Budget 2018 falls short of justifying fund utilisation

The budget 2018 seems to be a well-balanced populist budget as expected in the year before elections. However, what remains to be seen is how far government stands true to the effective implementation of various propositions made.

While the budget 2018 is the fourth consecutive budget of the current government and the Honorable Finance Minister. It is also the last full-fledged budget by this Government considering the Central Election scheduled for 2019. Accordingly, the budget was expected to be both a populist budget at the same time justifying the actions taken by the government during its tenure of four years.

On the populist front, the budget has proceeded to allocate significant funds to primary sector (agriculture and fisheries), health, education, infrastructure and affordable housing as also detailed the schemes by which the funds intended to be employed. On the other hand, the budget has fallen short of justifying the utilization of funds allocated in the earlier budgets to similar schemes announced therein. However, the minister has very strongly and effectively, right at the start of the speech, showcased the positive impact of various reforms implemented since its coming into power.

On the taxation front, the minister has attempted to play a balanced role by granting deductions from taxable incomes and re-introducing a Long-Term Capital Gains on sale of securities.

Besides, one wonders the commitment made by the Finance Minister of reducing the corporate income tax from 30 to 25 percent for all companies and not only those having a turnover up to Rs. 250 crores. Reducing corporate tax rate to 25 percent for companies with a turnover of Rs 250 crores is a very positive move for the real estate industry. The trickle-down effect of the tax saving will mean more disposable income in the hands of the common man, thereby increasing consumption and investment in real estate. Disappointed that stamp duty was not incorporated in GST to ease pressure on homebuyers.

Overall the budget seems to be a well-balanced populist budget as would have been expected in the year before elections. It would be interesting however to see how the various schemes announced in the budget are effectively implemented. It would also be interesting to see how the Finance Minister is able to maintain the fiscal deficit at 3.3% as estimated by him for FY 2018 – 19.

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