

CLEAR MESSAGE Not tinkering with the capital gains tax regime is the biggest positive

A Case of Taking Singles, Hitting Odd Boundary



EXPERT TAKE

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CIO, EQUITY INVESTMENTS,
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Fiscal prudence over expansionism — that sums up the Budget in one sentence. Thus the fiscal deficit targets of 3.5% for FY17 and 3% for FY18 have been maintained, helping currency and bond markets to strengthen. While tax projections are conservative, non-tax revenues appear optimistic. Also, capital expenditure is projected to be muted, which might be a disappointment, as for the economy to start firing, government spending is crucial.

Revenue expenditure is projected to rise. Though fertilisers are planned to be brought under the ambit of DBT, subsidies continue to remain high. There's a clear direction to tax the rich, while focusing a lot on irrigation, infrastructure, rural economy, infrastructure and financial sector reforms.

From an equity market perspective, non-tinkering with the capital gains tax regime has been the biggest positive. There has been an attempt to move towards en-

hanced tax compliance and sorting out of pending tax issues. On the one hand, there have been incentives given to settle long-standing tax disputes by waiving of penalties. A new tax amnesty scheme has been announced. The message is clear — pay 45% and come clean as compliance will be a key focus for the government.

With fiscal deficit numbers maintained, the gross and net borrowing figures have come in line with expectations. Given the government's commitment to fiscal consolidation, a 25 bps repo rate cut might be expected in the RBI's April policy. The amount earmarked for PSU banks at ₹25,000 crore might have disappointed the Street, but FM has mentioned that they are willing to provide more.

The Budget meets expectations, while not being dramatic. The Budget provides a push forward. It's a case of taking singles while preserving one's wicket and waiting for the right time to hit the boundaries.

SECTORS TO WATCH OUT FOR

▲ AGRICULTURE ▲ INFRASTRUCTURE ▲ FINANCE

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