



### Growth stimulus through consumption rather than capex?

- The Government has come with a massive personal tax reduction way beyond the market expectations with total tax benefit of Rs 1,00,000 crores is a stimulus of 0.3% of GDP
- This will make individuals with less than Rs 12 lakhs (salary at Rs 12.75 lakhs) out of the tax bracket. Income up to Rs 12 lakhs will see a 4-6% increase in post-tax income (see Table) and those with higher income tax will also see a gain of up to Rs 1,10,000.

### Could capex have been increased to have a double engine thrust to growth?

- The growth in capex is a bit tepid at approx. 10%, in line with GDP growth. Thus, capex budgeted for FY26 is flat vs initial budget capex estimate for FY25.
- One could argue whether we would have been better off by a slightly higher capex either through higher privatization or a slightly higher fiscal deficit.
- However, including grants to state, the capex increase is 17%. So, in some sense if states spend, there could be a much bigger stimulus from capex than the headline numbers indicate.

### Fiscal consolidation on track – greater challenge this time?

- The track record of the Government has been good, and the fiscal deficit has again been lower than budgeted. FY26 revenue estimates may be slightly more difficult to achieve.
- While overall growth in tax revenues at under 11% is in line with GDP growth, given the income tax concessions, the adjusted growth is 13.7% and the personal income tax adjusted growth is over 24% which may be a bit challenging.
- Similarly, budgeted revenue from STT increases from Rs 50,000 cr in FY25BE to Rs 78,000 cr in FY26 (a 41.8% growth) may be challenging.

### Government continues to focus on simplification of tax laws

- The new Income Tax Bill will be a major step in simplification. Decriminalization of many provisions, easier TDS norms, easier rules for seeking exemption for 2 residential houses are concrete steps in the budget.

### Some sectoral gainers...

- FDI increased insurance from 74% to 100%.
- Jal Jeevan mission extended to FY28 and budget increased from Rs 29,917 cr in FY25RE (sharply lower from FY25BE of Rs 77,390 crores) to Rs 74,226 cr in FY26.
- Telecom receipts down 33% from Rs 1.2trn in FY25 to Rs 820bn in FY26, indicating at a potential moratorium extension or waiver on AGR dues in FY26.



**Table 1: Budget at a Glance (Rs Cr)**

Particulars	2023-24	2024-25	2024-25	2025-26	BEFY25 vs	REFY25 vs	BEFY26 vs
	Actuals	Budget Estimates	Revised Estimates	Budget Estimates	Actuals FY24	Actuals FY24	REFY25
<b>1. Revenue Receipts</b>	<b>2,729,036</b>	<b>3,129,200</b>	<b>3,087,960</b>	<b>3,420,409</b>	<b>14.7%</b>	<b>13.2%</b>	<b>10.8%</b>
2. Tax Revenue (Net to Centre)*	2,327,251	2,583,499	2,556,960	2,873,409	11.0%	9.9%	12.4%
3. Non Tax Revenue	401,785	545,701	531,000	583,000	35.8%	32.2%	9.8%
<b>4. Capital Receipts</b>	<b>1,714,411</b>	<b>1,691,312</b>	<b>1,628,257</b>	<b>1,644,936</b>	<b>-1.3%</b>	<b>-5.0%</b>	<b>1.0%</b>
5. Recovery of Loans	26,646	28,000	26,000	29,000	5.1%	-2.4%	11.5%
6. Other Receipts	33,122	50,000	33,000	47,000	51.0%	-0.4%	42.4%
7. Borrowings and Other Liabilities #	1,654,643	1,613,312	1,569,527	1,568,936	-2.5%	-5.1%	0.0%
<b>8. Total Receipts (1+4)</b>	<b>4,443,447</b>	<b>4,820,512</b>	<b>4,716,487</b>	<b>5,065,345</b>	<b>8.5%</b>	<b>6.1%</b>	<b>7.4%</b>
<b>9. Total Expenditure (10+13)</b>	<b>4,443,447</b>	<b>4,820,512</b>	<b>4,716,487</b>	<b>5,065,345</b>	<b>8.5%</b>	<b>6.1%</b>	<b>7.4%</b>
10. On Revenue Account of which	3,494,252	3,709,401	3,698,085	3,944,255	6.2%	5.8%	6.7%
11. Interest Payments	1,063,872	1,162,940	1,137,940	1,276,338	9.3%	7.0%	12.2%
12. Grants in Aid for creation of capital assets	303,916	390,778	299,981	427,192	28.6%	-1.3%	42.4%
13. On Capital Account	949,195	1,111,111	1,018,429	1,121,090	17.1%	7.3%	10.1%
<b>14. Effective Capital Expenditure (12+13)</b>	<b>1,253,111</b>	<b>1,501,889</b>	<b>1,318,320</b>	<b>1,548,282</b>	<b>19.9%</b>	<b>5.2%</b>	<b>17.4%</b>
<b>15. Revenue Deficit (10-1)</b>	<b>765,216</b>	<b>580,201</b>	<b>610,098</b>	<b>523,846</b>	<b>-24.2%</b>	<b>-20.3%</b>	<b>-14.1%</b>
	-2.6	-1.8	-1.9	-1.5			
<b>16. Effective Revenue Deficit (15-12)</b>	<b>461,300</b>	<b>189,423</b>	<b>310,027</b>	<b>96,654</b>	<b>-58.9%</b>	<b>-32.8%</b>	<b>-68.8%</b>
	-1.6	-0.6	-1.0	-0.3			
<b>17. Fiscal Deficit [9-(1+5+6)]</b>	<b>1,654,643</b>	<b>1,613,312</b>	<b>1,569,527</b>	<b>1,568,936</b>	<b>-2.5%</b>	<b>-5.1%</b>	<b>0.0%</b>
	-5.6	-4.9	-4.8	-4.4			
<b>18. Primary Deficit (17-11)</b>	<b>590,771</b>	<b>450,372</b>	<b>431,587</b>	<b>292,598</b>	<b>-23.8%</b>	<b>-26.9%</b>	<b>-32.2%</b>
	-2.0	-1.4	-1.3	-0.8			

Source: Budget

\* RE 2024-25 is reduced by ₹ 12,764 crore on account of net amount payable by Centre to the States for prior years

# Includes drawdown of Cash Balance.

Notes –

i) The GDP for FY 2025-26 is estimated at ₹ 3,56,97,923 crore, which is 10.1% over the Revised Estimates for FY 2024-25 of ₹ 3,24,11,406 crore released by NSO.

ii) Individual items in this document may not sum up to the totals due to rounding off.

iii) Figures in parentheses are as a percentage of GDP



**Table 2: Receipts (Rs Cr)**

Particulars	2023-24	2024-25	2024-25	2025-26	BEFY25 vs Actuals FY24	REFY25 vs Actuals FY24	BEFY26 vs REFY25
	Actuals	Budget Estimates	Revised Estimates	Budget Estimates			
<b>REVENUE RECEIPTS</b>							
<b>1. Tax Revenue</b>							
<b>Gross Tax Revenue</b>	3,465,519	3,840,170	3,853,455	4,270,233	10.8%	11.2%	10.8%
a. Corporation Tax	911,058	1,020,000	980,000	1,082,000	12.0%	7.6%	10.4%
b. Taxes on Income	1,044,757	1,187,000	1,257,000	1,438,000	13.6%	20.3%	14.4%
c. Wealth Tax	422						
d. Customs	233,119	237,745	235,000	240,000	2.0%	0.8%	2.1%
e. Union Excise Duties	305,362	319,000	305,000	317,000	4.5%	-0.1%	3.9%
f. Service Tax	425	100	100	100	-76.5%	-76.5%	0.0%
g. GST	957,208	1,061,899	1,061,899	1,178,000	10.9%	10.9%	10.9%
-CGST	820,622	910,890	908,459	1,010,809	11.0%	10.7%	11.3%
-IGST	-4,850						
-GST Compensation Cess	141,436	151,009	153,440	167,110	6.8%	8.5%	8.9%
h. Taxes of Union Territories	9,242	9,426	9,456	10,133			
i. Other Taxes	3,929	5,000	5,000	5,000	27.3%	27.3%	0.0%
<b>Less - NCCD transferred to the NCCF / NDRF</b>	<b>8,774</b>	<b>9,460</b>	<b>9,610</b>	<b>10,380</b>	<b>7.8%</b>	<b>9.5%</b>	<b>8.0%</b>
<b>Less - State's share</b>	<b>1,129,494</b>	<b>1,247,211</b>	<b>1,274,121</b>	<b>1,422,444</b>	<b>10.4%</b>	<b>12.8%</b>	<b>11.6%</b>
<b>Less- States' Share Adjustment for prior years</b>			12,764				
<b>1a Centre's Net Tax Revenue</b>	<b>2,327,251</b>	<b>2,583,499</b>	<b>2,556,960</b>	<b>2,837,409</b>	<b>11.0%</b>	<b>9.9%</b>	<b>11.0%</b>
<b>2. Non-Tax Revenue</b>	<b>401,785</b>	<b>545,701</b>	<b>531,000</b>	<b>583,000</b>	<b>35.8%</b>	<b>32.2%</b>	<b>9.8%</b>
Interest receipts	38,261	38,224	34,042	47,738	-0.1%	-11.0%	40.2%
Dividends and Profits	170,877	289,134	289,825	320,000	69.2%	69.6%	10.4%
External Grants	1,013	1,044	1,176	1,175	3.1%	16.1%	-0.1%
Other Non Tax Revenue	188,568	214,389	203,427	205,668	13.7%	7.9%	1.1%
Receipts of Union Territories	3,066	2,919	3,070	3,419	-4.8%	0.1%	11.4%
<b>Total- Revenue Receipts (1a + 2)</b>	<b>2,729,036</b>	<b>3,129,200</b>	<b>3,089,961</b>	<b>3,420,409</b>	<b>14.7%</b>	<b>13.2%</b>	<b>10.7%</b>
<b>3. CAPITAL RECEIPTS</b>							
<b>A. Non-debt Receipts@</b>	<b>59,768</b>	<b>78,000</b>	<b>59,000</b>	<b>76,000</b>	<b>30.5%</b>	<b>-1.3%</b>	<b>28.8%</b>
<b>B. Debt Receipts* #</b>	<b>1,653,849</b>	<b>1,472,915</b>	<b>1,517,576</b>	<b>1,566,452</b>	<b>-10.9%</b>	<b>-8.2%</b>	<b>3.2%</b>
<b>Total Capital Receipts (A+B)</b>	<b>1,713,617</b>	<b>1,550,915</b>	<b>1,665,676</b>	<b>1,642,452</b>	<b>-9.5%</b>	<b>-2.8%</b>	<b>-1.4%</b>
<b>4. Draw-Down of Cash Balance</b>	<b>794</b>	<b>140,397</b>	<b>51,951</b>	<b>2,484</b>	<b>17582.2%</b>	<b>6442.9%</b>	<b>-95.2%</b>
<b>Total Receipts (1a+2+3)</b>	<b>4,443,447</b>	<b>4,820,512</b>	<b>4,716,487</b>	<b>5,063,345</b>	<b>8.5%</b>	<b>6.1%</b>	<b>7.4%</b>

Source: Budget

@ Excludes recoveries of short term loans and advances.

\* The receipts are net of payment.

# Market borrowings and draw down of cash does not include buy back of securities during RE 2024-2025.



**Table 3: Deficit Statistics (Rs Cr)**

Particulars	2023-24	2024-25	2024-25	2025-26
	Actuals	Budget Estimates	Revised Estimates	Budget Estimates
<b>1. Fiscal Deficit</b>	<b>1,654,643</b>	<b>1,613,312</b>	<b>1,569,527</b>	<b>1,568,936</b>
	-5.6	-4.9	-4.8	-4.4
<b>2. Revenue Deficit</b>	<b>765,216</b>	<b>580,201</b>	<b>610,098</b>	<b>523,846</b>
	-2.6	-1.8	-1.9	-1.5
<b>3. Effective Revenue Deficit</b>	<b>461,300</b>	<b>189,423</b>	<b>310,207</b>	<b>96,654</b>
	-1.6	-0.6	-1.0	-0.3
<b>4. Primary Deficit</b>	<b>590,771</b>	<b>450,372</b>	<b>431,587</b>	<b>292,598</b>
	-2.0	-1.4	-1.3	-0.8

Source: Budget

**Table 4: Sources of Financing Fiscal Deficit (Rs Cr)**

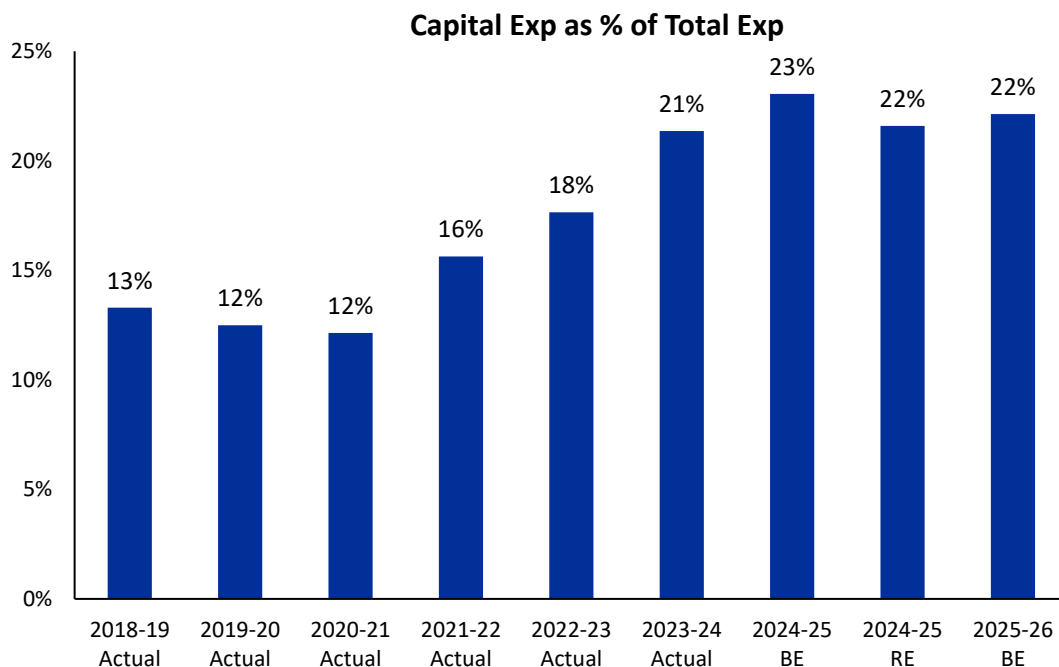
Particulars	2023-24	2024-25	2024-25	2025-26
	Actuals	Budget Estimates	Revised Estimates	Budget Estimates
<b>1. Debt Receipts (Net)</b>	<b>1,653,849</b>	<b>1,472,915</b>	<b>1,517,576</b>	<b>1,566,452</b>
2. Market Borrowings (G-Sec)*	1,177,754	1,163,182	1,162,678	1,153,834
3. Short term Borrowings (T bills etc.)	53,205	-50,000	-120,000	-
4. Securities Against Small Savings	451,399	420,063	411,872	343,382
5. State Provident Funds	5,059	5,000	5,000	5,000
6. Other Receipts (Internal Debt & Public Account)	-88,689	-81,282	26,034	40,746
7. External Debt	55,121	15,952	31,992	23,490
<b>8. Draw Down of Cash Balance*</b>	<b>794</b>	<b>140,397</b>	<b>51,951</b>	<b>2,484</b>
<b>Grand Total</b>	<b>1,654,643</b>	<b>1,613,312</b>	<b>1,569,527</b>	<b>1,568,936</b>

Source: Budget

\* Market borrowings and draw down of cash does not include buy back of securities during RE 2024-2025.



**Chart 1: Capital Expenditure as % of total expenditure**



Source: Budget

**Table 5: New Income Tax Slab Rates**

Income	Tax on Slabs and Rates (Present)	Tax on Slabs and Rates (Proposed)	Benefit of Rate/Slab	Rebate Benefit (for those earning below Rs. 12 lakh)	Total Benefit	Tax after Benefit
Up to 8 lakh	30,000	20,000	10,000	20,000	30,000	0
9 lakh	40,000	30,000	10,000	30,000	40,000	0
10 lakh	50,000	40,000	10,000	40,000	50,000	0
11 lakh	65,000	50,000	15,000	50,000	65,000	0
12 lakh	80,000	60,000	20,000	60,000	80,000	0
16 lakh	170,000	120,000	50,000	0	50,000	120,000
20 lakh	290,000	200,000	90,000	0	90,000	200,000
24 lakh	410,000	300,000	110,000	0	110,000	300,000
50 lakh	1,190,000	1,080,000	110,000	0	110,000	1,080,000

Source: Budget, Valentis Research

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