ixamBee

Summary of
UNION BUDGET 2019-20

Important for All Government Exams

The most concise and comprehensive summary of Union Budget 2019-20

IMPORTANT INSTRUCTIONS:

- All relevant information from the Union Budget (2019-20) has been provided in this single document.
- Combined with the summary of Economic Survey (to be released) and Compilation for Government schemes (to be released separately), these will give you an overall understanding of Indian Economy.

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What Is Budget?

The Constitution of India, through **article 112** mandates to present an **Annual Financial Statement** showing receipt and expenditure. This is popularly known as budget document.

It contains budget information of 3 financial years:

a. **Estimated** receipt and expenditure for **FY 2019-20** (for the coming year)
b. **Revised estimates** of receipt and expenditure for **FY 2018-19** (since the FY has not ended yet)
c. **Actual receipt and expenditure** of FY **2017-18**

But budget document contains **many other documents**: Demand of Grants (DG), Finance Bill, Statements mandated under FRMB Act 2003, Expenditure budget, Receipt budget, Outcome budget

Who prepares the document?

Department of Economic Affairs under Ministry of Finance.

Note that Finance Ministry has 5 departments under it- Dept. of Economic Affairs, Dept. of Revenue, Dept. of Expenditure, Dept. of Financial Services, Dept. of Investment and Public Asset Management (DIPAM)

As 2019 was an Election Year Budget was introduced on 6th July 2019, after an elected government was in place. An interim Budget was in place in the pre-election period.

The union Govt has **3 funds**:

a. **Consolidated Fund of India** (article 266):
    - All revenue received + loans raised by Govt + receipts from various loans
    - No amount can be withdrawn without the authorization of Parliament

b. **Contingency Fund of India** (article 267):
    - Urgent and unforeseen expenditure by Govt of India
    - Parliamentary approval after the expenditure is made (Ex-post-facto)
    - With a corpus of 500 crore
    - Placed at the disposal of President

c. **Public Account of India** (Article 266)
    - Money held by govt in trust is kept here. Ex- provident fund, small saving collection
    - They are not Govt money and need to be paid back to the persons.

Budget At A Glance

Budget 2019-20 reflects the Government's firm commitment to substantially boost investment in Agriculture, Social Sector, Education and Health. This is substantiated by increase in expenditure of Rs. 3, 29,114 crores over Revised Estimate (RE) (2018-19) while keeping the fiscal deficit at 3.3% of GDP.(3.4% in last fiscal Revised estimates)
In RE 2018-19, the total expenditure has been kept at Rs. 24, 57,235 crore and is more than Budget Estimate (BE) 2018-19 by Rs. 15,022 crore. The increase in total expenditure is on account of increased support to agricultural sector, interest payments and internal security.

बजट का सार *(Budget at a Glance)*

(₹ करोड़) (In ₹ crores)

		2017-18 वास्तविक Actual	2018-19 बजट अनुमान Budget Estimates	2018-19 संशोधित अनुमान Revised Estimates	2019-20 बजट अनुमान Budget Estimates
1. राजस्व प्राप्तियां	**1. Revenue Receipts**	**1435233**	**1725738**	**1729682**	**1962761**
2. कर राजस्व (केंद्र को निवल)	2. Tax Revenue (Net to Centre)	1242488	1480649	1484406	1649582
3. कर भिन्न राजस्व	3. Non Tax Revenue	192745	245089	245276	313179
4. पूंजी प्राप्तियां [1]	**4. Capital Receipts [1]**	**706740**	**716475**	**727553**	**823588**
5. ऋणों की वसूली	5. Recovery of Loans	15633	12199	13155	14828
6. अन्य प्राप्तियां	6. Other Receipts	100045	80000	80000	105000
7. उधार और अन्य देयताएं[2]	7. Borrowings and Other Liabilities[2]	591062	624276	634398	703760
8. कुल प्राप्तियां (1+4)	**8. Total Receipts (1+4)**	**2141973**	**2442213**	**2457235**	**2786349**
9. कुल व्यय (10+13)	**9. Total Expenditure (10+13)**	**2141973**	**2442213**	**2457235**	**2786349**
10. राजस्व खाते पर जिसमें से	10. On Revenue Account of which	1878833	2141772	2140612	2447780
11. ब्याज भुगतान	11. Interest Payments	528952	575795	587570	660471
12. पूंजी परिसंपत्तियों के सृजन हेतु सहायता अनुदान	12. Grants in Aid for creation of capital assets	191034	195345	200300	207333
13. पूंजी खाते पर	13. On Capital Account	263140	300441	316623	338569
14. राजस्व घाटा	**14. Revenue Deficit**	**443600**	**416034**	**410930**	**485019**

(10-1)	(10-1)	(2.6)	(2.2)	(2.2)	(2.3)
15. प्रभावी राजस्व घाटा (14-12)	15. Effective Revenue Deficit (14-12)	252566 (1.5)	220689 (1.2)	210630 (1.1)	277686 (1.3)
16. राजकोषीय घाटा [9-(1+5+6)]	16. Fiscal Deficit [9-(1+5+6)]	591062 (3.5)	624276 (3.3)	634398 (3.4)	703760 (3.3)
17. प्राथमिक घाटा (16-11)	17. Primary Deficit (16-11)	62110 (0.4)	48481 (0.3)	46828 (0.2)	43289 (0.2)

**Source- Budget document (2019-20)*

Fiscal Deficit- When government's total expenditure exceeds the revenue it collects (excluding borrowing), it is called fiscal deficit. In other words,

Total expenditure – total non-borrowed receipt = fiscal deficit

Vision For The Decade

Indian Economy Size US$ 2.7 trillion → US$ 5 trillion

Vision for the Decade ten points:

I Building physical and social **infrastructure**;

D. **Digital** India reaching every sector of the economy;

P. **Pollution** free India with green Mother Earth and Blue Skies;

M. **Make** in India with particular emphasis on MSMEs, Start-ups, defence manufacturing, Automobiles, electronics, fabs and batteries, and medical devices;

W **Water,** water management, clean Rivers;

B **Blue** Economy;

S **Space** programmes, Gaganyan, Chandrayan and Satellite programmes;

A. Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables **(Agriculture)**

H. **Health**y society – Aayushyman Bharat, well-nourished women & children Safety of citizens;

G Team India with Jan Bhagidari. Minimum Government Maximum **Governance**.

Trillion Dollar Economy

The Indian economy will grow to become a 3 trillion-dollar economy in the current year. It is now the sixth largest in the world. Five years ago, it was at the 11th position.

- In Purchasing Power Parity terms, we are in fact, the 3rd largest economy already, only next to China and the USA.
- To become a $ 5 billion Economy India in the next few years India needs this and more to continue undertaking many structural reforms.

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1. To **Invest heavily in infrastructure, digital economy and on job creation in small and medium firms.**

2. **India Inc. are India's job-creators and collaborate with them for same.**

3. As the **world's third largest domestic aviation market**, the time is ripe for India to enter into **aircraft financing and leasing activities** from Indian shores. This is critical to the development of a self-reliant aviation industry, creating aspirational jobs in aviation finance, besides leveraging the business opportunities available in **India's financial Special Economic Zones (SEZs), namely, International Financial Services Centre (IFSC). Government will implement the essential elements of the regulatory roadmap for making India a hub for such activities.**

4. For providing an enabling ecosystem for growth in India of **Maintenance, Repair and Overhaul (MRO) industry**, it is proposed to **leverage India's engineering advantage** and potential to achieve self-reliance in this vital aviation segment. Government will adopt suitable policy interventions to create a congenial atmosphere for the development of MRO in the country.

5. **Phase-II of FAME Scheme, following approval of the Cabinet with an outlay of `10,000 crore for a period of 3 years**, has **commenced from 1st April, 2019.** ***The main objective of the Scheme is to encourage faster adoption of Electric vehicles by way of offering upfront incentive on purchase of Electric vehicles and also by establishing the necessary charging infrastructure for electric vehicles****. Only advanced battery and registered e-vehicles will be incentivized under the Scheme with greater emphasis on providing affordable & environment friendly public transportation options for the common man.*

6. The Government will carry out a **comprehensive restructuring of National Highway Programme** to ensure that the National Highway Grid of desirable length and capacity is created using financeable model**. After completing the Phase 1 of Bharatmala, in the second Phase, States will be helped to develop State road networks.**

7. **India needs to develop our inland waterways** to shift a significant portion of inland cargo movement from road and rail. This Government envisions using the rivers for cargo transportation, which will also help to decongest roads and railways. As part of the Jal Marg Vikas Project for enhancing the navigational capacity of Ganga, a multi modal terminal at Varanasi has become functional in November 2018 and two more such terminals at Sahibganj and Haldia and a navigational lock at Farakka would be completed in 2019-20. **The movement of cargo volume on Ganga is estimated to increase by nearly four times in the next four years. This will make movement of freight, passenger cheaper and reduce our import bill.**

8. It is estimated that **Railway Infrastructure would need an investment of ` 50 lakh crores between 2018-2030.** Given that the capital expenditure outlays of Railways are around 1.5 to 1.6 lakh crores per annum, completing even all sanctioned projects would take decades. **It is therefore proposed to use Public-Private Partnership to unleash faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services.**

9. To take connectivity infrastructure to the next level, we will build on the successful model in ensuring power connectivity – One Nation, One Grid – that has ensured power availability to states at affordable rates. Budget **proposes to make available a blueprint this year for developing gas grids, water grids, i-ways, and regional airports.**

10. **The recommendations of the High Level Empowered Committee (HLEC)** on retirement of old & inefficient plants, and addressing low utilisation of Gas plant capacity due to paucity of Natural Gas, will also be taken up for implementation now.

11. **A package of power sector tariff and structural reforms would soon be announced.**

12. **It is proposed that several reform measures would be taken up to promote rental housing**. Current Rental Laws are archaic as they do not address the relationship between the Lessor and the Lessee realistically and fairly. **A Model Tenancy Law will also be finalized and circulated to the States.**

13. Large public infrastructure can be built **on land parcels held by Central Ministries** and Central Public Sector Enterprises all across the country. Through **innovative instruments such as joint development and concession, public infrastructure and affordable housing will be taken up.**

14. For **ease of access to credit for MSMEs**, **Government has introduced providing of loans upto `1 crore for MSMEs within 59 minutes through a dedicated online portal. Under the Interest Subvention Scheme for MSMEs, ` 350 crore has been allocated for FY 2019-20 for 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans.**

15. Government payments to suppliers and contractors are a major source of cash flow, especially to SMEs and MSMEs. Investment in MSMEs will receive a big boost if these delays in payment are

eliminated. **Government will create a payment platform for MSMEs to enable filing of bills and payment thereof on the platform itself.**

Extending Pension Benefits: Encouraged by the overwhelming response, the Government of India **has decided to extend the pension benefit to about three crore retail traders & small shopkeepers** whose annual turnover is less than `1.5 crore under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme. Enrolment into the Scheme will be kept simple requiring only Aadhaar and a bank account and rest will be on self-declaration.

Capital for infrastructure financing: Government has **recognized that investment-driven growth requires access to low cost capital**. It is estimated that India requires investments averaging ` 20 lakh crores every year (USD 300 billion a year). **A number of measures are proposed to enhance the sources of capital for infrastructure financing:**

- *A Credit Guarantee Enhancement Corporation for which regulations have been notified by the RBI, will be set up in 2019-20.*
- *An action plan to deepen the market for long term bonds including for deepening markets for corporate bond repos, credit default swaps etc., with specific focus on infrastructure sector, will be put in place.*
- *To permit investments made by FIIs/FPIs in debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) to be transferred/sold to any domestic investor within the specified lock-in period.*

Corporate Debt markets are crucial for the infrastructure sector. Given the **need to further deepen bond markets,** a number of measures are proposed to be taken up:-

- To deepen the Corporate tri-party repo market in Corporate Debt securities**, Government will work with regulators RBI/SEBI to enable stock exchanges to allow AA rated bonds as collaterals.**
- **User-friendliness of trading platforms for corporate bonds will be reviewed**, including issues arising out of capping of International Securities Identification Number (ISIN).

Increasing minimum public shareholding: The Budget considers that it is right time **to consider increasing minimum public shareholding in the listed companies. Finance Ministry has asked SEBI to consider raising the current threshold of 25% to 35%.**

Streaming KYC of FPIs: As a key source of capital to the Indian economy, it is important to ensure a harmonized and hassle free investment experience for Foreign Portfolio Investors. Hence, the Budget proposed **to rationalize and streamline the existing Know Your Customer (KYC) norms for FPIs to make it more investor friendly without compromising the integrity of cross-border capital flows.**

Social Stock Exchange: To bring our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion, the Budget proposes to initiate steps towards **creating an electronic fund raising platform – a social stock exchange** - under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.

FDI Boost: The Budget proposes to further consolidate the gains in order to make India a more attractive FDI destination:

- **The Government will examine suggestions of further opening up of FDI in aviation, media (animation, AVGC) and insurance sectors in consultation with all stakeholders.**
- **100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries.**
- **Local sourcing norms will be eased for FDI in Single Brand Retail sector.**

Annual Global Investor Meet: It is high time India not only gets integrated into global value chain of production of goods and services, but also become part of the global financial system to mobilise global savings, mostly institutionalized in pension, insurance and sovereign wealth funds. **The Government is contemplating organizing an annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as the anchor, to get all three sets of global players-top industrialists/corporate honchos, top pension/insurance/sovereign wealth funds and top digital technology/venture funds.**

Foreign Portfolio Investors: An important determinant of attracting cross-border investments is availability of investible stock to the Foreign Portfolio Investors (FPIs). This issue assumes greater significance in view of the gradual shift, from stock targeted investments, towards passive investment whereby funds track global indices composition of which depends upon available floating stock. Accordingly, the **Budget proposes to increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit with option given to the concerned corporates to limit it to a lower** threshold. FPIs will be permitted to subscribe to listed debt securities issued by ReITs and InvITs.

NRIs into Equities: Even though India is the world's top remittance recipient, NRI investment in Indian capital markets is comparatively less. With a view to provide NRIs with seamless access to Indian equities, the Budget **to merge the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route.**

SPACE PROGRAMME: India has emerged as a major space power with the technology and ability to launch satellites and other space products at globally low cost. Time has come to harness this ability commercially. A Public Sector Enterprise viz. New Space India Limited (NSIL) has been incorporated as a new commercial arm of Department of Space to tap the benefits of the Research & Development carried out by ISRO. **The Company will spearhead commercialization of various space products including production of launch vehicles, transfer to technologies and marketing of space products.**

Grameen Bharat/ Rural India

TARGET 2022: Electricity & Cooking Gas for All

- By 2022, the 75th year of India's independence, the Government believes that every single rural family, except those who are unwilling to take the connection will have electricity and a clean cooking facility.

Fisheries management framework: On the Anvil

- Through a focused Scheme – the **Pradhan Mantri Matsya Sampada Yojana (PMMSY) –** the Department of Fisheries will establish a robust fisheries management framework. This will address critical gaps in the value chain, including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.

PMGSY-III: Ambitious Targets

- Pradhan Mantri Gram Sadak Yojana (PMGSY) For this PMGSY-III is envisaged to upgrade 1,25,000 kms of road length over the next five years, with an estimated cost of ` 80,250 crore.

Traditional Industries: Pragmatic Approach

- The 'Scheme of Fund for Upgradation and Regeneration of Traditional Industries' **(SFURTI)** aims to set up more Common Facility Centres **(CFCs)** to facilitate cluster based development to make the traditional industries more productive, profitable and capable for generating sustained employment opportunities. The focused sectors are Bamboo, Honey and Khadi clusters. The SFURTI **envisions setting up 100 new clusters during 2019-20** which should enable **50,000 artisans** to join the economic value chain. Further, to improve the technology of such industries, the Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' **(ASPIRE)** has been consolidated for setting up of Livelihood Business Incubators (**LBIs**) and Technology Business Incubators **(TBIs)**. The Scheme contemplates to set up 80 Livelihood Business Incubators **(LBIs)** and 20 Technology Business Incubators **(TBIs)** in 2019-20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors.

Farmer Producer Organizations: Economies of Scale

- The Government hopes to form 10,000 new Farmer Producer Organizations, to ensure economies of scale for farmers over the next five years.

Swachh Bharat Mission: To Expand to Village Level Solid Waste Management

- The Government plans to harness the latest technologies available to transform waste into energy and has proposed to expand the Swachh Bharat Mission to undertake sustainable solid waste management in every village.

YOUTH: Education / Start-ups / Research / Labour Laws / Sports

New Education Policy: To be Transformative

- The Government will bring in a New National Education Policy to transform India's higher education system to one of the global best education systems. The new Policy proposes major changes in both school and higher education among others, better Governance systems and brings greater focus on research and innovation.

NRF: Co-ordinated Push to Research

- The Government proposes to establish a National Research Foundation **(NRF)** to fund, coordinate and promote research in the country. NRF will assimilate the research grants being given by various Ministries independent of each other. NRF will ensure that the overall research eco-system in the country is strengthened with focus on identified thrust areas relevant to our national priorities and towards basic science without duplication of effort and expenditure. The Government plans to work out a very progressive and research oriented structure for NRF. The funds available with all Ministries will be integrated in NRF. This would be adequately supplemented with additional funds.

World Class Institutions: Fructifying

- With 4 Indian institutions coming in top 200 in the world in the last 5 years, an amount of ` 400 crore has been provided under the head**, "World Class Institutions**", for FY 2019-20, more than three times the revised estimates for the previous year.

Higher Education Hub: Realizing the Potential

- India has the potential to become a hub of higher education. The Government has therefore proposed to start a programme, **'Study in India'**, that will focus on bringing foreign students to study in our higher educational institutions.

Higher education reforms: HECI

- The regulatory systems of higher education would be reformed comprehensively to promote greater autonomy and focus on better academic outcomes. **A draft legislation** for setting up Higher Education Commission of India **(HECI)**, would be presented in the year ahead.

Khelo India Scheme: The Next Step

- Khelo India Scheme, launched in October, 2017, has created awareness of sports as an integral part of wellness throughout the country. The Government is committed to expand Khelo India Scheme and to provide all necessary financial support. To popularize sports at all levels, a **National Sports Education Board for Development of Sportsperson**s would be set up under Khelo India Scheme.

Labour Laws: To Be Streamlined

- The Government is proposing to **streamline multiple labour laws into a set of four labour codes**. This will ensure that process of registration and filing of returns will get standardized and streamlined. With various labour related definitions getting standardized, it is expected that there shall be less disputes.

DD bouquet of channels: Platform for promoting start-ups

- The government proposes to start a television programme within the DD bouquet of channels exclusively for start-ups. This shall serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning. This channel shall be designed and executed by start-ups themselves.

Stand-Up India Scheme: To Continue 2020-25

- Stand-Up India Scheme has delivered enormous benefits. The country is witnessing emergence of thousands of entrepreneurs from women and also from the Scheduled Castes and Scheduled Tribes, most of them assisted to set up their businesses and industry with capital provided under the **Stand-Up India Scheme**. Considering the beneficial results of the Scheme and strong demand for its continuance by the SC and ST communities, the Scheme would be continued for the entire period coinciding with the 15th Finance Commission period of 2020-25. The Banks will provide financial assistance for demand based businesses, including for example for acquisition of scavenging machines and robots. The Ministry of Petroleum & Natural Gas has enabled SC/ST entrepreneurs in providing Bulk LPG Transportation. In a matter of two years over 300 entrepreneurs have emerged. Machines and robots have been deployed to do scavenging which also saved the manual scavengers their dignity.

Ease of Living

LED Bulb Method: Promotion of Solar Stoves and Battery Chargers

- The Government will use the approach of mission LED bulb method to promote the use of solar stoves and battery chargers in the country.

Railway stations: Modernization

- The Government plans to make railway travel a pleasant and satisfying experience for the common citizen and with this in mind will launch a massive programme of railway station modernization this year.

Naari Tu Narayani / Women Empowerment

Gender Analysis of Budget Allocation: **Committee to suggest way forward**

- Gender analysis of the budget aimed at examining the budgetary allocation through a gender lens has been in place for over a decade. Finance Minister proposed to form a broad-based Committee with Government and private stakeholders to evaluate and suggest action for moving forward.

SHG: **Interest subvention programme to all districts**

The Government in order to further encourage women enterprise has proposed to expand the Women Self Help Group (**SHG) interest subvention programme to all districts**.

- Furthermore, for every **verified women SHG member having a Jan Dhan Bank Account, an overdraft of `5,000 shall be allowed**.
- **One woman in every SHG will also be made eligible for a loan up to ` 1 lakh under the MUDRA Scheme.**

India's Soft Power: Global / External Sector / Tourism Initiatives

NRIs: Aadhaar Card

- Government is considering **issuing Aadhaar Card for Non-Resident Indians** with Indian Passports after their arrival in India without waiting for 180 days.

Mission Global: To integrate Creative Products of traditional artisans with global markets

- The Mission which will integrate traditional artisans and their creative products with global markets. Wherever necessary government shall obtain patents and geographical indicators for them. Government will launch a mission of linking creative industry with the economy and wherever it requires protecting Intellectual Property rights taking it to the National and International Market front.

Indian Embassies and High Commissions: New Additions

- The Government decided to open Indian Embassies and High Commissions abroad in countries where India does not have a Resident Diplomatic Mission as yet. Government intends to **open four new Embassies in the year 2019-20**. This will not only increase the footprint of India's overseas presence, but also enable us to provide better and more accessible public services, especially to the local Indian community in these countries.

IDEAS Scheme: Revamp

- Indian Development Assistance Scheme (IDEAS) provides concessional financing for projects and contributes to infrastructure development and capacity building in the recipient developing countries. The Government proposes to revamp the IDEAS scheme during the current financial year.

World class tourist destinations: Developing 17 iconic Tourism Sites

- The Government is developing 17 iconic Tourism Sites into world class tourist destinations and to serve as a model for other tourism sites. The Iconic Tourism Sites would enhance visitor experience which would lead to increase visits of both domestic and international tourists at these destinations.

Digital Repository: Preserving rich tribal cultural heritage

- The government developing a digital repository with the objective of preserving rich tribal cultural heritage. The digital repository is being developed where documents, folk songs, photos & videos regarding their evolution, place of origin, lifestyle, architecture, education level, traditional art, folk dances and other anthropological details of the tribes in India are being stored. The repository will further be enriched and strengthened.

Banking and Financial Sector

(a) ***Capital infusion in Public Sector Banks to the tune of Rs 70,000 crore.***

(b) Government will initiate steps to empower accountholders to remedy the current situation in which they do not have control over deposit of cash by others in their accounts.

(c) Reforms will also be undertaken to strengthen governance in Public Sector Banks.

Non-Banking Financial Companies (NBFCs)

Partial credit guarantees to Public Sector Banks

- For purchase of high-rated pooled assets of financially sound NBFCs, Budget providing for amount to a total of Rupees one lakh crore during the current financial year, Government will provide one time six months' **partial credit guarantee to Public Sector Banks** for first loss of up to 10%.
- RBI has limited regulatory authority over NBFCs. Appropriate proposals for **strengthening the regulatory authority of RBI over NBFCs** are being placed in the Finance Bill.

Debenture Redemption Reserve (DRR) to be removed

- NBFCs which do public placement of debt have to maintain a Debenture Redemption Reserve (DRR) and in addition, a special reserve as required by RBI, has also to be maintained. To allow NBFCs to raise funds in public issues, **the requirement of creating a DRR, which is currently applicable for only public issues as private placements are exempt, will be done away with.**

Participation on the TReDS platform

- Amendments to be made in the Factoring Regulation Act, 2011 and steps will be taken to allow all NBFCs to directly participate on the TReDS platform.

Housing Finance: RBI New Housing Finance Regulator

- The National Housing Bank (NHB), besides being the refinancer and lender, is also regulator of the housing finance sector. This gives a somewhat conflicting and difficult mandate to NHB. FM has proposed to return the regulation authority over the housing finance sector from NHB to RBI. Necessary proposals have been placed in the Finance Bill.

Infra Finance: Intention to invest ` 100 lakh crore in infrastructure…DFIs role to be evaluated

- Government has announced its intention to invest ` 100 lakh crore in infrastructure over the next five years. To this end, it is proposed to set up an expert committee to study the current situation relating to long-term finance and our past experience with development finance institutions **(DFIs),** and recommend the structure and required flow of funds through development finance institutions.

PENSION: PFRDA & NPS trust to be segregated with new organizational structure

- Pension Fund Regulatory and Development Authority (PFRDA) implements and regulates the National Pension System (NPS) and Atal Pension Yojana through various intermediaries including, *inter-alia*, the NPS Trust. Keeping in view the wider interest of the subscribers and to maintain arm's length relationship of the NPS Trust with PFRDA, steps will be taken to separate the NPS Trust from PFRDA with appropriate organizational structure.

Insurance Sector: Net Owned Fund requirement to be reduced

- To facilitate on-shoring of international insurance transactions and to enable opening of branches by foreign reinsurers in the International Financial Services Centre, it is proposed to reduce Net Owned Fund requirement from ` 5,000 crore to ` 1,000 crore.

Disinvestment & Government Borrowing

Disinvestment: Government Stake policy modification

- Government has been following the policy of disinvestment in non-financial public sector undertakings maintaining Government stake not to go below 51%. Government is considering, in case where the Undertaking is still to be retained in Government control, to go below 51% to an appropriate level on case to case basis. Government has also decided to modify present policy of retaining 51% Government stake to retaining 51% stake inclusive of the stake of Government controlled institutions.

Stock Markets: To encourage retail participation in CPSEs

- Government intends to further encourage retail participation in CPSEs (Central Public Sector Enterprises) which, of late has shown very encouraging upward trend. In order to provide additional investment space, the Government would realign its holding in CPSEs, including Banks to permit greater availability of its shares and to improve depth of its market. Government would reinitiate the process of strategic disinvestment of Air India.

Disinvestment: Enhanced Target for FY 2019-20

- Government is setting an enhanced target of `1,05,000 crore of disinvestment receipts for the financial year 2019-20. It will undertake strategic sale of PSUs and will also continue to do consolidation of PSUs in the non-financial space as well.

ETFs: To encourage long term investment in CPSEs

- Government will offer an investment option in ETFs on the lines of Equity Linked Savings Scheme (ELSS) to encourage long term investment in CPSEs.

PSUs: To bring greater commercial and market orientation

- For bringing better public ownership of the PSUs and also bring greater commercial and market orientation of the listed PSUs, the Government will take all necessary steps to meet public shareholding norms of 25% for all listed PSUs and raise the foreign shareholding limits to maximum permissible sector limits for all PSU companies which are part of Emerging Market Index.

Government borrowing programme: **In external markets**

- India's sovereign external debt to GDP is among the lowest globally at less than 5%. The Government would start raising a part of its gross borrowing programme in external markets in external currencies. This will also have beneficial impact on demand situation for the government securities in domestic market.

Tax Proposal

Direct Tax

Tax proposals aimed to **stimulate growth, incentivise affordable housing, and encourage start-ups** by releasing entrepreneurial spirits. It will also be geared towards **promoting digital economy.** The aim is to simplify tax administration and bring greater transparency.

Corporate Tax: Phased Reduction Continues

- Government continues with phased reduction in rates. **The lower rate of 25% is extended to companies having annual turnover of Rs 400 crore. As of now was applicable to companies having a turnover of Rs 250 Crore.** This will cover 99.3% of the companies. Now only 0.7% of companies will remain outside this rate.

TAX EXEMPTIONS: Mega Investment in Sunrise and Advanced Technology Areas

- In order to boost economic growth and Make in India, the government will launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas such as *Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops*, etc. and **provide them investment linked income tax exemptions under section 35 AD of the Income Tax Act,** and other indirect tax benefits.

Electric Vehicles: Aiming for Global Hub Status

- Considering our large consumer base, the Government is aiming to leapfrog and envision India as a global hub of manufacturing of Electric Vehicles. Inclusion of Solar storage batteries and charging infrastructure in the above scheme will boost our efforts. Government has already moved GST council to lower the GST rate on electric vehicles from 12% to 5%. Also to make electric vehicle affordable to consumers, our government will provide additional income tax deduction of `1.5 lakh on the interest paid on loans taken to purchase electric vehicles. This amounts to a benefit of around `2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle.

Start-ups: Resolving Angel Tax Issue

- Start-ups in India are taking firm roots and their continued growth needs to be encouraged. To resolve the so-called 'angel tax' issue, the *start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny in respect of valuations of share premiums*. The issue of establishing identity of the investor and source of his funds will be resolved **by putting in place a mechanism of e-verification. With this, funds raised by start-ups will not require any kind of scrutiny from the Income Tax Department.**

Start-ups: Valuation of Shares AIF Category-II beyond scope of Income Tax Scrutiny

- At present, start-ups are not required to justify fair market value of their shares issued to certain investors including Category-I Alternative Investment Funds (AIF). The Government has proposed to extend this benefit to Category-II Alternative Investment Funds also. Therefore, valuation of shares issued to these funds shall be beyond the scope of income tax scrutiny.

Start-ups: Carry forward & Setoff Losses; Capital Gain Exemption

- **Government has** proposed to relax some of the conditions for carry forward and set off of losses in the case of start-ups and also proposed to extend the period of exemption of capital gains arising from sale of residential house for investment in start-ups up to 31.3.2021 and relax certain conditions of this exemption.

Affordable housing: Additional deduction for interest paid

- For realisation of the goal of 'Housing for All' and affordable housing, a tax holiday has already been provided on the profits earned by developers of affordable housing. Also, interest paid on housing loans is allowed as a deduction to the extent of ` 2 lakh in respect of self-occupied property. In order to provide a further impetus, The Government has proposed to allow an additional deduction of up to ` 1,50,000/- for interest paid on loans borrowed up to 31st March, 2020 for purchase of an affordable house valued up to ` 45 lakh. Therefore, a person purchasing an affordable house will now get an enhanced interest deduction up to ` 3.5 lakh. This will translate into a benefit of around ` 7 lakh to the middle class home-buyers over their loan period of 15 years.

Extended to Non Deposit NBFCs-Tax on Actual Interest Received on Bad/Doubtful Debt

- Currently, interest on certain bad or doubtful debts of Non-banking financial companies made by scheduled banks and other financial institutions is allowed to be offered to tax in the year in which this interest is actually received. ***The government has extended this facility to deposit taking as well as systemically important non-deposit taking NBFCs also.***

IFSC: New Incentives

- With a view to further incentivising the IFSC, the Budget has proposed to further provide several direct tax incentives to an IFSC including 100 % profit-linked deduction under section 80-LA in any ten-year block within a fifteen-year period, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gain to Category-III AIF and interest payment on loan taken from non-residents.

Securities Transaction Tax (STT): Relief

- **The Budget** proposes to give relief in levy of Securities Transaction Tax (STT) by restricting it only to the difference between settlement and strike price in case of exercise of options.

Tax Compliance: Made easier

- India's Ease of Doing Business ranking under the category of 'paying taxes' showed a significant jump from 172 in 2017 to 121 in the 2019. The Budget has proposed to implement series of measures that will leverage technology to make compliance easier for the taxpayers.

Tax Filing: Interchangeability of PAN and Aadhaar

- **As** more than 120 Crore Indians now have Aadhaar. Therefore, for ease and convenience of tax payers, the Budget has proposed to make PAN and Aadhaar interchangeable and allow those who do not have PAN to file Income Tax returns by simply quoting their Aadhaar number and also use it wherever they are required to quote PAN.

Tax Filing: Pre-filling of Income-tax Returns

- The Budget has proposed that Pre-filled tax returns will be made available to taxpayers which will contain details of salary income, capital gains from securities, bank interests, and dividends etc. and tax deductions. Information regarding these incomes will be collected from the concerned sources such as Banks, Stock exchanges, mutual funds, EPFO, State Registration Departments etc. This will not only significantly reduce the time taken to file a tax return, but will also ensure accuracy of reporting of income and taxes.

Income Tax -Faceless e-assessment: To minimize undesirable practices

- The existing system of scrutiny assessments in the Income-tax Department involves a high level of personal interaction between the taxpayer and the Department, which leads to certain undesirable practices on the part of tax officials. To eliminate such instances, a scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner. To start with, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies. Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the Assessing Officer. The Central Cell shall be the single point of contact between the taxpayer and the Department. This new scheme of assessment will represent a paradigm shift in the functioning of the Income Tax Department.

Digital Payments: Further Promotion Initiatives

- To promote digital payments further, the Budget has proposed to take a slew of measures. To discourage the practice of making business payments in cash, it is proposed to levy TDS of 2% on cash withdrawal exceeding ` 1 crore in a year from a bank account. Further, there are low-cost digital modes of payment such as BHIM UPI, UPI-QR Code, Aadhaar Pay, certain Debit cards, NEFT, RTGS etc. which can be used to promote less cash economy. Business establishments with annual turnover more than ` 50 crore shall offer such low cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants. RBI and Banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payment. Necessary amendments are being made in the Income Tax Act and the Payments and Settlement Systems Act, 2007 to give effect to these provisions.

Revenue Mobilization: Enhanced surcharge taxable income 2-5 Crores

- The Budget has enhanced surcharge on individuals having taxable income from ` 2 crore to ` 5 crore and ` 5 crore and above so that effective tax rates for these two categories will increase by around 3 % and 7 % respectively.

Other measures: Simplification of Tax Laws

- The Budget proposes to simplify the tax law to reduce genuine hardships being caused to taxpayers who include enhancing threshold of tax for launching prosecution for non-filing of returns and exempting appropriate class of persons from the anti-abuse provisions of section 50CA and section 56 of the Income Tax Act.

Indirect Taxes

GST Process: Further Simplification

The Government is further simplifying the GST processes.

- A simplified single monthly return is being rolled out.
- Taxpayer having annual turnover of less than `5 crore shall file quarterly return.
- Free accounting software for return preparation has been made available to small businesses.

- A fully automated GST refund module shall be implemented. Multiple tax ledgers for a taxpayer shall be replaced by one.
- Move to an electronic invoice system wherein invoice details will be captured in a central system at the time of issuance. This will eventually be used to prefill the taxpayer's returns.
- A separate e-way bill roll out would begin from January, 2020. Electronic invoice system will significantly reduce the compliance burden.

Custom Duty Increase: Provide domestic industry a level playing field

- In order to provide domestic industry a level playing field, basic customs duty has been increased on items such as cashew kernels, PVC, Vinyl flooring, tiles, metal fittings, mountings for furniture, auto parts, certain kinds of synthetic rubbers, marble slabs, optical fibre cable, CCTV camera, IP camera, digital and network video recorders etc. Also, exemptions from custom duty on certain electronic items which are now being manufactured in India have been withdrawn. Further, end use based exemptions on palm stearin, fatty oils, and exemptions to various kinds of papers have also been withdrawn. To encourage domestic publishing and printing industry, 5 % custom duty has been imposed on imported books.

Custom Duty Reductions: To Promote Domestic Manufacturing

To further promote domestic manufacturing, customs duty reductions are being proposed on certain raw materials and capital goods. These include certain inputs of CRGO sheets, amorphous alloy ribbon, ethylene di-chloride, propylene oxide, cobalt matte, naphtha, wool fibres, inputs for manufacture of artificial kidney and disposable sterilised dialyser, and fuels for nuclear power plants. To further incentivise e-mobility, customs duty is being exempted on certain parts of electric vehicles. Customs duty is also being exempted on capital goods required for manufacture of specified electronic goods.

- **Leather:** Export duty is being rationalised on raw and semi-finished leather to provide relief to this sector.
- **Diesel & Petrol:** Crude prices have softened from their highs so the government has increased Special Additional Excise duty and Road and Infrastructure Cess each by one rupee a litre on petrol and diesel. It is also proposing to increase custom duty on gold and other precious metals from 10% to 12.5%.
- **Tobacco Products:** Tobacco products and crude attract National Calamity and Contingent duty. In certain cases this levy has been contested on the ground that there is no basic excise duty on these items. To address this issue, a nominal basic excise duty is being imposed.

Amendments to the Customs Act: **Enhanced Penalty and Prosecution for Offences**

- To check Entities/Persons found resorting to unfair practices to avail undue concessions and export incentives provisions are being incorporated in the Customs Act for enhanced penalty and prosecution for such offences. Further, **misuse of duty free scrips and drawback facility involving more than fifty lakh rupees will be a cognizable and non-bailable offence**.

Legacy Dispute Resolution Scheme: **Quick closure of pre-GST regime litigations**

- An area that concerns for Business is that we have huge pending litigations from pre-GST regime. More than ` 3.75 lakh crore is blocked in litigations in service tax and excise. There is a need to unload this baggage and allow business to move on. The Budget has therefore, proposed, a Legacy Dispute Resolution Scheme that will allow quick closure of these litigations.

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