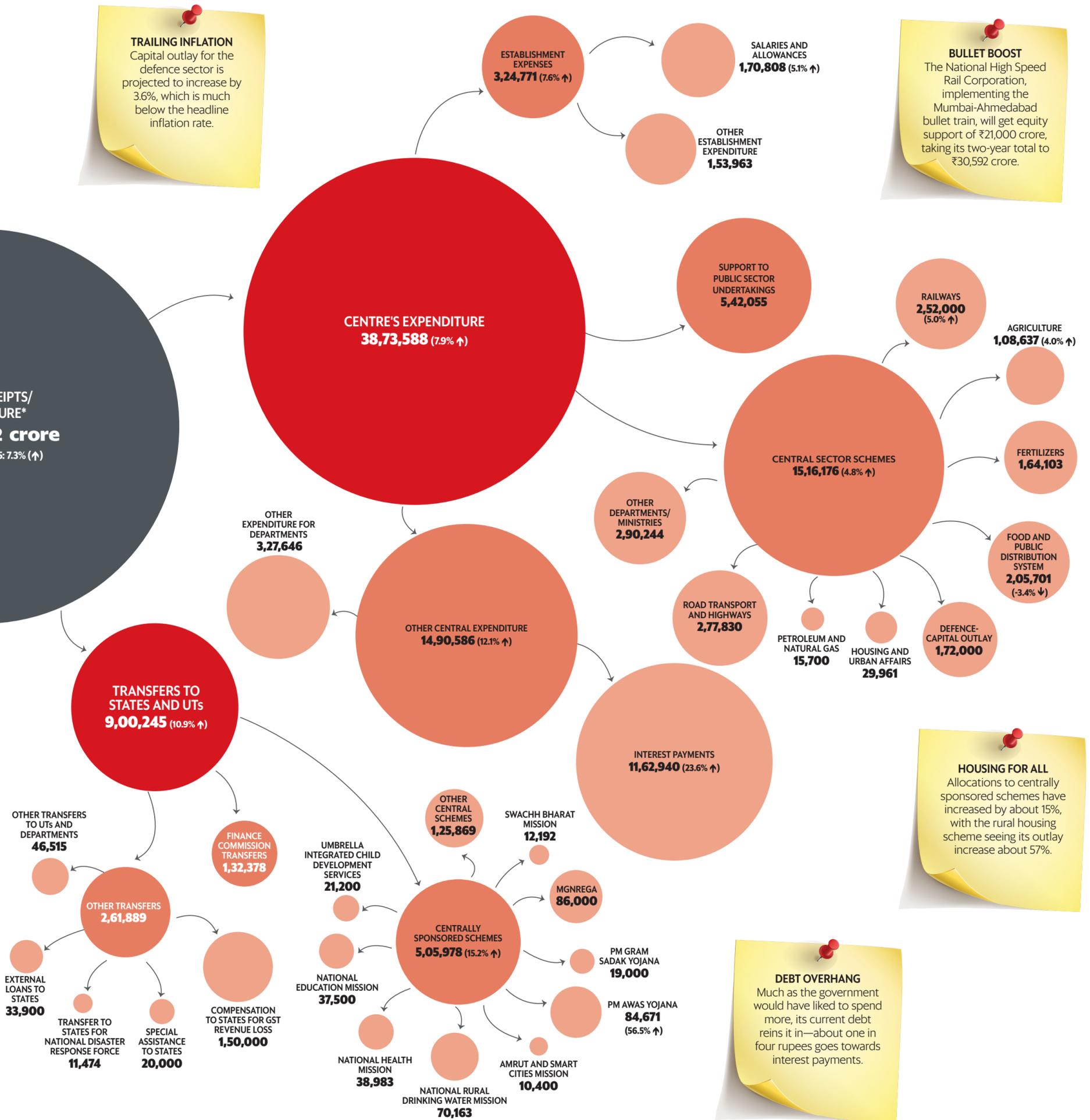
### Inflation-adjusted rural wages, rebased (2014-15 = 100)



Rural wages have been deflated by Consumer Price Index-Rural.

Source: Labour Bureau, ministry of labour and employment

# CHALLENGES IN COALITION TIMES

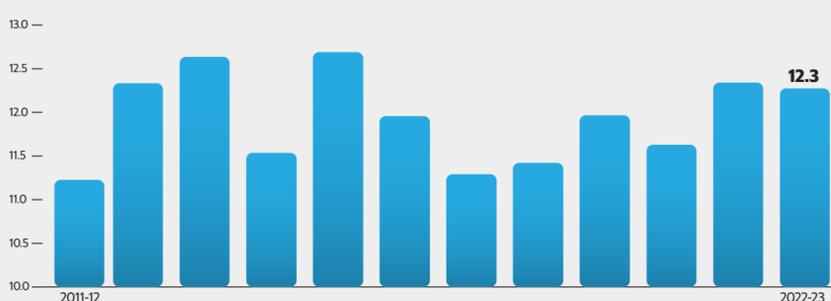


Source: Budget documents, Reserve Bank of India  
howindialives.com is a database and search engine for public data

## PRIVATE INVESTMENT: LOOKING FOR A FILLIP

The government has been urging the private sector to invest in setting up new capacity, but results have been lacklustre. Capital expenditure (fixed investment) by private corporations as a share of GDP has essentially been flat over the last decade, though it has picked up over the post-covid recovery.

### Capital expenditure by private corporations as % of GDP

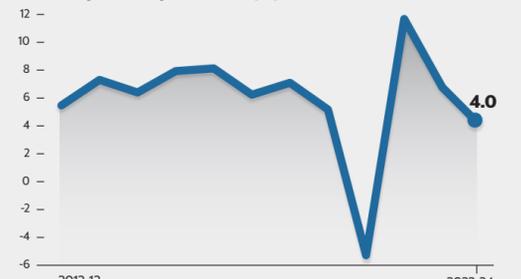


## PRIVATE CONSUMPTION: GROWTH PANGS

A critical prerequisite for private capital expenditure to take off is strong consumption growth. During the period that private capex was being circumspect, consumption growth had been strong, creating an offset. But in 2023-24, to compound matters, private consumption grew at just 4%—its lowest pace in the last 12 years.

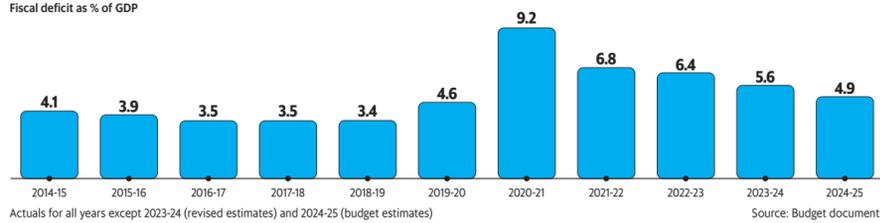


### Year-on-year growth in private final consumption expenditure (%)



## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Fiscal deficit as % of GDP



## WHAT DO THE NUMBERS SAY?

- ▶ As per the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, fiscal deficit was to be contained at 3% of GDP by March 2021.
- ▶ The Centre was gliding to that target in 2018-19, but slow growth and covid-19 reversed that progress.

## KEY STAT

56%

CENTRE'S PROJECTED DEBT-TO-GDP RATIO BY MARCH 2025. UNDER THE FRBM ACT, IT WAS TO BE CONTAINED AT 40% OF GDP.

## FISCAL DEFICIT

## WHY DOES IT MATTER?

This is a measure of how much the government is living beyond its means, and is expressed in relation to the country's economic output. The lower this value, the better. To bridge this deficit, the government has to borrow. Lower borrowings can lower interest rates, and boost consumption demand.

You cannot be apolitical, not vote and then complain about the state of affairs in the country.

MONOSHJI GHOSH, 19, Kolkata

Kolkata native Monoshji, currently studying in Bengaluru, may be all of 19 but he has some strong political views: "You cannot be apolitical, not vote and then complain about the state of affairs in the country. I hope the government doesn't discriminate against communities and lets the Constitution drive its decisions," he says, going on to mention his concerns about jobs for young people. "The GST council recently announced an exemption on hostel accommodation outside campus for students. This move benefits students like me who've moved cities for their education. I hope they implement it."

# Deficit numbers signal PRUDENT PATH

Fiscal deficit projected for this FY is ₹16.13 tn, against ₹16.85 tn in the interim budget

Rhik Kundu, Anshika Kayastha &amp; Gireesh Chandra Prasad

NEW DELHI

**A** near 15% expected growth in revenue receipts and a more sedate rise in spending helped finance minister Nirmala Sitharaman lower the fiscal deficit estimate for the current financial year to 4.9% of gross domestic product (GDP) from 5.1% projected in the interim budget.

In absolute terms, the fiscal deficit projected for this financial year is ₹16.13 trillion, compared with ₹16.85 trillion in the interim budget, as the finance minister sought to send a strong signal to the market and rating agencies about the government's commitment to fiscal prudence.

The gap between receipts and spending will partly be financed by market borrowing of ₹11.63 trillion, compared with ₹11.75 trillion projected in the interim budget. In the financial year ended in March, the government had raised ₹11.75 trillion from the market.

Following the announcement of the revised fiscal deficit, government bond yields initially fell but later pared some gains as the reduction in market borrowing was less than anticipated.

Net tax receipts are projected to grow 11% over a year to ₹25.8 trillion, just a tad above nominal GDP growth of 10.5%. The government's total receipts, excluding borrowings, are estimated at ₹32.07 trillion.

What really helped revenue receipts grow 14.7% to ₹31.29 trillion was the higher-than-expected dividend from the Reserve Bank of India. In May, the bank cut a dividend cheque of ₹11.2 trillion, up 141% compared to FY23. Thus, overall non-tax revenue is projected at ₹5.4 trillion, a 35% growth over a year ago. This is also higher than the ₹3.9 trillion estimated in February's interim budget.

The RBI dividend was split equally between fiscal consolidation and higher spending, finance

## QUICK TAKE

Sitharaman lowered the fiscal deficit estimate for the current FY to 4.9% of GDP from 5.1% projected in the interim budget

The minister sent a strong signal to the market & rating bodies on gov't commitment to fiscal prudence

The gap between receipts and spending will partly be financed by market borrowing of ₹11.63 trillion

secretary T.V. Somanathan said in a briefing.

The government's total expenditure, however, grew only 8.5% from a year ago to ₹48.21 trillion. The finance minister held firm to her capital expenditure spending of ₹11.11 trillion. Revenue spending growth was slated to be lower at 6.6%.

This was made possible by cuts because subsidies are expected to be maintained at the level projected in the interim budget, which were lower than levels of actual spending in FY24. The fertilizer subsidy saw a 13% reduction in the FY25 bud-

get at ₹1.64 trillion compared with the amount spent in FY24. Food and petroleum subsidies also saw minor reductions from FY24 levels as was projected in the interim budget.

What next? The government plans to reach a fiscal deficit target of 4.5% or less by FY26, thus maintaining its proposed fiscal glide path.

"The fiscal consolidation path announced by me in 2021 has served our economy very well, and we aim to reach a deficit below 4.5% next year," Sitharaman said. "From FY27 onwards, our endeavour will be to keep the fiscal deficit each year such that the Central Government debt will be on a declining path as a percentage of GDP."

The benchmark 10-year bond yield dropped to an intraday low of 6.93%, the lowest since April 2022, before climbing to 6.97%. This compared with 6.96% prior to the budget presentation and 6.97% at Monday's close.

India's government bonds have garnered significant attention this financial year due to their inclusion in JPMorgan's Emerging Market Debt Index, effective July 2024. Foreign portfolio investors are estimated to have purchased Indian bonds worth \$8 billion net so far in 2024.

Sachchidanand Shukla, group chief economist at Larsen & Toubro Ltd, said, "Subsidy allocation has been retained at the level set in the interim budget in view of the softening trend in global commodity prices, which is a fair assumption. There is still room for some surprises on the upside as far as revenue collections are concerned."

rhik.kundu@livemint.com



Also read | Debt, not deficit: Sitharaman hints at new fiscal mantra in Budget 2024 speech

## Credit support gives MSMEs a global playground

Gopika Gopakumar  
gopika.g@htlive.com  
MUMBAI

**F**inance minister Nirmala Sitharaman tried to address concerns around rising unemployment by announcing several incentives for micro, small and medium enterprises (MSMEs) in the budget presented on Tuesday.

A new credit guarantee scheme for MSMEs in the manufacturing sector, higher limit for Mudra loans for those who have paid off earlier dues, and credit support for small businesses under stress are among measures that were announced.

"We have formulated a package covering financing, regulatory changes and technology support for MSMEs to help them grow and also compete globally," Sitharaman said in her budget speech on Tuesday.

Following Sitharaman's speech, Prime Minister Narendra Modi echoed her sentiments around supporting small businesses in an address to the nation.

Industry leaders like Uday Kotak, founder of Kotak Mahindra Bank, welcomed the measures. "Well thought-out budget. Fiscal discipline maintained. Right focus on employment and MSME," tweeted Kotak on X.

Making her seventh budget speech, Sitharaman proposed an increase in the limit for Mudra loans for MSMEs from ₹10 lakh to ₹20 lakh for those in the "Tarun" category (who have availed the loans before and repaid them).

The Pradhan Mantri MUDRA Yojana was launched in April 2015 for providing loans of up to ₹10 lakh to non-corporate, non-farm MSMEs. These advances are classified as Mudra loans and given by commercial banks, regional rural banks, small finance banks, cooperative banks, micro finance institutions (MFIs) and non-banking financial companies.

Till fiscal year 2022-23, a cumulative ₹22.89 trillion had been disbursed to 410 million MSME borrowers, according to data available with Mudra.

Sitharaman also introduced a new credit guarantee scheme for MSMEs for the purchase of machinery and equipment without collateral. For this, the government will separately set up a

self-financing fund to provide guarantee cover of up to ₹100 crore to each applicant (even through the loan amount may be larger). The borrower will have to provide an upfront guarantee fee and an annual guarantee fee on the reducing loan balance.

Sitharaman also announced a new mechanism to provide continued credit support to MSMEs under stress. Credit will be made available through a guarantee from a government-promoted fund to MSMEs that are classified as 'special mention account' (SMA) or showing early signs of stress.

"While being in the 'special mention account' stage for reasons beyond their control, MSMEs need credit to continue their business and to avoid getting into the NPA stage," she said in her speech.

Bankers say the new scheme could be akin to the ECLGS (emergency credit line guarantee scheme), which was introduced for businesses affected by the covid pandemic. The scheme offered 100% guarantee to banks and non-banks on credit given to businesses and MSMEs. In a statement, MSME industry body FISME welcomed the credit guarantee scheme for the purchase of machinery up to ₹100 crore, and said it will significantly boost technology upgradation.

It also lauded the move to ask banks to develop their own risk assessment models.

"This will end the expenses and harassment MSMEs faced at the hands of rating agencies," the statement said.

At the same time, FISME said the SMA measure was a "halfway house" as the major issue of a lack of empowered officials at branch levels remains unaddressed.

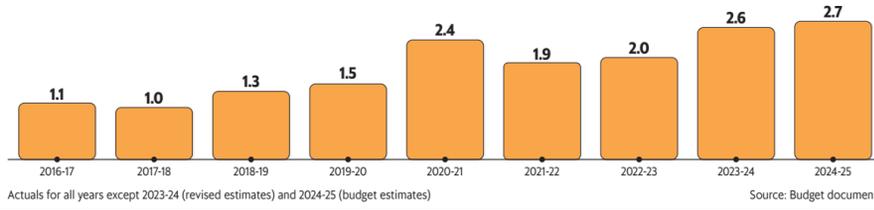
The finance minister also announced that public sector banks will build an in-house model to assess MSMEs to provide credit, instead of relying on external assessment. This new credit assessment model will be based on the scoring of digital footprints of MSMEs in the economy.

"This is expected to be a significant improvement over the traditional assessment of credit eligibility based only on asset or turnover criteria. That will also cover MSMEs without a formal accounting system," she said.

New credit guarantee scheme, higher limit of Mudra loans are among measures

FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Capital expenditure of Indian Railways (in ₹ trillion)



WHAT DO THE NUMBERS SAY?

- ▶ Budgeted capex growth for 2024-25 was 1.9%, down from 2.8% a year before.
- ▶ Railways capex as a share of GDP has remained flat since 2022-23, at just under 1%.

KEY STAT

1.2%

HIGHEST RATE OF RAILWAYS CAPEX RELATIVE TO GDP TILL DATE, IN 2020-21.

CAPITAL SPEND BY RAILWAYS

WHY DOES IT MATTER?

The Indian Railways is in desperate need of investment, whether it is for new safety equipment, bogies, or to maintain existing lines and build new ones. Its revenue, however, is barely enough to cover operational and pension expenses. Thus, it is the Centre that foots a large part of railways' capex bill.

TEXT BY POOJA SINGH; PHOTO: PRADEEP GAUR/MINT



“Instead of distributing free items, funds should be allocated to major infra projects like Metro and national highways.”

DHRUV KAUSHIK, 20, Faridabad

Dhruv Kaushik, a bachelor of computer applications student at Lingaya's Vidyapeeth university, has one big, unfulfilled expectation: The prioritization of economic-based reservation over caste-based reservation. "Instead of distributing free items, funds should be allocated to major infra projects like Metro and national highways," he says, adding that the railway budget should be increased, too, to ease high traffic congestion.



AMISH MEHTA  
MD AND CEO, CRISIL LIMITED

Respond to this column at  
feedback@livemint.com

NEW, EMERGING SECTORS PRIMED FOR HEAVY LIFTING

A raft of policy initiatives in recent years appears to be gradually stoking private sector capital expenditure (capex). Investments, at 30.8% of GDP—and represented by gross fixed capital formation, or GFCF—over the past two fiscal years were higher than the decadal average of 29.2%.

Two things stand out here. First, growth stability, spillover from government investments in linked sectors, the Production Linked Incentive (PLI) scheme and subdued commodity prices have meant the contribution of the private sector is cautiously inching up, as evident in the improving share of GFCF from 27.3% in fiscal 2021.

Second, this number is still well below the 34.3% seen in fiscal 2012, suggesting a strong push is needed from the private sector to meaningfully lift capex across conventional as well as new-age sectors.

The budget adds grit to this mill, through several small but relevant impetus to private sector capex, adding to previously announced structural reforms and manufacturing-focused interventions.

First, the thrust on infrastructure sectors has been retained with overall capex at ₹11.1 trillion. The multiplier effect of this will support demand for commodities such as steel and cement.

Second, the vision for energy transition supports India's journey towards non-fossil fuels, which will allow it to decarbonise while pursues faster growth.

The taxonomy for climate finance will support the pursuit of relevant commitments and green transition. It will also aid the quest for 500 GW of installed non-fossil energy capacity by 2030.

From the end-user industry perspective, the budget allowed rollover of nil duty for ferrous scrap for another year. This will continue to improve availability of import scrap and complement the long-term focus on reducing emission from the steel sector.

Third, rationalization of import cost of critical minerals and raw materials through duty structure is a big positive. That enables cost reduction in the value chain in many new-age sectors and incentivizes more value-addition domestically. For example, basic customs duty (BCD) on lithium and cobalt is reduced from 5% to nil. Now, battery cells form 80-85% cost of storage batteries. With these two minerals forming 25-35% of cell cost, the BCD reduction should enable 1-1.5% fall in production cost.

On the other hand, to incentivize domestic manufacturing in telecom equipment, BCD on specified printed circuit board has been raised from 10% to 15%.

Fourth, an employer-focused scheme will incentivize additional employment in all sectors and support companies in the form of reimbursement of contributions to the Employees' Provident Fund Organisation to specified limits.

Fifth, a raft of calibrated measures was announced to ensure the working capital needs of micro, small and medium enterprises are addressed. Building in-house, technology-based underwriting models by public sector banks will help attract new-to-credit borrowers into the formal system.

Moreover, the limit for MUDRA loans has been doubled to ₹20 lakh for entrepreneurs who have repaid loans under the Tarun scheme, which accounts for one-fourth of all such credit.

Going ahead, while conventional sectors will continue to see an increase in investments, emerging sectors will do the heavy lifting.

For example, large manufacturers of steel and cement have started investing in capacity addition. Over the next four years, we estimate capacities in these sectors to increase by more than 30%.

In addition, emerging sectors, which have seen strong investment intent over the past few quarters, will witness more action on the ground. Sectors such as solar photovoltaic module manufacturing, electronics and battery manufacturing will lead capex here.

That means, persistent emphasis on PLI scheme and incentivising newer technology projects (such as recently announced viability gap funding for offshore wind projects)—leading to timely operationalisation of domestic capacities in new-age sectors—will continue. PLI aims to promote private investments in strategic areas by paying out incentives of ₹1.97 trillion, targeting a capital expenditure of ₹3-3.25 trillion. Of this, ₹1.28 trillion has been invested till May 2024, led by pharmaceuticals, photovoltaic solar modules and automotive components.

The results are becoming increasingly evident as these policies mature, reflecting the government's efforts to invigorate the manufacturing sector.

Thrust on infrastructure retained with overall capex at ₹11.1 trillion

Next shot of capex set to be A PRIVATE AFFAIR

With capex unchanged, Centre looks to the private sector and states for investment in infrastructure

Subhash Narayan  
subhash.narayan@livemint.com  
NEW DELHI

The Union government will maintain capital expenditure at levels proposed back in February, finance minister Nirmala Sitharaman said on Tuesday, as she presented a budget that encouraged more private sector investments and infrastructure allocations by states through Central government support.

Stating that capital expenditure would remain at ₹11.1 trillion or 3.4% of GDP this fiscal—as proposed in the interim budget—Sitharaman said, "Significant investment the central government has made over the years in building and improving infrastructure has had a strong multiplier effect on the economy. We will endeavour to maintain strong fiscal support for infrastructure over the next five years, in conjunction with imperatives of other priorities and fiscal consolidation."

Ranen Banerjee, partner and leader-economic advisory at PwC India, said the unchanged capex allocation was expected as the ability of the government to spend and that of the capex ecosystem to absorb any more than this was limited. "We had a slower Q1 spend owing to elections, and Q2 spend on capex is always slow owing to monsoons impacting construction activity," Banerjee said. "The government should be commended if the allocation made for capex, which is 17% higher than the provisional actuals in FY24, is spent in FY25."

According to Infrastructure Year Book 2023 released by ratings agency Crisil, India will spend ₹143 trillion on infrastructure between fiscal years

QUICK TAKE

Centre keeps capex at ₹11.1 trillion—the same as in the interim budget and about 17% higher than a year ago

Private sector will be encouraged to invest via market-based financing framework, viability gap funding

Long-term interest free loans worth ₹1.5 trillion have been allocated to states to step up their infrastructure spending

2024 and 2030 -- more than twice the ₹67 trillion spent in the past seven financial years from 2017.

The focus of capital investment in infrastructure will now shift to private sector investment, which will be promoted through viability gap funding (VGF) and other enabling policies and regulations, the finance minister said while presenting the budget for FY25. She said a market-based financing framework will be introduced by the government. This is expected to address the huge funding needs of the private sector for infrastructure development.

The Economic Survey 2023-24, published on Monday, also suggested bringing more private capital to the sector for India to continue on the path of building quality infrastructure.

Apart from central support and private sector push to infra, the Centre will also nudge states to increase their funding support to the sector, subject to their development priorities. To support the move, the budget increased the provision for long-term interest-free loans to states to ₹1.5 trillion from ₹1.3 trillion in the interim budget.

"The substantial allocation for capital expenditure and long-term interest-free loans to states reflects a forward-thinking strategy aimed at stimulating economic growth and innovation," said Kavita Shirvaikar, acting managing director, Patel Engineering Ltd. "Encouraging private sector participation through VGF and market-based financing frameworks will foster a dynamic environment for infrastructure advancements."

The government has stepped up infrastructure capex budget in recent years. The ₹11.1 trillion for FY25 is an 11.1% rise from the previous year's ₹10 trillion. The capex had increased 37% in FY24, 24% in FY23, and 40% in FY22.

In addition to the capex support, the budget

also announced a number of measures for affordable urban housing.

Affordable housing in large cities has largely been ignored amid the ongoing residential boom in the country. Accordingly, under the Pradhan Mantri Awas Yojana Urban 2.0, the housing needs of 10 million urban poor and middle-class families will be addressed with an investment of ₹10 trillion.

This will include ₹2.2 trillion in central assistance over the next five years. Plus, the start of an interest subsidy scheme for urban areas is expected to support the affordable housing segment that has faced many challenges.

Sitharaman also announced an allocation of ₹6,100 crore towards the Pradhan Mantri Gram-een Sadak Yojana (PMGSY) to improve rural connectivity. The PMGSY will launch its phase-IV programme to provide connectivity to 25,000 rural habitations.

A higher capex is largely proposed for infrastructure sectors such as roadways, shipping, and railways. The capital allocation for these infrastructure-focused ministries has also been scaled up moderately in the budget, allowing them to complete work under the Vision 2027 plan.

While the capital allocation for ministry of road transport and highways has moved up from ₹2.64 trillion (revised estimates FY24) to ₹2.72 trillion in FY25, it has risen from ₹2.4 trillion to ₹2.52 trillion for the Railways. These allocations for FY25 are also unchanged from the interim budget allocations. For manufacturing of ships under the Atmanirbhar Bharat initiative, customs duty has been waived for components and consumables. The duty on technical documentation and spare parts for construction of warships has been brought down to nil.

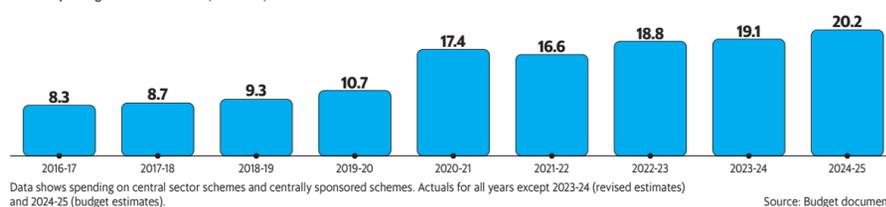
## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

## WELFARE SPENDING

## WHY DOES IT MATTER?

Welfare spending addresses pressing gaps in basic needs of the poor and also puts more money in their hands. Continued weakness in employment growth and an underwhelming electoral showing, means the government is likely to be heavily focused on increasing allocations under current welfare schemes, and introducing new ones.

Centre's spending on welfare schemes (in ₹ trillion)



## WHAT DO THE NUMBERS SAY?

► During covid years, welfare spending shot up. Since 2019-20, the average increase is 13.5% per year, against 8.8% in the three previous years.

► Welfare schemes as a share of GDP rose from 5.3% in 2019-20 to 8.8% in 2020-21, before falling to 6.4% in 2023-24.

## KEY STAT

6.1%

ESTIMATED WELFARE SPENDING BY THE CENTRE AS A SHARE OF GDP IN 2024-25.

“We need investments for youth, especially in education. Education should be affordable as well as accessible.”

SHUBADIP GHOSH, 19, Kolkata

An English literature student at Maulana Azad College, Shubadip expressed dissatisfaction with the way national entrance exams have been conducted. “The government could make the screening process more transparent. Every year we have had some issue with NEET. The future of so many students is involved. Testing agencies like NTA need to be more efficient.” He wants governance to be free of religious discrimination, and a peaceful country without communal disharmony. “I expected more investments for youth, especially education. Education should be made affordable and accessible.”

# Good allies and a new LOOK EAST PLAN

With JDU and TDP key to the NDA, Bihar and Andhra Pradesh get special attention

Dhirendra Kumar  
dhirendra.kumar@livemint.com  
NEW DELHI

With the Janata Dal (United) (JD-U) and Telugu Desam Party (TDP) emerging as key allies for the BJP-led Central government, it was time to hand in the rewards on Tuesday.

The total assistance promised by the Centre to Bihar, ahead of assembly elections in the state next year, is ₹58,900 crore. This is made up of ₹26,000 crore for the construction of highways and a 2-lane bridge on the river Ganga at Buxar, ₹21,400 crore for power projects, including a new 2400 MW power plant at Pirpainti in Bhagalpur district, and another ₹11,500 crore in special financial assistance for flood management.

Similarly, for Andhra Pradesh, finance minister Nirmala Sitharaman announced special financial support of ₹15,000 crore for a new capital city, fulfilling commitments made in the Andhra Pradesh Reorganization Act. Sitharaman also announced funding for the early completion of the Polavaram Irrigation Project, crucial for Andhra Pradesh and its farmers, which in turn will support the country's food security.

In Bihar, the Centre will pump in ₹26,000 crore for the construction of several road projects such as the Patna-Purnea Expressway, Buxar-Bhagalpur Expressway, Bodhgaya-Rajgir-Vaishali-Darbhanga Expressway, and an additional 2-lane bridge over the Ganga at Buxar. Besides, the Centre will support the development of an industrial node at Gaya along the Amritsar-Kolkata Industrial Corridor.

“This project will boost industrial growth in the eastern region and transform Gaya into a model where cultural heritage meets modern economic development. It will demonstrate our commitment to both progress and preserving our heritage,” the finance minister said.

Along with the infrastructure push for Bihar, the Centre announced proposals to develop the Vishnupad temple at Gaya, Mahabodhi temple at Bodh Gaya, Rajgir and Nalanda as global tourist hubs on the lines of the Kashi Vishwanath temple corridor in Uttar Pradesh.

## QUICK TAKE

The total assistance promised by the Centre to Bihar, ahead of assembly elections next year, is ₹58,900 crore

Bihar also gets a new 2400 MW power plant in Bhagalpur district, and ₹11,500 crore for flood management

FM announced special financial support of ₹15,000 crore for Andhra Pradesh for a new capital city

“Comprehensive development of Vishnupad Temple Corridor and Mahabodhi Temple Corridor will be supported, modelled on the successful Kashi Vishwanath Temple Corridor, to transform them into world-class pilgrim and tourist destinations,” Sitharaman said. However, no budgetary allocations were announced for the development of religious places in the budget.

The Mahabodhi Temple is a UNESCO World Heritage site for the place where the Buddha attained enlightenment. It is one of Buddhism's holiest sites, attracting pilgrims from around the world. The temple's iconic Mahabodhi tree, under which the Buddha meditated, is central to Buddhism. The Vishnupad Temple in Gaya is an important Hindu pilgrimage site while Rajgir holds religious significance for Hindus, Buddhists, and Jains.

A comprehensive development initiative for Rajgir will be undertaken, she said. “Our government will support the development of Nalanda as a tourist centre besides reviving Nalanda University to its glorious stature,” she added. Both Nalanda and Rajgir hold significant historical and cultural importance for Bihar, and they also have a personal connection for Chief Minister Nitish Kumar, who has been instrumental in promoting these areas.

Separately, Sitharaman added, “As Bihar often faces floods, some of which come from outside the country, the government will support flood management projects with an estimated cost of ₹11,500 crore through the Accelerated Irrigation Benefit Programme and other sources.” “This includes the Kosi-Mechi intra-state link and 20 other ongoing and new projects, such as barrages, river pollution control, and irrigation. We will also conduct surveys and investigations for Kosi-related flood mitigation and irrigation projects,” she said.

Coining a new word *Purvodaya*, which signifies a new beginning or awakening in the eastern region, the finance minister said, “We will formulate a plan, *Purvodaya*, for the all-round development of the eastern region of the country covering Bihar, Jharkhand, West Bengal, Odisha, and Andhra Pradesh.” This will cover human resource development, infrastructure, and generation of economic opportunities to make the region an engine to attain Viksit Bharat, she added.

The proposals for Andhra Pradesh were welcomed by Prof Jyotsna Tirunagari, national spokesperson of the state's ruling Telugu Desam Party. “We thank the finance minister for this progressive and confidence-boosting budget and for recognizing the needs of our state and focusing on a capital, Polavaram, industrial nodes, and development of backward areas in Andhra Pradesh in the Union Budget of FY25,” she said.

“This support from the Centre will go a long way towards rebuilding Andhra Pradesh. This would ensure putting Andhra Pradesh back on track,” Tirunagari said.

The minister also announced funds for essential infrastructure such as water, power, railways, and roads in the Kopparrath and Orvakal nodes on the Visakhapatnam-Chennai and Hyderabad-Bengaluru Industrial Corridors.

## TURNING TO THE STATES AS PARTNERS IN DEVELOPMENT



RAJRISHI SINGHAL

SENIOR JOURNALIST &amp; AUTHOR

Respond to this column at  
feedback@livemint.com

Popular expectations had settled on the notion that the outcome of election 2024 would influence the tenor and direction of budget FY25. The budget document, to that extent, makes two clear linkages.

One, finance minister Nirmala Sitharaman emphasized in her budget speech that the government is keen to ensure that all Indians—irrespective of religion, caste, gender or age—enjoy the fruits of economic prosperity. There is a special focus on employment, skilling, MSMEs and the middle class.

Two, and more importantly, her development measures and aspirations are undergirded by an expectation that cooperation from states will help achieve budgetary goals. States are supposed to be the Centre's equal partners in the process of fostering economic growth and development. Multiple measures in the budget have states as their touchpoints.

The ambition on agriculture reforms, the ₹1.1-trillion infrastructure push, development of industrial parks with states to spur manufacturing, urban development plans and ramp-up of skilling, among others, are all projects that envisage intense cooperation between the Centre and states.

But the pathway seems somewhat uneven, skewed by realpolitik and ruffled by the presence of incentives which could squeeze resource transfers to states. The shadow of electoral politics over budget-making has ensured that Andhra Pradesh and Bihar find special favours for supporting the ruling coalition. As a return gift to Chandrababu Naidu, the government is facilitating special financial support of ₹5,000 crore for Andhra from multilateral development agencies during FY25, with promises of more to come in future years. This is in addition to grants for Andhra's backward areas and capital commitments for stuck projects and future infrastructure outlays. Oddly, Andhra—a southern state—has been lumped with eastern states like West Bengal and Odisha for accessing benefits from the new *Purvodaya* scheme.

Likewise, Bihar finds itself the recipient of fresh capital flows for investment in road connectivity projects, power plants (₹21,400-crore project cost), tourism centres, industrial parks, new airports, medical colleges and sports infrastructure. These allocations, at one level, make sense from a development perspective. But the politically motivated largesse starts to look decidedly curious in the face of a funds squeeze for other states.

Tax devolution to the states is up by only 13%, compared with over 16% growth in FY24. Non-tax devolution, on the other hand, is up by 10.4% compared with a sub-1% growth in the previous year. Data from state budgets, though, shows that growth of total fund transfers from the Centre to the states—tax devolution plus grants—has been slowing every year.

This squeeze gets further accentuated by the introduction of an incentive framework as a prerequisite for accessing central financial resources. For example, the government is working on introducing a new, and shinier, Ease of Doing Business framework. The states will have to be critical partners in this endeavour. But the Centre has adopted a carrot-and-sticks approach, rather than adhere to the earlier promise of cooperative federalism: “...states will be incentivized for implementation of their Business Reforms Action Plans and digitalization.”

FM Sitharaman even acknowledges that many of the reform measures will require close collaboration between the Centre and the states because, “...development of the country lies in development of the states.”

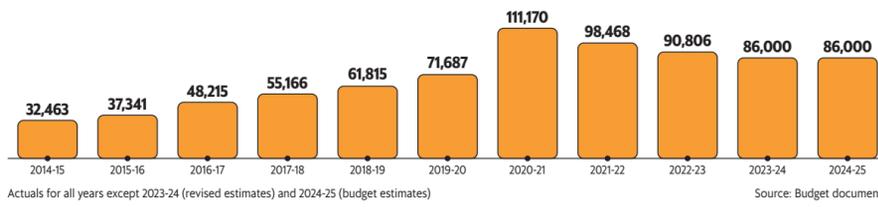
And, yet, in the middle of this funds crunch, the budget is asking states to cut stamp duty, which is perhaps among the largest sources of revenue for many states. It is, therefore, unlikely that states will oblige, unless something else yields.

Ironically, the budget proposal to cut stamp duty contradicts the Fifteenth Finance Commission's recommendation for states to raise more revenue through higher stamp duty and registration fees. The fund-sharing framework, conceptualized by the Fifteenth Finance Commission and adopted by the government, envisages an economic model that assumes states have the necessary agency in garnering tax and non-tax revenue which is independent of the general economic environment. In an economy wracked by sluggish manufacturing and agriculture output, rising unemployment, shrinking real wages and stagnant consumption growth, states have limited options for raising revenue.

Data shows that growth of Centre's fund transfers has been slowing every year

FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

MGNREGS expenditure (in ₹ crore)



WHAT DO THE NUMBERS SAY?

- ▶ In 2020-21, against the backdrop of covid-19, spending peaked at ₹1.11 trillion. But even before covid, spending was rising.
- ▶ The ₹86,000 crore budgeted for 2024-25 matches 2023-24 spending and is 20% higher than 2019-20, the last pre-pandemic year.

KEY STAT

9

NUMBER OF YEARS IN THIS BJP-LED GOVERNMENT'S TENURE, OUT OF 10, IN WHICH THE MGNREGS SPENDING HAS EXCEEDED ITS INITIAL ESTIMATE.

MGNREGS SPENDING

WHY DOES IT MATTER?

The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) assures employment of 100 days a year to rural households. For rural workers, it serves as fallback employment. Challenges in new jobs and the knockdown effects of covid-19 have seen demand for the scheme stay high.

TEXT BY MAHALAKSHMI PRABHAKARAN/PHOTO: SAMPATH KUMAR G P/MINT



“The rural economy has remained stagnant. The government should take more steps to reduce economic disparity.”

**JANANI NARAYANAN, 18**, Kanyakumari  
Janani, a second-year college student and an aspiring investigative journalist, says, “A significant portion of India's economic power lies with 6 business families. On the other end, the rural economy is stagnant. The government should take steps to reduce the disparity.” Her expectations from the budget were personal: “I wanted more for education. I'd like to see initiatives to promote arts and humanities. The country needs quality journalists, philosophers and thinkers too.”

## For next gen reforms, it's back to land and labour

Manas Pimpalkhare & Puja Das  
NEW DELHI

Land and labour have emerged as the key focus of the next generation of Indian reforms—essentially aimed at raising productivity in farms and factories—to be rolled out over the next three years.

Finance minister Nirmala Sitharaman told Parliament on Tuesday that the Centre will provide fiscal support to incentivize states to introduce land and labour reforms as part of the broader economic policy of the government.

These reforms will take in land administration, planning and management, and urban planning, usage and building bylaws. For rural land, the government plans to assign unique identification numbers and establish a new land registry that will be linked to a farmer registry to help credit flow.

“We will formulate an economic policy and will initiate and incentivize reforms for improving productivity of factors of production and facilitating markets and sectors to become more efficient. These reforms will cover all factors of production—namely land, labour, capital and entrepreneurship—and technology as an enabler of improving total factor productivity and bridging inequality,” Sitharaman said.

“Land-related reforms and actions, both in rural and urban areas, will cover land administration, planning and management and urban planning, usage and building bylaws. These will be incentivized for completion within the next three years through appropriate fiscal support. For promoting competitive federalism and incentivizing states for faster implementation of reforms, I propose to earmark a significant part of the 50-year interest-free loan (meant for states),” she said.

“Rural land-related actions will include assignment of Unique Land Parcel Identification Number (ULPIN) or Bhu-Aadhaar for all lands, digitization of cadastral maps, survey of map sub-divisions as per current ownership, establishment of land registry, and linking to the farmers registry. These actions will also facilitate credit flow and other agricultural services,” the finance minister added.

On labour reforms, she said, “Our government will facilitate the provision of a wide array of services to labour, including those for employment and skilling. A comprehensive integration of e-shram portal with other portals will facilitate such a one-stop solution. Open architecture databases for the rapidly changing labour market, skill requirements available job roles, and a mechanism to connect job aspirants with potential employers and skill providers will be covered in these services.”

Mint earlier reported that the budget may introduce digital cards for farmers with geo-tagging, containing their land details.

These actions will facilitate credit flow and other agricultural services, as per the finance minister's budget speech. The linking of land and farmer registries to help credit flow into agriculture aligns with the suggestions made by chief economic advisor V. Anantha Nageswaran in the economic survey for FY24 released on Monday.

The wider economic link was drawn out in February when the then rural development minister Giriraj Singh said that digitization of land records and registrations will likely improve India's GDP by about 1.5 percentage points.

“Completing the digitalization of land records will not only decrease the extensive backlog of land dispute cases in courts but also significantly improve the country's ease of doing business ranking,” Singh had said.

In the FY25 budget, the rural development ministry has been allocated ₹1.77 trillion, including ₹2,667 crore for the land resources department, against ₹1.71 trillion of revised estimates for FY24. The department's FY24 revised budgetary allocation was ₹1,898 crore, as per the budget document.

However, some experts were sceptical about the proposals announced on Tuesday.

“This has been going on for decades. Around 90% of holdings are small and marginal, so their digitization may be of little help. These landholders earn less than ₹10,000 per month. Aggregation of their produce may be marginally helped by digitization. The more important issue is their corrections so that they are up to date,” said Siraj Hussain, former union agriculture secretary.

Neeraj Hatekar, economist and professor at Azim Premji University, said, “The intentions of the government in land and labour reforms are pure. But the devil lies in the details. There is no clarity about how the government will gather farmer- and farm-land-related data, let alone (how it will) digitize it. While digitization of data may be beneficial to farmers, these land reforms seem a little difficult to execute.”

manas.pimpalkhare@hindustantimes.com.

# To tackle climate risk, agri gets A RESEARCH RESET

The move could improve and protect farm incomes as well as ensure stable prices for consumers

Sayantani Bera  
sayantan.bera@livemint.com  
NEW DELHI

The budget presented on Tuesday announced its intent to reset India's farm research system with the aim of improving crop productivity and resilience to climate risks. The move, if successful, will not only improve and protect farm incomes but also ensure stable prices for consumers.

However, the budget proposals were not matched by funds, a reading of the allocations shows.

The government will undertake a comprehensive review of the agriculture research system and focus on raising productivity and releasing climate resilient varieties, finance minister Nirmala Sitharaman said in her budget speech. Funding, she added, will be provided in “challenge mode”, including to the private sector.

As part of this plan, 109 high-yielding and climate-resilient varieties of 32 crops will be released for cultivation.

Listing “agriculture productivity and climate resilience” as one of the nine priority areas in India's journey towards Viksit Bharat, the budget proposed to initiate 10 million farmers into natural farming practices within the next two years. These farmers will receive certification and branding support. To promote natural farming, 10,000 bio-input resource centres will be set up.

The budget also proposed to frame a strategy to ensure self-sufficiency in pulses and oilseeds production where India depends heavily on imports. It also proposed to develop large-scale vegetable clusters next to major consumption centres—a

QUICK TAKE

109 high-yielding and climate-resilient varieties of 32 crops will be released for cultivation under the govt's plan

Aim is to reduce subsidies and increase investment, though fund allocation has not been detailed

The budget has set in motion DPI in agriculture, including digital crop surveys to be held across 400 districts

response to increasing volatility in the prices of perishables in recent months.

Another key budget announcement was to set in motion a Digital Public Infrastructure (DPI) in agriculture. This will include digital crop surveys in 400 districts. Sixty million farmers and their lands will be part of a digital registry. This plan also includes issuing Kisan Credit Cards to farmers in five states.

Despite the importance accorded to research in the budget speech, the monetary allocation appears muted. The Department of Agriculture Research and Education (Dare) under the farm ministry has been provided ₹9,941 crore (budget estimate or BE). This is only a marginal increase from the ₹9,877 crore spent during 2023-24 (revised estimates or RE).

The budget for apex research institutions, which include the Indian Council for Agricultural Research (Icar), central agricultural universities and the National Academy for Agricultural Sciences (Naas) is ₹7,103 crore for 2024-25, lower than the ₹7,248 crore spent last year.

There are other schemes beyond the remit of Dare, such as the Rashtriya Krishi Vikas Yojana, to improve crop productivity that function by providing farmers with better quality seeds and access to other technologies.

For these schemes, too, the increase in monetary allocation is paltry—from ₹14,216 crore in 2023-24 (BE) to ₹15,000 crore in 2024-25 (BE).

For the National Mission on Natural Farming, the budget allocated ₹366 crore, lower than the BE allocation of ₹459 crore last year. In 2023-24, only ₹100 crore was spent on the scheme.

Overall, the budget for agriculture and allied sectors, including on research, fisheries and animal husbandry and dairying, saw a modest 6%

increase, from ₹1.31 trillion in 2023-24 (BE) to ₹1.39 trillion in 2024-25 (BE).

A major policy challenge is to reduce subsidies and increase investments in agriculture, but the budget did not offer a road map, said Avinash Kishore, senior research fellow at the Delhi office of the International Food Policy Research Institute.

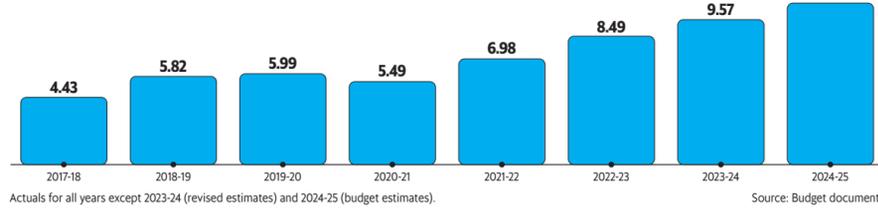
“The allocations in the budget follow a calories and area approach (crops such as cereals and foodgrains which command a higher share in cultivable area) and little to offer for high value produce such as fruits, where growth in agriculture is coming from,” Kishore added.

He also said the PM-KISAN (under which land-owning farmers receive ₹6,000 every year), has seen no increase in allocation in 2024-25 (₹60,000 crore in 2024-25, same as the year before). “The scheme will have unintended consequences. First, rural households will doubt the effectiveness of all cash transfer schemes which are not indexed to inflation (as the annual benefit has not been raised in five years since inception). Second, there is no evaluation of how the scheme has impacted agricultural outcomes. This money may have been better spent, particularly to fund investments (in irrigation, research, etc.).”

The budget was presented on the back of lower farm sector growth, estimated at 1.4% in 2023-24, a steep decline from the 4.7% growth in the previous year. “What is striking about the budgets for agriculture in the BJP/NDA governments over the past several years are the hyped-up statements and announcements on the one hand and the declining financial provisions for particular schemes and for farmers in the country on the other,” said Kiran Vissa, co-convenor of Alliance for Sustainable and Holistic Agriculture, a policy and advocacy body for farmers.

## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

GST collections (in ₹ trillion)



Actuals for all years except 2023-24 (revised estimates) and 2024-25 (budget estimates).

Source: Budget documents

## GOODS AND SERVICES TAX (GST)

## WHY DOES IT MATTER?

Introduced in July 2017, GST brought the taxation of goods and services under a single umbrella, replacing a raft of state and central taxes. The aim was to create a single common market. GST has become a mainstay of the government's overall tax effort, accounting for 27-28% of total tax revenues.

## WHAT DO THE NUMBERS SAY?

- ▶ Post-covid, GST collections have exceeded revenues from corporate tax. GST revenues will remain a focus of the government's revenue efforts.
- ▶ Given that GST is a tax on consumption, the current weakness in personal consumption expenditure can drag GST growth.

## KEY STAT

4%

GROWTH IN PRIVATE CONSUMPTION EXPENDITURE IN THE ECONOMY FOR 2023-24, DOWN FROM 6.8% A YEAR EARLIER

“I hope the struggles I have seen at my dining table would be eased, not just for my household but for many others too.”



AGASTYA WILSON, 20, New Delhi

Agastya, who has just completed a bachelor's degree in economics from Delhi University, describes his first voting experience as eye-opening. For him, it is important that the government actively works to reduce financial disparity and bring about economic equality. "The GST slab on essentials makes it difficult for people who earn a few thousands a month. We need a progressive fiscal policy environment," he says. "As someone who is headed into the world, I hope that the struggles I have seen at my own dining table would be eased, not just for this household but for the many households in the country."

# How to create a nation of BIG SPENDERS

Measures on personal tax, jobs, rural economy to drive India's consumption economy

Suneera Tandon  
suneera.t@htlive.com  
NEW DELHI

Lower personal taxes, incentives for new workers and support for rural growth will put more money in the hands of people and drive up consumption, industry experts said, at a time personal consumption has failed to match the pace of economic growth.

The Union budget on Tuesday promised one month's wage—up to ₹15,000—to all new entrants in formal sectors, a scheme that is expected to benefit 41 million youth. On the tax front, standard deduction for salaried employees was raised from ₹50,000 to ₹75,000.

"The budget is consumption-friendly," said Rohit Jawa, CEO and managing director of Hindustan Unilever Ltd (HUL), India's largest packaged consumer goods company. "Looking at it from a mass consumption standpoint, specifically, what I find positive and exciting is the sustained investment in infrastructure and its long-term multiplier effect that will continue. Also, new announcements today, i.e., increasing the investment in rural development, investment in agri and allied activities, supporting the 10 million urban poor, schemes for youth employment, especially skilling, are quite positive, especially for businesses like ours that serve consumers in nine out of 10 households in India," Jawa said after the company's June quarter earnings announcement.

The budget proposals will have a "multi-year" effect in driving consumption, Jawa said. "The budget is clearly focused on agriculture, employment, rural development and urban housing infrastructure for the urban poor as well, and it should give an impetus to urban mass and rural consumption," he said.

The budget has set aside ₹1.52 trillion for agriculture and allied sectors, aimed to lift the rural economy. Besides, under the PM Awas Yojana Urban 2.0, housing needs of 10 million urban poor and middle-class families will be met with an investment of ₹10 trillion, including central assistance of ₹2.2 trillion in the next 5 years.

Investors took cheer from the budget's consumption turn, with the BSE FMCG index that includes companies such as ITC Ltd, HUL, Godrej Consumer

## QUICK TAKE

The budget has set aside ₹1.52 trillion for agriculture and allied sectors, aimed to lift the rural economy

Customs duty cuts on gold and silver could ease the surge in gold prices, which has been spooking consumers

Analysts retain a positive outlook on most consumer stocks despite their sky-high valuations

Products and Dabur India closing 2.48% higher.

Finance minister Nirmala Sitharaman outlined four critical areas, namely the poor, the farmer, women and the youth, with a focus on employment, skilling, MSMEs and the middle class. However, the capital gains tax hike seems to have come as a big dampener for the market, said Mohit Malhotra, CEO and MD Dabur India Ltd.

"Increased allocation in the budget towards education, skilling and employment and special employment-linked incentive schemes for employees and employers aptly demonstrated the government mindset to significantly improve employment and employability in the country. These steps will go a long way in driving consumerism," Malhotra said. The hike in standard deduction is expected to result

in savings of around ₹17,500. "This would mean more disposable income in the hands of the consumers and would lead to sustained demand for branded consumer goods. The Budget's push on urban and rural growth will help boost rural consumption and also increase discretionary spending," Malhotra added.

The budget comes amid a decline in private consumption expenditure. While consumers at the top end of the market are spending on everything from pricey cars, holidays and eating out, the same isn't true for consumers at the mass end, given the high inflation in the post-covid years. Private final consumption expenditure (PFCE), which indicates the consumption demand in the country, grew 4% in 2023-24, even as economy grew 8.2%. As a result, companies selling both discretionary and non-discretionary products have been waiting for a revival in consumer demand.

The budget is expected to boost consumption, said K. Ramakrishnan, managing director of Kantar Worldpanel, which tracks data on household consumption. "While we may not see immediate effects of the schemes proposed for the youth and women on consumption, the TDS exemption for e-commerce players is likely to boost quick commerce and e-commerce plans in the short term, and the increase in standard deduction is also likely to put some disposable income into the consumer's hands, which might benefit FMCG," Ramakrishnan said. Others said the budget will benefit the lower end of the consumption basket. "The Union budget shows a pro-rural and pro-urban poor stance given a coalition government. We remain positive on almost all the consumer stocks in spite of most stocks at all-time highs," said Abneesh Roy of Nuvama Securities.

On Tuesday, the government also announced customs duty cuts on gold and silver. Surging gold prices had spooked consumers of the yellow metal over the last several quarters; the trend could ease now.

"The reduction in basic customs duty on gold to 6% from 10% is expected to provide a fillip to gold jewellery sales, which have been tepid in the recent past because of high prices. This will drive up volumes for domestic gold jewellery retailers including during the festive and wedding seasons," said Aditya Jhaver, director, Crisil Ratings.

## BUDGET PROPOSALS COULD POWER JOBS, GROWTH



SAUGATA GUPTA

MD &amp; CEO, MARICO LTD

Respond to this column at  
feedback@livemint.com

It is evident that corporate India awaits the Union budget every year with tremendous anticipation. The measures proposed by finance minister Nirmala Sitharaman in the latest budget have fared rather well against these expectations. The nine-point agenda covering critical areas such as productivity and resilience in agriculture, manufacturing and services, infrastructure, inclusive human resource development and social justice, innovation and R&D, skilling and employment, and next-generation reforms has presented an elaborate road map for the future. The stability in capex estimates, retained at ₹11.11 trillion, as earmarked in February's interim budget, is also an encouraging development, highlighting the government's commitment to accelerating economic growth and ensuring inclusive growth.

Given that the FMCG sector is one of the biggest drivers of economic growth and employment in India, the latest budget proposals—if effectively implemented—can have a profoundly positive impact on the broader Indian economy. The India@100 vision (Viksit Bharat by 2047) to turn the country into a much stronger, more resilient, and inclusive economic superpower certainly sends a powerful and inspiring message. Reviving consumer demand was given visible emphasis in this budget. The revision of the tax slabs and increase in the standard deduction to ₹75,000 are likely to enhance purchasing power and aid consumption among the salaried and middle classes. Even during the disruptions over the past few years, India's rural markets have demonstrated resilience and continued to represent a considerable long-term growth opportunity.

Hence, rural development and agricultural enhancement was expected to be

high on priority. In response, the budget entailed announcements of ambitious initiatives to promote agricultural activities and provide increased support to farmers. As much as ₹1.52 trillion has been set aside for agriculture and allied sectors; a significant percentage of this money is expected to fund agricultural research that not only improves farming yields but also helps in developing more climate-resilient varieties of crops. The government also aims to introduce 10 million farmers across India to natural farming over the next two years, while ₹2.66 trillion have also been allocated for rural development initiatives.

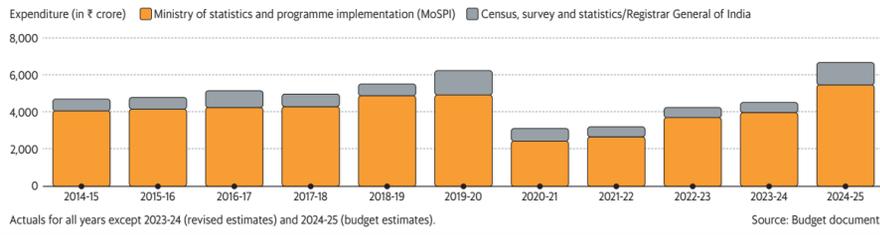
The recent introduction of 109 high-yielding, climate-resilient seed varieties marks a significant advancement, poised to mitigate production volatility and stabilize prices in the medium term. This development is particularly vital given the rise in adverse weather events over recent years, which have adversely affected crop yields and fuelled food inflation. The establishment of digital agriculture infrastructure, including an annual digital crop survey and the mapping of farmers to land parcels, will also improve credit risk assessment and could increase formal credit penetration in agriculture from the current levels of 60%.

Further, special attention has been paid to the MSME and manufacturing sectors in the latest budget. The government has earmarked up to ₹100 crore to introduce a guarantee fund, which will be used to offer credit guarantee schemes and term loans for machinery purchase without any collateral. It also outlined a technology support package for MSMEs and plans to have SIDBI open 24 new branches to serve MSME clusters.

Taking a bird's eye view, I believe that the proposed policies and initiatives in this budget address key issues that have a bearing on demand and consumption. With a multifaceted approach, the finance minister and the Government have shown their resolve to boost consumption across sectors and thereby bolster economic growth. If implemented well, we would see the positive effects of this, especially in rural markets, just in time for the festive season.

India's rural markets represent a long-term growth opportunity

FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET



WHAT DO THE NUMBERS SAY?

- ▶ The office that conducts the Census was allotted ₹1,565 crore in 2023-24, but it spent only ₹578 crore.
- ▶ In 2010-11, when the Census was last conducted, the centre spent ₹2,726 crore towards the Census.

KEY STAT

66%

SHARE OF ALLOCATION TO MPLADS SCHEME, WHERE AN MP CAN RECOMMEND PROJECTS WORTH ₹5 CRORE PER YEAR, IN THE 2023-24 STATISTICS MINISTRY BUDGET.

CENSUS AND OTHER DATA

WHY DOES IT MATTER?

Under the BJP-led government, prominent data releases have seen a pullback, notably the decennial census due in 2021. Since it surveys every citizen and household, the Census forms the best data backbone to design and implement welfare programmes. Not having updated Census data means eligible beneficiaries being left out.

TEXT BY SHRABONTI BAGCHI, PHOTO: SAMPATH KUMAR G P/MINT



“We need economic structures that are more sustainable and action towards preserving natural ecosystems.”

**ALANKRITA SHISODIA, 19, Bengaluru**  
Alankrita shares a deep concern for the environment with many of her generation. “We have faced several natural disasters, like floods and irregular monsoons, an effect of climate change and the degradation of natural systems. This has had a direct impact on people’s lives. We need more direct action towards preserving and improving our country’s natural ecosystems,” says Shisodia, a second-year student of BSc Biology at Azim Premji University.



SIDDHARTH SHARMA

CEO, TATA TRUSTS

Respond to this column at [feedback@livemint.com](mailto:feedback@livemint.com)

EMPOWERING WOMEN IS AN ECONOMIC IMPERATIVE

Today, India stands at a pivotal juncture—our nation forms the world’s fifth largest economy with tremendous scope for unparalleled growth, but also with a pressing need for enhanced employability. With a vision of *Viksit Bharat* for India@2047 to strive towards, we must reckon with how to skill today’s youth to bridge the unemployment-employability gap while shaping nation-building and progress. The Union budget 2024-25 echoed the interim budget’s focus on *yuva* as one of four major groups to support. Highlighting a welcome package of five schemes facilitating employment and skilling for 41 million youth over a 5-year period, with ₹1.48 trillion allocated for education, employment, and skilling, today’s announcements bode well for the future of our youth, given the government’s emphasis on skill development.

The barriers faced by the workforce are immense: nearly 73% of workers aged 15-59 years did not receive any formal or informal vocational or technical training, according to the Periodic Labour Force Survey 2022-23.

With India’s demographic dividend expected to peak around 2041 and the working-age population forecast to shrink, we must seize the current window of opportunity to harness the potential of India’s labour force and fuel economic growth. In parallel, we must leave no young person behind, and ensure that the fruits of skilling initiatives are also reaped by women, whose labour force participation has been historically low. By introducing initiatives to this end, the Budget indicates a positive way forward. Empowering women is not just a social good but also an economic imperative. In fact, a Barclays report indicates that ensuring that women account for half the new workforce created by 2030 is critical for India to attain an 8% GDP growth rate.

Skilling begets progress—to bridge India’s skills gap and develop a more mature ecosystem that prioritizes not just opportunities today but also a secure means of livelihood tomorrow, the path ahead is marked by several critical steps. One is to bolster institutional support, reaffirmed by the budget’s emphasis on upgrading industrial training institutes. With the mission of advancing a future-ready workforce, training institutions can equip youth with skills to succeed in the 21st century. Through the Indian Institute of Skills, established in collaboration with the government of India’s ministry of skill development and entrepreneurship and Tata Trusts, we strive to make this goal a reality.

By offering highly specialized trainings based on industry demand, across artificial intelligence, data analytics, digital manufacturing, and more, for instance, we hope to gear students up for success. The product of a unique collaborative endeavour, we expect that this institute, albeit at a nascent stage currently, can serve as a model spurring the rise of similar institutions that develop carefully curated courses to meet evolving work requirements and support gainful employment, particularly for those with unrealized potential who dropped out of the education system. It puts them back in the driver’s seat—endowing them with the tools and training needed to retain meaningful, fulfilling jobs.

To strengthen the skilling ecosystem, the active involvement of public and private players, and a strong industry-academia connect, is also vital. This, in turn, can enhance skilling infrastructure, augment the number of trainers available, and scale the reach of meaningful programmes and government schemes to far-flung parts of the country.

Reinvigorating pioneering schemes, such as Skill India, National Policy for Skill Development and Entrepreneurship 2015—an update to which is anticipated—Pradhan Mantri *Kaushal Vikas Yojana*, among others, can also strengthen the investment in vocational education, training, and entrepreneurial support. Further, conducting a thorough nationwide research and analysis of the factors behind unemployment and specific gaps in education and skilling might offer a constructive framework for the road ahead.

Transformative financing solutions including impact bonds, such as the Skill India Impact Bond, can also serve as a catalyst heralding progress. As a first-of-its-kind approach, this tool was designed to offer training and employment opportunities. It can drive a paradigm shift—from primarily government or CSR donor-funded programmes to a model drawing in greater impact investment, including from the private sector.

For skilling, involvement of public and private players is vital

For clean energy, govt rolls OUT POWER TOOLS

Centre to work out climate finance taxonomy to provide funds for climate action

Puja Das, Rituraj Baruah & Nehal Chaliawala  
NEW DELHI

After the economic survey for FY25 tabled in Parliament called for a more balanced approach to climate change and stressed on near-term goals for human welfare, finance minister Nirmala Sitharaman in her budget speech said that the government will roll out a policy document on “appropriate energy transition pathways that balances the imperatives of employment, growth and environmental sustainability”.

Presenting the full budget for FY25, Sitharaman also said, “We will develop a taxonomy for climate finance for enhancing the availability of capital for climate adaptation and mitigation. This will support achievement of the country’s climate commitments and green transition.” The finance ministry would be assisted by the ministry of new and renewable energy (MNRE) to work out the taxonomy. Addressing the media on Tuesday after the budget speech, MNRE secretary Bhupinder Singh Bhalla said, “It will largely define what are the elements, what are the sources of energy or energy transition elements which would be eligible to be called green.”

Rating agency Crisil said, “Taxonomy for climate finance will facilitate the development of the market for green bonds and fund sectors such as renewable energy, battery storage and other emerging sustainable technologies.”

“Taxonomy for climate finance will enhance green finance availability. This measure is likely to have an effect only indirectly in the medium term unless it is accompanied by a mandate,” said R.R. Rashmi, distinguished fellow at The Energy

QUICK TAKE

The government’s plans to set up an 800 MW AUSC thermal plant using indigenously developed technology

80 GW of coal-based power generation capacity to be added by 2032, to meet near-term surge in demand

India targets installation of 500 GW of non-fossil power capacity by 2030 and aims to launch India carbon market in 2026

and Resources Institute (Teri).

To maintain a balanced approach, along with mentioning the PM *Surya Ghar* scheme to set up rooftop solar installation on 10 million houses, and announcing that the Centre would come up with a policy for pumped storage projects (PSP) to boost green energy supplies, Sitharaman also mentioned the government’s plans to set up an 800 MW advanced ultra super critical (AUSC) thermal plant using indigenously developed technology. The power plant would be developed by the joint venture of NTPC and Bhel. This is also in tandem with the government’s focus on energy security.

“In the area of solar energy, the budget promises exemption from customs duty to solar capital goods but has significantly refused to provide any exemption from customs duty on solar glass and copper interconnects,” Rashmi said.

India already has taken up a diversified approach and along with the target to achieve 500 GW of installed non-fossil power capacity by 2030, the government also plans to add about 80 GW of coal-based power generation capacity by 2032, in a bid to meet the near-term surge in demand and provide stability to the grid. These efforts to boost thermal power gains significance as India is looking at achieving uninterrupted power availability and energy security along with its green targets.

Speaking on the plan to roll out a policy for promotion of PSP, Sitharaman said the policy will be brought out for electricity storage and facilitating smooth integration of the growing share of renewable energy with its variable and intermittent nature in the overall energy mix. Storage technologies such as battery and pump storage help in maintaining intermittency of renewable

power and eventually providing grid stability.

Further, at a time when global mechanisms like European Union’s Carbon Border Adjustment Mechanism (CBAM) have come into effect bringing in more regulations and climate compliances for Indian industries, mostly exports to EU member countries, the minister announced the formulation of a road map for moving ‘hard to abate’ industries, which include steel and cement, from ‘energy efficiency’ targets to ‘emission targets’.

The government would come up with regulations for transition of these industries from the current ‘perform, achieve and Trade’ mode to ‘Indian carbon market’ mode.

Pointing out that India aims to launch its India carbon market (ICM) in 2026, Zerín Osho, director of India programme at the Institute for Governance & Sustainable Development said the initiative could help the country achieve its nationally determined contribution (NDC) goals and potentially become the world’s largest emissions trading system by 2030.

“A well-developed carbon market in India could avoid \$35 trillion in climate-related costs over the next 50 years,” Osho said.

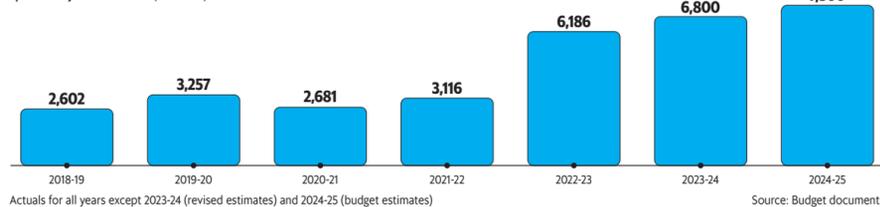
Further, in a bid to ensure a climate friendly ecosystem in smaller businesses, the Centre would facilitate an investment-grade energy audit of traditional micro and small industries in 60 clusters, including brass and ceramic sectors.

These smaller businesses will be provided financial support for shifting to cleaner forms of energy and implementation of energy efficiency measures. This scheme would be extended to 100 MSME clusters in the second phase.

[puja.das@livemint.com](mailto:puja.das@livemint.com)  
For an extended version of this story, go to [livemint.com](http://livemint.com)

## FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET

Spend on Ayushman Bharat (in ₹ crore)



Actuals for all years except 2023-24 (revised estimates) and 2024-25 (budget estimates)

Source: Budget documents

## AYUSHMAN BHARAT

## WHY DOES IT MATTER?

As per government data, 90% of Indians spend less than ₹9,582 per month. Thus, a large health spend is likely to push such households into high debt and poverty. Ayushman Bharat, launched in September 2018, was intended to prevent this. It gives households health cover up to ₹5 lakh per year.

## WHAT DO THE NUMBERS SAY?

▶ As on November 2022, 79 million households—73% of targeted households—were enrolled. The Centre wants to cover 120 million households.

▶ Uneven hospital coverage is an issue. For example, Uttar Pradesh has 5 hospitals per 100,000 population and Karnataka 21.

## KEY STAT

47.1%

AVERAGE OUT-OF-POCKET EXPENDITURE AS SHARE OF TOTAL HEALTH EXPENDITURE IN 2019-20, AS PER THE LATEST DATA AVAILABLE.

“The government needs to increase its support towards the startup ecosystem with easy loans.”

ESHANI MALIK, 19, Mumbai

A student of economics at Indian Institute of Technology, Bombay (IIT-B), Eshani was looking towards a greater focus on healthcare and education, while manufacturing has got a push, as she hoped. She voted for the first time earlier this year and over the next five years, is “looking forward to the initiatives that will ensure better infrastructure across the country as well as encourage use of renewable energy”. She says, “The government needs to increase its support towards the startup ecosystem with low interest and easily accessible loans.”

# Angel tax cut has investors ON CLOUD NINE

New measures are expected to boost domestic investment in Indian startups

Ranjani Raghavan  
ranjani.raghavan@livemint.com  
MUMBAI

Amid an erratic funding winter, venture capital and private equity investors have secured two long-standing demands: the abolition of angel tax and the reduction of long-term capital gains tax for unlisted securities.

The measures, announced in the Union budget for 2024-25 on Tuesday, are expected to boost domestic capital investment into the Indian startup ecosystem, said investors.

Dismantling the entire angel tax provision is a bold move, said Gopal Srinivasan, founder and managing partner, TVS Capital. Tuesday is “a red letter day” also because of the new tax slab for long-term capital gains that brings parity between public and private investors, he said.

Both these changes were big asks from the investor ecosystem, and seeing them come true in the same budget makes it a dream, investors said.

The erstwhile angel tax under section 56(2)(viib) of the Income Tax Act applied to unlisted companies on issuing securities to investors at a premium to their fair market value. The difference was considered as “income” for the company and subject to tax.

Angel tax was introduced in 2012 to fight money laundering after the government found such investments, typically by wealthy individual investors, being used in certain instances to launder black money. However, this disproportionality impacted startups raising capital as investors usually invest at higher than the fair market value because of growth potential.

More often than not, startups or high-growth companies issued securities to incoming investors at a high premium to the fair value price as the assumption is that these companies will rapidly grow into their value.

“A tax on capital is antithetical to capital formation and this has long been used to harass startups and investors,” said Siddharth Pai, co-founder of venture capital firm 3one4 Capital.

“Given the mandatory dematting of securities, Section 68 (of the Income Tax Act requiring the) disclosure of unlisted investments in tax returns

## QUICK TAKE

Angel tax was introduced in 2012 to counter money laundering by wealthy individuals

For long, private Indian investors have been paying a 20% tax on long-term capital gains in unlisted securities

The budget also introduced the concept of variable capital company to promote ease of doing business

has plugged the transparency gap for which angel tax was created, he said. “The removal of angel tax sans conditions must be celebrated as a major win.”

Finance minister Nirmala Sitharaman’s decision to abolish the angel tax, however, comes with a rider: it won’t be applied retrospectively. The abolition of angel tax comes into effect from 1 April, 2024.

Previous tax demands will continue, revenue secretary Sanjay Malhotra told *Mint* after the Budget was presented.

For long, private Indian investors have been paying a 20% tax on long-term capital gains in unlisted securities, which made Indian rupee-denominated venture capital and private equity funds tax-inefficient.

For the same securities, foreign investors paid

10% tax on long-term gains. Public market investors were also paying a 10% tax. Now, all asset classes will be taxed at 12.5% for long-term capital gains.

“Aligning the tax rates will result in more funding into Indian startups,” Pai said.

However, crucially, investors won’t be motivated by tax for their asset purchases, said Subramaniam Krishnan, partner, EY.

“Ultimately, they will look at the asset class based on their risk-return profile and make their investment decisions. However, foreign investors will pay marginally more tax on long-term capital gains (albeit on foreign currency gains where applicable). There is now almost total parity between residents and non-residents on long-term capital gains tax rates,” Krishnan added.

This move to even-out the disparity in long-term capital gains tax will inevitably boost the PE-VC industry, which currently stands at ₹2.5 trillion, only a “tenth of the Indian equity mutual fund pool,” said TVS Capital’s Srinivasan.

The budget also introduced the concept of variable capital company (VCCs) at the Indian Financial System Code IFSC-Gift City, which could promote the ease of doing business.

VCCs are accepted globally as a vehicle for investment funds, and offer a lower cost set-up and allow fund managers to introduce multiple sub-funds, like a mutual fund.

“Trusts were not conceived for the complex operations of VC/PE funds and the VCC structure will make GIFT IFSC even more attractive,” Pai said.

In another move, the budget also proposed reducing the timeline for the initiation of re-assessments by the tax department from 10 years to five years. This is crucial not just for individuals but also for companies closing large mergers and acquisitions. Generally, sellers need to offer indemnities in case a buyer is charged with additional taxes long after a deal is closed. This move reduces the indemnity period.

In another measure, the budget’s proposal to launch a ₹1,000 crore-fund for the space economy is expected to be a boost for space startups. The push to develop a skilled workforce would also help startups scale up, experts said.

## India drops e-commerce levy that caused tiff with the US

Gireesh Chandra Prasad  
gireesh.p@livemint.com  
NEW DELHI

A controversial levy India imposed four years ago on digital services rendered to Indian businesses by offshore technology firms, leading to a tiff between New Delhi and Washington, has been scrapped.

The Finance Bill 2024 presented by finance minister Nirmala Sitharaman proposes to scrap from 1 August the 2% equalization levy on a wide array of services rendered by offshore tech firms including cloud services and e-commerce services.

The move comes as a big relief to global e-commerce players, especially US-based ones, as many businesses were facing tax disputes on account of this levy, experts said.

India had in 2020 expanded the scope of its equalization levy, first introduced in 2016 on offshore firms hosting advertisements targeted at Indian consumers, to include other e-commerce services by off-shore entities.

According to a report by the US Trade Representative in 2021, which described the expanded form of the levy discriminatory against the US, a large number of services including software as a service, platform services, data-related services, cloud services, financial services, education services and digital sales of a company’s own goods are covered under the 2% levy.

The idea has been to tax payments made to offshore entities by Indian consumers of these services as the technology service providers may not have a physical presence here and therefore the income tax department cannot subject such income earned from India to tax. The Finance Bill said that some stakeholders raised concerns that the scope of the 2% levy was ambiguous and as a result, lead to compliance burden.

“In view of this it is proposed that this equalisation levy at the rate of 2% shall not be applicable to consideration received or receivable for e-commerce supply or services, on or after the first day of August, 2024,” said the Union budget documents. The levy which was originally applicable to online advertisements hosted on platforms run by offshore entities was at the rate of 6%. This, however, stays. Only the 2% levy on other e-commerce services that was rolled out in 2020 which led to friction with the US has been rolled back, explained Amit Maheshwari, tax partner at AKM Global, a tax and consulting firm.

“Since, its introduction from 1 April 2020, the

equalization levy on digital services created controversies with respect to classification of services to determine if these would be subject to this levy or could be taxed as royalty or fee for technical services,” said Maheshwari.

“The tax department and foreign companies are not always aligned even if the foreign companies discharged the obligation of payment of this levy. Its removal will put to rest such disputes and will simplify the compliance burden for the foreign companies providing such services,” said Maheshwari.

Although the USTR had said the levy was actionable under US laws—such as withdrawing trade benefits and imposing duties or import curbs—the two countries agreed on a transitional deal similar to what the US had reached with countries like Austria, France, Italy, Spain, and the UK.

That deal was applicable till a global deal on tax treaty was signed or until the end of March 2024. Since the proposed global tax deal comprising ways of checking tax evasion by digital economy firms (called pillar one of Organisation

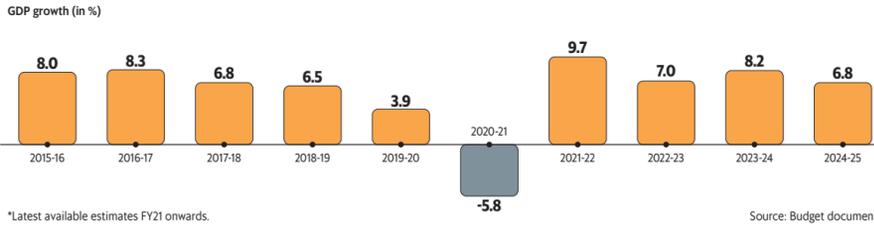
for Economic Co-operation and Development’s (OECD) project targeting tax base erosion and profit shifting) and a proposal for a global minimum tax rate of 15% (called pillar two) could not be signed yet, the other countries extended the scope of the transitional arrangement till the end of June. India, too, agreed with the US to extend the arrangement till end of June, the finance ministry said on 28

June. Experts also said that removal of the 2% levy was a bold move. “The provision was very wide and, in many cases, extended even beyond the typical digital business models. This created a lot of ambiguity and confusion,” said Amit Rana, Partner at Price Waterhouse & Co LLP. Rana explained that since the equalization levy was not a ‘tax’ under the income tax law, availability of credit for the amount paid under this obligation was a challenge for the income earners in their home jurisdictions. Removal of this levy should ease the compliance burden for many global companies which were doing business remotely with India in addition to reducing their cost burden, said Rana.

Riaz Thingna, partner at Grant Thornton Bharat, said that the withdrawal of the 2% equalization levy was a surprising move as there is no immediate action on the part of the government to introduce domestic legislation on pillar one. Many businesses expected the government to introduce domestic legislation required under the proposed global tax deal.

Finance Bill 2024 proposes to scrap 2% equalization levy on services from 1 August

FIRST PRINCIPLES: YOUR ESSENTIAL GUIDE TO THE KEY NUMBERS IN THE UNION BUDGET



GDP GROWTH

WHY DOES IT MATTER?

GDP growth is the foundational block that enables an economy to create jobs, and the government to collect more taxes and invest it in social and physical infrastructure. This is essential to lift quality of life. Between 1982 and 2012, China grew above 8% in 25 out of 30 years, lifting its per capita income from \$203 to \$6,300.

WHAT DO THE NUMBERS SAY?

▶ Even before covid-19 hit India in March 2020, GDP growth had slowed for three consecutive years.  
▶ Excluding the covid years of 2020-21 and 2021-22, 2023-24 was the first time in five years that GDP growth topped 8%.

KEY STAT

16.5%

UNEMPLOYMENT RATE IN 15-29 YEARS AGE GROUP IN OCT-DEC 2023, AGAINST 21.6% IN APR-JUN 2019, AS PER GOVERNMENT DATA.

# 'Increasing capital gains tax was not to GENERATE MORE REVENUE'



The basic custom duty reduction or elimination of duties announced in the budget will help Indian labour-intensive manufacturing industries export more, finance minister Nirmala Sitharaman said in an interview with *Door-darshan*. That, in turn, will create more job opportunities. "That is the primary and only reason why this custom duty reduction has been done." Edited excerpts:

**This budget is big on employment generation. What was the thinking behind it?**

Today, the youth of India is working in important positions in industries across the world. Global companies are looking purely at talent and hence prefer the youth of India. But the opportunities they should get within India are not at the level they should be. That is why we have launched five schemes with a corpus of ₹2 trillion to be spent over the next five years. It will benefit 4.1 crore (41 million) youth. This includes first-time employees, as also those who shift jobs. The employers also get benefitted from it so they are encouraged to hire more and also to retain them for at least two years. For skilling, there is a lack of wherewithal and machinery in ITIs (Industrial Training Institutes) across the country which are managed by the states. There has not been that much investment here in the last 20-30 years, but right now there is a demand for skilling and for ITIs to be ready for industry 4.0, so the money will go towards that. On top of this 1 crore (10 million) youth will benefit from the internship scheme and we will be talking with 500 top companies.

**You have given a provision of ₹1.52 trillion for the agriculture sector and ₹2.66 trillion for rural development. How does this meet the goal of making agriculture an engine of growth?**

There's one thing I want to dispel. When we talk about these numbers, people don't realize that there are multiple schemes that are ongoing for which provisions have already been made. We need to reach the farmers with such inputs which are worthy for them to toil in the soil. Farmers need high-quality seeds. I have

spoken about 109 varieties of climate-resilient seeds, which we will soon take to the farmers. We are looking at giving input support to the farmers, and more than 50% of their input cost should be met by the amounts we give them.

Rural development is not just building homes or new roads. Over and above this, we are looking at hard infrastructure in rural areas, be it power and smart meters in villages.

**You have said women-led development will see an allocation of over ₹3 trillion. How will this money be spent?**

We have been emphasizing on how more women being a part of productive activities has to be continued. Women's participation in the workforce has been highlighted in the Economic Survey. We have come a long way since 'beti bachao, beti padhao andolan'. We have emphasized on land and property registration in the name of women in this budget.

**You have not talked much about existing schemes like MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Scheme), etc. Can you clarify that these will continue?**

Absolutely. Today my speech lasted...nearly one-and-a-half hour. How much can I cover in this time? A lot of people also said I haven't talked about many states. But that does not mean that money will not flow to those states. Every scheme is being implemented—central as well as centrally sponsored schemes, and besides that projects from the World Bank and ADB (Asian Development Bank), etc. For example the country's largest port worth ₹76,000 crore is coming up in Vadavan in Maharashtra. It wasn't mentioned in the last speech or this speech, but it is happening. So, I wish to dispel this doubt that schemes like MGNREGA or some other scheme like PM Swanidhi scheme or Mudra; such schemes will always continue. Just because they don't find mention in the speech doesn't mean they are being discontinued.

**You have mentioned new airports, medical colleges and sports infrastructure in Bihar, and there's plenty of allocation for Andhra Pradesh in**

**the budget. Are there some special messages that you're sending out here?**

No. First of all, the Andhra Pradesh Reorganization Act required all this to be done anyway. In the first 10 years after the AP Reorganization Act came into being, the two states were bifurcated; we have been giving money for the backward district programme, with institutions such as AIIMS (All India Institute Of Medical Sciences) and IIT (Indian Institute of Technology) which have been taken. There are certain projects which are getting staggered. Polavaram is one of the biggest national irrigation projects, with the dam storage capacity being immense. Godavari waters are being kept there and from there it is going into the fields. This is a national project. We will certainly support it, and that is what I have emphasized. Similarly, there is backward region development in Andhra Pradesh, such as Rayalaseema and north coastal Andhra Pradesh. We are only definitely assuring the newly elected government in Andhra Pradesh that we will stand by them.

**How will these e-commerce hubs that are being set up in public private partnership work? You also talked about this plug-and-play industrial parks in 100 cities. Could you expand on them?**

On the e-commerce and MSME (micro, small and medium enterprise) front, look at the example of what ONDC, or the Open Network for Digital Commerce, is doing. It's actually given at the cost of the government, meaning they don't have to pay any charge. It gives access to MSMEs to reach the global market. ONDC has proven to be a very, very powerful catalyst. Now, when you form e-commerce hubs, you're making sure that because of these digital assets that we have, MSMEs in particular can benefit from them. It's somewhat like creating a special economic zone but you're creating it in the digital world, so that these MSME can be onboarded, either by sector or by some kind of a common denominator, and we will be able to give them access to the overseas market. That is a facility which the government will spend on so that MSMEs don't have to

invest in them, and we give them the access for it.

The plug-and-play concept for industrial parks is that big investments for creating such hubs don't come easily. We want the industry also to participate with us. So when you set up a hub in one place, this becomes the mother centre, and smaller centres can benefit by attaching themselves like a spoke to the hub.

**You have talked about reviewing the Income Tax Act, 1961, in the next six months. Are we moving towards direct tax code?**

Absolutely. We are consistently moving towards simplifying the tax structure. As it is we moved away from the old tax regime and created a new tax regime to facilitate those who do not need exemptions. They can opt for the new tax regime where the tax is also low. After the launch of the new regime, people said at least give us standard deduction, so we gave ₹50,000 and now we have raised it to ₹75,000 so that there is more money in the hands of the people. We have also further simplified the rates and even reduced it, so that the middle class get some relief in income tax and they think that we have done something to put more money in their hands. When we talk of reviewing the Income Tax Act, the intention is to simplify the structure. I have given one example of old and new tax regimes, but there are other things too that need to be simplified. We will keep working on that so that the Income Tax Act which is such a bulky book today becomes a simple form that is easy to fill and follow. And just like we have introduced pre-filled forms, we will continue to use technology and keep lower the rates to give relief to people.

**The changes that you've announced for customs duties... To what extent do they keep us away from the China conundrum?**

First of all, if you look at the selection of items for which I have given a basic custom duty reduction or elimination of duties, they are the essential inputs for labour-intensive manufacturing industries. So these are the gems and jewellery, gold or raw diamonds, leather-related, shrimp-related and textile sectors. These

are sectors where you have intensive labour employed. When you bring raw material for cheap, their expansion plans, their plans to export whatever they produce, will all go through a positive change. Because of that, employment therefore will also improve. That is the primary and only reason why this custom duty reduction has been done.

**On overall tax proposals, you talk about a revenue foregone of about ₹7,000 crore. So is this a shortfall?**

The way in which we have decided to spend money in building capacities, in making sure there are more efficiencies or productivity increase, and making sure youth trained properly to get into good quality jobs, all this will generate economic activity which will give me that comfort to make up for that revenue foregone. We can hope, because of the ways in which we are bringing in factors for productivity gains will help us. Other than that, of course, we also make sure that the tax net is widened, through non-tax revenues in rural and urban areas. So I mentioned about land-related reforms, labour-related reforms, capital-related reforms and entrepreneurship, of course through MSMEs and training, which is happening. So, for land, what kind of reforms, digitization can we bring in? We are making sure that land records are maintained digitally, stamp duty reduction happens for which we are working with the states. Similarly, for labour reforms, we have exhaustively mentioned in the budget speech.

**You have spoken about first-time employees getting into the formal sector. Could you elaborate on this?**

I have mentioned this as Scheme A in my speech; when a fresh first-time employee is recruited by somebody for a salary up to ₹1 lakh, the government will give ₹15,000 as one-month wage, which will be spread across three instalments. The employer also receives this because he will register him as an EPFO (Employees' Provident Fund Organisation) employee. Both employer and employee will benefit through this incentive, in this case involving a first-time employee. The second scheme looks at first-time employees and for anyone else who gets a job; we

will give allowances to both employer and employee. However in this scheme, if the employer doesn't retain him for two years and removes him before that, every incentive given to the employer will have to be refunded or paid back.

We are making sure that under each scheme, there are more and more new people coming in and fresh appointments happen. Companies will be incentivized to grow. Suppose you are already running a company with 100 people, you can scale up. Besides these two, there is ITI and the fourth one is the internship. We intend to seriously implement each of them.

**You talked about developing a taxonomy for climate finance and enhancing the availability of capital for climate adaptation and mitigation. What is this taxonomy?**

Taxonomy is when you start classifying and is an expression used for various other things which are developing. So, in climate-related matters, how do you tax certain things? Taxonomy is what kind of items come into certain kinds of green energy and what is counted as green. How do you calculate the emission count, and on the basis of that, how do you bring the carbon market to efficiently function? Those are not clear yet for India itself. So, we need to have enough work done through, let's say, domain experts to understand what is the classification we need. Going forward, for instance, carbon trading will depend on what kind of classifications we make.

**What was the thinking behind raising capital gains tax? Are you worried about futures and options trading in the country?**

I want to clarify that our intention was not to generate more revenue by increasing capital gains tax. We assessed all the use cases of indexation across asset classes and found that nobody got less than 13.5% (of tax incidence) anywhere. So, we kept it at 12.5% so nobody gets taxed more without indexation. The intention was to simplify taxation and increase convenience for the assessee. There should be no confusion over this. If the intention were to raise revenue, I would have put the rate even higher.

PHOTOGRAPHS: PTI & BLOOMBERG



# Harris hits the trail with Democratic nomination

The VP took just 36 hours to secure enough delegates to be nominated

AFP  
feedback@livemint.com  
WASHINGTON

**K**amala Harris hits the US campaign trail Tuesday after effectively clinching the Democratic presidential nomination, heading to the battleground state of Wisconsin to renew her attacks on Republican candidate Donald Trump.

The vice president took just 36 hours to secure enough delegates to be nominated, moving with lightning speed after President Joe Biden's exit from the race triggered one of the largest election upheavals in modern US history.

Hollywood star George Clooney—one of the first high-profile Democratic activists to urge Biden to drop his reelection bid—on Tuesday joined a series of heavyweights in backing 59-year-old Harris to face Trump in November.

On her trip to Milwaukee, Harris is expected to launch another attack on convicted felon Trump as she leans into her past role as a California prosecutor and state attorney general.

"She is prepared to prosecute the case against Donald Trump," said Wisconsin campaign spokeswoman Brianna Johnson.

The theme is set to resonate throughout Harris's campaign, as she lashed out at Trump in similar terms in a speech to staff on Monday in which she said that, as a prosecutor she knew "Donald Trump's type".

Backed with the endorsement of Biden and other key party figures, US media reported that Harris had on Monday sailed past the number of delegates needed—1,976 out of nearly 4,000.

The first female, Black and South Asian vice president in US history said in a statement that she was proud and "I look forward to formally accepting the nomination soon."

Harris should now be able to secure the



Kamala Harris, US Vice President and Democratic presidential candidate. AFP

nomination on August 7—nearly two weeks before the Democratic convention in Chicago. The party plans to hold an online vote of convention delegates.

She will also welcome the support of Clooney, a major fundraiser and longtime Biden booster who turned against the 81-year-old due to concerns about his age and mental fitness.

## ELECTION UPHEAVAL

**HARRIS** on Monday had sailed past the number of delegates needed—1,976 out of nearly 4,000

**THE** vice-president should now be able to secure the nomination on 7 August

**SHE** will also get the support of George Clooney, a major fundraiser and long-time Biden booster

"President Biden has shown what true leadership is. He's saving democracy once again. We're all so excited to do whatever we can to support Vice President Harris in her historic quest," Clooney said in a statement to CNN.

Support continued to pour in for Harris, with the United Steelworkers Union and

philanthropist Melinda French Gates, the ex-wife of Microsoft co-founder Bill Gates, both endorsing her.

Biden stunned the world by dropping out of the race on Sunday, bowing to weeks of pressure after a disastrous debate performance against Trump raised concerns about his age and mental acuity.

The president was due to return to the White House later Tuesday from his Delaware beach house, having spent nearly a week there in covid isolation, during which time he made his fateful decision.

Former president Trump—who survived an assassination attempt on July 13 that added to the sense of chaos surrounding the election—has relentlessly slammed both Harris and Biden.

Trump late Monday branded her "Lyn' Kamala Harris" and said she had "terrible" poll numbers against a "fine and brilliant young man named DONALD J. TRUMP! Be careful what you wish for Democrats???"

# Irdai cancels Saluja's Care Health Esops

Anirudh Laskar  
anirudh.l@htlvtive.com  
MUMBAI

**I**ndia's insurance regulator has directed Care Health Insurance Limited to cancel the hefty stock options that it granted to Religare Enterprises Ltd's chairperson Rashmi Saluja. This could be a setback to Saluja and Religare's board in their struggle against the Burman family for control of the financial services company.

In a late evening order on Tuesday, the insurance regulatory and development authority of India (Irdai) directed the private insurer to cancel Saluja's stock options and also to take Irdai's prior approval before fixing the remuneration of any director in future until further orders.

Saluja and the board of Religare have been vehemently opposing a takeover bid of Religare by the Burman family, which owns more than 25% in the company.

Care Health is the main cash-generating subsidiary of Religare and the country's second-largest standalone health



Religare Enterprises Ltd's chairperson Rashmi Saluja.

insurer. The company is worth at least ₹10,000 crore, based on the price of its shares at ₹110 apiece in its last rights issue in 2022. It underwrote a premium of ₹6,864.5 crore in fiscal year 2023-24, recording a 33-51% year-on-year growth.

Emails sent to Religare and Care Health did not elicit any response till press time.

In December 2021, Care Health had sought Irdai's permission to grant 22.7 million Esops to Saluja. In May 2022, Irdai rejected the proposal, but the company issued the Esops to Saluja in June 2022 after taking legal opinion from

former Irdai chairman J. Hari Narayan and advocate Arvind P. Datar.

On 14 June 2024, Irdai served a show cause notice to Care Health, asking the latter why penal action should not be initiated against the insurer for issuing stock options to Saluja despite Irdai's disapproval. This followed a letter from the Burmans in May this year that warned of legal action against the board of Care Health if it does not stop Saluja from cashing out Esops.

On 15 July, Irdai held a personal hearing of the top management of Care Health on the matter involving Saluja's stock options.

On Tuesday, following the hearing, Irdai said Care Health has violated Section 48A of the Insurance Act and ignored Irdai's restrictions imposed on insurers in terms of granting permission for appointing a common director.

Irdai said Care Health has also breached the applicable laws in terms of the "Irdai (Remuneration of Non-Executive Directors of Private Sector Insurers) Guidelines, 2016, for payment to non-executive

director in form other than 'profit related commission' and 'sitting fees'."

Of her 22.7 million Esops, Saluja has already exercised 7.57 million. Irdai has ordered Care Health to buy back these shares from Saluja at the same price per share as the exercise price (that is, ₹45.32 per share) within 30 days.

The insurance watchdog also ordered Care Health to cancel and revoke all the remaining (unexercised) stock options granted to Saluja within 15 days, and directed the company not to allot any further stock options to Saluja.

Irdai in its latest diktat said that in order to "secure the proper management of Care Health", the insurer will now need to take Irdai's prior approval for taking any decision "in relation to remuneration/ payment/ perquisite or other benefit, monetary or otherwise in relation to any member of the board including MD & CEO of CHIL". Currently, Anuj Gulati is the MD & CEO of Care Health.

Additionally, Irdai has imposed a penalty of ₹1 crore on Care Health.

# The big message from Modi 3.0's first budget

FROM PAGE 1

overall economy in 2023-24. Some of these issues undoubtedly played a part in the results of the recent national election, and the setback that the ruling alliance got in many parts of the country.

Meanwhile, insipid consumer demand has ensured that companies have preferred to use their profits to build cash reserves or pay off old debts rather than invest in new capacity. The result of this feedback loop from consumer demand to corporate invest-

ments is growing concerns about the state of aggregate demand in India.

## Shifting focus

The many variants of wage subsidies announced in the new budget should be juxtaposed with the capital subsidies through the Production Linked Incentive (PLI) scheme in recent years. It is premature to say that the third Modi government has shifted from policies that ease constraints on the

supply side to measures that seek to boost the demand side—but some early signs of rebalancing are evident.

## Budget meets the realities of India. It builds on the hard-won macroeconomic stability in recent years

Budget 2024 meets the realities of India. It builds on the hard-won macroeconomic stability in recent years with a new recognition that a two-speed economy has led to demand pressures.

The first budget of a new government is not just a matter of financial numbers for

one year. It is also expected to provide pointers to fiscal strategy over the next five years. India has to accelerate its economy, create quality jobs, increase spending on items such as education, health, defence, public goods, and climate change mitigation.

Whether it can do so while strengthening public finances will depend on the ability of the government to raise more taxes for every unit of GDP. The promise by the finance minister to streamline both direct as well as indirect taxes is a step in the right direction.

**mint**

Think Ahead. Think Growth.

# Connecting you to Global Insights!

Discover comprehensive business news & perspectives curated by the **Leaders in Journalism**

THE WALL STREET JOURNAL.

**mint**

The Economist



SpiceJet has faced severe financial and legal challenges since the pandemic that have had a direct impact on its market share.

## SpiceJet plans to raise ₹3,000 crore through QIP route

Anu Sharma  
anu.sharma@livemint.com  
NEW DELHI

In a relief for low-cost carrier SpiceJet, the board of the budget carrier on Tuesday approved raising up to ₹3,000 crore through a qualified institutional placement (QIP).

The company informed the stock exchanges that its board has considered and approved raising funds aggregating up to ₹3,000 crore through the issue of shares or any other eligible securities to qualified institutional buyers.

In December 2023, the SpiceJet board approved raising ₹2,250 crore from 64 entities, including financial institutions, foreign institutional investors, high-net-worth individuals, and private investors through the issuance of equity shares and warrants. In February 2024, the airline said it secured additional funding of ₹316 crore, bringing the total raised through its preferential issue to ₹1,060 crore. Last week, the airline

reported its earnings for the December and March quarters after a wait of more than six months. The airline's consolidated net loss shrank to ₹423.7 crore for the full financial year ended March 2024 from a consolidated net loss of ₹1,513 crore a year ago.

SpiceJet has faced severe financial and legal challenges since the onset of covid pandemic and that has had a direct impact on its fleet size and market share.

The airline's market share has shrunk rapidly over the past five years—to 4% of the domestic aviation market in May 2024 from 5.4% in May 2023 and 14.8% in May 2019. Similarly, the airline's fleet has also shrunk to around 47 aircraft compared to 76 aircraft in 2019, as per data from aircraft tracking website flightradar24. SpiceJet has been embroiled in legal battles over unpaid dues to aircraft lessors, vendors and suppliers, and faces contempt notices from the Delhi high court and the National Company Law Tribunal.

**The airline's consolidated net loss shrank to ₹423.7 crore for FY24 from a net loss of ₹1,513 crore a year ago**

# HUL sees rural mkt recovering

The company saw underlying volume growth of 4% in Q1, inching up after three quarters of 2% volume growth

Suneera Tandon  
suneera.t@htlive.com  
MUMBAI

Consumer goods maker Hindustan Unilever Ltd on Tuesday said signs of green shoots in rural markets have surfaced with the company's low-priced packs seeing strong offtake and categories such as hair care and soaps doing well.

A progressing monsoon as well as Tuesday's measures announced by the government to invest in the agrarian economy as well as expand the rural budgets could augur well for consumption in India's hinterland. HUL's earnings were announced the same day the government announced its Union budget for the year.

"Monsoon, which is an important factor to agriculture and therefore rural economy, is trending in the right direction. We will have to wait and watch, but we are hopeful there are green shoots; we will continue to deepen and strengthen our competitive moat in rural areas," Rohit Jawa,



The company reported a 2.6% increase in June quarter profit.

CEO and managing director, said addressing reporters virtually.

HUL's first quarter performance reflects decisive actions of transforming its portfolio in high growth spaces aided by gradual recovery of rural markets, the company said.

India's largest household goods maker reported a 2.6% increase in June quarter profit. Net profit for the

three months ended 30 June stood at ₹2,538 crore up from ₹2,472 crore a year ago, the company said in a statement to the stock exchanges.

HUL's performance is viewed as a proxy for the broader Indian consumer sentiment.

Sales were up 1.26% at ₹15,339 crore from ₹15,148 crore a year earlier, due to the impact of price reductions taken

during the year as the company passed on benefits of lower commodity prices to consumers.

Total expenses during the quarter were up 1.5%; the company pumped more money into advertising its brands; A&P spends were up 11% year-on-year.

A Bloomberg survey of 21 analysts expected the company to report a profit of ₹2,560 crore. Standalone revenue estimates stood at ₹15,325 crore.

HUL reported underlying volume growth of 4% in the June quarter inching up slightly after three consecutive quarters of reporting volume growth of 2%.

Commenting on signs of recovery in rural markets Jawa said the closest signal the company gets is in market growth and market growth in the recent past has been, in volumes, ahead of the urban areas.

"That used to be a secular trend in the past, that in the recent months and

quarters has also been the case. Although, if you look back over a two year CAGR (compound annual growth rate), rural growth is still slightly behind and lagging urban, but we see that changing with the growth rates in the recent past. The second green

shoots we see are many of our very highly rural focused portfolios, probably also helped by hot summer, such as hair care, low unit price packs, or our personal wash portfolio, which has also clocked positive volume growth," he said.

Gross margins at 50.9% expanded 171 bps year-on-year and contracted 44bps quarter-on-quarter.

The company's personal care portfolio delivered low-single digit growth in volumes while sales growth dipped 5% year-on-year. Skin cleansing portfolio comprising soaps saw revenues decline during the quarter on account of pricing actions taken, the company said.

### GREEN SHOOTS

SALES were up 1.26% at ₹15,339 cr from ₹15,148 cr a year ago due to the impact of price reductions

ITS personal care portfolio delivered single-digit growth in volumes while sales growth fell 5% y-o-y

## EV incentive scheme fund limited till start of FAME-III: Govt

Alisha Sachdev  
alisha.sachdev@livemint.com  
NEW DELHI

The government has clarified that its Electric Mobility Promotion Scheme (EMPS), a demand-incentive scheme meant to act as a bridge between FAME-II and the upcoming FAME-III scheme, has limited funds, and subsidy claims will only be entertained till the scheme's ₹500-crore outlay is exhausted, or till the scheme ends on 31 July 2024.

With a total outlay of ₹500

crore, the scheme offers incentives for electric two-wheelers and three-wheelers for up to 333,387 e-two-wheelers and 40,828 e-three-wheelers. At present, companies have raised claims totaling ₹54.42 crore for 41,557 vehicles as on Tuesday, according to the government's EMPS dashboard. This indicates there is significant runway left for claims to be made for the next two to four weeks, by when the new iteration of the FAME-III is expected to be introduced.

"EMPS 2024 is fund limited,

with restricted number of vehicles and a term-limited Scheme, i.e., the subsidies for demand incentive are eligible for e-2w and e-3w sold and registered until the funds are available or the number of vehicles supported reaches the maximum number defined category-wise (shown in para above) or until 31 July 2024, whichever comes first. The EVs eligible for incentivisation under EMPS 2024 scheme must be manufactured and registered within the validity period of EMPS-2024 certificate," the ministry of heavy industries (MHI) said.

**FAME-II, which concluded on 31 March, was succeeded by EMPS that is scheduled to expire on 31 July**

FAME-II, which concluded on 31 March, was succeeded by EMPS that, in turn, is sched-

uled to expire on 31 July. The next version of FAME or FAME-III has still not received the final cabinet nod.

Industry executives were expecting that the MHI might announce an extension of the EMPS scheme before 31 July, with FAME-III to be announced by the middle of August.

At the same time, industry experts believe incentives in FAME-III to be lower than its earlier version. While that's a concern for many, some like Bajaj Auto are not worried. "Cell costs have reduced

over the last year and along with other supply chain opportunities, is enabling us to price E2Ws lower," said Rakesh Sharma, executive director, Bajaj Auto. "Tax systems and structural incentives are more long-term and help to mobilize capital to the sector."

Sharma pointed out that subsidy in the hands of the customer is a temporary thing. It achieves a temporary outcome and distorts purchase decisions. "It makes the customer artificially lean towards a certain choice," he said.

# HAVE FUN WITH FACTS ON SUNDAYS

Catch the latest column of

THE WEEK THAT WAS

A quiz on the week's development.

hindustantimes htTweets www.hindustantimes.com

FIRST VOICE. LAST WORD.

**DELHI DEVELOPMENT AUTHORITY**

IN THE SUPREME COURT OF INDIA  
EXTRA-ORDINARY APPELLATE JURISDICTION  
SPECIAL LEAVE PETITION (CIVIL) No. 28449 OF 2018  
WITH PRAYER FOR INTERIM RELIEF

WITH  
IA NO. 42677/2024  
(APPLICATION FOR SUBSTITUTED SERVICE)

DELHI DEVELOPMENT AUTHORITY ... Petitioner(s)/Appellant(s)  
VERSUS  
SATISH KUMAR AND OTHERS ... Respondent(s)

To,

(1) BHARTI D/O LATE SHIV KUMAR, RZ-96-A, GALI NO. 3, HASTSAL ROAD, UTTAM NAGAR, DISTRICT- WEST, DELHI. PID: 106778/2024 FOR R[7.4] IN SLP(C) NO.28449/2018 (SEC XIV)

WHEREAS the Petition for Special Leave to Appeal with prayer for interim relief along with application for **SETTING ASIDE AN ABATEMENT, APPLICATION FOR SUBSTITUTION, CONDONATION OF DELAY IN FILING SUBSTITUTION APPLN., APPLICATION FOR CONDONATION OF DELAY IN FILING THE APPLICATION FOR SETTING ASIDE THE ABATEMENT, SUBSTITUTED SERVICE** above mentioned (copy enclosed) filed in the Registry by Ms. MANIKA TRIPATHY, Advocate on behalf of the Petitioner(s) above named was listed for hearing before the Hon'ble Judge in Chamber on 20th September, 2021, when the Court was pleased to pass the following order:-

"Issue Notice on the applications, returnable after two weeks."

AND WHEREAS, the matter above-mentioned was listed before Ld. Registrar's Court on 29th April, 2024, when the following order was passed:-

"Despite service of notice on respondent Nos.1 to 5, there is no appearance on their behalf.

Respondent Nos.6, 7.1 to 7.3 and 8 have already filed the counter affidavit.

As per office report, Ld. Counsel for respondent Nos. 9 and 10 have failed to file the counter affidavit within the period stipulated under the rules.

Ld. Counsel for respondent Nos. 9 and 10 submits that he does not wish to file counter affidavit on behalf of said respondents.

MEDIATION

(2) The facility of amicable settlement of disputes by trained mediators in cases pending in the Supreme Court is now available in the Supreme Court. For further information, please contact the Coordinator, Supreme Court Mediation Centre, 109, Lawyers' Chambers, R.K. Jain Block - Near Post Office, Supreme Court Compound, Tilak Marg, New Delhi-110001 (Tel No. 011-23071432)

**Bharti Airtel Limited**  
CIN: L74899HR1995PLC095967  
Regd. Office: Airtel Center, Plot No. 16, Udyog Vihar, Phase - IV, Gurugram - 122015  
Corp. Office: Bharti Crescent 1, Nelson Mandela Road, Vasant Kunj, Phase II, New Delhi - 110070  
Tel: +91 124 422222 Fax: +91 124 4248063  
Email id: compliance.officer@bharti.in Website: www.airtel.in

**INFORMATION REGARDING 29th ANNUAL GENERAL MEETING OF BHARTI AIRTEL LIMITED**

Members are informed that the 29th Annual General Meeting ('AGM') of Bharti Airtel Limited (the 'Company') will be held through video conferencing ('VC')/ other audio visual means ('OAVM') on Tuesday, August 20, 2024, in compliance with applicable provisions of the Companies Act, 2013, read with rules made thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in accordance with applicable circulars issued by the Ministry of Corporate Affairs and SEBI, to transact the businesses set forth in the notice of the AGM ('Notice').

In accordance with the applicable circulars, the Notice and Integrated Annual Report covering, inter-alia, the Annual Financial Statements for FY 2023-24, will be sent in electronic mode only to all those members whose email addresses are registered with the Company/ Depository Participants ('DPs'). The Notice and the Integrated Annual Report will also be available on the website of the Company ([www.airtel.in](http://www.airtel.in)), on the website of KFin Technologies Limited ('KFin') (<https://evoting.kfintech.com/public/Downloads.aspx>) and on the website of National Stock Exchange of India Limited ([www.nseindia.com](http://www.nseindia.com)) and BSE Limited ([www.bseindia.com](http://www.bseindia.com)).

In compliance with the applicable statutory provisions, the Company will provide the facility of remote e-voting and e-voting at the AGM to its Members in respect of all businesses to be transacted at the AGM. Further, the Members can join and participate at the AGM through VC/OAVM facility only. The detailed instructions in connection with the e-voting facility and procedure for joining the AGM, shall be provided in the Notice.

Members who have not registered their email addresses and consequently, have not received the Notice and Integrated Report, are hereby requested to get their email addresses and mobile numbers registered with KFin, by following the guidelines mentioned below:

- (i) Members holding shares in physical mode are hereby notified pursuant to General Circular no SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2023/37 dated March 16, 2023, all holders of physical shares can update/ register their contact details including the e-mail IDs by submitting the requisite Form ISR-1 along with the supporting documents with KFin. Form ISR-1 can be downloaded at [https://karisma.kfintech.com/downloads/2Form\\_ISR1.pdf](https://karisma.kfintech.com/downloads/2Form_ISR1.pdf) and detailed FAQ in this regard can be found at <https://ris.kfintech.com/faq.html>.
- (ii) Members holding shares in dematerialized form are requested to register / update their e-mail addresses with their respective DPs.
- (iii) A physical communication alongwith the copy of Form ISR-1 is also being sent to the Members, whose email addresses are not registered in the records.
- (iv) In case of queries with respect to the aforesaid process, Members are requested to write at [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) or call at the toll free number 1800 309 4001.

SEBI, vide its aforementioned circular dated March 16, 2023, has mandated the Members holding shares in physical form to, inter-alia, register PAN, KYC (contact details, bank details and specimen signature), and nomination details. With effect from April 01, 2024, any payments including dividend in respect of such folios shall only be made electronically upon registering the required PAN, KYC and nomination details. In the above connection, the Company is sending a physical communication to all such Members requesting them to submit the PAN, KYC, and nomination details with the Company/ RTA to receive dividend (proposed for approval of the Members at the ensuing AGM) through electronic mode.

Accordingly, the Members are requested to submit the request for registration of PAN, KYC (including email addresses) and nomination details in duly executed Form ISR-1 to KFin at Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500032 or send an e-signed form on [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com).

This advertisement is being issued for the benefit of all the members of the Company.

For Bharti Airtel Limited  
Sd/-  
Pankaj Tewari  
Company Secretary

Place: New Delhi  
Date: July 23, 2024

Immerse in  
**Mint Long Story**  
The art of storytelling



Read only on **mint**



## OUR VIEW



## The budget is unruffled by 2024 election results

Apart from new hiring incentives, an optical tilt towards ally-run states and slight tax relief, it doesn't show much of a poll impact. With the state as big spender, it's mostly policy as usual

The first budget of India's new government was broadly under watch for two things. First, the degree to which it would be deflected by an election outcome that exposed a drop in the ruling party's appeal, and second, the buffer it would create against the potential pitfall of a middle-income trap on our way to 'developed' status. Both converge to one question: How to rebalance policy for the economy to emerge evenly and not have the lives of citizens diverge, with a vast chunk of our socio-economic pyramid falling further behind the rich. Admittedly, this puzzle is not easy to crack, nor wholly within the scope of India's fiscal plan for 2024-25. Yet, the base conditions have long been clear: rapid GDP growth amid stable inflation. Usually, a tight deficit favours both, but our pandemic recovery was led by government spending and its pullback has been slowed by private expenditure failing to fill in. With this year's deficit target set at 4.9% of GDP, finance minister Nirmala Sitharaman signalled no shift in that approach, though a bigger forecast of receipts allowed her to snip the interim budget's 5.1% figure. Till the private sector steps up, we can probably expect the state to play its big-spender role. The outlay for infrastructure was held steady at ₹11.1 trillion, the same as its interim estimate. This is a slightly smaller share of the budget's total expenditure pie, which was enlarged to ₹48.2 trillion, but it's still bulky.

What about election impact? An allocation skew in favour of Bihar and Andhra Pradesh, the support of whose leaders is critical to the government, was widely expected. But since it's mostly optical, it isn't a fiscal blow. Beyond that, a job-creation thrust is evident, this time by means of an employment-linked incentive

scheme inspired by the government's props for factory production, apart from some support for internships. Outlays on welfare schemes, however, saw no notable change from their interim levels. As for tax relief for taxpayers under the new income-tax regime, the jury is out on its efficacy as a stimulus for consumption in the context of weak aggregate demand. But then again, tax policy alone can't be expected to spur consumer markets and stir 'animal spirits' for domestic investment in a country where taxpayers are a minority. The big taxation rethink was on capital gains, which has been simplified but stiffened, to the dismay of asset markets. That bugbear of startups, the 'angel tax,' will be axed—thankfully. Import tariffs have been rejigged to relieve a few sectors and redress overtaxed inputs, but these are selective tweaks. We await broader action on a jagged maze of duties that make it hard for local factories to fit snugly into global supply chains.

None of it reveals any revision of economic policy. The budget bears a distinct supply-side orientation, like past infra-focused budgets, with an emphasis on productive capacity. A bright spot in the FM's speech was her promise of factor-market reforms as part of a revised policy framework aimed at efficiency. From the viewpoint of near-term GDP growth, all this is fine, even welcome. Why fix what isn't broken? In any case, nobody expected a shift. Yet, outlays on health and education remain too small to justify lofty aspirations of development and India's welfare apparatus—with free food as its base—looks set to stay rudimentary. Even so, if the budget helps spread the gains of growth just a little better, it would aid the country's larger cause. To stay on course for a Viksit Bharat, our economy needs to emerge less unevenly.

## Modi 3.0 or NDA 2.0: Whose imprint does this budget have?

Barring a few sops for allies, its policy priorities suggest no change in the government's approach



ARVIND CHARI

is the chief investment officer of Q India, UK, an affiliate of Quantum Advisors.

The question on everyone's mind has been whether India's new government would work as a Modi 3.0 administration (third term for Prime Minister Narendra Modi) or an NDA 2.0 one (the coalition's second run, its first being under A.B. Vajpayee from 1998 to 2004). The difference expected is in the government's socio-political conduct. It is also relevant from a socioeconomic perspective.

The formation of the government and selection of Cabinet ministers and the Lok Sabha speaker suggested broad continuity of a Modi 3.0 administration. The budget was to be the next test to ascertain what we could expect from a Modi government dependent on its coalition partners for survival.

Barring some sops, projects and other symbolic announcements for Bihar and Andhra Pradesh (home states of the two key allies), there wasn't much difference in the spending and taxation priorities of the new government. It very much seems to be Modi 3.0.

Let's analyse the *Economic Survey* and budget moves on three counts:

1) *Social stability*: India is a young and aspirational country. However, large parts are poor and unproductive. It is imperative for the political class to support the latter, if not for economic growth, then to ensure social stability.

What's good: Politicians have realized that being young, educated and under-

employed is a potent combination, and large numbers of such youth pose a big sociopolitical and economic risk. The five employment initiatives announced are thus a good beginning. Their design and budget allocation, though, may not be ideal or adequate.

What's missing: Households and small businesses are yet to fully recover from the income destruction that began after demonetization and continued through the implementation of GST and the covid pandemic. The real disposable income of households has grown about 2.5% compounded annually since 2019. It is no wonder that consumption is weak and private investment hasn't picked up. We are yet to see a frank admission to this effect from the government, which may explain the lack of an explicit income boost.

2) *Economic development and stability*: The biggest assurer of social stability is growth. However, India has not been able to grow consistently above 6.5% a year, which is required to create jobs for its growing labour force and lift incomes. Yet, growing at 6.5% with stable outcomes also offers a growth dividend and this government has ensured as much.

Fiscal and macro stability: The government is prudent and tends to over-achieve its fiscal commitments. It is on course to pull the fiscal deficit under 4.5% of gross domestic product (GDP) by 2025-26. However, the lack of an explicit point target after that shows the difficulty of reaching the 3% aim. Bond markets and the Reserve Bank of India are yet to fully reward this government with lower interest rates for its fiscal prudence and inflation control.

Growth and development: Public capex (Centre+states+public sector undertakings) is only about 7% of GDP. The private capex-to-GDP ratio is well below its 2012 peak. Growth impulses are thus delayed and dependent on a revival of household spending and business investment. In this context, we see no major push to increase annual GDP growth above 7%.

3) *Reforms and policy stability*: "Investment is an act of faith," said former prime minister Manmohan Singh in a July 1991 budget interview. Investors commit long-term capital based on expectations of certainty over policies, rules and taxation.

What's good: The announcement of a comprehensive factor-market review means that reforms of land, labour and capital to increase financial flows and improve absorptive capacity will be much anticipated. We hope the measures taken are kind to private participation. The decision to evolve an Indian taxonomy for climate finance is also good, for it can channel large amounts for a just and equitable transition.

What's missing: The government should spell out its trajectory of import duties and GST rates for all products and services. Many products and services have seen large import-duty hikes to support the 'Make in India' programme. These seem half-baked. We know that they reduced imports, but we do not know if they affected our exports of intermediate and finished goods. How will the private sector invest amid such tariff uncertainty? The decision to cut import duty on gold and silver is welcome. However, was it done to include them in the GST structure or save the government money on its sovereign gold bond payments?

What's bad: We have had endless talk about "comprehensive direct tax reforms." The finance ministry already has a document that goes back to 2008, the 'Parthasarathi Shome Direct Tax Code.' It would be prudent to adopt that document as our tax code and start afresh. This will prevent tax tinkering, an annual event for the most part, and provide certainty to domestic as well as foreign investors. India should remind itself repeatedly that it requires long-term risk capital from domestic and foreign investors across capital markets, real estate and the infrastructure sector to fulfil its ambition of becoming a developed nation.

### 10 YEARS AGO



### MINT METRIC

by Bibek Debroy

Who will get the cooler seat?  
Caused a fight at a wedding meet.  
Incensed at loss of pride,  
Marriage called off by a Ballia bride.  
Required vows were left incomplete.

### MY VIEW | MUSING MACRO

## An overdue pivot to human capital and employment

AJIT RANADE



is a Pune-based economist.

This was the first budget of the government led by Narendra Modi in his third term as India's Prime Minister. It has laid the contours for Modi 3.0 economic policies, with an emphasis on jobs, skilling, small businesses, sustainability and energy security. It was also the record seventh time that finance minister Nirmala Sitharaman presented a budget. Her budget proposals show admirable fiscal restraint and conservative assumptions on revenues. Even though another full budget presentation is due in six months, this was an important occasion to articulate an economic strategy.

The major thrust of the Union budget proposed for 2024-25 is on job creation and helping small businesses. The former is through employment and skilling incentives, while the latter is by providing collateral free loans to MSMEs and enabling access to export markets. There is also an increase in the tax on capital gains. In some ways, one can read this as a pivot towards labour-intensive growth, which includes

enhancement of human capital. For the past few years, the Union government has raised the share of spending on infrastructure such as roads and airports. These hard assets have been created at a rapid pace and are visible. Public spending on infra has been a significant driver of growth. But job creation has not been keeping pace, and rural wages have been stagnating. Small businesses that generate jobs have been struggling. The micro reality behind the economy's macro health has been that consumer spending is growing slower than GDP, which is worrying. Instead of only providing incentives to production and revenues, the government has now focused on incentivizing job creation.

India needs to invest in human capital massively for long-term, sustainable and inclusive growth. That investment needs to reach a benchmark of 6% of GDP, which is twice of what it is now. This investment must come both from private and public resources. Public funds are necessary for funding primary education and partly also secondary education. The social spillover effects of it are tremendous and long-lasting. But college education and beyond, including skilling and training, cannot be funded by taxpayers. This is because the benefits of higher education and skills accrue largely to the

individual and only secondarily to society at large. The spillover benefits of skilling and college degrees and diplomas are in terms of entrepreneurship, innovation and job creation, but are still not a strong justification to provide it all free. The key challenge for skilling India is that the vast majority of the youth eager to be trained cannot afford the true cost of quality education. Also, most of the skilling happens on the job. Hence, the best way is to incorporate it into a national apprenticeship programme, which has portable accreditation. Even the proposed internships for 10 million youth in top-tier companies will be a step towards learning by doing. The fees for skilling and higher education should be borne by the student, the primary beneficiary. It is here that the budget does well, by ensuring easy and inexpensive access to student loans. In the coming years, this should be a dominant way of funding higher education in India.

Similarly, a collateral-free loan scheme has been announced for small businesses,

apart from government-provided credit guarantees. Small businesses have also been helped by e-commerce linkages to export markets. Since MSMEs account for the lion's share of value addition in industry, exports and employment, this thrust is welcome.

### The budget pays welcome attention to resources that are vital for the future of our economy

Beyond jobs, skilling and MSMEs, the budget's prominent macro feature is fiscal responsibility. The FM chose to use half of the fiscal bonanza from the Reserve Bank of India to reduce the deficit. This commitment to fiscal consolidation is commendable. As India is an outlier when it comes to debt servicing (a third of its tax revenues go into meeting interest expenses), fiscal prudence is very important. If anything, the assumptions made on next year's tax revenues look conservative.

India needs a comprehensive relook at its income-tax strategy. The direct tax net needs to be much wider and tax slabs should not go from zero to the top rate within a span of just a few lakh rupees. The top tier must kick in at high incomes, say above ₹ crore.

But exemptions must go. A new comprehensive economic framework for next-gen reforms is on its way, Sitharaman said. This new framework must place India in an advantageous position to exploit global value chains. Hence, the trend should be towards lowering import duties across the board. The import duty on gold was cut from 15% to 6% because a lot of duty leakage was happening via the route of duty-free imports from the UAE into GIFT city. Besides, high duties on precious metals are eventually counter-productive, since they invite smuggling. It was also good to hear about future-looking initiatives such as the promotion of private public partnerships in the field of small modular nuclear reactors and in the space economy. It's also good that a realistic assessment has been made of India's difficult transition away from fossil fuels.

Higher taxes on capital gains might be temporary spoilers for the stock market. But India's macro performance stands out in the world for its resilience and high growth, with moderate inflation. Now with policies to incentivize job creation and skilling, along with fiscal consolidation, there is no reason why high economic growth cannot be sustained. Sooner or later, India's financial markets will acknowledge this strength.



THEIR VIEW

MINT CURATOR

# The budget assures us continuity in spite of significant uncertainty

It augurs well for us that fiscal consolidation is underway without any sacrifice of capital expenditure on infrastructure



**BIBEK DEBROY**  
is chairman, Economic Advisory Council to the Prime Minister.

There was an interim budget for 2024-25. That's not meant to be wished away. Part of the year is over. That's not meant to be wished away either. The budget for 2024-25 is not a discrete and stand-alone event. It's part of that backward-looking continuity. Modi 3.0 has been voted in with a mandate of five years, with a Viksit Bharat template. The budget presented on Tuesday is part of that forward-looking continuity. This continuity is anchored in conservative assumptions, given uncertainty (political flux, elevated asset prices and shipping disruptions). As finance minister Nirmala Sitharaman's speech states, there are "significant" downside risks for growth and upside risks for inflation (though core inflation is under control). A day earlier, the *Economic Survey* estimated real GDP growth of 6.5% to 7% in 2024-25, at least half a percentage point lower than what most would have projected. It is best to be cautious and assume the downside, rather than be excessively optimistic and presume the upside. In a similar vein, the budget assumes nominal GDP growth of 10.5% (implying a low GDP deflator) and cautious disinvestment receipts (set at ₹78,000 crore with an emphasis on the monetization of assets). Therefore, if the budget promises a fiscal deficit of 4.9% as a proportion of GDP, it is believable. So is 4.5% of GDP for 2025-26, the government's pre-announced goal. In part, this is because support for Bihar and Andhra Pradesh is through multilateral development agencies and not through the budget.

The budget has traditionally been perceived through a tax lens, direct as well as indirect. It would have been unreasonable to expect it to bring about a change in indirect taxes (of the domestic variety), since that's the purview of the Goods and Services Tax (GST) Council. To quote Sitharaman, "To multiply the benefits of GST, we will strive to further simplify and rationalize the tax structure and endeavour to expand it to the remaining sectors." Who can quarrel with that? There are issues with import duties too and many people have rightly argued that basic customs duties are too high and that they lead to inverted rates of protection, compounded by regional trade agreements (RTAs). Accepting the problem does not mean one can jump headlong into solving it. *A priori*, it is not easy to determine what is a raw material, vis-à-vis an intermediate good. With a spaghetti bowl of RTAs, most favoured nation (MFN) rates vis-à-vis levels of special ones are also not that obvious. Instead of *ad hoc* and arbitrary tinkering (there are some changes in the budget), the finance minister said, "I propose to undertake a comprehensive review of the rate structure over the next six months to rationalize and simplify it for ease of trade, removal of duty inversion and reduction of disputes." Given the complexities and a clear dead-



line of six months, one should not complain. A similar point can be made about direct taxes, the terminal goal being a simplified and exemption-less system. The budget tells us that 58% of corporate taxes are from the simplified tax regime and more than two-thirds of personal income tax payers have opted for the new system. If the comprehensive review of the Income Tax Act is to be completed in six months, that can't be grudged either.

Next generation reforms need to boost India's productivity and that's contingent on making factor markets (land, labour and capital) more efficient. The catch is that these are often on the state list or concurrent list. "Effective implementation of several of these reforms requires collaboration between the Centre and the states and building consensus, as development of the country lies in development of the states."

Potentially, ULPIN (Bhu-Aadhaar), digitization of cadastral maps, surveys, land registries and their linking to farmers' registries, with similar exercises in urban areas, can be transformative, and can unlock the potential of non-performing assets. But the proof of the pudding is in the eating. These ideas have been floating around for a long time and the track record of states pushing for such reforms is not impressive. The budget doesn't spell out how such changes can be incentivized. On labour reforms, for example, state-level performance on issuing orders under the four new codes has been desultory.

The *Economic Survey* highlighted what was already known. Despite higher economic growth,

there has been a problem with employment and job creation. Accordingly, the budget has schemes on employment and skilling, as it also does for micro, small and medium enterprises (MSMEs). For both informal labour and MSMEs, the basic constraint remains one of establishing identity.

The budget mentions a nine-point agenda. Apart from what I have mentioned, there are ideas on agriculture, human resource development, manufacturing and services, energy security, infrastructure, innovation and research and development. This year, capital expenditure is projected at 3.4% of GDP. A distinguishing feature of the Narendra Modi government's approach has been fiscal consolidation and rectitude. Since covid, and even earlier, capital expenditure has been the key. The multiplier benefits of capital expenditure are higher than those of revenue expenditure and the multiplier benefits of revenue expenditure are higher than those of tax reductions. This is not just basic public finance theory, but is also borne out by empirical studies for India. For purposes of the budget, revenue expenditure (even subsidies) is often taken as exogenous in the short run and is sticky downwards.

That the budget has not given up its fiscal consolidation objective (despite pressures to the contrary) and has reduced the fiscal deficit ratio to 4.9%, as opposed to 5.1% expected earlier, without sacrificing capital expenditure on infrastructure is the big picture story. That augurs well for forward-looking continuity.

MY VIEW | THE LAST WORD

# The Union budget has some hits and a few misses too

INDIRA RAJARAMAN



is an economist.

The Union budget for 2024-25 follows on from the pre-election interim budget presented on 1 February. The minister is the same, but circumstances have changed. The uppermost issue was how the pressing demands of the two new, politically salient regional coalition partners from Bihar and Andhra Pradesh could be accommodated within the long-standing commitment to a fiscal deficit (FD) below 4.5% of GDP by 2025-26.

The FD budgeted for 2024-25 in the final budget, at ₹16.13 trillion (4.9% of GDP), is lower than the 5.1% of GDP targeted in the interim budget. The latest GDP estimate for 2024-25 of ₹326.37 trillion is close to that used in the interim budget. Even so, the absolute reduction in the FD budgeted, by ₹72,000 crore, is more informative than in terms of percentages of GDP.

Will this exemplary display of fiscal rectitude fend off the warning from Moody's Ratings that poor water management in major cities might affect the country's credit rat-

ing? The final budget does have a provision for improving water supply and sanitation in 100 large cities through "bankable projects" funded by multilateral banks (MDBs), but this does not begin to address the urgency and severity of the problem. MDBs take their time even to formulate a project report, as the World Bank's President Ajay Banga readily confessed at the Morocco meetings last year. Climate action seems to have been largely waved away to the *Economic Survey* (dealt with further below).

There are special provisions for Bihar and Andhra Pradesh. In the current fiscal year, Andhra will get support of ₹15,000 crore to fulfil promises made at the time of state re-organisation in 2014, with "additional amounts in future years." Funding for the large Polavaram irrigation project is also promised, but does not seem to have been provided for in the current year. Bihar gets a special share of funds for flood control (₹11,500 crore), road and bridge connectivity (₹26,000 crore), mega power projects (₹21,400 crore) and tourist development of religious centres, but only a part of these might impinge on the current fiscal year. Some of these are also proposed to be submitted for MDB funding.

The lower FD was achievable because

budgeted total revenue in 2024-25 is ₹31.29 trillion, higher than the interim number by ₹1.28 trillion. That increase does not come from taxes, because net tax revenue to the Centre, after deduction of taxes shared with states, is actually lower than the interim number by ₹18,000 crore. The rise in total revenue is on account of non-tax revenue, which is roughly ₹1.5 trillion higher than the interim expectation, entirely driven by the Reserve Bank of India's (RBI) jumbo dividend of ₹2.11 trillion. (The dividend was declared after the interim budget, based on RBI accounts for fiscal year 2023-24). Non-debt capital receipts are about the same as expected in the interim budget (slightly lower).

So it is the enhanced RBI dividend alone that protected expenditure, while the FD was actually reduced. Jockeying within total expenditure has left capital expenditure exactly where it was, at ₹11.11 trillion, but within that, the provision for 50-year loan assistance to states for capital expenditure

has been raised from ₹1.3 trillion to ₹1.5 trillion. The big two subsidies, food and fertilizer, remain exactly where they were in the interim budget, notwithstanding the recent hike in the minimum support price. The PM Kisan scheme for farmers also remains where it was, at ₹60,000.

**Its farm, jobs and skilling initiatives are good but it has little to offer on the climate emergency**

In terms of the best initiatives of this budget, I would pick out three. The first is its focus on agriculture, in particular research funding for climate-resilient crops. The second is the expansion of the Trade Receivables Discounting System (TReDS) platform, through which businesses can find buyers for their dues at a discount. The third is the integration of company inter-

ships into Corporate Social Responsibility (CSR) funding.

There is a very elaborate set of five imaginatively conceived schemes for employment and skilling, with a total budgetary commitment of ₹2 trillion. The scheme for industrial training institutes is especially

well designed. The problem is that these schemes are intricately structured, and will call for a large complement of bureaucratic time spent on administration and checking.

Climate change gets two chapters in the *Economic Survey*. Chapter 6 deals with green transition challenges, but has paragraph 6.20, which says "Economic growth enhances the ability of a country to take adaptation action and builds resilience. Therefore, from a developing country's perspective, continued economic growth is the best insurance against climate change." What about our kind of economic growth, which destroys water bodies to build offices and residences, thereby shifting the country into reverse gear on adaptation and resilience?

Chapter 13 of the *Economic Survey* extols the virtues of local food and medicinal systems in bringing down the incidence of ill health. But what is the remedy for ill health that is the result of spending sleepless climate-heated nights, straining for the sound of water trickling into collection pots, while calming children crying out for water?

The government must respond to the widespread awareness that the *garmi* (heat), fires and floods experienced this year could be worse in years to come.

# Could the stock market's next black swan be climate change?

Investors haven't priced in the hard impact that equities may suffer



**MARK GONGLOFF**  
is a Bloomberg Opinion editor and columnist covering climate change.



A new study suggests stock valuations will suffer far more than pencilled in

Fighting climate change is difficult partly because humans are weird. It's difficult to get them to care about their own future well-being much less that of entire future generations. People blow retirement funds. You think they care about their imaginary great-grandkids? But people do care about stock prices. Entire media empires and lucrative careers have been built out of talking about stock prices. Unlike the fuzzy details of unborn descendants' lives, stock prices are concrete. Line go up, line go down. Simple.

So maybe this will get some attention: Climate change will be really, really bad for stock prices.

Failing to do more to slow the planetary heating caused by greenhouse-gas emissions will gouge 40% from global equity valuations, estimates a new study by the EDHEC-Risk Climate Impact Institute. Accounting for climate-change-pepping 'tipping points' such as Amazon-rainforest dieback or a Big Burp of gas from melting permafrost, market losses rise to 50%. On the other hand, if the world gets its act together and limits warming to 2° Celsius above pre-industrial averages, then the hit to stock prices will be just 5% to 10%.

A key thing to note here is that these won't be one-time losses, lead author Riccardo Rebonato, a finance professor at EDHEC Business School in London and former Pimco executive, warned in a webinar. There will be no reversion to the mean. More likely is a long journey through the wilderness like Japan's Lost Decades.

"After covid we had a massive GDP loss but then a rebound. Here it seems to be like a headwind, a continuous headwind, without a rebound," Rebonato said. "It could be the Climate Lost Generation in equity returns." The EDHEC paper forecasts much bigger stock-market losses than most other studies do, Rebonato noted. That's partly because other studies focused on the costs of a transition to renewable energy rather than the far greater havoc climate change will inflict on growth.

Rebonato's study, which takes both transition and damage into account, is more consistent with the recent National Bureau of Economic Research paper estimating a 12% blow to global GDP for every 1° Celsius of warming. And the Potsdam Institute for Climate Impact Research recently warned a 19% drop in global incomes by 2050 is already baked in, even if we cut emissions aggressively starting today. It estimated \$38 trillion in losses every year as a result of a chaotic climate.

Many researchers ignore climate dam-

age on the theory that, because it's far in the future, the market will heavily discount it. But the EDHEC study argues investors will value money more and more as the economy weakens. So, in the early days of climate change, when economic growth is still okay, investors won't care as much about future losses. But as warming grinds on and the losses mount, those losses will become more painful. Discounting, like glaciers and snow, will slowly melt.

And like objects in the rear-view mirror, climate-change damage is already closer than it appears. Weather disasters cost the global economy \$1.5 trillion in the 2010s, according to the World Meteorological Organization, up nearly tenfold from the 1970s in real terms. The reinsurer Swiss Re suggested insured losses from natural catastrophes will double over a next decade. But such numbers understate the potential effects of climate change on economic growth. As Rebonato notes, extreme heat, sea-level rise and other long-lasting impacts will do much more damage to human health and productivity than newsy disasters like hurricanes or wildfires.

"Perhaps we are focusing too much on catastrophic events rather than on chronic damages," Rebonato said. "There is a chronic aspect in terms of the loss of productivity, the loss of efficiency, which is less visible and more insidious and will create a continuous drag." Hence the Lost Generation. The EDHEC study is another reminder that the \$215 trillion (and rising) estimated price tag to avoid the worst heat will eventually pale in comparison to the cost of not bothering. And Rebonato considers these estimates conservative. His model assumes central banks will cut rates if growth slows, for example, but a warming world could make inflation harder to tame.

One other key finding of the EDHEC study is that these damage estimates aren't close to being priced into markets yet. Many analysts have searched for a climate risk premium over the years and found only traces. To an extent, that makes sense: We can only guess at the damage at this point. And maybe markets assume we'll avoid the worst. But we could also be like those people failing to save for retirement, sleepwalking towards a day when our failure to imagine the future leaves us with no future at all.

©BLOOMBERG



**KIND ATTENTION TAXPAYERS!!**

**File Your ITR Correctly  
Get Your Refunds Timely**

**Thank you for being a responsible Tax payer**

Is your refund due?

Then please note:

- Refund claims are subject to verification checks, which may cause delays.
- Accurate filing of ITR leads to quicker processing of refunds.
- Any discrepancies in the claims made will prompt a request for a revised return.

**DO**

- Regularly visit the e-filing portal.
- Check for any communication regarding your ITR processing.
- Promptly take necessary actions based on the communication.
- Ensure all claims made are correct and accurate.

**DON'T**

- Incorrectly claim TDS amounts.
- Under-report your income.
- Exaggerate deductions.
- Submit claims for bogus expenses.

Please login to the e-filing Portal using link <https://www.incometax.gov.in/iec/foportal/> and visit 'Dashboard' for Processing Status and visit **Pending Action>>Worklist** section to check if any action item is pending for closure.

**Filing a false or bogus claim is a punishable offence.**



**Income Tax Department**  
**Central Board of Director Taxes**



For more information,  
Scan QR Code

For further assistance, please visit the website of the Income tax Department: [www.incometax.gov.in](http://www.incometax.gov.in)

- @IncomeTaxIndia
- incometaxindia.official
- Income Tax India Official
- @incometaxindiaofficial
- incometaxindia.gov.in

cbc 15401/13/0003/2425

**International Financial Services Centres Authority (IFSCA)**  
(A statutory authority established by the Government of India)  
2nd & 3rd floor, Savvy Pragya,  
Gujarat International Financial Tec-city  
Gandhinagar Gujarat - 382355, India  
Tel: +91-79-61809800, Web: [www.ifsc.gov.in](http://www.ifsc.gov.in)

**Tender Notice for Selection of Solution Provider (SP) for Core Supervisory Technology (Core SupTech) System Project of IFSCA**

**Tender No.: IFSCA/Technology/2024/001**

The International Financial Services Centres Authority (IFSCA) intends to select a Solution Provider (SP) for Core Supervisory Technology (Core SupTech) System Project of IFSCA and has issued Request for Proposal (RFP) for the said purpose. The last date for submission of bids has now been revised to **5th August 2024 at 1500 hrs.**

For more details, please refer to IFSCA's e-Procurement Portal (<https://ifsc.envida.com/>) or the Official Website of IFSCA (<https://ifsc.gov.in/home/TenderList/>).

**General Manager-IT**  
International Financial Services Centres Authority (IFSCA)  
CBC 15228/12/0004/2425

**हिन्दुस्तान**  
**Hindustan Media Ventures Limited**  
Registered Office: Budh Marg, Patna - 800001  
Ph.: +91 612 222 3434;  
**Corporate Office:** Hindustan Times House (2nd Floor), 18-20,  
Kasturba Gandhi Marg, New Delhi - 110 001  
Ph.: +91 11 6656 1234; E-mail: [hmvinvestor@livehindustan.com](mailto:hmvinvestor@livehindustan.com);  
Website: [www.hmv.in](http://www.hmv.in)  
CIN: L21090BR1918PLC000013

**NOTICE**  
(for the attention of Equity Shareholders of the Company)

**Sub: Transfer of unpaid/unclaimed dividend & Equity shares to Investor Education and Protection Fund (IEPF)**

Members are hereby informed that pursuant to the provisions of Section 124(5) of the Companies Act, 2013 ("Act") read with the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("IEPF Rules"), if dividend remains unpaid/unclaimed for a period of seven (7) years or more, the same shall be liable to be transferred by the Company to the IEPF account. Further, in terms of Section 124(6) of the Act and IEPF rules, the Company is also required to transfer the shares, in respect of which dividend remains unpaid or unclaimed for a period of seven (7) consecutive years or more, to the IEPF Account.

The Company has communicated individually to the concerned shareholders, on their latest available address, whose shares are liable to be transferred to Demat Account of IEPF Authority under the IEPF Rules, for taking appropriate action(s). The list of such shareholders, whose shares are liable for transfer to the IEPF, is placed on the website of the Company i.e. <https://www.hmv.in> under 'Investor relations' section.

The concerned shareholders holding shares in physical form, and whose shares are liable to be transferred to IEPF Authority, may note that the Company would be issuing new share certificate(s) in lieu of the original share certificate(s) held by them for dematerialization, followed by transfer of shares to IEPF Authority as per the IEPF Rules. Upon such issue, the original certificate(s) which stands registered in their name will automatically stand cancelled and be deemed non-negotiable. In case of shares held in demat form, the Company will inform the respective Depository by way of corporate action for transfer of shares to IEPF Authority. The shareholders may please note that the details uploaded by the Company on its website viz. <https://www.hmv.in> will be considered as, and shall be deemed to be, adequate notice in respect of issue of new certificate(s) by the Company for the purpose of transfer of shares to IEPF Authority pursuant to the IEPF Rules.

The concerned shareholders are requested/advised to claim the unpaid/unclaimed dividend amount(s) **on or before October 25, 2024**, failing which the Company shall proceed to transfer the liable dividend and Equity shares to IEPF Authority without any further notice. The concerned shareholders may still claim the dividend and Equity shares from IEPF Authority by submitting an online application in E-Form IEPF-5, available on the website [www.iepf.gov.in](http://www.iepf.gov.in) and following the procedure laid down under the Act and the IEPF Rules.

Kindly note that unpaid/unclaimed dividend for financial years upto 2015-2016 and shares in respect thereof, have already been transferred to IEPF, and the same can be claimed back from IEPF Authority, following the procedure laid down under the said IEPF Rules.

For any queries in respect of the above, shareholders may contact the Company's Registrar and Transfer Agent at KFin Technologies Ltd., **Unit: Hindustan Media Ventures Limited**, Selenium Building, Tower B, Plot No. 31 & 32, Financial District, Nanakramguda, Serilingampally Hyderabad, Rangareddy, Telangana, India - 500032. Toll Free No.: 1800-309-4001; Email: [inward.ris@kfintech.com](mailto:inward.ris@kfintech.com); Website: [www.kfintech.com](http://www.kfintech.com).

**For Hindustan Media Ventures Limited**  
(Nikhil Sethi)  
Company Secretary

**Date:** 23 July, 2024  
**Place:** New Delhi

**BSES Yamuna Power Limited, Delhi**  
... A joint venture with Govt. of NCT of Delhi

**NOTICE INVITING TENDER** Date: 24.07.2024

E-tenders under two Bid System (Unpriced & Priced) are invited as per the following details:

NIT No.	Tender Description	Estimated Cost (₹)	Cost of EMD (₹)	Due Date & Time of Submission	Date & Time of Opening
CMC/BY/24-25/RS/SkS/MD/24	Supply of Single phase 11 kV insulated type drop out fuse unit.	2.50 Crore	5.00 Lakhs	13.08.2024 14:00 Hrs	13.08.2024 15:00 Hrs
CMC/BY/24-25/RS/SkS/MD/25	Supply of 33KV & 66KV Outdoor CT & PT of various ratings.	1.10 Crore	2.20 Lakhs	13.08.2024 14:00 Hrs	13.08.2024 15:00 Hrs
CMC/BY/24-25/RS/SkS/MD/26	Supply of 33KV & 66KV Outdoor CVT	0.60 Crore	1.20 Lakhs	13.08.2024 14:00 Hrs	13.08.2024 15:00 Hrs
CMC/BY/24-25/RS/SkS/AS/27	Award of work for Servicing / Repairing of Distribution Transformers of various ratings at BYPL's Workshop for 2 Years	3.60 Crore	7.20 Lakhs	14.08.2024 11:00 Hrs	14.08.2024 11:30 Hrs

Cost of each Tender Document: ₹1,180/-  
For details in respect of Equipment/BOM/Services, Qualifying requirements, Terms & conditions, purchase/submission of tender documents, corrigendum etc. please visit our website [www.bsesdelhi.com](http://www.bsesdelhi.com) --> **BSES YAMUNA POWER LTD--> Tenders--> Open Tenders.**  
Head (Contracts & Materials)  
Regd.Off: BSES Yamuna Power Ltd, Shakti Kiran Building, Karkardooma, Delhi-110032 | CIN: U40109DL2001PLC111525  
Website: [www.bsesdelhi.com](http://www.bsesdelhi.com)

Immerse in  
**Mint Long Story**

The art of storytelling

Read only on **mint**





Wednesday, July 24, 2024

# mint

livemint.com



Hindustan Unilever sees rural market recovery ▶ P21



Kamala Harris hits trail with Democratic nomination ▶ P20

# A for agriculture, B for Bihar: The A-Z of MODI 3.0'S FIRST BUDGET

A short guide to the budget which walked a tightrope between development and fiscal prudence

Abhishek Mukherjee  
abhishek.mukherjee@livemint.com  
NEW DELHI

TEXT BY SUDESHNA GHOSHAL; PHOTO: PRADEEP GAUR/MINT

**A Agriculture**  
Among the top priorities of the Budget, agriculture and its allied sectors have received an allocation of ₹1.52 trillion. Modernization and productivity were the main themes, with new initiatives such as the release of 109 high-yielding and climate-resilient varieties of 32 crops, a mission for achieving self-sufficiency in pulses and oilseeds, and upgrading vegetable supply chains.

**B Bihar**  
Call it the compulsions of coalition politics. Bihar saw a slew of announcements, including highways, power projects, airports, sports infrastructure and medical colleges. The same goes for Andhra Pradesh, which will receive ₹15,000 crore this year as well as special financial support through multilateral development agencies. Both the states were mentioned five times each in the FM's speech—the highest among states and Union Territories.

**C Capex**  
Belying market expectations, the allocation for capital expenditure was not hiked in the Budget, remaining at ₹11.11 trillion, as outlined in the Interim Budget in February. However, states will be encouraged to provide support on a similar scale.

**D Digitalization**  
Digital Public Infrastructure (DPI) and other technological tools will be expanded to newer segments such as digital crop surveys, land records, credit appraisal for MSMEs, e-commerce, services delivery, and urban governance.

**E Energy**  
Energy security and transition have emerged as one of the key focus areas of Modi 3.0. The PM Surya Ghar Muft Bijli Yojana, launched earlier this year to provide free electricity to households through rooftop solar plants, has seen more than 12.8 million registrations. A policy to promote pumped electricity storage projects, and financial support for MSMEs shifting to cleaner forms of energy are on the anvil.

**F Fiscal Prudence**  
The fiscal deficit for 2024-25 is estimated at 4.9% of GDP, and the target is to get it below 4.5% next year and keep the central government debt on a declining path from 2026-27. Gross and net market borrowings through dated securities during 2024-25 are estimated at ₹14.01 trillion and ₹11.63 trillion, respectively. Both will be less than that in 2023-24.

**G Gold Duty**  
To enhance domestic value addition in gold and precious metal jewellery, the Budget reduced customs duties on gold and silver to 6% and on platinum to 6.4%. Jewellery stocks like Titan, Senco and PC Jeweller were among the top market gainers.

**H Housing**  
Under the PM Awas Yojana Urban 2.0, the government is looking to meet the housing needs of 1 crore urban poor and middle-class families with an investment of ₹10 trillion. This will include central assistance of ₹2.2 trillion in the next five years. Besides, rental housing with dormitory-type accommodation for industrial workers will be facilitated in public private partnership mode.

**I Infrastructure**  
The government will facilitate development of investment-ready "plug and play" industrial parks with complete infrastructure in or near 100 cities, in partnership with the states and private sector. Twelve industrial parks under the National Industrial Corridor Development Programme will also be sanctioned.

“There is a long way to go to reduce dependency on non-renewable fuel. It should be a bigger conversation than it is.”



**KANUPRIYA BALONI, 21**, New Delhi  
Kanupriya grew up in Uttarakhand and has just started at her first job as a junior account executive at a public relations firm in New Delhi. "The government should focus on making India the hub of clean energy," she says, adding that all cities and towns need better public transport that runs on clean energy. "As a person whose future depends on the policies the government makes today, I believe there should be proper environmental laws, and people should be held accountable."

**J Jobs**  
After its recent electoral hiccups, the Modi 3.0 government has sharpened its focus on employment generation. The Budget unveiled the Prime Minister's package of five schemes and initiatives to facilitate employment, skilling and other opportunities for 41 million youth over a five-year period, with a total central outlay of ₹2 trillion. These include 'Employment Linked Incentives' based on enrolment in the EPFO and support to both employees and employers.

**K Knowledge economy**  
For youngsters who have not been eligible for any benefit under government schemes and policies, the FM announced financial support for loans up to ₹10 lakh for higher education in domestic institutions. E-vouchers for this purpose will be given directly to 100,000 students every year for an annual interest subvention of 3% of the loan amount.

**L Land reforms**  
Details of 60 million farmers and their lands will be brought into the farmer and land registries using Digital Public Infrastructure. In rural areas, all lands will be assigned a Unique Land Parcel Identification Number (ULPIN) or Bhuaadhaar. Land records in urban areas will be digitized with GIS mapping.

**M MSMEs**  
A credit guarantee scheme will be introduced for facilitating term loans to MSMEs in the manufacturing sector for purchase of machinery and equipment without collateral or a third-party guarantee. This scheme will operate on pooling of credit risks of such MSMEs. A separately constituted self-financing guarantee fund will provide a guarantee of up to ₹100 crore to

each applicant, while the loan amount may be larger. The Budget also announced a new mechanism for continuation of bank credit to MSMEs during a period of stress.

**N Next-Generation Reforms**  
This was more intent than a concrete announcement. The government said it would formulate an Economic Policy Framework to delineate the overarching approach to economic development and set the scope of the next generation of reforms for facilitating employment opportunities and sustaining high growth. These reforms will cover all the factors of production: land, labour, capital and entrepreneurship.

**O Oh My God!**  
This is how the stock markets reacted after the Budget hiked the long-term capital gains tax (LTCG) from 10% to 12.5%, and the short-term capital gains tax (STCG) from 15% to 20%, as was feared by certain participants. Adding salt to the wounds, the Security Transactions Tax (STT) on futures and options was increased to 0.02% and 0.1%, respectively, while income received on buyback of shares will be taxed in the hands of the recipient. The LTCG exemption limit, however, was hiked to ₹1.25 lakh. The markets managed to recoup most of their losses by the end of trade, but the overall mood on the Street remains sombre.

**P Purvodaya**  
Sharpening its focus on the Eastern part of the country, the government launched 'Purvodaya' for the all-round development of Bihar, Jharkhand, West Bengal, Odisha and Andhra Pradesh. The political commentariat couldn't help but notice the inclusion of Andhra Pradesh in a scheme meant for Eastern India.

**Q Quiz Time!**  
Can you name the sector that did not figure in the FM's Budget speech, but has received the highest allocation? Answer: Defence, with an allocation of ₹4.5 trillion. Other top sectors are rural development (₹2.6 trillion), agriculture and allied activities (₹1.52 trillion), home affairs (₹1.5 trillion), education (₹1.2 trillion) and IT and telecom (₹1.16 trillion).

**R Real Estate**  
While the LTCG on property sales has been slashed from 20% to 12.5%, removal of the indexation benefit came as a shocker for the real estate sector. Sellers can no longer adjust for inflation the purchase price of property, which will lead to a higher tax burden on them, especially for older houses. Nifty Realty was the worst performing sectoral index on Budget Day, diving 2.29%.

**S Social Justice**  
The government reiterated its commitment to all-round development, particularly of farmers, youth, women, and the poor. It also announced the Pradhan Mantri Janjatiya Unnat Gram Abhiyan, which will be rolled out to improve the socio-economic condition of tribal communities. This will cover 63,000 villages benefitting 50 million tribal people.

**T Tax Slabs**  
The FM tweaked the tax slabs under the new tax regime, with salaried taxpayers falling in the tax bracket of ₹6-7 lakh and ₹9-10 lakh seeing their tax rate decline from 10% to 5%, and from 15% to 10%, respectively. Besides, the standard deduction has been raised from ₹50,000 to ₹75,000. There was no change in the old tax regime.

**U Urban Development**  
This was among the nine priority areas for the Budget. The government said it would facilitate development of 'Cities as Growth Hubs' as well as formulate a framework for creative brownfield redevelopment of existing cities. Besides, Transit Oriented Development plans for 14 large cities with a population above 3 million will be formulated.

**V Vikas and Virasat**  
Signifying development in consonance with heritage. Case in point, the Amritsar Kolkata Industrial Corridor, which will support development of an industrial node at Gaya. "This corridor will catalyze industrial development of the eastern region. The industrial node at Gaya will also be a good model for developing our ancient centres of cultural importance into future centres of a modern economy," the finance minister said in her speech.

**W Women**  
Higher participation of women in the workforce will be facilitated through the setting up of working women's hostels, in collaboration with industry, and establishing creches. In addition, there will be women-specific skilling programmes, and promotion of market access for women SHG enterprises. The budget carries an allocation of more than ₹3 trillion for schemes benefiting women and girls, signifying their growing importance for policymakers.

**X Factor**  
Apart from the usual announcements on *bijli*, *sadak* and *pani*, the Budget also had a couple of futuristic proposals. These included a venture capital fund of ₹1,000 crore for expanding the space economy, setting up of 'Bharat

Small Reactors' to harness nuclear energy, as well as research and development of 'Bharat Small Modular Reactors'.

**Y Youth**  
The emphasis on this crucial demographic was amply evident. The initiatives included a scheme to provide one month's wages to all persons newly entering the workforce in all formal sectors. The direct benefit transfer of one month's salary in three instalments to first-time employees, as registered with the EPFO, will be up to ₹15,000. The scheme is expected to benefit 21 million youth. Similarly, in the manufacturing sector, an incentive will be provided at a specified scale directly to both employees and employers with respect to the EPFO contribution of first-time employees in the first four years of employment. The government will also launch a scheme for providing internship opportunities in 500 top companies to 1 crore youth over five years. An internship allowance of ₹5,000 per month along with a one-time assistance of ₹6,000 will be provided. Companies will be expected to bear the training cost and 10% of the internship cost from their CSR funds.

**Z Zero customs duty**  
Customs duty on a range of products has been slashed to zero. These include critical minerals such as cobalt, copper, tungsten, selenium and silicon, as well as three cancer drugs (Trastuzumab Deruxtecan, Osimertinib and Durvalumab). Certain raw materials for the textile and leather sector, some capital goods used in the manufacture of solar cells and modules, as well as special-grade stainless steel, titanium alloys, cobalt-chrome alloys, and all types of polyethylene used in the manufacture of artificial body parts, among others, too will enjoy zero customs duty.