



Budget 2012

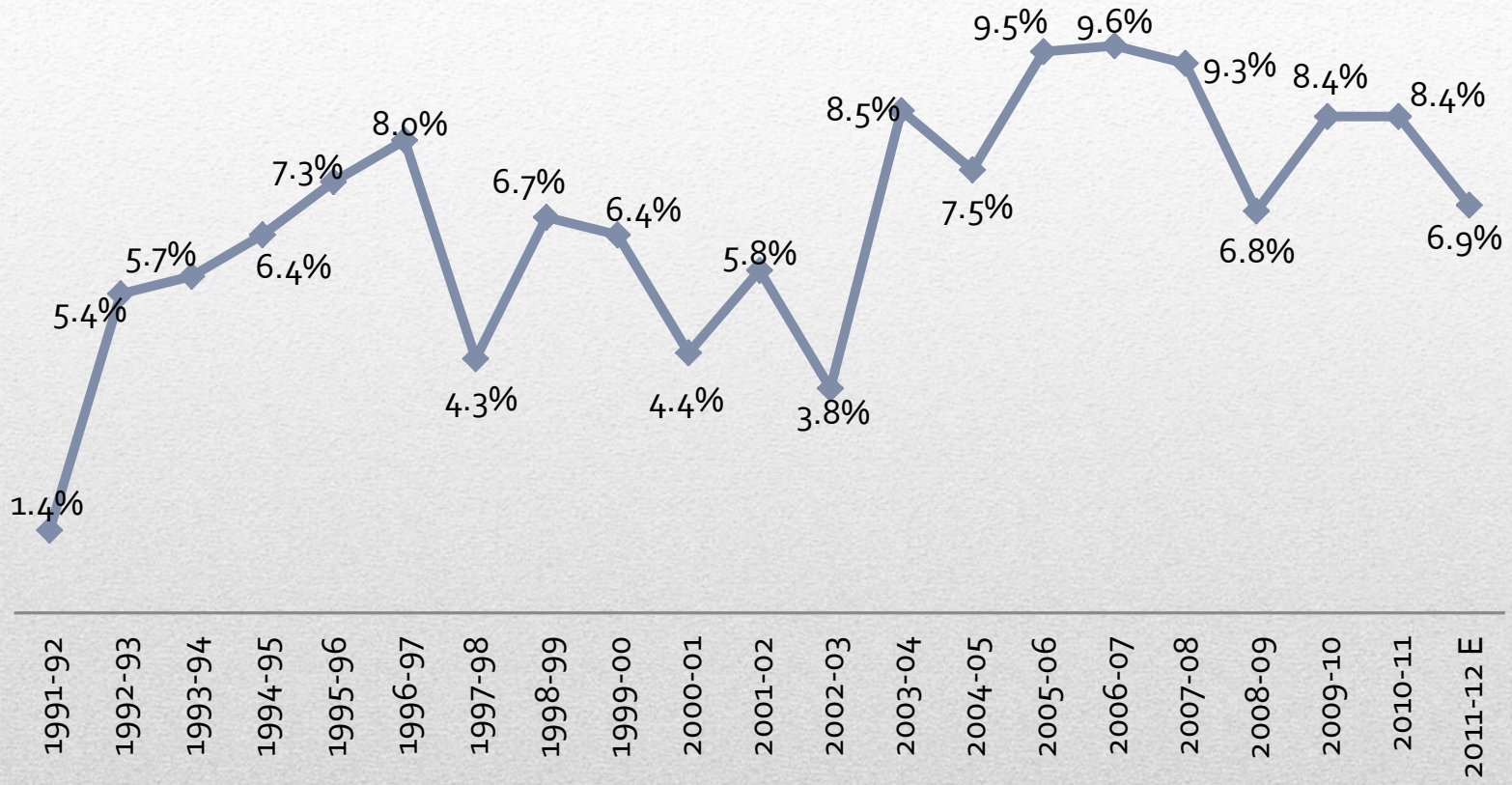
De-constructing the Blueprint



INTERESTING FACTS

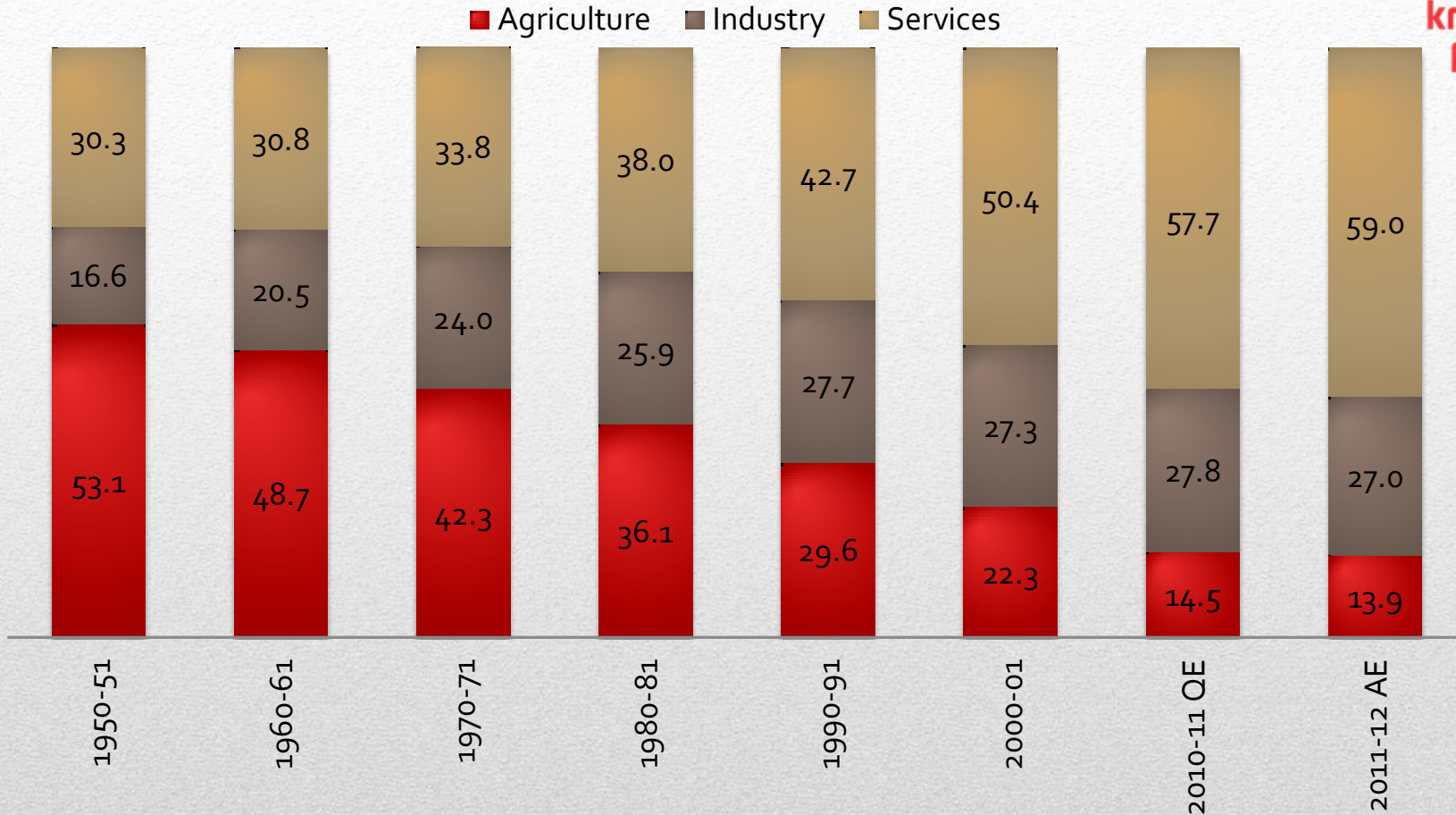
A look back...

percentage growth



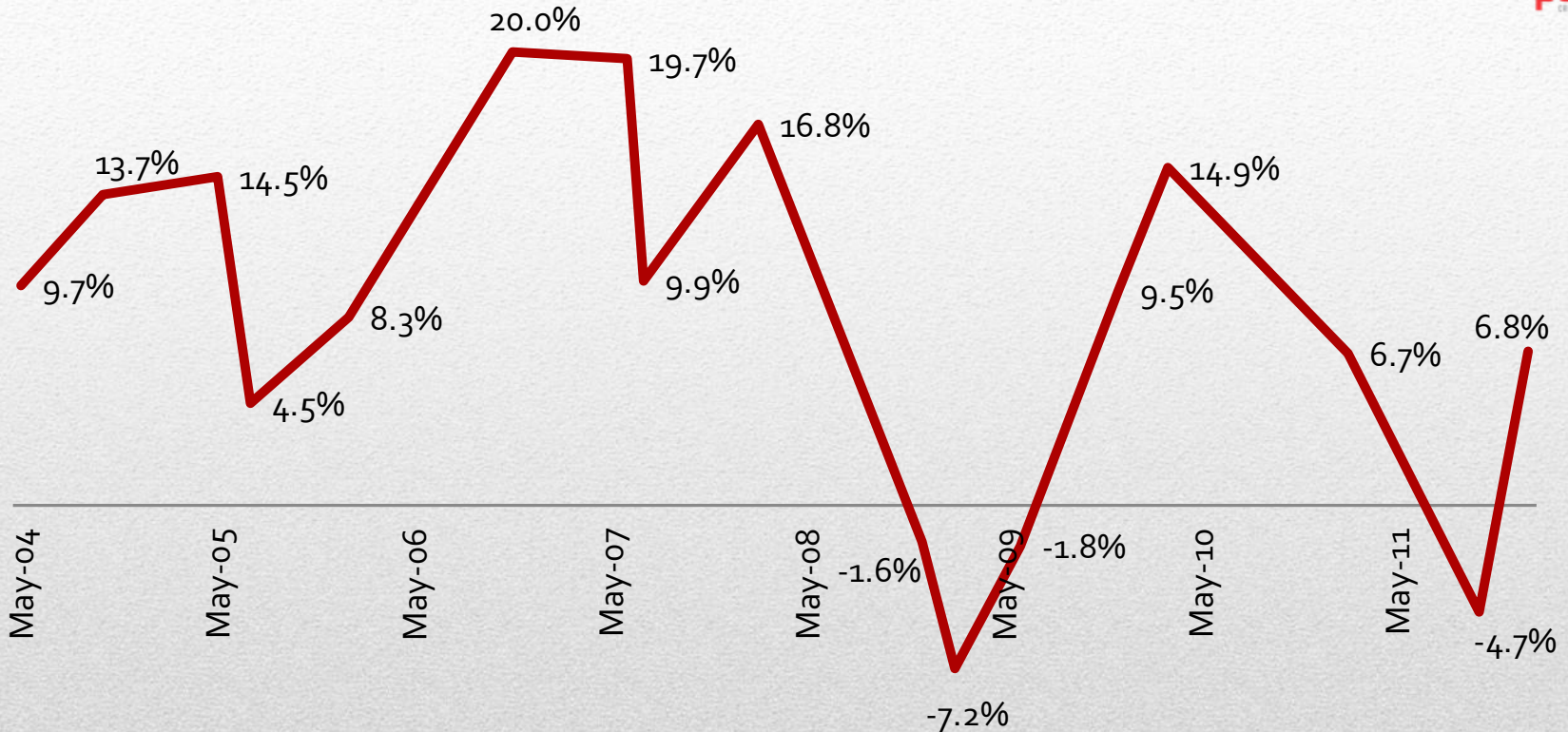
Source: HT

India's GDP



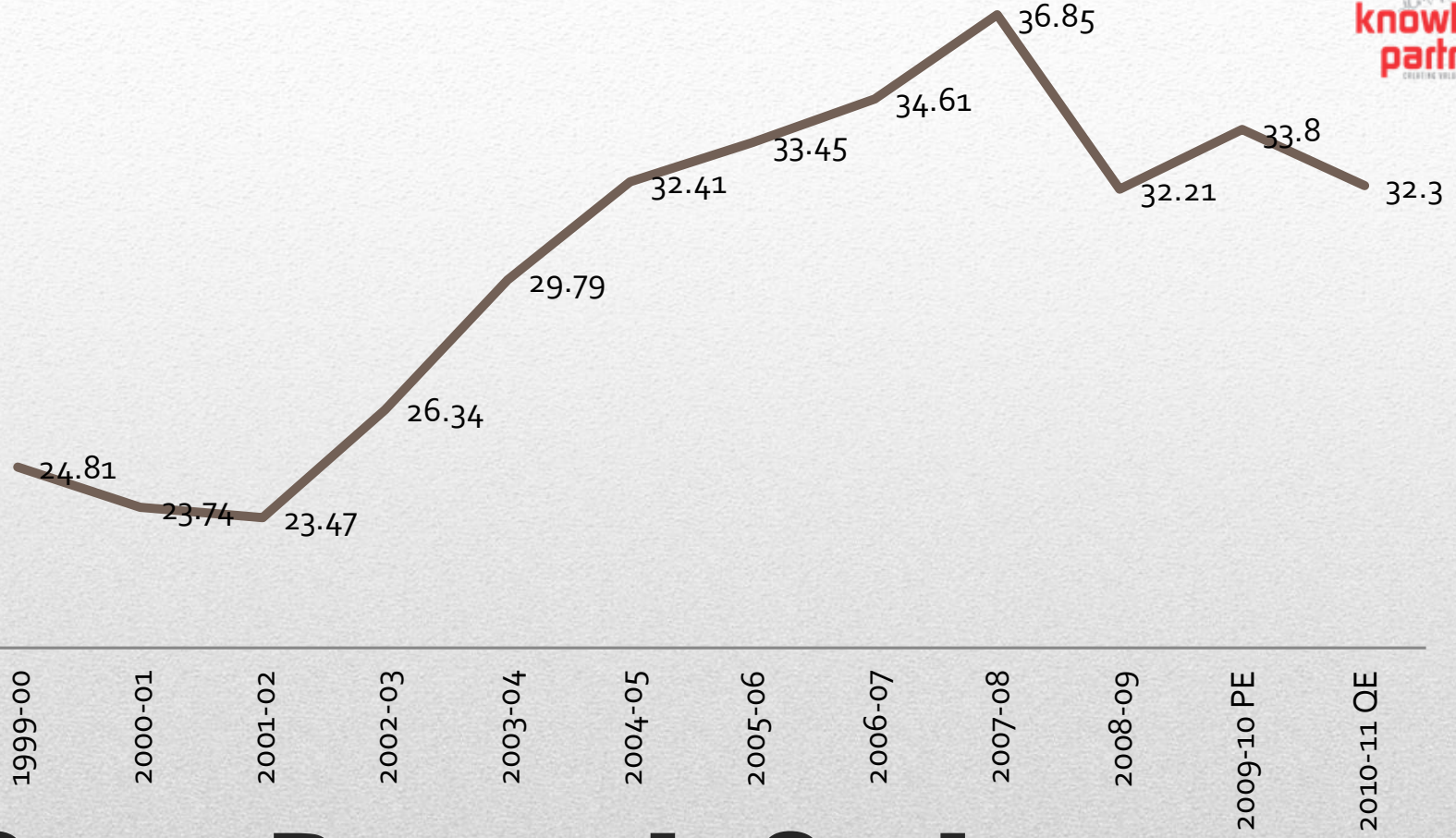
Source: Economic Survey 2012 / CSO

Sectoral composition of GDP



Source: HT

India's industrial production



Gross Domestic Savings as % of GDP at current market prices

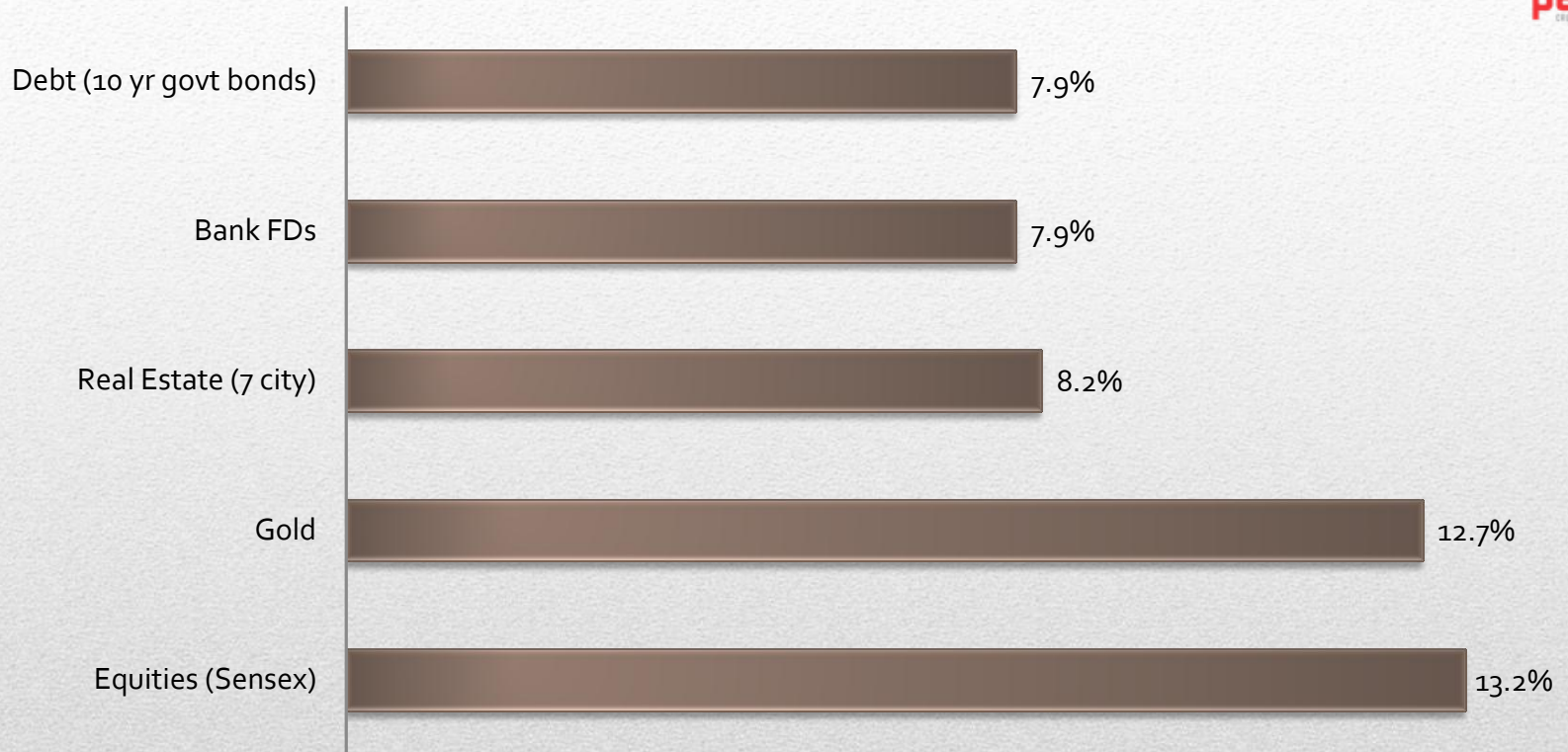
Source: Economic Survey

Year	Min. income for tax (₹)	Income at which highest tax rate starts (₹)	Highest tax rate incl. surcharge (%)
1990-91	22,000	1,00,000	56.0
1992-93	28,000	1,00,000	44.8
1997-98	40,000	1,20,000	30.0
2000-01	50,000	1,50,000	34.5
2001-02	50,000	1,50,000	30.6
2002-03	50,000	1,50,000	31.5
2003-04	50,000	1,50,000	33.0
2004-05	50,000	1,50,000	33.6
2007-08	1,10,000	2,50,000	33.9
2009-10	1,60,000	5,00,000	33.9
2010-11	1,60,000	5,00,000	30.9
2011-12	1,80,000	8,00,000	30.9
2012-13	2,00,000	10,00,000	30.9

Source: TOI

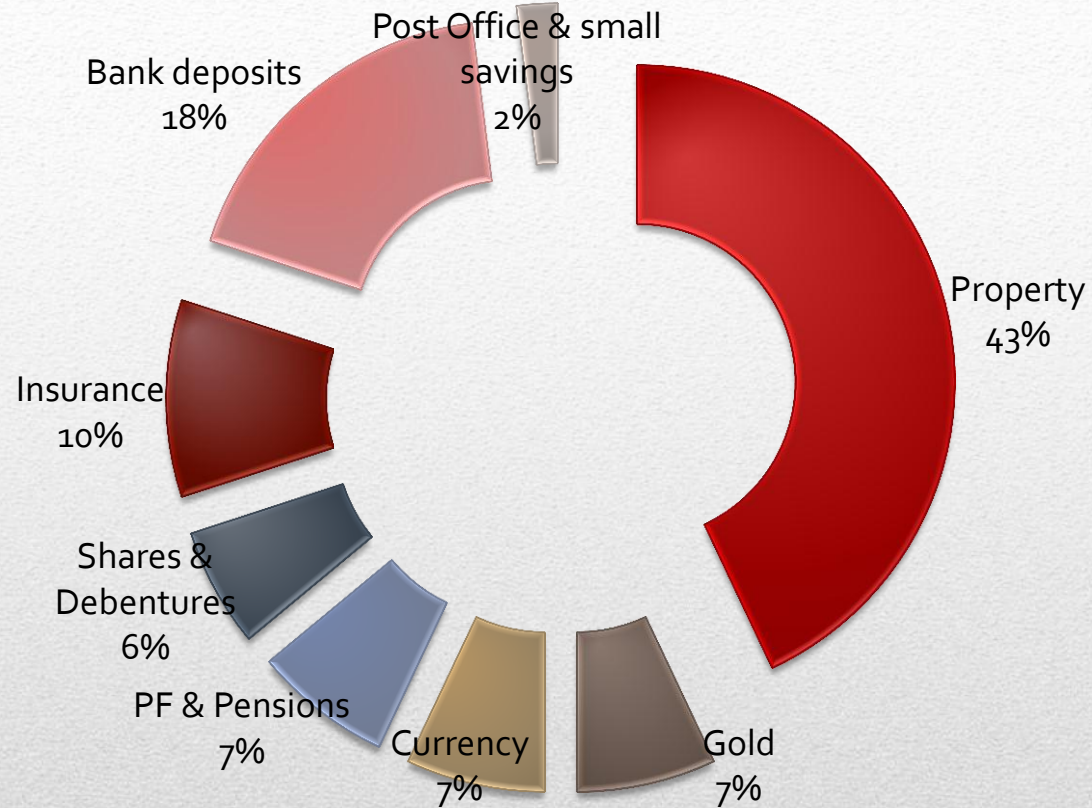
Changes in IT slabs and rates

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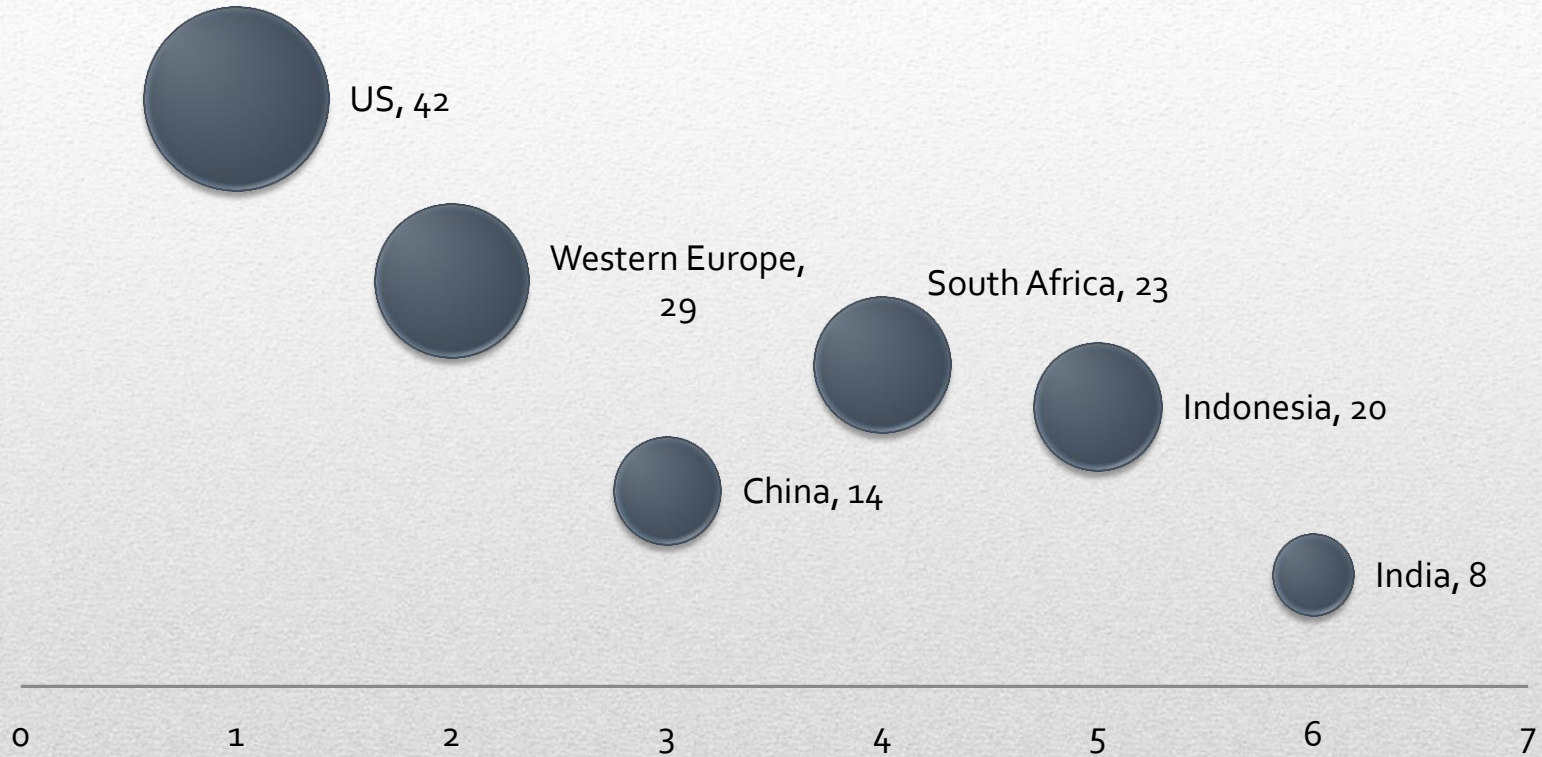
Source: ET / Morgan Stanley

15-year returns (CAGR)



Source: HT

Indian household savings



Source: ET / McKinsey for 2010. Includes MFs

Share of equities in household savings 10



THE FINE PRINT...

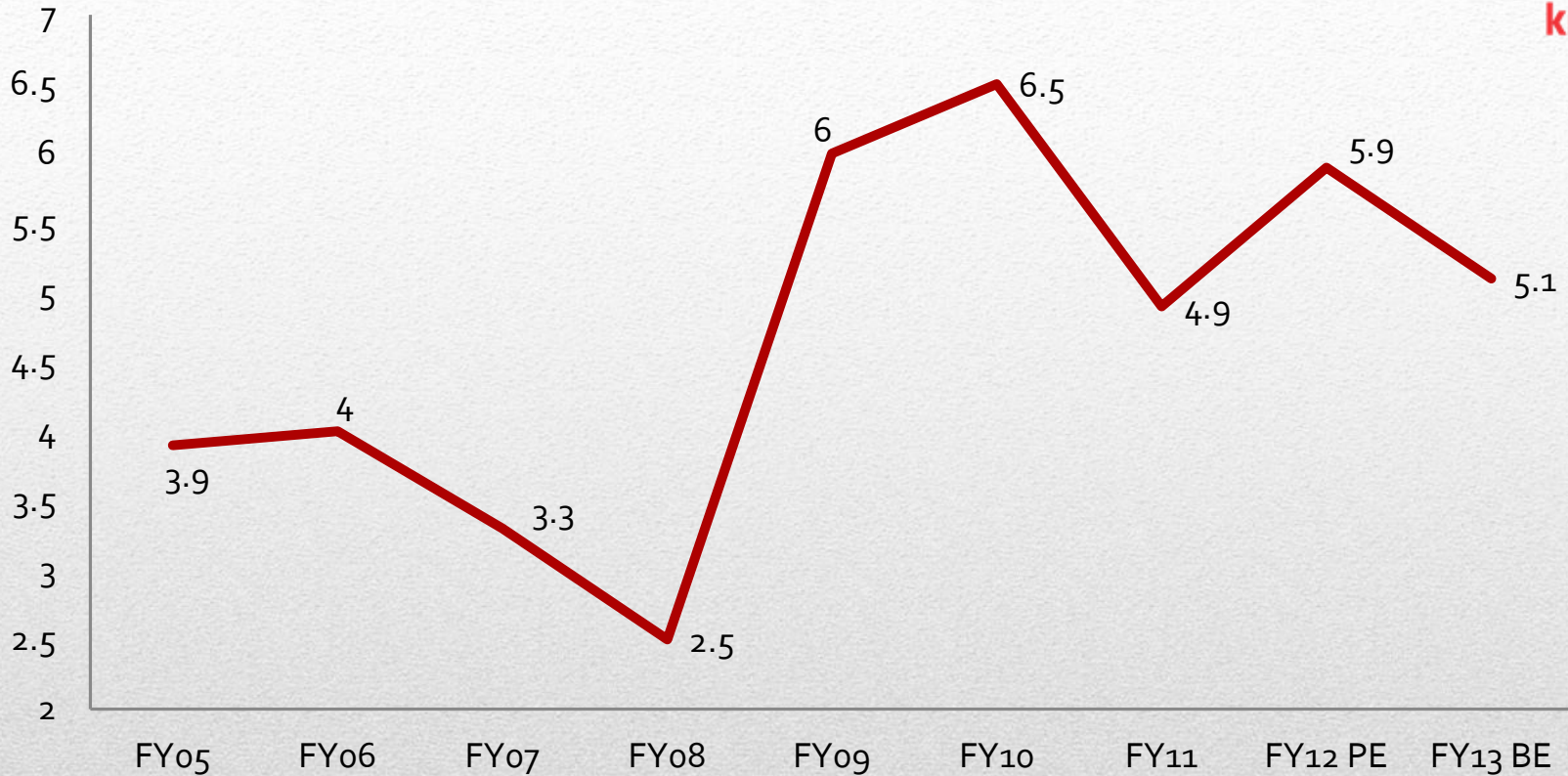
What's in it for us

Fiscal Deficit: *(as a per cent of GDP)*

Actual FY12	Budgeted FY12	Projected FY13
5.9%	4.6%	5.1%

- Projection for FY13 appears realistic
- Reduction is to be largely brought about by capping the outgo on subsidies to 2 per cent of GDP
- Largely depends on the ability of the Govt. to reduce the subsidy burden on oil companies by raising prices petroleum and gas products

Fiscal deficit



Source: Economic Survey 2011-12

Fiscal Deficit over the years

- Minor change in basic exemption slab for men and women both are at par at ₹ 2,00,000
- No change in basic exemption slabs for senior citizens
- Higher exemption limit raised
- Implementation of Direct Tax Code (DTC) likely from April 1, 2013
- Senior citizens who do not have business income - exempt from paying Advance tax
- Save a maximum of ₹ 22,660 for individuals
- Senior citizens can avoid the hassle of depositing Advance tax

Direct taxes

 MEN				 SENIORS (60-80)			
RATE	NOW	POST BUDGET		RATE	NOW	POST BUDGET	
Nil	1.8 lakh	2.0 lakh		Nil	2.5 lakh	2.5 lakh	
10%	1.8 lakh - 5 lakh	2.0 lakh - 5 lakh		10%	1.8 lakh - 5 lakh	1.8 lakh - 5 lakh	
20%	5 lakh - 8 lakh	5 lakh - 10 lakh		20%	5 lakh - 8 lakh	5 lakh - 10 lakh	
30%	Above 8 lakh	Above 10 lakh		30%	Above 8 lakh	Above 10 lakh	

 WOMEN				 VERY SENIORS (80 +)			
RATE	NOW	POST BUDGET		RATE	NOW	POST BUDGET	
Nil	1.9 lakh	2.0 lakh		Nil	2.5 lakh	2.5 lakh	
10%	1.6 lakh - 5 lakh	2.0 lakh - 5 lakh		10%	1.8 lakh - 5 lakh	1.8 lakh - 5 lakh	
20%	5 lakh - 8 lakh	5 lakh - 10 lakh		20%	5 lakh - 8 lakh	5 lakh - 10 lakh	
30%	Above 8 lakh	Above 10 lakh		30%	Above 8 lakh	Above 10 lakh	

NEW TAX RATES

Change in slabs

Budget **SNAPSHOT**

FM's Give and Take

Maximum income-tax savings of ₹22,660 will be lost to price increases

	Old spend* (₹)	Now (₹)
Service tax up from 10% to 12%		
Housing and utilities	22,000	22,440
Eating out	10,000	10,200
Communication	3,000	3,060
Excise duty up from 10% to 12%		
Food, groceries	15,000	15,300
Transport	16,000	16,320
Unaffected		
Health	8,000	8,000
Clothing	6,000	6,000
Education	6,000	6,000
Savings	14,000	14,000
Total	1,00,000	1,01,320

Expenses up by **₹15,840** per year

* For a household earning ₹1 lakh a month, based on McKinsey, NCAER & Nielsen studies

Money in – money out

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- Interest from savings bank accounts
 - Deductible up to ₹ 10,000
- No mention of deduction u/s 80CCF – infrastructure bonds
- Cash donations in excess of ₹ 10,000
 - No deduction u/s 80G or 80 GGA
- Collection of tax at source
 - Gold is purchased in cash for a value above ₹ 2 lakh
- Move may discourage hoarding in gold
- Seller of bullion or jewellery will collect tax from the buyer
- Tax has to be paid even if the seller is not a trader or a jeweller

Direct taxes

- Taxpayers must declare overseas assets and bank accounts
- Income-tax officers can reopen their books for the past 16 years
- The first development could pave the way for an amnesty scheme
- While the second will increase compliance burden on taxpayers but check tax evasion.

Direct taxes

- Unexplained credit, investments, money and expenditure
 - Taxed @ 30%, irrespective of the applicable slab rate
- Residents have to compulsorily file returns in India
 - They have any asset (including financial interest in any entity) outside India
 - They are the signing authority in any account outside India
 - Applicable retrospectively from FY12, i.e. current year

Direct taxes

- Threshold limit for getting accounts audited raised
 - To ₹ 1 crore from ₹ 60 lakh for businessmen
 - To ₹ 25 lakh from ₹ 15 lakh for professionals
- Threshold limit of total turnover or gross receipts to be covered under presumptive tax
 - Raised to ₹ 1 crore from ₹ 60 lakh

Direct taxes — Entrepreneur or self employed

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- Standard excise duty hiked from 10% to 12%
- Service tax hiked from 10% to 12%
- Goods & Services Tax to be probably implemented from Aug 1, 2012
- All services to attract service tax except those in the negative list
- Central Excise and Service Tax being harmonized

Indirect taxes

- A central “Know Your Customer” depository to be developed
- Securities Transactions Tax (STT) reduced by 20% on delivery-based transactions
 - From 0.125 per cent to 0.1 per cent
- Put in place a central Know Your Customer (KYC) depository, popularly called the KYC Registration Agency (KRA),
- Eliminate duplication of efforts on the part of investors and companies
- Valid for all investments and relationships - banks, stocks, mutual funds, insurance and pension products , etc.
- Will bring down the cost of equity transactions

Equity markets

- Govt. plans to raise ₹ 60,000 crore in FY13 via tax-free bonds (*as compared to ₹30,000 crore in FY12*)
 - NHAI, IRFC, IIFCL @ ₹ 10,000 crore each
 - HUDCO, NHB, SIDBI @ ₹ 5,000 crore each
 - Power sector @ ₹ 10,000 crore
 - Ports @ ₹ 5,000 crore
- Retail investors can invest up to ₹ 5 lakh

Debt markets

- For 'first time' retail investors on investing in equities
- Annual income below ₹ 10 lakh
- Can buy stocks up to ₹ 50,000
- 3-year lock-in
- Income tax deduction of 50% on short-term capital gains

- Once in a lifetime investment scheme
- Investor will end up paying just tax @ 7.5%
- People who are already invested in the stock market cannot avail of this benefit
- Another reason for this scheme could be to bring the taxation in line with the DTC
 - If equity shares or units of equity-oriented funds are held for less than 12 months, deduction of 50 per cent of Gains will be allowed

Rajiv Gandhi Equity Saving Scheme

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About 1.5 crore PAN card holders with income between ₹2-10 lakh who do not have a demat account

Retail participation in equity market

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- Service tax raised to 12%, but policies sold in the rural sector will be exempted from service tax
- 'Premium:sum-assured' ratio raised to 10 times from the existing 5 times
- Life insurance will become costlier
- Prior to today, it was necessary that in order to derive the relevant tax benefits on a life insurance policy (u/s 80C and u/s10) the annual premium payable could not exceed 20% of the actual capital sum assured. This threshold has been reduced to 10% for policies issued on or after April 1, 2012
 - For example, if the sum assured is ₹ 10 lakh, the premium paid should not exceed ₹ 1 lakh in order to get a deduction u/s 80C

Life insurance

- Deduction of up to ₹5,000 for preventive health check-up
- Eligible age to be considered as a senior citizen u/s 80DD and 80DDB - 60 (and not 65, as earlier)
- The overall limit u/s 80D has not changed. Hence, it is important to note that the tax benefit of ₹ 5,000 provided for preventive health check-ups is within this current limit and not over and above it.

Health insurance

- Interest subvention of 1 per cent on housing loans up to ₹ 15 lakh
 - extended for one more year
 - where house cost does not exceed ₹ 25 lakh
- Exemption from Capital Gains tax on sale of residential property, if sale consideration is used in a manufacturing or SME for:
 - subscription of equity
 - purchase of new plant and machinery

Property

- 1% TDS on any deal of property other than agriculture land
- Tax is mandated to be paid if the property consideration is over
 - ₹ 50 lakh in specified urban areas
 - ₹ 20 lakh in any other area
 - Transaction will be registered only after the buyer provides proof of deduction and payment of TDS
 - Effective from October 1, 2012
- So, for a Rs 1-crore transaction, the seller will receive Rs 99 lakh while Rs 1 lakh tax will be deposited by the buyer.
- No provision for refund if the property deal does not go through

Property



Luxury cars & SUVs
Gold & Platinum
Eating out in restaurants
ACs and refrigerators
Air travel, AC travel in train
Property, mobile bills
Soaps, cosmetics, homecare items



Imported LCD & LED TV panels (around 20')
LED lamps
Branded silver jewellery
Branded garments
Imported medical equipment
Mobile phone parts
Soya protein & food products
Probiotics

Dearer - Cheaper

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Source	Amount
Freeing up diesel prices	?
Axing kerosene and LPG subsidies	?
Axing fertiliser subsidies	?
Excise duty	₹ 27,280 crore
Service tax	₹ 18,650 crore
Spectrum auctions	₹ 60,000 crore
Disinvestment in state-owned companies	₹ 30,000 crore

The ability of the Govt. to push through these revenue generating sources is **CRITICAL** for the financial health of the country

Expected revenue



DISCLAIMER

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