

# Factbox: Expectations from 2013-14 Union Budget

The government will deliver on Thursday its budget for the 2013-14 fiscal that starts on April 1. Finance Minister P Chidambaram is expected to push fiscal consolidation through spending cuts while looking to increase revenues to ward off the threat of a credit rating downgrade.

Following are expectations from economists, analysts, investors and companies from the budget.

## FISCAL DEFICIT

- Government target seen at 4.8% of gross domestic product for 2013-14
- Government has revised 2012-13 target to 5.3% of gross domestic product, compared with 5.1% estimated in the budget in March.

## GROWTH

- Government's GDP growth forecast for 2013-14 seen at 6 to 6.5%, compared with a decade-low of 5% in 2012-13, according to estimates released by the ministry of statistics. The finance minister has said the economy should expand 5.5% in 2012-13.

## BORROWING

- Analysts expect net government borrowing below Rs 5 lakh crore in FY14, little changed from Rs 4.67 lakh crore in FY13

## SUBSIDIES

- Total subsidy burden seen falling by Rs 40,000 crore-Rs 50,000 crore from estimated Rs 2.6 lakh crore in FY13
- Ratio of subsidy payments to GDP seen below 2% by the end of 2013-14, compared with preliminary expectations of about 2.5% in 2012-13
- FY14 food subsidy bill seen between Rs 85,000 crore and Rs 1 lakh crore versus Rs 75,000 crore budget estimates for current year
- Likely to cut fertiliser subsidy by at least 15% for 2013-14

## SPENDING

- Finance minister plans to cut FY14 public spending target by up to 10% from FY13's original target Of Rs 14.9 lakh crore
- Spending on defence, rail, other development and welfare projects to be cut, according to Reuters sources
- FY13 public expenditure already reduced by 9% from original target

## DIVESTMENT

- Likely to target Rs 40,000 crore via stake sales in FY14 in state-run companies versus estimated Rs 30,000 crore in FY13

## TAXES

- Likely to lay out roadmap for implementation of goods and services tax (GST)

- Low expectations for increase in headline corporate tax rates
- Income tax slabs may be increased

#### MARKETS

- May remove cap on foreign institutional investments in rupee-denominated corporate bonds, or at least in infrastructure bonds
- May expand definition of term "infrastructure" to include companies that develop affordable housing
- May simplify processes for foreign investors
- Seen removing withholding tax on corporate bonds that have no restrictions on maturity or lock-in periods, or bring it down substantially
- May abolish or reduce securities transaction tax on equity investments

#### COMMODITIES

- May remove import duty on iron ore or raise duty on some steel imports to support domestic steel industry; could reduce iron ore export duty at behest of mines ministry
- May cap imports or cut number of companies authorised to import gold if purchases have not slowed by February 28
- Production tax on jewellery and unveiling of gold saving schemes with some tax breaks seen
- May raise import tax to cut rising purchases of vegetable oils from Malaysia and Indonesia
- May levy transaction tax on commodity futures
- May give tax breaks to new LNG terminals, could also remove customs duty on LNG imports
- May extend tax breaks for new oil refineries and projects
- May implement export tax on value-added oilmeal products

#### COMPANIES

- Auto industry hopes for excise duty cut on small cars to 10% from 12%
- Budget may impose additional duty on diesel cars and utility vehicles
- Roadmap expected for capital infusion into state-owned banks
- IT services providers hope for clarity around transfer pricing norms, foreign tax credit and refund of service tax claims
- Telecommunications companies lobby for reduction in levies and tax breaks
- Real estate sector wants tax concessions and other fiscal benefits to builders, financiers and buyers of affordable housing
- Retail and consumer goods companies want industry status and an independent ministry set up for retail as well as a cut in rate of service tax on commercial property rent
- Budget may propose increase in excise duty for cement makers
- May remove import duty on thermal coal and introduce tax-free bonds for power sector

(Business Standard)