Budget 2024-25

From PLI (Production Linked Incentive) to ELI (Employment Linked Incentive): Foundation for wholesome structural growth

23rd July, 2024

Budget View:

India is at a pivotal demographic juncture. This unique opportunity won't last forever. The policies we implement now will determine if India transitions from a low-income to a middle or high-income nation.

Recent policy shifts toward supply-side reforms and fiscal discipline are yielding positive results. Lower inflation provides policymakers with greater flexibility. While substantial infrastructure development has occurred, stimulating private investment through increased demand is the next challenge. This requires job creation and rising per capita income. The government's focus on skill development and internships is a commendable step to address the youth unemployment issue.

Frequent changes to capital gains tax rates create uncertainty for investors. Providing a clear roadmap for tax policy would enhance investor confidence and allow for better return projections.

Overall, the budget is well-structured with clear priorities. It is expected to benefit consumer-focused sectors, while maintaining momentum in infrastructure and capital expenditure.

Key Points Summarized:

- India's demographic dividend is a crucial factor in its economic future.
- Recent economic policies are showing positive signs, but job creation is essential.
- Government initiatives in skill development are a step in the right direction.
- Tax policy stability is crucial for investor confidence.
- The budget is balanced and supports both consumer and infrastructure sectors.

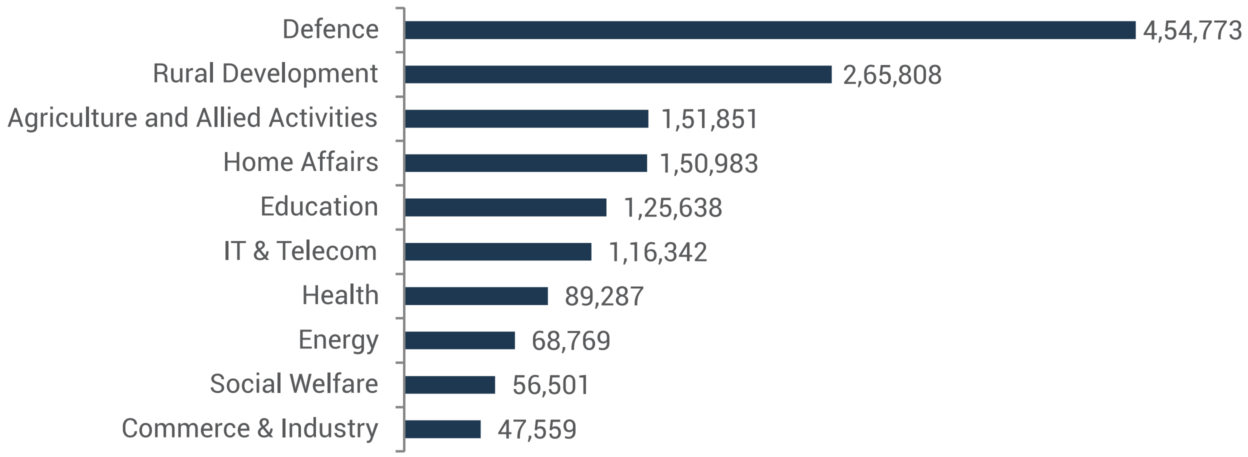
Budget Summary:

Budget at a glance

Year	2023-24	2024-25
	Rs Lac Cr	Rs Lac Cr
Revenue Receipts	27.0	31.3
Capital Receipts	17.9	16.9
Revenue Expenditure	35.4	37.1
Capital Expenditure	12.7	15.0
Fiscal Deficit % of GDP	5.6%	4.9%

The finance minister outlined nine priorities in the budget as a force towards a Viksit Bharat. They are- Productivity and resilience in Agriculture, Employment & Skilling, Inclusive Human Resource and Development and Social Justice, Manufacturing & Services, Urban Development, Energy Security, Infrastructure, Innovation, Research & Development and Next Generation Reforms.

Expenditure (Rs Cr)



Within each priority areas, the government has laid out explicit goals; a well designed plan alongwith the financial aid and regulatory simplification that each sector will need to achieve the goal. While previous budgets have laid the foundation strong, this budget is not a different one but is only seen as an extension to the earlier ones. Review of income Tax Act 1961, simplification of taxes, comprehensive review of the rate structure for ease of trade, removal of duty inversion and reduction of disputes, reduction of compliance burden and promotion of entrepreneurial spirit are some key highlights of how the government is focused to make processes nimble and easy to comprehend.

Keeping the farmers first in the priority list means working on country's strength- Agriculture. Transforming Agriculture Research, National Cooperation Policy, Atmanirbharta for oilseeds, Promotion of FPOs, cooperatives & start-ups for vegetable supply chains, natural farming and Digital Public infrastructure will be the core areas for the government. Also, these will help progress of our rural population whose major income is being derived from Agriculture.

Package like Employment linked Incentive is another bold step of the government. Skill upgradation, supporting companies in job creation, Industrial training institutes financial benefits like DBT and educational loans tell us that the government is keen to base building as only push towards manufacturing is not enough but giving skilled labour force to the industry is equally important to materialize the manufacturing capex.
The budget talks about ways of giving support to both the parties- the employer as well as the employee in a unique way which has never been done before like-

a) 1 month wage to new entrants in all formal sectors in 3 instalments up to 15,000- Expected to benefit 210 lakh youth
b) Incentive to both employee & employer for EPFO contributions in the specified scales for the first 4yrs– Expected to benefit 30 lakh youth
c) Government will reimburse EPFO contributions of employers up to 3000 per month for 2 years for all new hires- Expected to generate 50 lakh jobs

Clear measures for upliftment of Bihar, Andhra Pradesh, Himachal Pradesh, Uttarakhand and north eastern states were seen in the budget. While optically this looks as a favour to certain alliances, the hidden truth is that these states did need the kind of central support; else they could have been left far behind other fast growing states in India like- Gujarat, Maharashtra, UP,, Karnataka etc.

Other measures which are worth mentioning are - JV between NTPC and BHEL will set up a full scale 800MW commercial plant, Financial support for shifting of micro and small industries to cleaner forms of energy, PM Awas Yojana Urban 2.0, Strengthening of the tribunal and appellate tribunals to speed up insolvency resolution and additional tribunals to be established, Credit Guarantee Scheme for MSMEs in the Manufacturing Sector.

The Provision of 11,11,111 crore for infrastructure (3.4% of GDP) was maintained as in the interim budget earlier this year. Earlier budgets had laid down slew of measures on public capex and government has been able to achieve them to a large extent. It is time to focus on Innovation, Research & Development and next generation reforms-like Unique Land Parcel Identification Number or Bhu-Aadhaar for all lands, simplification of FDI and Overseas Investments, Improvement of data governance, collection, processing and management of data and statistics.

From stock market perspective, STT has been increased as much expected. Taxes on capital gains have been increased from 15% to 20% in short term gains and from 10% to 12.5% in long term gains, remember, it is not long before when we as investors have paid taxes at 30% and 20% in short term and long term. The tax rate change we find may give a cyclical negative sentiment to the market , however it is for the benefit of much bigger and better things.