

# Asit C. Mehta

INVESTMENT INTERMEDIATES LTD.



## UNION BUDGET 2020-21 PREVIEW

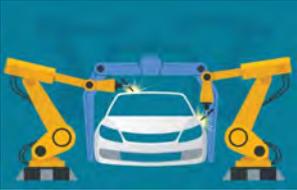


Finance Minister Nirmala Sitharaman is all set to present the Union Budget on February 1, 2020, at a time when India's economy is going through one of the worst periods of slowdown in decades. Finance Minister's primary task entails reviving India's economy, which has witnessed GDP growth estimate slipping to its lowest in 11 years. Unemployment, industry-specific headwinds, reduced demand, inflation, and lower-than-expected tax collections have been the prominent features. Several industry players from various sectors have made their demands clear in the wake of slower growth and demand.

### Key things to watch out in Union Budget 2020-21

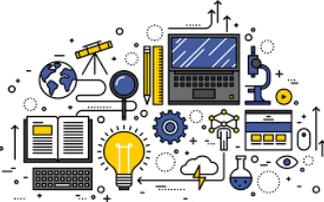
1. FY21 Fiscal Deficit target.
2. Measures to boost distress agrarian economy.
3. Measures to boost job creation in the system.
4. Increase in income tax exemption limit.
5. Sector-specific measures.

Below mentioned are some of the industry expectations from the Union Budget 2020-21

Industry	Proposed	Impact	Stocks in Focus
<b>Automobiles</b> 	A reduction in GST rates on vehicles and abolition of duty on import of lithium-ion battery cells, to encourage electric mobility.	<b>Positive</b> for electric vehicle manufacturers.	Mahindra & Mahindra, Maruti, Ashok Leyland, Tata Motors.
	Increase in depreciation rate on passenger vehicle and two-wheelers to 25 percent to have depreciation aligned to real useful life of the vehicle.	<b>Positive</b> for two wheeler manufacturers.	Bajaj Auto, TVS Motors, Hero MotoCorp Limited.
<b>Cement</b> 	Cut in GST rates from 28% to 18%.	<b>Positive</b> for Cement companies.	Ultratech Cement, ACC, Shree Cement, Heidelberg Cement, JK Cement, etc.
	Increase in government thrust on infrastructure spending.		
<b>Health Care/Pharma</b> 	Tax exemption on Preventive Health check-up should be raised from the current Rs 5,000 per person to Rs. 20,000 under section 80D of the Act.	<b>Positive</b> for Healthcare & Pharma Sector.	Dr. Lal PathLab, Metropolis, Thyrocare, Apollo Hospital, Lupin, Merck Ltd, Aurobindo Pharma, Eris Life, etc.
	A Healthcare Savings Fund similar to PF to be introduced covering all salaried employees & such investments should be allowed as a deduction under section 80C of the Act.		

# Union Budget 2020-21

## Preview

Industry	Proposed	Impact	Stocks in Focus
<b>Housing &amp; Real Estate</b> 	<p>Hike the Rs.2-lakh tax rebate on housing loan interest rates under Section 24 of the Income Tax Act.</p> <p>Include Input tax credit benefit in GST for under-construction homes.</p> <p>Implementation of a unique identity numbers or UID for land.</p>	<b>Positive</b> for Housing & Real Estate.	LIC Housing Finance, L& T Finance, Brigade Enterprises, Prestige Estate, Oberoi Realty, DLF.
<b>IT</b> 	<p>Budget allocation for the Make in India, Digital India and smart cities initiatives should be increased.</p>	<b>Positive</b> for IT companies as they will get more projects.	HCL Tech, Infosys, TCS, Wipro.
<b>Insurance</b> 	<p>Increase in FDI in the core insurance sector, from 49% to 74%.</p>	<b>Positive</b> for Insurance companies.	SBI Life, HDFC life, ICICI Pru life.
<b>Telecom</b> 	<p>Reduce License fees currently 8% to 3% and SUC from existing 5% to 1%.</p> <p>Removal of the high import duties on telecom equipment.</p>	<b>Positive</b> for Telecom companies.	Bharti Airtel, Reliance Industries, and Vodafone Idea.

Source: FICCI, CII & ACMIIL Research

### Direct Tax:

#### Individual Tax payers:

- Income Tax Slabs and Rates proposed for Financial year 2020-21

The following revised tax slabs for **individual tax payers** are recommended:

Slab (Rs. lakhs)	Tax rate
0-3	Nil
3-5	5%
5-10	10%
10-20	20%
Beyond 20	30%

- Raising the cap on tax benefit for investments**

The limit for deduction under section 80C for tax saving investments was last enhanced in 2014 to Rs. 1.5 lakh. It is hoped that this limit will be raised to at least Rs. 3 lakh to encourage individual income earners to channelize maximum savings into investments, promoting economic growth in their own small way.

- Long-term capital gains**

To encourage taxpayers to invest in mutual funds and shares, the gains from sale of units/shares should be made more tax-friendly by removing the taxability on such sale of long-term capital assets.

Source: FICCI, CII & ACMIIL Research

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