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with

Mutual Funds

Aditya Birla Sun Life Mutual Fund



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CONTENT

- 1** Budget 2018 - The snapshot
- 2** Impact on You
- 3** The Aditya Birla Sun Life Mutual Fund View

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Budget 2018 - The Snapshot

Highlights of Budget 2018 for you

Tax

- Effective immediately, long-term capital gains tax (LTCG) of 10% on equity gains above Rs 1 lac without indexation
 - LTCG tax on shares purchased on or before 31 January to be grandfathered
 - Short-term capital gains tax on gains made under one year to remain at 15%
- Tax on distributed income on equity-oriented mutual funds at 10%
- No change in structure of income tax for salaried individuals
- Surcharge of 10 per cent on income above Rs 50 lac but less than Rs 1 crore to be continued next year; 15 per cent on income above Rs 1 crore to also continue

Salaried individuals

- Standard deduction for salaried individuals for transport and health at Rs 40,000
- Health and education cess increased to 4% from 3%
- To increase take home salary - Employees' Provident Fund and Miscellaneous Provisions Act to be amended to reduce contribution of women to 8% from 12% for the first three years; no change in employers' contribution.

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Budget 2018 - The Snapshot

Highlights of Budget 2018 for you

Senior citizens

- Exemption for health insurance for seniors under section 80D bumped up to Rs 50,000 per year
- Exemption of interest from bank and post office deposits for seniors raised to Rs 50,000; no TDS to be deducted on such income under section 194A
- Medical expense deduction for seniors with critical illnesses raised to Rs 1 lac under section 80DDB
- Limit of Rs 7.5 lac per senior for investing in interest-bearing LIC schemes doubled to Rs 15 lac

Miscellaneous

- Government to consider all measures to eliminate use of cryptocurrencies such as bitcoin
- Government to formulate policy for gold to be an asset class
- Government to contribute 12% of EPF share for new employees in all sectors for the next three years

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Impact on you – Long Term Capital Gains Tax (LTCG)

Introduction of LTCG and its impact on your equity returns while short term capital gains tax remains unchanged at 15%

In the Union Budget, Finance Minister Arun Jaitley said that long-term capital gains of over Rs 1 lac will be taxed at 10 percent without the benefit of indexation. The capital gains made before Jan. 31, 2018 will be exempt.

The long-term capital gains tax existed until 2005 but was removed to encourage greater participation in the equity markets. In recent years, retail investor interest in equity markets has picked up substantially.

Scenario - Say for example if your equity share is purchased 6 months before January 31, 2018 at Rs 200 and the highest price quoted (not day end prices) on 31st Jan is Rs 250. In such a scenario there will be no levy of 10% LTCG on your profits, INR 50 (250-200)

However, on August 2, 2018 you sell these shares for Rs 280 then there will be a 10% tax on the incremental profit of Rs 30 (280-250)

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Impact on you – Health & Education Cess

A hike on the current income tax cess from 3% to 4%

Indian taxpayers saw a hike in the health & education cess paid to the government from the current rate of 3% (comprising 2% of education cess & 1% of secondary education cess) to 4% health & education cess in Budget 2018.

The below table provides an increase in tax payable post the cess revision

| Age (Resident individual) | Income Slabs (Rs) per annum | Increase in tax due to slabs (Rs) |
|---------------------------------------|-----------------------------|-----------------------------------|
| Below 60 years | upto 2.5 lacs | No impact |
| | 2.5 to 5 lacs | 125 |
| | 5 to 10 lacs | 1,125 |
| | 10 lacs & above | 2,625 |
| Above 60 years but less than 80 years | Upto 3 lacs | No impact |
| | 3 to 5 lacs | 100 |
| | 5 to 10 lacs | 1,100 |
| | 10 lacs & above | 2,600 |
| Above 80 years of age | Upto 5 lacs | No impact |
| | 5 to 10 lacs | 1,000 |
| | 10 lacs & above | 2,500 |

*Table above is an estimate, kindly contact your financial advisor for exact computations

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Impact on you – National Health Protection Scheme

World's largest government funded healthcare initiative

The Finance minister announced a flagship National Healthcare Protection Scheme in the Union Budget for 2018-19 for underprivileged families.

The scheme endeavors to provide a cover of up to Rs 5 lac per family every year for secondary and tertiary care hospitalisation. The government plans to setup 1.5 lac health centres to provide healthcare to remotest corner of India.

The scheme intends to cover 10 crore families and benefit 50 crore people This scheme marks the first steps taken by the government to provide universal health coverage for Indians.

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Impact on you – Standard Deduction

A marginal benefit that would leave the salaried disappointed

Standard deduction – A flat amount that is subtracted from your salary before the computation of taxable income

Current standard deductions – Transport allowance – Rs 19,200 &
Medical reimbursement allowance – 15,000

Proposed standard deduction – Rs 40,000

Increase in standard deduction – Rs 5,800

However the savings would be determined by the tax slab you fall under. The following table reflects the potential savings for you:

| Current Taxable Income Slab | Tax Rate | Savings through standard deduction (Rs) | Increase in cess (Rs) | Net Savings (Rs) |
|-----------------------------|----------|---|-----------------------|------------------|
| Upto 2.5 lacs | None | - | - | - |
| 2.5 to 5 lacs | 5% | 290 | 125 | 165 |
| 5 lacs to 10 lacs | 20% | 1,160 | 1,125 | 35 |
| 10 lacs & above | 30% | 1,740 | 2,625 | -885 |

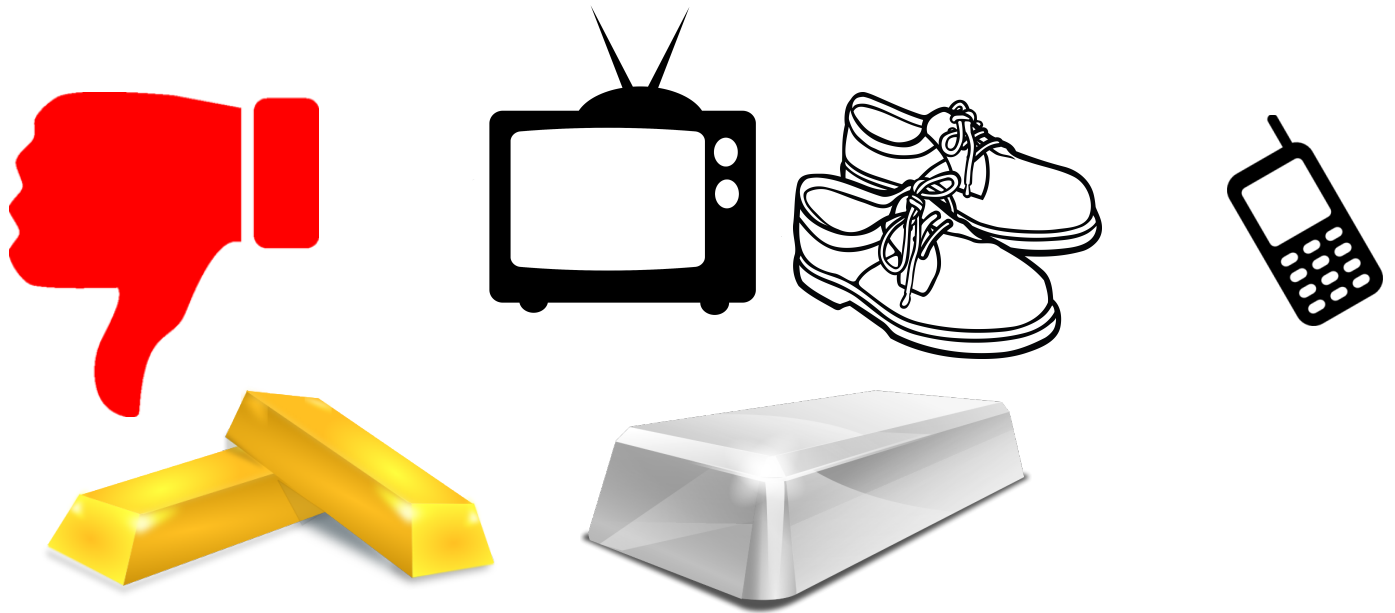
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Impact on you – What's expensive v/s What's cheaper



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Budget 2018 - The Aditya Birla Sun Life Mutual Fund View



It is a growth oriented budget

Overall the budget seems to have had the right focus in driving both infrastructure and consumption demand in the Country. Taking into account the push towards rural consumption and income in the hands of middle class population through tax adjustment, one can expect the overall consumption to rise. Focus on SMEs is a good move that would result in the increase of employment generation

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