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DAILY NEWS DIGEST BY BFSI BOARD

24 July 2024

ECONOMY

HIGHLIGHTS OF UNION BUDGET 2024-25: Union Finance Minister on 23rd July 2024 tabled the Union Budget 2024-25. As mentioned in the interim budget, the focus is on 4 major castes, namely 'Garib' (Poor), 'Mahilayen' (Women), 'Yuva' (Youth) and 'Annadata' (Farmer). The highlights of the budget are;

- For the year 2024-25, the total receipts other than borrowings and the total expenditure are estimated at ₹32.07 lakh crore and ₹48.21 lakh crore respectively.
- The Government has made a provision of ₹1.52 lakh crore for agriculture and allied sector this year.
- In the next two years, 1 crore farmers across the country will be initiated into natural farming supported by certification and branding.
- Prime Minister's Package of 5 Schemes and Initiatives for employment, skilling and other opportunities for 4.1 crore youth over a 5-year period.
- One-month salary of up to Rs.15,000 to be provided in 3 installments to first-time employees, as registered in the EPFO.
- Incentive to be provided at specified scale directly, both employee and employer, with respect to their EPFO contribution in the first 4 years of employment.
- Government to reimburse up to Rs.3,000 per month for 2 years towards EPFO contribution of employers, for each additional employee.
- For helping the youth, who have not been eligible for any benefit under government schemes and policies, the finance minister announced a financial support for loans upto ₹10 lakh for higher education in domestic institutions. E-vouchers for this purpose will be given directly to 1 lakh students every year for annual interest subvention of 3 per cent of the loan amount.
- The Model Skill Loan Scheme will be revised to facilitate loans up to ₹7.5 lakh with a guarantee from a government promoted Fund, which is expected to help 25,000 students every year.

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- Government 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. Industrial node at Gaya to be developed along the Amritsar-Kolkata Industrial Corridor. Power projects, including new 2400 MW power plant at Pirpainti, to be taken up at a cost of Rs.21,400 crore.
- Andhra Pradesh Reorganization Act: Special financial support through multilateral development agencies of `15,000 crore in the current financial year.
- The limit of Mudra loans will be enhanced to ₹ 20 lakh from the current ₹ 10 lakh for those entrepreneurs who have availed and successfully repaid previous loans under the 'Tarun' category.
- Turnover threshold of buyers for mandatory onboarding on the TReDS platform to be reduced from Rs.500 crore to Rs.250 crore..
- New scheme to support the development of 100 weekly 'haats' or street food hubs every year for the next 5 years in select cities.
- Under the PM AwasYojana Urban 2.0, housing needs of 1 crore urban poor and middle-class families will be addressed with an investment of ₹ 10 lakh crore. This will include the central assistance of ₹ 2.2 lakh crore in the next 5 years.
- Government will endeavour to maintain strong fiscal support for infrastructure over the next 5 years, in conjunction with imperatives of other priorities and fiscal consolidation. ₹11,11,111 crore for capital expenditure has been allocated this year, which is 3.4 per cent of our GDP.
- The government will operationalize the Anusandhan National Research Fund for basic research and prototype development and set up a mechanism for spurring private sector-driven research and innovation at commercial scale with a financing pool of ₹1 lakh crore in line with the announcement in the interim budget.

DIRECT TAX:

- Standard deduction of salaried employees increased from ₹ 50,000/- to ₹ 75,000/- for those opting for new tax regime.
- Similarly, deduction on family pension for pensioners enhanced from ₹ 15,000/- to ₹ 25,000/-
- Assessments now, can be reopened beyond three years up to 5 years from end of year of assessment, only if, the escaped income is more than ₹ 50 Lakh.
- The new tax regime rate structure is also revised to give a salaried employee benefits up to ₹ 17,500/- in income tax.
- The Tax slab under the new tax regime are as follows

Income Slabs	Tax Rate
0 – 3 Lakh rupees	NIL
3 – 7 Lakh rupees	5 per cent
7 – 10 Lakh rupees	10 per cent

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10 – 12 Lakh rupees	15 per cent
12 – 15 Lakh rupees	20 per cent
Above 15 Lakh rupees	30 per cent

- Corporate tax rate on foreign companies reduced from 40 to 35 per cent to attract foreign capital.
- Budget further simplified the direct tax regime for charities, TDS rate structure and capital gains taxation. The two tax exemption regimes for charities will be merged into one. 5 per cent TDS on many payments to be merged into 2 per cent TDS and 20 per cent TDS on repurchase of units by mutual funds or UTI stands withdrawn.
- TDS rate on e-commerce operators reduced from 1 per cent to 0.1 per cent.
- Now credit of TCS will be given on TDS deducted from salary.
- Budget decriminalized delay of payment of TDS up to the due date of filing of TDS statement.
- On Capital gains, short term gains shall henceforth attract a rate of 20 per cent on certain financial assets. Long term gains on all financial and non-financial assets to attract 12.5 per cent rate. Limit of exemption of capital gains has been increased to ₹1.25 Lakh per year.

INDIRECT TAX:

- There will be reduction in Basic Customs Duty (BCD) on X-ray machines tubes and flat panel detectors. BCD on mobile phones, Printed Circuit Board Assembly (PCBA) and mobile chargers reduced to 15 per cent.
- Budget will foster competitiveness of Indian leather and textiles articles of export. BCD reduced from 7.5 per cent to 5 per cent in Methylene Diphenyl Diisocyanate (MDI) used for manufacture of spandex yarn.
- Custom duties on gold and silver reduced to 6 per cent and on platinum to 6.4 per cent. BCD on ferro nickel and blister copper removed, while, BCD on ammonium nitrate increased from 7.5 to 10 per cent to support existing and new capacities in pipeline. Similarly, BCD on PVC flex banners increased from 10 to 25 per cent considering the hazard to environment.
- The monetary limits for filing appeals related to direct taxes, excise and service tax in High Courts, Supreme Courts and tribunals has been increased to ₹ 60 Lakh, ₹ 2 Crore and ₹ 5 Crore, respectively.

(*Govt. of India Publications*)

Fiscal target buoys markets, tax on capital gains a dampener: The hike in capital gains tax and the containment of fiscal deficit to 4.9 percent are the big banner headlines of the sixth full budget of Finance Minister Nirmala Sitharaman and the first budget of Modi 3:0. At the end of the day, the markets appeared to have taken the increased tax rates in their stride, with the Nifty closing down 30 points and the Sensex 73 points; though there were wild intraday swings, at one stage, the Nifty was down nearly 500 points. In bull markets, investors tend to shrug off worries, though the long-term impact remains unclear. India competes with countries such as Hong Kong and Singapore that have lower capital gains taxes. Whatever the logic, the government has clearly ignored a vocal lobby of traders and investors, foreign and domestic, who were opposed to the idea of higher capital gains tax.

(Moneycontrol)

Capital-gains tax divides market, STT hike on F&O trades unlikely to deter retail traders: The increase in capital gains tax—both long term and short term—came as a nasty surprise for the market. As if to rub it in, the Budget also proposed a hike in securities transaction tax (STT) on derivatives trades. The latter though, does not pose as big a risk to sentiment as the hike in capital gains tax. Following the announcements, Nifty fell by 400 points and Bank Nifty by 800 points, but both indices recovered soon ending 0.12 percent and 0.96 percent lower respectively. Technical analysts believe that Nifty can even retest 24,000 levels, with its resistance level at 24,700-24,800.

(Moneycontrol)

BANKING & FINANCE

Budget 2024: Govt reiterates rupee internationalisation commitment but not so easy, say bankers: India's Finance Minister, Nirmala Sitharaman, has emphasized the government's intention to promote the rupee as an international currency. She announced plans to simplify rules and regulations to encourage foreign direct investment and overseas investment in India. The Reserve Bank of India (RBI) has been working on internationalising the rupee for years, allowing persons resident outside India (PROIs) to open rupee accounts outside the country, allow bank lending to PROIs, and facilitate FDI and FPI intvestment through special non-resident rupee and vostro accounts. Internationalisation of the rupee has been on the government's and Reserve Bank of India (RBI) agenda for many years. This year in its annual report released in May RBI said say to as part of its endeavour to internationalise the currency it will let persons residents outside India (PROIs) to open rupee accounts outside the country, allow bank lending to PROIs and also FDI and FPI intvestment through special non resident rupee and vostro accounts. However, making rupee an

international currency is easier said than done. Bankers say that global curencies like the dollar are very liquid and countries like the US still control vast amount of global trade.
(Economic Times)

Paytm partners with Axis Bank to offer POS solutions, card payment devices: Fintech firm One 97 Communications, Paytm's parent company, has teamed up with Axis Bank to provide point of sales solutions and card payment machines to banks and merchants. Paytm's EDC devices offer store management services like inventory management and CRM. The partnership aims to enhance transaction efficiency, store management, and customer engagement, benefiting both companies. Axis Bank sees this collaboration as a way to expand their merchant acquiring portfolio and offer more payment solutions.
(Economic Times)

Indian banks' short-term debt rises to 12-year high on loan demand: Indian banks are increasingly resorting to short-term borrowing, utilizing certificates of deposit, to bridge a funding gap driven by strong loan growth and slower deposit accumulation. As a result, the outstanding amount of these certificates surged to 4.3 trillion rupees ($51.4 billion) in the fortnight through July 12. This marks the highest level since June 2012.
(Economic Times)

INDUSTRY OUTLOOK

BSNL gets major share of telecom Budget at Rs 82,916 crore: Union Finance Minister Nirmala Sitharaman has proposed an allocation of Rs 1.28 lakh crore for telecom projects and public sector firms under the Telecom Ministry, with most of the funds designated for state-owned BSNL, according to the Budget 2024-25 document. Out of the total proposed allocation, over Rs 1 lakh crore is intended for BSNL and MTNL-related expenses. This includes Rs 82,916 crore for technology upgrades and restructuring at BSNL. Additionally, in the Union Budget 2024, the government has proposed Rs 17,510 crore for pensionary benefits to Department of Telecommunications employees, including those absorbed in BSNL and MTNL from April 1, 2014.
(Business Line)

Gold, silver gain shine ahead of festivals: Gold has become cheaper by Rs 5,900 per 10 gm and silver by Rs 7,600 per kg after finance minister Nirmala Sitharaman's decision to more than halve import duty on the precious metals to 6% from 15% in the budget. The duty reduction offers relief to consumers ahead of the busy festive season when there is a traditional spurt in gold purchases. India imports almost all the gold it needs for making jewellery. Gold demand fell 15% in the June quarter due to high prices. On Tuesday, gold and silver prices were Rs 72,609 per 10 gm and Rs 87,576 per kg respectively.

(Economic Times)

PLI for toys, leather and footwear gets nod, Rs 6,000 outlay seen for scheme till FY32 : The government will introduce the production-linked incentive (PLI) scheme for the toys and leather and footwear sectors, with a total outlay of over Rs 6,000 crore, according to the budget documents. Both schemes are set to run until 2031-32.The PLI for toys will have an outlay of Rs 3,489 crore, while the footwear and leather sector will receive Rs 2,600 crore. These schemes are pending cabinet approval, with a token allocation provided for this year. Currently, PLI schemes for 14 sectors, with an outlay of Rs 1.97 trillion, are operational. Adding the two new sectors will increase the allocation for the scheme launched in 2020. Of the total allocation, only 5% of the funds have been disbursed as incentives to beneficiaries. This financial year, the incentive outgo is expected to reach Rs 14,182 crore, up from Rs 8,000 crore in FY24. In FY23, the incentive payout under the scheme was Rs 2,900 crore.

(Financial Express)

REGULATION & DEVELOPMENT

Now pay more tax on older property sale as FM removes indexation: If you own a house, which you are planning to sell, it is likely that you will end up paying more tax on the transaction from now own. As a key change comes into effect post the union budget tabled by Finance Minister Nirmala Sitharaman, capital gains tax on sale of real estate assets like homes would be higher for most owners. In the Budget 2024-25, the Finance Minister has removed the indexation benefit for homeowners. To simplify the process, the FM has announced removal of indexation clause completely on real estate assets, and brought down the long-term capital gains tax (LTCG) rate to 12.5% from 20%. As result, say experts effective tax incidence on LTCG against real estate assets would be higher for most owners, especially for those who are holding the property for more than five years. “The Finance Minister's decision to remove the indexation benefit for long-term capital gains (LTCG) tax on real estate marks a significant shift for the sector. While the intention to simplify and rationalise the tax regime is clear, the removal of the indexation benefit, despite the reduction in the LTCG tax rate to 12.5%, could lead to a higher tax burden on real estate transactions.

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(Business Today)

Long term capital gains tax benefit taken away for shares sold in a buyback offer, sale value to be taxed like dividend income: Budget 2024 has proposed to treat the income received by selling of shares in a buyback offer of the company to be taxable in the hand of investors. The budget memorandum says "References have been received stating that pay-outs on buy-back of shares should be taxed in hands of recipients, in line with similar regime in place for taxation of dividend." If the company, whose shares you hold, offers a buyback offer and you sell your stocks to the company then the sale value received would now be taxable in your hand just like the dividend taxation. As a result you will need to pay income tax as per applicable tax slab on total sale value. Though there is a provision to claim capital loss to the tune of acquisition value of the thus sold shares.

(Economic Times)

FM checkmates F&O surge with STT: As anticipated by the market, Tuesday's Union Budget hiked the securities transaction tax (STT) on futures and options (F&O). The move is to arrest the rising participation of retail investors in this market, which the Economic Survey dubbed as 'gambling.' "It is proposed to increase the rates of STT on sale of an option in securities from 0.0625% to 0.1% of the option premium, and on sale of a futures in securities from 0.0125% to 0.02% of the price at which such futures are traded," Sitharaman said in her Budget speech.

(Financial Express)

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FINANCIAL TERMINOLOGY

SIX SIGMA

- Six Sigma is a methodology for process improvement developed by a scientist at Motorola in the 1980s. Six Sigma practitioners use statistics, financial analysis, and project management to achieve improved business functionality and better quality control by identifying and then correcting mistakes or defects in existing processes. The five phases of the Six Sigma method, known as DMAIC, are defining, measuring, analyzing, improving, and controlling.
- Six Sigma is a quality-control methodology that businesses use to significantly reduce defects and improve processes.
- Six Sigma is based on the idea that all business processes can be measured and optimized.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 83.6625
INR / 1 GBP : 108.0741
INR / 1 EUR : 91.0516
INR /100 JPY: 53.4500

EQUITY MARKET

Sensex: 80429.04 (-73.04)
NIFTY: 24479.05 (-30.20)
Bnk NIFTY: 51778.30 (-502.10)

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