

FIRST TAKE

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Thumbs up for directional clarity

The budget this time around holds special importance since it is the first full-year budget by the new government post its historic win in the general elections. The budget was announced amid the emergence of several favourable factors such as softened crude oil prices, deficits under control, inflation within comfort zone, and initiation of interest rate reversal cycle by the RBI. As the honourable Finance Minister rightly pointed



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out, the credibility of Indian economy has been re-established in the last nine months. After inheriting an economy with subdued sentiments with adverse macroeconomic indicators, nine months have witnessed a quick turnaround, making India the fastest growing large economy in the world with a real GDP growth of around 7.4 per cent expected this year. The stock market is a clear reflection of this scenario, posting the world's second best performance in 2014.

The budget turned out to be well-balanced and addressed a lot of key elements effectively. The tone of the budget along with attention to detail heralds a systematic plan that the government would follow for the long term. Aspects such as rationalising of fiscal deficit, improving ease of doing business, poverty alleviation, addressing the problem of black money, infrastructure development, and sustainable growth of the economy are the pillars of the budget. A key part of this year's budget is the directional clarity – in making India an easy place to do business in, improving the processes for getting regulatory approvals, moving towards simplifying tax regime, and thereby taking the country towards the path of sustained higher growth. The FM also reiterated the importance of fiscal prudence and discipline for a balanced growth of the economy, without undue burden on future generations.

One of the key budget announcements is the introduction of gold monetisation with the intent of encouraging investors to move away from idle physical gold to investing it in productive financial assets. The gold monetisation scheme will allow the depositors of gold to earn interest in their metal accounts and the jewellers to obtain loans in their metal account. Additionally, the Sovereign Gold Bond will be launched, as an alternative to purchasing physical gold. Even gold coins will now have the Ashoka Chakra, giving the 'Make in India' campaign a truly golden stamp!

From a personal taxation point of view, there has been no change in the tax slabs. However, there are several tax allowances introduced across NPS, health insurance, travel allowance. An additional deduction of Rs 50,000 has been introduced for contribution to the new pension scheme which would help build financial assets and provide a source of long-term and stable income to the investors. The limit of deduction of health insurance premium has been increased from Rs. 15,000 to Rs. 25,000 which would motivate increased adoption of this service. Along with other tax allowances, individuals could have around Rs 7 lakh of tax-free income.

The intent has been to encourage investments into financial assets, incentivise through tax benefits so that individuals would have higher disposable income. Such capital can be used productively to fund growth and even take up measures to offer social security to the poor.