

Capital gains tax plays spoiler



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The Budget is fiscally responsible and strikes a sound balance between rural and urban development. While the government has an impressive list of reforms — including GST, Bankruptcy code, recap of public banks and liberalisation of FDI norms — it will take some time for some of these to play out.

The decision to move from “AA” to “A” grade rating securities opens up the investable universe for insurance companies and deepens the bond market as well. However, the decision of keeping the minimum support price at one-and-a-half times of production cost could end up impacting inflation. The introduction of a national health protection scheme was much needed. This announcement that would insure 100 million families and 500 million beneficiaries against hospitalisation with ₹0.5 million per family is wonderful.

The Budget also seems to be pro MSME — the sector is set to gain from the 25 percent reduction in corporate tax rate as well as the increase in customs duties on some goods. The introduction of Long Term Capital Gains, along with Securities Transaction Tax, while anticipated, has disappointed markets despite the softened impact. The FY19 divestment target means large government equity supply shall continue and so a buoyant market would be helpful.