

# Budget 2019: Here are the financial services industry bigwigs' expectations

**The budget could further the agenda of building a new India and is expected to open the doors of opportunities to investors in financial markets across asset classes.**

[Union Budget](#) 2019 is expected to set the tone for the Narendra Modi government 2.0 on July 5. Market participants will listen keenly to the announcements of the Finance Minister Nirmala Sitharaman as she presents the [Union Budget](#) for 2019. The interim budget presented on February 1 by the then Finance Minister Piyush Goyal hinted at continuation of the reforms agenda. The re-election of National Democratic Alliance in the Lok Sabha election with clear majority gives a clear path to the Narendra Modi-led government to act on the opportunity by accelerating the reforms process.

The budget should further the agenda of building a new India and is expected to open the doors of opportunity to investors in financial markets across asset classes. There is a wide belief that government must take some firm action to accelerate the economic growth and the fruits of economic development should be enjoyed by all strata of the society. No wonder, many are waiting for the [Union Budget](#) to see if their wishes would be fulfilled. Here are some of the wish lists from [Union Budget2019](#).

**Neil Parag Parikh**, Chairman and CEO, **PPFAS Mutual Fund**.

Though the upcoming [Union Budget](#) may seem like a needless diversion from the ongoing Cricket World Cup for some, to many others it is still an event to be tracked closely and debated vigorously.

The current one, to be announced by a new Finance Minister holds out the hope that the dovish stance on monetary policy will be supplemented by a fiscal tailwind. The recent admittance of an economic slowdown and lack of job creation, in certain quarters have further bolstered this hope.

But are such expectations realistic? To me, it appears to be a stretch.

For one, large-scale deviations from the Budget announced last February are unlikely, given that we are midway through the year. Second, given that the new Finance Minister is still learning the ropes, she may prefer to open her innings with a staid Budget.

Given the current milieu, I expect that there may just be some tinkering around the edges. These could manifest as:

- Some reclassification/re-ordering of GST categories for consumer-facing industries, which are facing softening demand (Such as automobiles and some FMCG firms).

The aim would be spurring demand on the back of price-cuts. The recent tirade against anti-profiteering could be viewed as a nudge to manufacturers that they must pass on all ensuing benefits.

- A small increase in the income tax-exemption limit or minor changes in the slabs.

- Measures to encourage spending on infrastructure (more than measures, we need better accountability regarding timely project completion).

- Measures to provide some respite to the rural sector (Perhaps on the agricultural front or by announcing easier credit terms)

- On the whole, tepid tax collection figures in the recent fiscal year will reduce the latitude for large-scale tax cuts.

Also, given that this Budget immediately follows the Elections, there may not be any political angle to it. Consequently, I feel the announcements may be more tactical, aiming to cause as little disruption as is feasible.

In a nutshell, my expectations are decidedly more conservative than those of many others. However, I would not mind being proven pleasantly wrong on Budget Day.

## Union Budget 2019 - Expectations



- **Small increase in the income tax exemption limit**
- **Measures to provide some respite to the rural sector**

*Neil Parag Parikh, Chairman and CEO, PPFAS Mutual Fund*



- **Pension policy of life insurers should get the same tax treatment as NPS**
- **Lower rate of GST for pure risk policies, at 12 per cent**

*G. Murlidhar, Managing Director, Kotak Mahindra Life Insurance Company*



- **Section 80 D of IT Act deduction should be enhanced to Rs.75,000 and on actuals for senior citizens**
- **Single rate of GST for all insurance policies at 12 per cent**

*Warenda Sinha, MD & CEO, IFFCO-Tokio General Insurance Company*



- **Some rationalisation of direct taxes for individuals**
- **Surprise in the form of exemption on LTCG on equities**

*Prateek Pant, Co-Founder & Head of Products & Solutions, Sanctum Wealth Management*



- **Enhancement or inflation indexation in tax slabs**
- **Higher tax savings opportunities for retirement**

*Vishal Dhawan, Certified Financial Planner & Founder of Plan Ahead Wealth Advisors*

**Murlidhar**, Managing Director, **Kotak Mahindra Life Insurance Company**

This budget exercise is going to be a challenging one for the government due to macro issues that need to be addressed—a slowing economy, NBFC crisis, rising unemployment and a tough global environment. The budget also needs to encourage household savings, which is a much-needed source of long-term investments required for infrastructure, among other imperatives.

Life insurance is the second most preferred mode of savings for households, next only to bank deposits. The needs of the customer should be addressed, for example pension policy of life insurers should get the same tax treatment as NPS (additional deduction of Rs.50,000), a separate deduction limit for life insurance premiums over and above 80C limits, lower rate of GST for pure risk policies at 12 per cent, and relaxed investment restrictions for life insurers to facilitate better fund performance.

**Warendra Sinha**, MD & CEO, **IFFCO-Tokio General Insurance Company**

Floods and natural calamities have caused major damages to lives and property, including homes. Considering that individuals put a large chunk of their savings to build a home, it is a pity that it gets wiped out when a natural calamity strikes. We feel that there should be a separate section for an income tax deduction on home insurance premium similar to Section 80 D for health insurance. This can be an incentive to protect their homes from financial losses due to such natural calamities.

Since health inflation has been rising every year, healthcare costs have drastically increased over the years. We feel that the current limit of Rs.25,000 in Section 80 D of IT Act should be enhanced to Rs.75,000 and on actuals for senior citizens.

The existing GST rate on insurance policies is at 18 per cent, while it is 12 per cent for TP(third party) premium. This anomaly can be removed by having a single rate for all insurance policies.

This can be a recommendation by the Finance Minister to be taken up in the forthcoming GST Council meeting.

**Prateek Pant**, Co-Founder & Head of Products & Solutions, **Sanctum Wealth Management**

The upcoming budget needs to address challenges around a slowing economy, continued infrastructure spending, but still manage the fiscal mathematics. The gross tax revenue target already looks optimistic, with significant deficit in actual GST collections. Consequently, the budget looks fiscally constrained amidst the prevailing weak economic activity.

We expect the government to stick with measures announced in the February'19 budget to spur rural spending and address distress in the rural economy. There could be some rationalisation of direct taxes for individuals to address the demands of the salaried middle class. However, small savings rates might be further cut to reduce government capital expenditure. Additionally, government would be heavily banking on surplus transfer of reserves from the RBI(reserve bank of India) to spur capital expenditure and recapitalisation of public sector banks without impacting fiscal deficit targets. The capital markets could be pleasantly surprised if LTCG(long-term capital gains) is exempted on Equities.

**Vishal Dhawan**, certified financial planner & founder of **Plan Ahead Wealth Advisors**, a SEBI registered investment advisory firm.

With a significant weakness in GDP growth domestically, both on the consumption and investment sides, and a global slowdown also looming, which is impacting exports, the [Union Budget](#) will need to do a balancing act between initiatives to revive the consumption part of the economy in the short term, as well as create a conducive environment for long-term growth.

In light of the US China trade wars, one would like to see a significant tax reduction for corporates that make India competitive vis-a-vis other Asian economies that are likely to benefit from some of the capacity shifts away from China. This could also help in employment creation opportunities that are likely to help get over the demographics of a young population, which currently does not have enough jobs. This would need to be accompanied by meaningful labour reforms so that both hiring and reduction of the workforce can be done more efficiently. In

addition, tax compliance with multiple changes need to be made much simpler, so that MSMEs and SMEs can spend more time on growing their businesses, rather than tax compliance due to complexity.

It would also be critical to see steps taken to boost consumption and savings, through a combination of an enhancement/inflation indexation in tax slabs, to more targeted and higher tax savings opportunities for retirement, which can help raise long-term capital. This would put more money in the hands of consumers to spend on the one side, and the personal savings rates that have come down significantly once again could also start moving up, on the other. The fiscal mathematics will be critical to manage in this exercise so that the deficits do not cause any country rating changes or crowding out of private sector borrowing as a result, as access to cheaper capital continues to be critical for Indian businesses.