1. BUDGET HIGHLIGHTS

2. SECTORAL IMPACT

3. AXIS MF QUOTE
The Union Budget 2021 highlights the government’s focus on six pillars -- health & well-being, physical & financial capital & infrastructure, inclusive development for aspirational India, reinvigorating human capital, innovation & R&D, and minimum government & maximum governance. The government claimed it is fully prepared for economic reset.

- Total expenditure of Rs 2.2 lakh crore on healthcare sector was announced.
- The budget included development of seven ‘Textile Parks’ in the next three years. After commissioning, Railways will monetize dedicated freight corridor assets for operations and maintenance.
- Plan to boost road infrastructure: Finance Minister proposed a sharp increase in capital expenditure at Rs 5.54 lakh crore, from Rs 4.39 lakh crore in 2021. Economic corridors will be planned for road infrastructure.
- Over the next 5 years, the government aims to spend Rs 1.97 lakh crore on various PLI schemes. This expenditure will start from this fiscal and is in addition to the Rs 40,951 crore announced for the PLI for electronic manufacturing schemes.
- A Rs 1.10 lakh crore outlay has also been proposed for railways, of which Rs 1.7 lakh crore is for capital expenditure. The central government will also be providing Rs 18,000 crore for public buses.
- For the power sector, Rs 3.05 lakh crore outlay has been allocated and another 100 cities will be a part of gas distribution network in the next three years.
- The government also allocated Rs 1,000 crore to solar energy corporation and Rs 1,500 to renewable energy development agency.
- The budget proposed hike in FDIs in the insurance sector to 74% from 49%.
KEY PROPOSALS

• Infusion of Rs 20,000 crore for public sector banks has also been announced. Through an IPO, the government will be selling a part of its holding in Life Insurance Corporation of India.

• Proposal to increase agriculture credit target to Rs 16.5 lakh crore.

• Disinvestments receipts have been kept at Rs 1.75 lakh crore for the next fiscal year beginning April 1, 2021. The government proposes to divest two PSBs and one general insurance company.

• Focus on qualitatively strengthening more than 15,000 schools under National Education Policy.

• A special scheme announced for welfare of women and children in Assam and West Bengal along with Rs 1,000 crore allocation for West Bengal and Assam tea workers.

• Fiscal deficit estimated at 9.5% of GDP for the year 2020-21 and 6.8% of GDP for the year 2021-22.

• To conduct the first digital Census, Rs 3,768 crore has been allocated for FY21.

• The government will increase the maximum threshold paid-up capital of small companies from Rs 50 lakh to Rs 2 crore and increase the threshold of maximum turnover from Rs 2 crore to Rs 20 crore.

• The government imposes agri infra cess on petrol, diesel and other products.
The Finance minister surprised taxpayers by not announcing any change in income tax slab rates.

**Certain category of resident senior citizens of the age of 75 or more have been exempted from filing of return of income subject to fulfilment of below conditions:**

- He/ she has pension income and no other income.
- In addition to such pension income he/ she may have also have interest income from the same specified bank in which he/ she is receiving the pension.
- He/ she shall be required to furnish a declaration to the specified bank.

**Proceeds from specific high premium Unit Linked Insurance Policy (ULIPs) to be taxable as capital gains; death proceeds continue to be exempt:**

- Presently, any sum received (except on death of the person) under a life insurance policy, issued on or after 1 April 2012, is taxable if premium payable for any of the years during the policy term exceeds 10 percent of the actual capital sum assured.
- In addition to the percentage cap, it is now proposed that any sum received under any ULIPs, issued on or after 1 February 2021, shall be taxable if the amount of premium payable for any of the years during the policy term exceeds **INR 2,50,000**.
- It is further proposed that if the premium is payable by a taxpayer for more than one ULIPs, issued on or after 1 February 2021, exemption shall be available only with respect to those ULIPs where the aggregate amount of premium payable for any of the years during the policy term does not exceed **INR 250,000**.
- **Death proceeds** from aforesaid ULIPs to be exempt from tax.

- Such ULIPs, for which no exemption is available, is to be considered as a ‘capital asset’ and is also proposed to be included in the definition of “unit of an equity oriented fund”. Accordingly, redemption of such ULIPs is proposed to be taxed as capital gains and the manner of computation of such capital gains shall be prescribed.
BUDGET HIGHLIGHTS

TAX

Tax Treatment of employee’s contribution towards various Provident Fund Schemes

Interest accruing on employee’s contribution to specified provident fund schemes, on contributions in excess of INR 2,50,000 per annum made on or after 01 April 2021, will be taxable

Exemption from withholding tax (WHT) to business trusts in whose hands dividend is exempt

Any dividend paid to business trusts, being Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (InvIT), or persons notified shall not be subject to withholding tax with retrospective effect from 1 April 2020.

Relaxation of interest Levy on non-payment of advance tax instalments on dividend income

There shall be no levy of interest for shortfall arising in respect of advance tax instalments payable prior to distribution of dividend income, provided subsequent instalments of advance tax with respect to dividend income are fully paid. The same is effective from financial year 2021-22.

TAX STRUCTURE

<table>
<thead>
<tr>
<th>PERSONAL INCOME TAX</th>
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</thead>
<tbody>
<tr>
<td>UP TO Rs 2,50,000</td>
</tr>
<tr>
<td>Rs 2,50,001 TO RS.5,00,000</td>
</tr>
<tr>
<td>Rs 5,00,001 TO RS.10,00,000</td>
</tr>
<tr>
<td>ABOVE RS 10,00,000</td>
</tr>
</tbody>
</table>
### TAX STRUCTURE

#### RESIDENT INDIVIDUAL 60 YEARS OR MORE BUT LESS THAN 80 YEARS

<table>
<thead>
<tr>
<th>Total Income (Rs)</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs 3,00,000</td>
<td>NIL</td>
</tr>
<tr>
<td>Rs 3,00,001 to Rs 5,00,000</td>
<td>5 PERCENT</td>
</tr>
<tr>
<td>Rs 5,00,001 to Rs 10,00,000</td>
<td>20 PERCENT</td>
</tr>
<tr>
<td>Above Rs 10,00,000</td>
<td>30 PERCENT</td>
</tr>
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#### RESIDENT INDIVIDUAL 80 YEARS OR MORE

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<tr>
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<tr>
<td>Rs 5,00,001 to Rs 10,00,000</td>
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</tr>
<tr>
<td>Above Rs 10,00,000</td>
<td>30 PERCENT</td>
</tr>
</tbody>
</table>

#### NEW TAX REGIME (AS PER THE PROVISIONS OF SECTION 115BAC)

<table>
<thead>
<tr>
<th>Total Income (Rs)</th>
<th>Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 2,50,000</td>
<td>NIL</td>
</tr>
<tr>
<td>From 2,50,001 to 5,00,000</td>
<td>5 PERCENT</td>
</tr>
<tr>
<td>From 5,00,001 to 7,50,000</td>
<td>10 PERCENT</td>
</tr>
<tr>
<td>From 7,50,001 to 10,00,000</td>
<td>15 PERCENT</td>
</tr>
<tr>
<td>From 10,00,001 to 12,50,000</td>
<td>20 PERCENT</td>
</tr>
<tr>
<td>From 12,50,001 to 15,00,000</td>
<td>25 PERCENT</td>
</tr>
<tr>
<td>Above 15,00,000</td>
<td>30 PERCENT</td>
</tr>
</tbody>
</table>

Please note that the above-mentioned tax rates are excluding surcharge and cess as may be applicable.
NEW SECTOR SCHEMES

INFRASTRUCTURE

- With an aim to improve the funding for the country’s infrastructure sector, the setting up of a Development Finance Institution (DFI) has been announced. Union Budget has allocated **Rs 20,000 crore** for the DFI, with an ambition for the lender to have a portfolio of **Rs 5 lakh crore** within three years time. The Finance Minister said that the move will augment fund flows for the real estate and infrastructure sector.

- To augment road infrastructure, **8,500 kilometres of road and highway** projects will be awarded by the month of March next year. Highway projects worth **Rs 65,000 crore** will be undertaken in the state of Kerala. An allocation of **Rs 3,400 crore** for road projects in the state of Assam has also been done.

- Seven port projects have been announced by the government. These projects are worth more than **Rs 2,000 crore** investment. These port projects would be undertaken through the mode of public private partnership (PPP).

INSURANCE

The government has proposed to increase foreign direct investment (FDI) limit in the insurance sector to **74 per cent**. The move is expected to attract overseas players. For this, a proposal has been made to amend the Insurance Act 1938 to increase the permissible FDI limit from **49 per cent** to **74 per cent** in insurance companies.
Finance Minister Nirmala Sitharaman proposes Rs 2,23,846 crore budget outlay for healthcare sector and well-being for the year 2021-22, an increase of 137 per cent from the outlay kept at Rs 94,452 crore in the current fiscal.

The government has also proposed Rs 35,000 crore outlay for COVID-19 vaccines for the next fiscal along with the rollout of pneumococcal vaccines across the country to help save over 50,000 deaths annually.

The announcement of the new centrally-funded scheme PM Swasthya Yojana with an outlay of Rs 64,180 crore, will strengthen and develop primary, secondary and tertiary healthcare facilities even in the last miles of India.

The government will launch Mission Poshan 2.0 and Jal Jeevan Mission.
The Equity markets see the budget favorably primarily on 2 fronts – Higher capex spending by the government & status quo on direct taxes and no incremental taxes on capital gains. The booster shot by way of capex and a strong market signal to promote growth through structural reforms are key positives for domestic and foreign investors alike. Q3 earnings have been above consensus estimates. Cyclical sectors and companies who have proven market leadership have seen a good earnings quarter. We believe this is here to stay. While valuations remain elevated, equity markets are likely to continue to outperform as budgetary tailwinds aid economic growth and investors assign higher valuation premiums to FY22 growth.

Chandresh Nigam
Managing Director & Chief Executive Officer

Source: Budget Speech

Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.