TATA MUTUAL FUND

UNION BUDGET 2023

Key Numbers of Union Budget 2023

Total Expenditure
₹45.03 lakh crore

Revenue Expenditure	Capital Expenditure
₹35.02 lakh crore	**₹10.01 lakh crore**

Estimated gross tax collections
₹33.61 lakh crore

Non-tax revenue for the next financial year
₹3.02 lakh crore

Estimated gross market borrowing
₹15.43 lakh crore

Estimated net market borrowing
₹11.81 lakh crore

FY24 fiscal deficit target
5.9%

Centre's capex target for next year
₹10.01 lakh crore

Disinvestments and dividends target from the Reserve Bank of India (RBI)
₹61,000 Crore

Expected Dividends from central and public sector banks
₹48,000 Crore

UNION BUDGET 2023

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Source: Union Budget 2023

Key Highlights

TATA MUTUAL FUND

The Budget adopts on 7 Seven Priorities : Inclusive, Development, Reaching the last Mile, Infrastructure and Investment, Unleashing the Potential, Green growth and Youth Power and Financial Sector.

India Sets Fiscal Deficit Target At 5.9% Of GDP For FY24 with Gross market borrowing at ₹15.43 lakh crore and net market borrowing at ₹11.8 Lakhs crore. Target fiscal deficit of below 4.5% by 2025-26

In new tax regime, Assessee having income upto ₹7 lakh will not have to pay any tax. Standard deduction has now been extended in New tax regime as well. Surcharge for Higher Tax slab reduced to 25% from 37% for new tax regime.

A capital outlay of ₹2.40 lakh crore has been provided for the Railways. This highest ever outlay is about 9 times the outlay made in 2013- 14.

An Agriculture Accelerator Fund will be set-up to encourage agri- startups by young entrepreneurs in rural areas

India is at the forefront of popularizing Millets. The Indian Institute of Millet Research, Hyderabad will be supported as the Centre of Excellence for sharing best practices, research and technologies at the international level.

Allocation of ₹79,000 crore for the Pradhan Mantri Awas Yojana (PMAY), giving a further boost to the government's programme to provide housing to the urban poor.

In the next three years, centre will recruit 38,800 teachers and support staff for the 740 Eklavya Model Residential Schools, serving 3.5 lakh tribal students. 157 new nursing colleges will be established

The Centre's capex target for 2023-24 is 33 percent higher than the budget estimate of ₹7.5 lakh crore for 2022-23 to ₹10 Lakhs Crore. The 'Effective Capital Expenditure' of the Centre is budgeted at ₹13.7 lakh crore, which will be 4.5 per cent of GDP.

Limit enhancement done to avail the benefit of presumptive taxation for Micro enterprise from ₹2 Crore to ₹3 Crore and Professionals with turnover from ₹50 Lakhs to ₹75 lakhs.

National calamity contingent duty increased by 16% on specified cigarettes. Compounded rubber increased to 25% from 10% and propose to increase the import duty on silver dore, bars and articles

Cap deduction from capital gains on investment in residential house under sections 54 and 54F to ₹10 crore. Market Linked Debenture will be treated as debt instrument and will be taxed as Debt Instrument. and Insurance premium above ₹5 lakhs, maturity value will be taxable.

Tax exemption on leave encashment on retirement of non-government salaried employees increased to ₹25 lakhs.

Relief in custom duty on Import of certain parts of mobile phones like camera lens and batteries by another year, open cells of TV panels cut to 2.5%.

The maximum deposit limit for Senior Citizen Savings Scheme will be enhanced from Rs 15 lakh to ₹30 lakh. and for Monthly Income Account Scheme will be enhanced from ₹4.5 lakh to ₹9 lakh for single account and from ₹9 lakh to ₹5 lakh for joint account.

The Centre will provide free food grains to all antyodaya and priority households until December 2023 and centre will spend ₹2lakh cr on free food grains for all priority households under PM Garib Kalyan Yojana

Many programmes for green fuel, green energy, green farming, green mobility, green buildings, and green equipment, and policies for efficient use of energy across various economic sectors with aim to net-zero carbon emission by 2070

For the business establishments the PAN will be used as the common identifier for all digital systems of specified government agencies. An Entity DigiLocker will be set up for use by MSMEs, large business and charitable trusts for storing and sharing documents online securely with various authorities, regulators, banks and other business entities.

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Source: Union Budget 2023

Budget 2023 – The first in Amrit Kaal

In focus:

Youth,Women, Farmers, weaker sections such as SCs, STs and OBCs

Indian economic growth expected to be highest among major economies at 7%

Indian economy has become a lot more formalized with per capital income doubled to 1.97 lakh

The G20 presidency will give India a unique opportunity to strengthen our role in a new world order

Indian economy went from being 10th to 5th largest in the world..Start working on designing

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Source: Union Budget 2023

Saptrishis of Amrit Kaal - Foundation of Union Budget 2023

TATA MUTUAL FUND

Inclusive Development

Reaching the last mile

Infrastructure and Investment

Unleashing the Potential

Green Growth

Youth Power

Financial Sector

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Source: Union Budget 2023

PRIORITY 1 -Inclusive development

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AGRICUTURE AND COOPERATION

- Digital public infrastructure for agriculture to enable inclusive, farmer-centric solutions
- Adoption of cluster-based and value chain approach to enhance the productivity of extra-long staple cotton
- The Indian Institute of Millet Research will be supported as a center of excellence
- A sub-scheme under PM Matsya Sampada Yojana with an outlay of ₹6,000 crore to further enable those involved in fisheries
- An agriculture accelerator fund to be set up to encourage startups in rural areas
- Aatmanirbhar Clean Plant Program to be launched at an outlay of ₹2,200 crore
- The agriculture credit target set at ₹20 lakh crore in FY24
- Computerisation for 63,000 primary agricultural credit societies with an investment of ₹2,516 crore
- A massive decentralised storage capacity to be set up for farmers

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Source: Union Budget 2023

PRIORITY 1 -Inclusive development

HEALTH, EDUCATION AND SKILLING

- 157 new nursing colleges to be established
- ICMR labs' facilities to be made available for research
- Dedicated multidisciplinary courses for medical devices to ensure availability of skilled manpower
- A national digital library for children and adolescents to across geographies, languages, genres and levels, and device agnostic accessibility
- Sickle Cell Anaemia elimination mission to be launched
- Centers of excellence to take up new programme promoting research and innovation
- Re-evisioned training of teachers to take place
- The National Book Trust, Children's Book Trust to replenish non-curricular titles in regional languages and English physical libraries

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Source: Union Budget 2023

PRIORITY 2 - Reaching the last mile

₹15,000 crore will be made available over three years for PM Primitive Vulnerable Tribal Group Mission, to improve socio-economic conditions of vulnerable tribal groups

Financial assistance of ₹5,300 crore allotted for sustainable micro irrigation in drought prone region of Karnataka

38,800 teachers to be recruited for 740 Eklavya Model Residential Schools serving 3.5 lakh tribal students.

The outlay for PM Awas Yojana is being enhanced by 66 per cent to over ₹79,000 crore.

Financial support to be provided to poor prisoners for paying penalty or bail amount

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Source: Union Budget 2023

PRIORITY 3 – Infrastructure and Investment

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- Capital investment outlay increased by 33% to ₹10 lakh crore, 3.3% of GDP.
- Effective capital expenditure budgeted at ₹13.7 lakh crore, 4.5% of the GDP.
- Continuation of 50-year interest free loans to spur infrastructure investment.
- Infrastructure Finance Secretariat to bring in more private investment.
- Harmonised Master List of Infrastructure to be reviewed for recommending the classification and financing framework suitable for Amrit Kaal.

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Source: Union Budget 2023

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PRIORITY 3 – Infrastructure and Investment

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- Capital outlay for railways highest ever at ₹2.40 L Crore.
- 100 critical transport infrastructure project to receive investment of ₹75,000 crore .
- 50 additional airports, heliports, aerodromes and advanced landing zones
- Urban planning reforms for states and cities to transform them into 'Suistainable cities of tomorrow.
- Cities to be incentivised to improve their credit worthiness for municipal bonds.
- Urban Infrastructure Development Fund (UIDF) to be established with ₹10,000 crore per annum
- Transit from manhole to machine-hole to enable 100% mechanical desludging.

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Source: Union Budget 2023

PRIORITY 4 - Unleashing the Potential

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Three specialized AI centers to be set up in educational Institutes under 'Make AI in India' initiative

The KYC process will be simplified adopting a 'risk-based' instead of 'one size fits all' approach.

National Data Governance Policy to be introduced to enable access to anonymized data

DigiLocker service and Aadhaar to be established as a one-stop solution for the reconciliation and updating of the identity and address documents

The PAN will be used as the common identifier for all digital systems of specified government agencies.

Less stringent contract execution for MSMEs along with easier and standardized settlement scheme

Phase 3 of E-Courts to be launched for effective administration of justice

'Entity Digi Locker' to be set-up for use by business enterprises and charitable trusts

Setting up of 100 labs for 5G services based application in leading engineering institutions

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PRIORITY 5 – Green Growth

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- ₹19,700 crore allocated to the National Hydrogen Mission to reach hydrogen production capacity of 5 metric million tonnes by 2030
- ₹35,000 crore for priority capital investment towards energy transition and net zero objectives and energy security
- Initiatives to promote natural farming, battery energy storage system, mangrove plantation along the coastline and replacing old polluting vehicles
- Investment of ₹20,700 crore for the inter-state renewable energy evacuation system from Ladakh
- Green Credit Programme to encourage behavioral change in companies, individuals, local bodies
- PM PRANAM to be launched to promote usage of alternative fertilizers
- 500 'Waste to Wealth' Plants to be established under Gobardhan scheme with investment of ₹10,000 crore
- 1 Crore farmers to be facilitated to adopt natural farming
- Adequate funds allocated to scrap old vehicles, states will be supported in replacing old vehicles and ambulances

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Source: Union Budget 2023

PRIORITY 6 - Youth Power

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Pradhan Mantri Kaushal Vikas Yojana 4.0 to include new courses on coding, AI, robotics, 3D Printing , drones, IoT, mechatronics and soft skills.

Encouragement to set up Unity Malls for promoting ODOPs (one district, one product), GI products and handicraft products.

30 Skill India International Centers will be set up across different States to skill the Indian youth for international opportunities.

Initiatives like 'Dekho Apna Desh' , 'Swadesh Darshan Scheme', 'Vibrant Villages Programme' to enhance tourist experience with

A pan India Direct Benefit Transfer to provide stipend support to 47 lakh youths in 3 year.

At least 50 destinations to be developed as a complete package keeping domestic as well as foreign tourists in focus

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Source: Union Budget 2023

PRIORITY 7 – Financial Sector

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- Central Processing Centre to enable faster response to companies through centralized handling
- Revamped MSME credit guarantee scheme, infused with ₹9,000 crore, to enable additional collateral-free guaranteed credit of ₹2 lakh crore
- Integrated IT portal to enable easier reclaiming of unclaimed shares and unpaid dividends
- National Financial Information Registry to serve as a central repository of financial and ancillary information
- Maximum deposit limit for Senior Citizen Savings Scheme increased to ₹30 lakh
- Data Embassies in GIFT IFSC to help countries looking for digital continuity solutions
- Maximum deposit limit for cc Account Scheme increased to ₹9 lakh for single account, ₹15 lakh for joint account
- Amendments proposed in Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act to enhance investors' protection
- States have to spend entire fifty-year loan on capital expenditure within 2023-24

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Source: Union Budget 2023

Investment, Reinvestment & Insurance

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Investment

Enhanced deposit Limit for Senior Citizen

- The maximum deposit limit for Senior Citizen Savings Scheme(SCSS) will be enhanced from ₹15 lakh to ₹30 lakh
- The maximum deposit limit for Monthly Income Account Scheme(MIS) will be enhanced from ₹4.5 lakh to ₹9 lakh for single account and from ₹9 lakh to ₹15 lakh for joint account

Taxation on income from **Market Linked Debentures (MLD):**

- Capital gains arising from the transfer or redemption or maturity of these securities will be treated as short-term capital gains at the applicable rates

Reinvestment of Capital Gains

Cap deduction under section 54 and 54F

- Deduction from capital gains on investment in residential house under sections 54 and 54F is capped to ₹10 crore

Insurance

Limit tax exemption from proceeds of high value insurance policies

- Maturity proceeds of all life insurance policies (other than ULIPs) that are issued after April 1, 2023, and have an annual premium of more than ₹5 Lakh will now be taxable

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Source: Union Budget 2023

Changes in New Tax Regime

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Income Tax Slabs	New Tax Rate
0 - 3 lakhs	Nil
3-6 lakhs	5%
6-9 lakhs	10%
9-12 lakhs	15%
12-15 lakhs	20%
Above 15 lakhs	30%

Standard Deduction introduced for salaried individuals.

Income of Upto ₹7 lakh will not have to pay any tax. **Rebate limit** raised from ₹5 lakh to ₹7 lakh in the new regime.

The new tax regime will now be the **default tax regime**, but citizens can still **avail of benefits** under **old tax regime** on opt-out basis.

Surcharge for higher tax slab reduced to **25%** from **37%**, this would result in the reduction of the maximum tax rate from **42.7%** to **39%.**

Savings of 25% for an individual with an annual income of ₹9 lakh.

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Source: Union Budget 2023

Indirect Taxes

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Initiatives to promote exports, boost domestic manufacturing, enhance domestic value addition, encourage green energy and mobility.

National Calamity Contingent Duty (NCCD) on specified cigarettes hiked by 16%

Excise duty on GST-paid compressed bio gas, thereby on blended CNG exempted.

Relief on custom duty of certain parts and raw materials required for manufacture of electric vehicles, TV panels, camera lens, epicholorhydrin, shrimp feed, CRGO Steel, ferrous scrapCustoms duty exemption extended to import of capital goods and machinery required for manufacture of lithium-ion cells

The basic customs duty rate increased on natural rubber other than latex, electric kitchen chimneys.

Import duty on silver dore, bars and articles to be increased.

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Source: Union Budget 2023

How will it impact your buying?

COSTLIER	CHEAPER
Silver	Fish Food
Imitation Jewellery	Kitchen Chimney
Electric Vehicles	TV Panels
Imported bicycles and toys	Mobile Phones
Electric Kitchen Chimney	Lab-grown diamond
Cigarettes	

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Source: Union Budget 2023

Fiscal Deficit Target

India Sets Fiscal Deficit Target At **5.9%** **Of GDP For FY24**

Gross market borrowing at **₹15.43 lakh crore in FY24**

Net market borrowing in **FY24 at ₹11.8 lakh crore**

Target fiscal deficit of below **4.5% by 2025-26**

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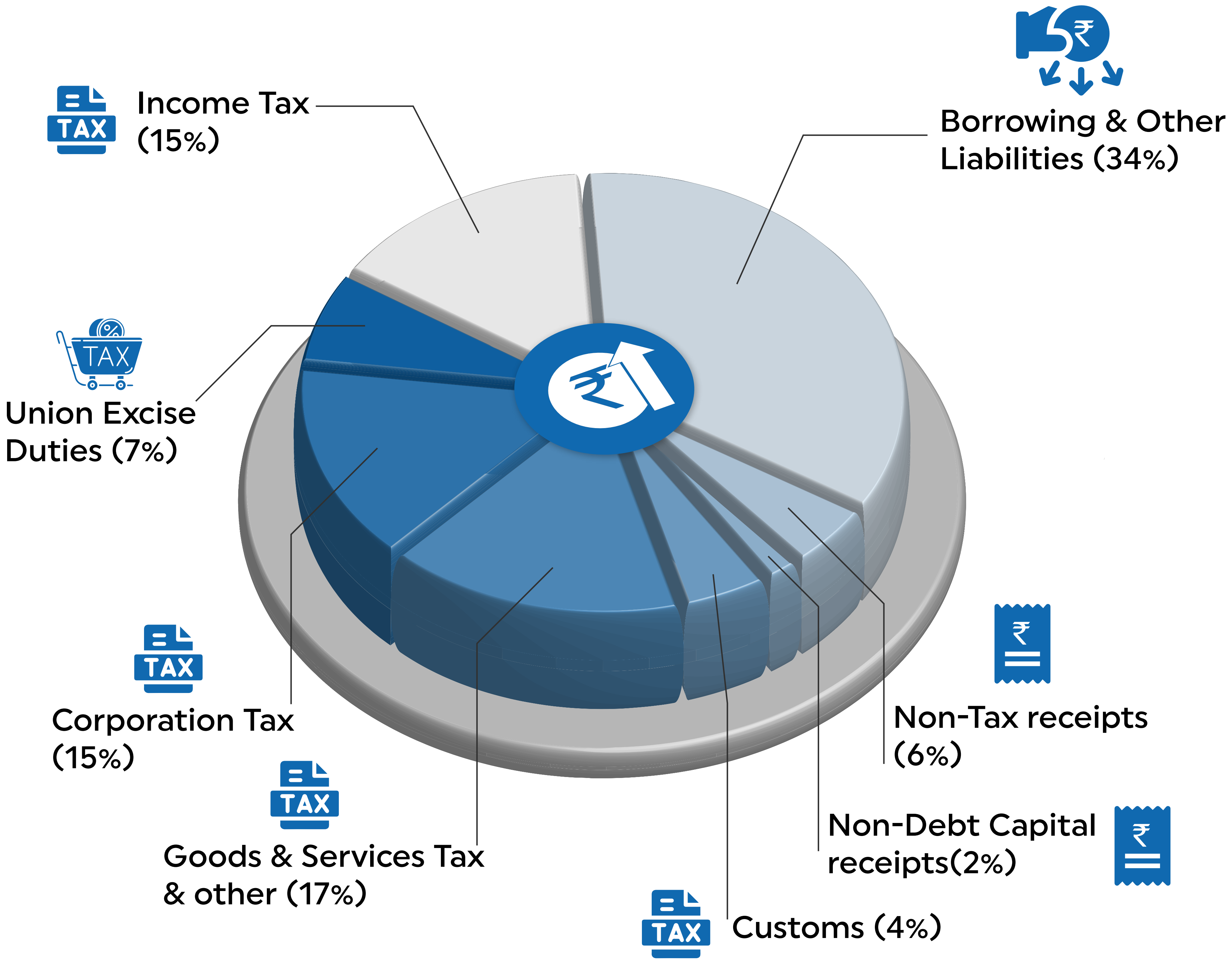
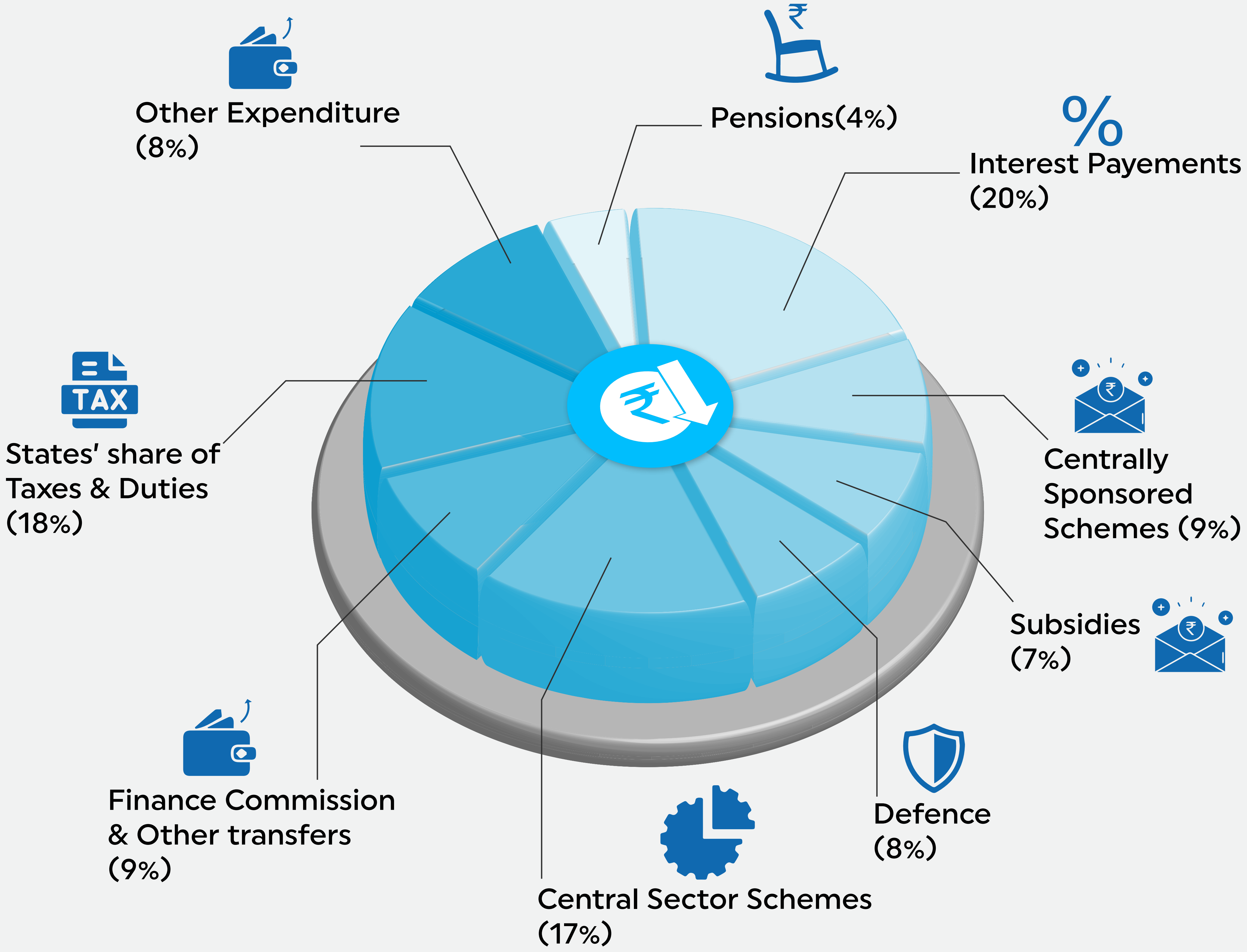
Source: Union Budget 2023

What Goes in What Goes Out

Rupee Comes From



Rupee Goes To



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House view on Union Budget 2023

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The Union Budget 2023 can be called a **forward looking, enabler, supportive and realistic budget.**

The Finance Minister has ensured long term propeller to economy in form of **increased capex outlay, inclusiveness of all stakeholders contributing to GDP, and incentivizing consumption.**

While committing to strengthening the economy, the Finance Minister did not expand the fiscal deficit, thereby **keeping macro-economic stability intact.**

The **market borrowings are largely in line with market expectations and will not have any negative impact on yields** and / or will not crowd-out private sector.

The **growth expectation in revenues** (both tax – direct & indirect, and non-tax) at 11%-12% is **very realistic and looks achievable.**

The **reduction in personal tax slabs and rates would be good for savers and boost consumption/expenditure**, thereby positively impacting the economy.

Overall the **budget can be referred to as close to dream budget**, supporting all sections of society, government spearheading long term growth engine, non-tinkering of capital gains structure, and rationalization of personal income tax space.

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Source: Union Budget 2023

Debt Markets View

TATA MUTUAL FUND

We expect yields to fall and hence likely to result in **positive impact on funds.**

With one of key risk (budget) behind us, our view of being bullish on rates is further strengthened.

RBI is now expected to focus on supporting GDP growth to 6.5 % in the next financial year as global economy is expected to be not supportive and hence is expected to move towards neutral stance in the coming MPC meeting

The limit on insurance premium might result in some lower flows in traditional insurance products, and hence the demand for long maturity g-sec (15 years and above) might get impacted. This could result in steepening of the curve.

We believe belly of the curve (5-10 year) should perform relatively better.

Duration funds, especially long duration funds like Gilt funds are likely to have most beneficial impact. Core debt funds like Corporate Bond Fund, Banking and PSU debt funds and short term debt funds likely to have positive impact.

Our schemes are also positioned accordingly with aim to benefit from falling yields.

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Equity Markets View

Budget is pro-growth with focus both on investment (capital outlay increase) and consumption (direct tax cuts). This will be important driver of broad-based GDP growth in FY24E, critical to maintain the fiscal roadmap outlined by the government. Meanwhile, capital gains (on equity) remain unchanged which addresses one of the concerns pre-budget.

The Budget 2023 would have a positive impact on Cement, Roads, Railways, Housing and Capital Goods and Capital Equipment

With higher capital expenditure and next year GDP Target of 6.5%, government will be focusing on revival of the Investment Cycle

With schemes like PLI, Exports, Green Energy and China Plus one will continue to boost Investment Cycle

No increase in Capital Gain Tax and removal of tax benefit on insurance policies with aggregate premium above ₹5 Lakhs will be positive for mutual fund

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Source: Union Budget 2023

Sectoral Impact

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Industrials & Infrastructure
Government is focused on revival of capital investment cycle while being fiscally responsible and Increased outlay for capex, railway and housing sector is a positive for construction and cement companies

Social/Housing
Increase allocation towards the Pradhan Mantri Awas Yojana and reduction in food, fertilizer, NREGA subsidies, invested in social schemes for housing and water.

Banking
Investment in infra projects bring a positive for credit growth. Also taxation on Insurance policies above ₹5 Lakhs may boost deposit for Banking sector

Pharma/R&D
Promoting research in pharmaceuticals sector should promote long term growth of the sector in India

IT
Focus on long term digital adoption will benefit IT services companies, no near term trigger for the sector

Insurance
No tax exemption for insurance policies with proceeds higher than ₹5 lac and more benefit to New Tax regime will have impact on growth of Insurance policies

Green: Positive Impact
Red: Negative Impact
Blue: Neutral Impact

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Source: Union Budget 2023

Portfolio Action

Sector	Portfolio Positioning
Banking	Overweight
Industrials – Capital goods, Industrial Products, Cement	Overweight
Information Technology	Reducing Underweight
Consumption	Underweight
Pharmaceutical	Underweight

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To the best of our knowledge, the information contained herein is accurate and reliable as of the date of publication; however, we do not assume any liability whatsoever for the accuracy and completeness of the above information.

Thank You!