moneycontrol

Budget & You

Moneycontrol brings you this special edition of Budget 2023, containing all the key takeaways and a primer on what it means for you. This is the last Union Budget before the general elections of 2024, but contrary to expectations, it was not populist as the Finance Minister stuck to the path of fiscal prudence. But she did put some money in the wallet of the middle class through tax cuts and gave a fillip to infrastructure creation, a medium-term growth multiplier.

Big Headlines

Tax Relief For Middle Class

The new income Tax regime has become the default tax for personal income tax payers; tweaks were made to reduce tax burden for the middle class.

People with an income up to Rs 7 lakh do not have to pay any tax.

Peak tax rate—what the wealthiest pay—reduced from 42.74% to 39%.

Click here

Infra in spotlight

The central government's capital expenditure target—what it spends on building assets—for FY24 is Rs 10 lakh crore, or 3.5% of GDP.

Effective capex outgo is Rs 13.7 lakh crore, including the highest ever outlay for Railways.

This will boost medium term growth and revive animal spirits in the economy.

Click here

Fiscal Prudence to Stay

Budget has not gone the populist way with the FM staying mindful of the still high fiscal deficit of around 6 percent.

Fiscal deficit—essentially the difference between the expenses and revenues it collects from any taxes—for FY24 is 5.9% of GDP; down from 6.4% in FY23.

Gross market borrowings at Rs 15.43 lakh crore, in line with expectations.

Click here

On Green Growth

FM says green growth will be a priority sector for the government; this includes green fuel, green energy, green farming, green mobility, green buildings and green equipment.

Rs 35,000 crore has been allotted for green energy transition, a first.

Viability gap funding (a form of financial support) has been announced for battery storage.

Click here

Ease of Doing Business

The FM announced many steps to facilitate ease of doing business for companies, including micro, small and medium enterprises.

New dispute resolution scheme for contractual disputes—Vivaad se Vishwas –2—in the works.

Permanent Account Number (PAN) to be used as a single identifier for entering into national single window system to seek different clearances.

Click here

Winners & Losers

ICICI Bank
(CMP: Rs 847) +1.80%
Beneficiaries of capex driven credit growth and in-line Government borrowing program.

Larsen & Toubro
(CMP: Rs 2,145) +0.9%
Capex has increased for third year in a row.

KEC International
(CMP: Rs 456) +0.2% and
Benefits from 33% increase in railway capex

Dabur
(CMP: Rs 562) +0.8%
benefits from impetus given to consumption through increase in tax rebates.

Aavas Financiers
(CMP: Rs 1,839) +1.6% and

Home First Finance
(CMP: Rs759) +2.8%
benefits from increased the outlay for Pradhan Mantri Awas Yojana (PMAY) to Rs 79,000 crore.

ITC
(CMP: Rs 361) +2.6%
NCCD (national calamity contingent duty) has been increased on cigarette and other tobacco products by 15% while the street was expecting a hike of around 5%.

HDFC Life
(CMP: Rs 516) -10.9%,

SBI Life
(CMP: Rs 1,106) -9.3%
and ICICI Prudential
(CMP: Rs 403) -11.0%,
Income earned from all life insurance policies with above Rs 5 lakh premium will be taxable except for death benefits.

PC Jewellers
(CMP: Rs 48) -4.9%
Increase in custom duty on silver bars by 5 percent.

What's Costlier

- Imitation Jewellery
- Electric Kitchen Chimney
- Bicycles
- Toys
- Silver
- Imported cars
- Cigarettes

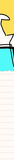
What's Cheaper

- Aero planes and other aircrafts
- Parts of mobile phones
- Parts of TV panels

What the Budget Means For You

Taxpayer: Relief for professionals

Apart from the big changes in the income tax slabs, the FM also made two other prominent tweaks. One, the finance minister has proposed to increase the exemption limit in presumptive taxation (a kind of tax one pays based on presumed income) for professionals. Two, life insurance policy maturing proceeds will be taxed if premia exceed Rs 5 lakh a year.



Investor: Senior citizens and women to benefit

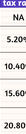
The FM has announced a new, one-time, investment scheme for women. It is a fixed income scheme with a limit of Rs 2 lakh and a return of 7.5% a year. Cap on the Senior Citizen Saving Scheme has been doubled to Rs 30 lakh.

Consumer: Spending Nudge

The cut in the tax burden will put more money in the hands of the people. That the cuts are in the new tax regime is also a nudge towards spending rather than saving because there is no incentive for investments.

One Big Thing from FM's Speech

"The Budget adopts the following seven priorities....Inclusive Development, Reaching the Last Mile, Infrastructure and Investment, Unleashing the Potential, Green Growth, Youth Power, Financial Sector"



Tax Regime

New, Minimal Exemptions Tax Regime#

Income tax slabs	Post 2023 Budget new tax slabs and rates		
	Tax rate	Surcharge rate	Effective tax rate
Up to Rs 3 lakh	Nil	NA	NA
From Rs 3 lakh to 6 lakh	5%*	NA	5.20%
From Rs 6 lakh to Rs 9 lakh	10%*	NA	10.40%
From Rs 9 lakh to Rs 12 lakh	15%	NA	15.60%
From Rs 12 lakh to Rs 15 lakh	20%	NA	20.80%
From Rs 15 lakh to Rs 50 lakh	30%	10%	31.20%
From Rs 50 lakh to Rs 1 crore	30%	10%	34.32%
From Rs 1 crore to Rs 2 crore	30%	15%	35.88%
From Rs 2 crore to Rs 5 crore	30%	25%^	39%
Rs 5 crore and above	30%	25%^	39%

Notes: The new regime will be the default regime
#Benefits of the reduced tax rates can be availed if the individual forgos prescribed deductions and exemptions; the new regime does not have provisions for higher exemption limits for senior citizens (over 60) and very senior citizens (over 80); *Rebate up to Rs 20,000 for resident individuals whose total income does not exceed Rs 7 lakh; ^Surcharge rate is capped at 15% for long-term capital gains, short-term capital gains covered under section 111A and dividend income; 4% higher education cess applicable on income tax and surcharge payable; Effective tax rate = tax rate plus surcharge if applicable + 4% higher education cess

Powered by EY India

Old Tax Regime - No Change in Tax Rates

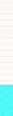
Income tax slabs	Post 2023 Budget, new tax slabs and rates		
	Tax rate	Surcharge rate	Effective tax rate
Up to Rs 2.5 lakh	Nil	NA	NA
From Rs 2.5 lakh to Rs 5 lakh	5%*	NA	5.20%
From Rs 5 lakh to Rs 10 lakh	20%	NA	20.80%
From Rs 10 lakh to Rs 50 lakh	30%	NA	31.20%
From Rs 50 lakh to Rs 1 crore	30%	10%	34.32%
From Rs 1 crore to Rs 2 crore	30%	15%	35.88%
From Rs 2 crore to Rs 5 crore	30%	25%^	39%
From Rs 5 crore and above	30%	37%^	42.74%

#For individuals under the age of 60, the basic exemption limits are higher at Rs 3 lakh and Rs 5 lakh for senior citizens (over 60) and very senior citizens (over 80) respectively; *Rebate up to Rs 12,500 for resident individuals whose total income does not exceed Rs 5 lakh; ^Surcharge rate is capped at 15% for long-term capital gains, short-term capital gains covered under section 111A and dividend income; 4% higher education cess applicable on income tax and surcharge payable; Effective tax rate = tax rate plus surcharge if applicable + 4% higher education cess

Powered by EY India

The Big Numbers

Rs 45.03 lakh crore
The size of the Budget, up 7.5%



Rs 15.43 lakh crore
Gross market borrowing of the government

Rs 10 lakh crore
Capital expenditure outlay, an all-time high

Rs 51,000 crore
Disinvestment proceeds targeted in the Budget

5.9%
The fiscal deficit as a percentage of GDP. It was 6.4% a year ago

10.5%
Nominal GDP growth expected 2022-23

moneycontrol

View

Although personal income tax changes headline this budget, it can't be called populist by any measure. Allocations to education and health are not up by much compared to the previous budget while the government seems to have paid just lip service to agriculture. The finance minister has stayed true to the fiscal glide path while the focus on infrastructure creation and capital expenditure will have a multiplier effect on medium term growth.

To view our comprehensive coverage of the Union Budget, click here:
https://www.moneycontrol.com/budget/