

Published Date:	2 Feb 2025	Publication:	The Economic Times [Mumbai]
Journalist:	Bureau	Page No:	6
Circulation:	273,421		

Money for Nothing, Cheers for Free

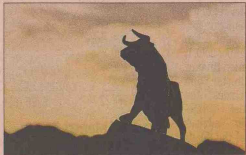
₹80,000-1,20,000 tax gains likely to boost consumption; realty, FMCG and consumer durables indices surge

The income tax cuts in the budget spurred a rally in shares of consumption companies Saturday as investors bet that individuals with money at their disposal would be encouraged to spend more on personal mobility choices and other consumer discretionary products.

Nifty's Realty index jumped 3.4%, while Fast Moving Consumer Goods (FMCG) and Consumer Durables indices were up about 3% each. The Nifty Auto index gained 1.9%. Benchmark Nifty ended 0.1% lower.

"India's taxpayers will now have about ₹80,000-1.2 lakh more in hand, annually, after the latest tax cuts and this would be significant for those earning up to ₹25 lakh," said Sonam Udasi, senior fund manager, Tata Asset Management Company. "We see this boosting consumption, and in our view, consumer discretionary stocks, consumer staples along with aspirational consumption will get support from this move."

The tax cuts could also boost savings that would be channelled into the capital markets, he said.



DMart jumped 8.7% and Zomato was up 6.7%. Maruti Suzuki, Tata Consumer, Bajaj Auto, Eicher Motors and ITC gained 3-5%.

"We believe that consumer discretionary in particular will benefit from the aspirational needs of the salaried class, hence segments such as auto, retailing, travel and tourism, hospitality and real estate could be the beneficiaries," said Ashish Gupta, chief investment officer at Axis Mutual Fund.

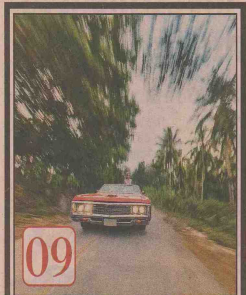
Gupta said that a pick-up in demand should also be a catalyst for improved capital spending by the private sector.

Udasi said that among realty, automobiles and other discretionary spaces, premiumisation as a trend might continue with disposable incomes going up, as aspirations of the middle class, even from tier 3 & 4 towns are growing.

Nifty's Consumer Durables and Realty indices were top gainers in 2024, up over 34% each. The Nifty Auto index had advanced 22% whereas the FMCG index had ended flat last year.

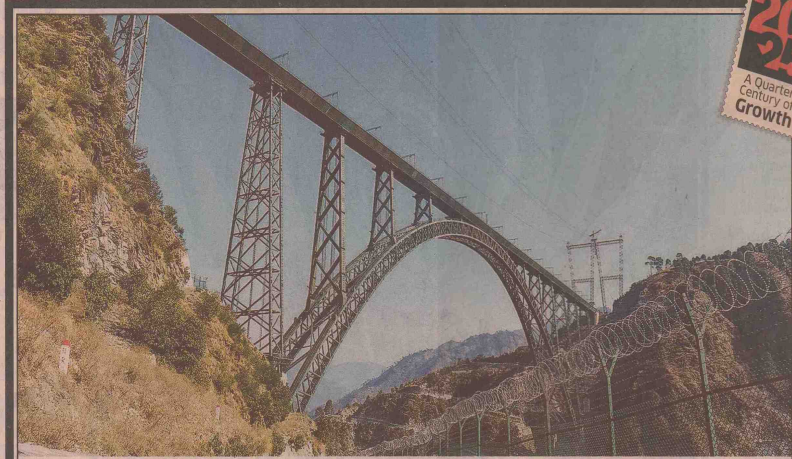
To be sure, some experts believe the tax cuts may not boost consumption.

"We don't see any material change for the consumer sector after the budget, as the numbers reported in the third quarter were still lower than expected," said Sahil Kapoor, head-products and market strategist, DSP Mutual Fund. "The entire ₹1 lakh crore might not go toward consumption, and we may see a benefit of about 25-30% of this amount, which is probably less than 0.5% of the GDP in its impact."



LOCAL TO GLOBAL

Indian businesses have spread their wings overseas, in pursuit of new markets, scale and global dreams.



ARC OF TRIUMPH

With 36 km of highways built per day at peak, India is rapidly connecting her farthest corners with efficient and high-speed road networks. The country has faster and cutting-edge trains running on ever-expanding railway lines, and long-time visitors are astonished by the transformation of India's airports and quality of civil aviation. The infra story finds resonance across the country.

BUDGET AT A GLANCE

CAPITAL GAINS

AIFs Get Clarity on Tax

The government has clarified that profits earned by 'Category 1' and 'Category 2' alternative investment funds (AIFs) from sale of securities will be treated as capital gains and not business income which is higher. So investors in AIFs will pay capital gains tax and not 30% income tax.

MF DIVIDEND

TDS Limit Doubled

Threshold limit of tax deducted at source (TDS) on dividend income from MFs has been doubled to ₹10,000. Now, there will be zero TDS on dividend income of up to ₹10,000.

UNLISTED STOCKS

Tax on FPIs' Long-term Gains

Foreign portfolio investors will have to pay long-term capital gains tax of 12.5% on the income they make from the sale of unlisted securities, aligning it to listed stocks. This was 10% for unlisted stocks till now.

P-NOTE GIFT

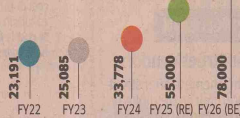
Boost for Funds in IFSC GIFT City

There will be no tax on P-notes (or ODI) issued by funds in IFSC GIFT City. PN investors of FPIs in Singapore pay no tax.

MARKET BONANZA

STT Mopup Surges

₹ crore

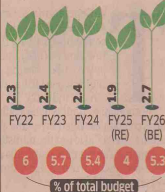


2025
A Quarter Century of Growth

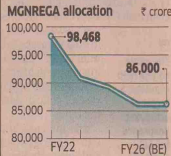
RURAL MURAL

BUDGET ALLOCATION FOR RURAL INDIA AND SCHEMES Rural Development

₹ lakh crore



Rural unemployment



Kisan Samman

Funds PM Kisan Samman Nidhi under which farmers get ₹6,000/yr



Farm inputs

Fertiliser and irrigation supply

	Fertiliser subsidy (₹ lakh cr)	% of GDP	PMKSY* (₹ cr)
FY22	1.54	1	11,278
FY23	2.51	1.6	5,637
FY24	1.88	0.6	6,088
FY25 (RE)	1.71	0.5	6,621
FY26 (BE)	1.67	0.5	8,260

*Pradhan Mantri Kisan Sanchal Yojana