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Stock market veterans expect reform-oriented Budget

Biz talk

Pradeep Gupta
Co-founder, Anand Rathi Fin Services
talks to Sanjeev Sharma

Stock market veterans are expecting the Union Budget in a few weeks from now to boost savings by enhancing the savings limit eligible for tax exemption from Rs 1.5 lakh to Rs 2.5 lakh. Pradeep Gupta, co-founder and vice-chairman, Anand Rathi Financial Services, talks about the Budget expectations and how it is expected to boost infrastructure, investment and manufacturing.

Q: What are the main expectations from the Budget?
A: Budget 2015 is a crucial Budget for the BJP government. The expectations from the Budget are high considering it will set the tone and direction for the Centre. We believe that the Budget will be pro-reforms, pro-infrastructure and pro-investments.

We could expect reform-oriented policies with a push on GST, disinvestment and infrastructure. A possible boost in infrastructure spending and revival of the capex cycle seems likely. The Budget may focus on providing special incentives for private investment through schemes such as accelerated depreciation and tax incentive for investment. Also, support for manufacturing and 'Make in India' and developing smart cities can be expected.

Q: What is expected on personal income tax and personal finance for individuals?

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A: About 90% of the investment funding in the country comes from domestic savings. Therefore, there is a need to boost the savings rate. Measures may include increase in the maximum limit for savings eligible for tax exemptions — from Rs 1.5 lakh p.a. to Rs 2.5 lakh p.a. and enhancement of tax exemption limits in related instruments such as equity-linked instruments, PF etc. Also, the inclusion of equity-linked instruments under 54 EC and separate tax exemption limit of Rs 1 lakh p.a. for equity linked saving schemes is desired.

Q: What are the main announcements that the stock market is looking for?
A: The market is anticipating pro-reform policies such as GST and concrete sops for "Make In India", and clarity on the taxation front in terms of appropriate taxation rate for capital gains arising out of equity asset, based on the nature of income — business income versus investment income. In addition, it expects the removal of dividend distribution tax and reduction or removal of securities transaction tax on cash equities transaction.

Q: What will be the direction of the Budget to promote investments and jobs?
A: A pro-reform Budget will definitely boost sentiments, which is likely to kick-start hiring in key sectors. We expect the Budget to give an impetus to investments in key infrastructure sectors such as power, ports, logistics, inland transportation (waterways & roads) etc.

Q: How do you assess the economic situation?
A: India is poised for growth despite global concerns. Softening of crude and other commodity prices has strengthened the economy. However, the challenge of fuelling growth remains. By addressing policy bottlenecks and launching special schemes to incentivise private investments along with a robust disinvestment plan, we are confident that the infrastructure expenditure budgets can be financed.

The new government has already re-oriented the earlier government's pro-consumption economic policies (e.g. entitlement schemes and high food-fuel-fertiliser subsidies) into a pro-investment approach (e.g. the new land acquisition ordinance and increase sector limits for FDI).

The Budget needs to take this process further through measures such as reduction of revenue expenditure through consolidation and better targeting of welfare schemes, including food-fuel-fertiliser subsidies.

The Indian economy is currently well placed vis-à-vis other emerging economies. We have all positives in our favour such as a stable pro-reform government, improving sentiments and declining global commodity prices. We are confident that Budget 2015 will not disappoint investors, both domestic and global.