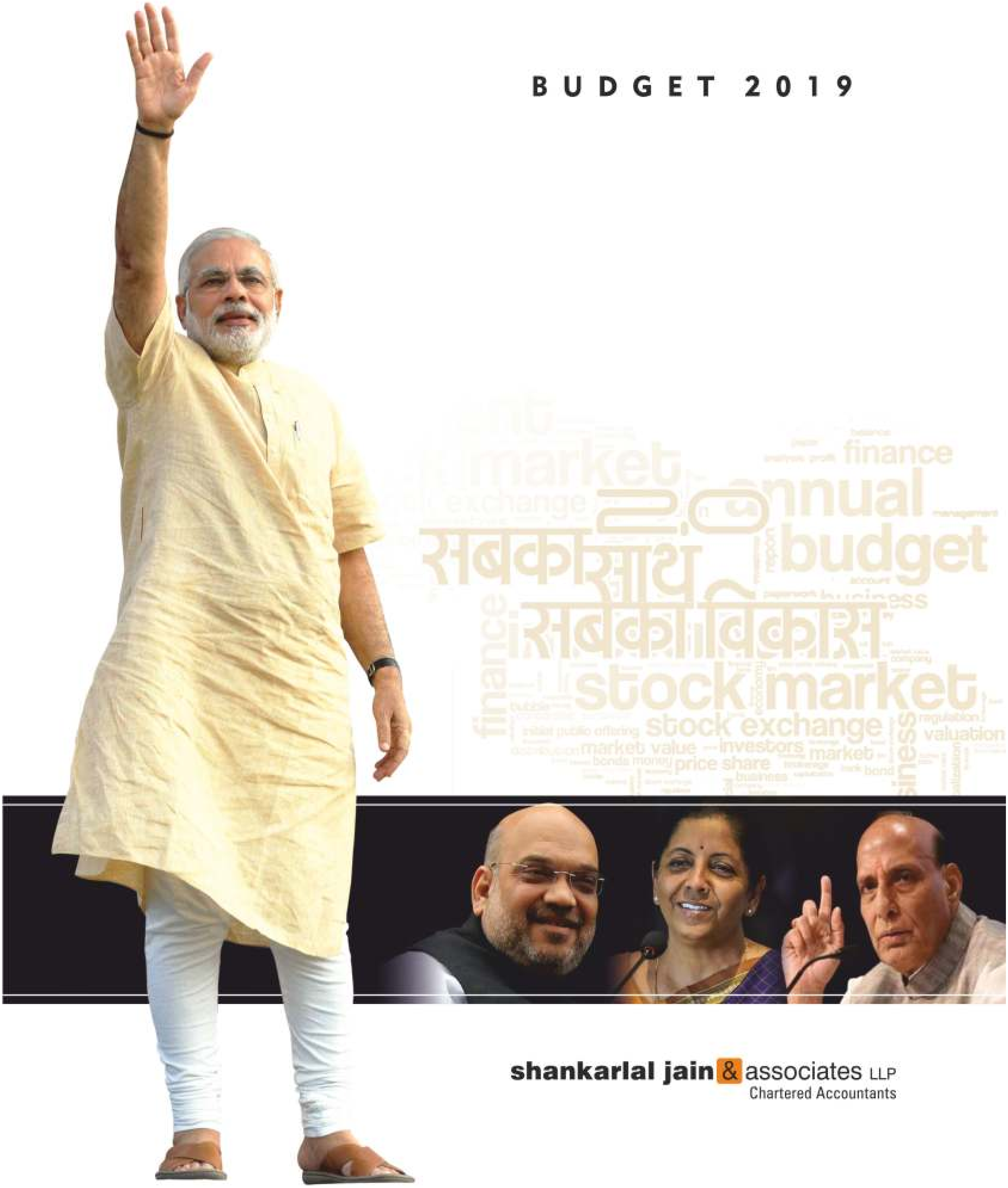
BUDGET 2019



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WAY FOREWORD

On 5th July , 2019 the Lok Sabha heard finance minister Nirmala Sitharaman's maiden budget speech, without any disruptions, with members applauding her Tamil and Urdu couplets and successful attempts to reiterate some important points in Hindi. Her remark "**Naari Tu Narayani** (woman, you are a goddess)", was applauded by the House. It was also the first time that a Finance Minister had shunned the traditional brief case and carried the budget speech and papers in a '**Bahi- Khaata**' (traditional ledger).

India has emerged as an important player in the world and the medium term growth prospects of the economy are bright mainly on the back of the important structural reforms initiated in the past few years. Despite a moderation in real GDP growth by 40 basis points in 2018-19 over 2017-18, Indian economy remained the fastest growing major economy along with the macroeconomic stability. Consumer price inflation was within the targeted limits set by the monetary policy committee of Reserve Bank of India (RBI) Current Account Deficit increased from 1.9% of GDP in 2017-18 to 2.4 % in April - December 2018-19.

This year budget focus remains on the ease of doing business, incentives for startup, housing for all, agriculture, improvement and development of infrastructure. Incentive scheme for mega manufacturing plants of solar photovoltaic cells, lithium storage batteries, and solar electric charging infrastructure were announced. I-T deduction of ₹ 1.5.lakh for interest paid on loans for buying Electronic Vehicle (EV's) are proposed in the budget speech.

Continuing a post-reforms practice introduced in 2013 by Congress's finance minister of levying extra tax on the wealthy, the Bhartiya Janta Party formed government's finance minister Nirmala Sitharaman also increased 15% personal tax surcharge on top-end income brackets - for income between ₹ 2 crore and ₹ 5 crore, the new surcharge is 25% , and for income above ₹ 5 crore , the new surcharge is 37%. To promote cashless economy a step of introducing 2% Tax deducted at source (TDS) on cash withdrawals in excess of ₹ 1 crore in aggregate from a bank was done.

On positive side the budget has given a further boost to the International Financial Services Centre (IFSC) by proposing to exempt capital gains tax on equities traded on stock exchanges and to double the tax holiday for businesses operating out of there. It also propsed to widen the types of securities traded on International Financial Services Centre (IFSC) stock exchange that would be eligible for exemptions on capital gains tax. In a major relief to option buyers, the budget has proposed that securities transaction tax (STT) be calculated on the difference between the strike price and settlement price instead of the value of the contract.

The budget deploys a multi-pronged support structure to kick – start a virtuous cycle of investments via

1) Reduction in corporate tax to 25% to companies with a turnover of up to ₹ 400 Crore from ₹ 250 crore earlier,
2) Infusion of ₹ 70,000 crore into public sector banks
3) One - time partial guarantee to banks for acquiring high rated pooled assets of NBFC's of ₹ 1 lakh crore.
4) In order to boost foreign investments, 100% FDI will be permitted for insurance intermediaires and further relaxations of FDI in select sectors along with easing local sourcing norms in single brand retail and
5) Eliminating the angle tax issue for start ups. This should, in turn, help job creation and augment incomes.

Foreign Portfolio Investor (FPI's) are set to get deeper access into the Indian markets as the government has also proposed to increase FPI limits in listed companies. Currently, there is a cap of 24% on FPI investments in a company. This cap can be increased up to the sectoral limit by the company through a board resolution.Under the new rules, the FPI limit in a company would be automatically set to the maximum permissible limit for the sector. However, if the company wants a lower FPI participation, it can pass a special resolution caping the limit.

FDI inflows into India have remained robust despite global headwinds. Global Foreign Direct Investment (FDI) flows slid by 13% in 2018 to US$ 1.3 trillion from US$ 1.5 trillion in the previous year – the third consecutive annual decline, according to UNCTAD's World Investment Report 2019. India's FDI inflows in 2018-19 remained strong at US$ 64.375 billion, marking a 6% growth over the previous year. To boost foreign investments, 100% FDI will be permitted for insurance intermediaries . The move is expected to further open up the Indian economy and allow more foreign investment. Incentive scheme for mega manufacturing plants in specified industries will bring mega plant to India along with FDI.

The government reiterated its commitment to economic reforms and the role of private sector investment in improving India's long term growth potential. However, the

WAY FOREWORD

budget did not carry any specific measures to reverse the current slowdown or increase investments. The government will announce specific policies for various infrastructure sectors later. The budget largely focused on fiscal consolidation and provided limited fiscal stimulus to a few sectors. The government had limited scope to reduce taxes given India's high fiscal deficit and GST collections not measuring to expectations. In particular, the government enlarged budget for affordable housing under the PMAY scheme and the additional ₹ 1.5 lakh deduction on interest paid on self occupied houses costing upto ₹ 45 lakhs, which is a positive for the economy as it may kick start housing investment, which had declined sharply over the past few years.

Financial Minister did an apt work on outlining the Governments long term policy initiatives and focusing less on the Receipts and Payments Statement. On the whole, we believe the first budget of NDA 2.0 is in-line with its long term thought process and putting in place structural building blocks to accelerate economic growth. It aims to reach $ 5 trillion GDP by 2025. Government walked the tight rope of fiscal discipline by maintaining the fiscal deficit at 3.3% of GDP. On the revenue collection side, government tweaked tax rates for very high earner category. It introduced buy back tax to plug the dividend tax loophole, increased auto fuel taxes, customs duty on gold imports and upped divestment target to ₹ 1.05 trillion. On the expenditure side, it's largely the same from interim budget. On the policy initiatives, government thrust on affordable housing continues with higher tax incentives and clear intent on EV penetration by lower GST and income tax incentive. On the banking sector front, the main agenda has been recapitalization of PSU bank along with consolidation. RBI powers have been enhanced to govern HFCs and NBFCs. Liquidity concerns have been addressed to some extent by giving credit guarantee to PSU banks towards NBFCs pooled asset purchase. Also, thrust on infrastructure continues through various schemes.

From a medium term perspective, the FM used the budget to lay down the government's vision for the next 5 years; taking forward the reforms and achivements of the last term. Specifically, commitments towards infrastructure such as phase 2 of Pradhan Mantri Awas Yojana (PMAY), phase 3 of Pradhan Mantri Gram Sadak Yojana (PMGSY), industrial corridors, Bharatmala and Sagarmala projects, UDAN scheme, PPP in railways, re-examining the UDAY scheme coupled with an envisaged revamped education policy, simplication of labour laws and the Ayushman Bharat Scheme already in motion, should provide a well rounded character to Indian Economy's impending growth. Combining the signals from the interim and full budget, one can infer that the government has put an equal thrust on domestic consumption and private investment, with growth recovery being a derivative of both.The combined focus on lending support to rural economy, along with MSME's, affordable housing and ease of living sends an emphatic message that growth must also be inclusive. The budget also proposes New Jal Shakti Mantralaya to ensure ' Har Ghar Jal'- water in every household.

The Budget also has proposals focusing on newer areas such as, "Maintenance, Repair and Overhaul" of aircrafts and making India a hub for manufacturing of electric vehicles, on shore - aircraft financing / leasing activities, creating a fund raising platform for social enterprises etc.

Even though the budget has tried to steer growth away from consumption towards investment, this shift will not be easy. Overall, the budget is well balanced and the reform process is likely to continue. The budget can be seen as an enhancement over the interim budget. The finance minister has skillfully balanced the current needs of a slowing economy with the medium-term goal of scaling up the Indian economy to a level of $ 5 trillion by 2025.

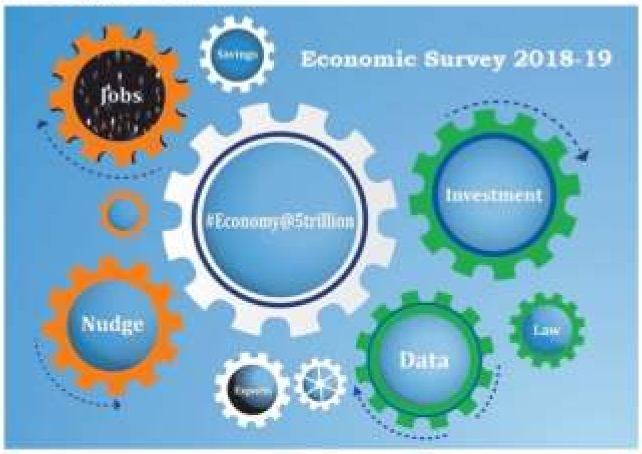
Regards,

S. L. Jain

(S. L. Jain)

ECONOMIC SURVEY 2018 - 2019

The Economic Survey report 2018-19 has projected India's FY20 economic growth rate at 7%. Tabled by Hon'ble FM Ms. Sitharaman, the Economic Survey revealed the health of the Indian economy and projected India's economic growth for the fiscal year 2019-20. A recent data released by the government showed a slump in India's GDP growth rate and high rate of unemployment in the country. The Economic Survey revealed signs of India's economic revival and challenges ahead.



This Survey is the first for the Modi 2.0 Government, which came to power with an overwhelming mandate. As per the preface to the Economic Survey 2018-19, with the aspirations that have been kindled among our predominantly young population, India stands at a historic moment when sustained high economic growth has become a national imperative.

According to the Hon'ble Prime Minister, Shri Narendra Modi "If every one of the 130 crore Indians takes one step forward, the country too will go that many steps ahead." By laying out the strategic blueprint for fructifying this vision, the Economic Survey commits to a collective endeavor: 130 crore Indian creating an inclusive India by 2022 when we, as nation, complete 75 years of Independence .

The team for Economic Survey adopted "blue sky thinking." The Survey adopts an unconstrained approach in thinking about the appropriate economic model for India. The Survey views the economy as being either in a virtuous or a vicious cycle, and thus never in equilibrium, in contrast to the traditional thinking. In its attempt at unfettered thinking, the Survey utilizes the significant advances made in Behavioral Economics in the last few decades. In a world where data has become the new oil and analytics from data the new tool for decision making, the Economic Survey foresees immense opportunities in commoditizing data of the people, for the people and by the people.

Some of the key observations in the Economic Survey 2018-19

The Indian economy grew by 6.8% in 2018-19, slightly lower than 7.2% in the previous fiscal. However, India continued to be the fastest growing major economy in the world and ranks third in terms of size after the U.S. and China.

Per Capita Net National Income, a crude indicator of prosperity, has shown an upswing.

Consumer inflation (rate of increase of prices) was contained within 4% and it has been showing a downward trend since FY 2016.

The Index of Industrial Production (IIP), an indicator of growth across key industries, registered a rise in FY 2017 and FY 2018, but has dipped in FY 2019.

Indicator	FY 2018	FY 2019
Per Capita Net National Income (₹)	1,12,835	126,406
Inflation (%)	3.6	3.4
Index of Industrial Production (%)	5.3	0.4
GDP growth rate (%)	7.2	6.8

India's current savings / GDP was 30.5% in FY 17-18, FY 16 - 17 : 30.3%, FY 15 - 16 : 31.1%). The household's segment, which includes unincorporated enterprises, is the only net saver in the economy.

The segment's financial savings net of financial liabilities increased to ₹ 11.29 trillion in FY 17-18 from ₹ 6.43 trillion in FY 11-12. However, net central government, state government and extra budgetary resources borrowings grew at a CAGR of 10.7% to ₹ 11.55 trillion during FY12 - FY18.

The survey also showed that projects worth over ₹ 2.05 lakh crore are proposed in 100 cities under the Smart

Cities Mission and a significant progress has been made in terms of implementation of these projects.

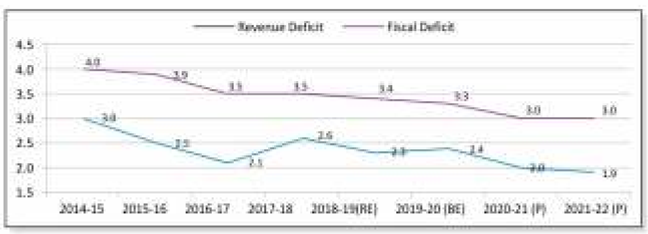
GDP growth

The Indian economy registered a growth rate of 6.8% in FY19. The GDP growth fell to 5.8 % in the last quarter, a 17-quarter low. The economy is projected to grow at 7% in FY20 on the back of political stability and removal of infrastructure bottlenecks and boost from public sector expenditure.

Fiscal consolidation

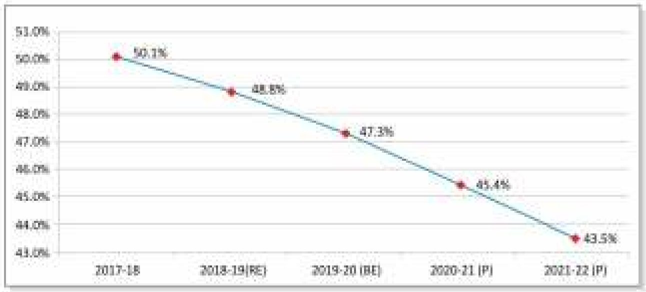
As per the 2019-20 Budget, fiscal deficit is expected to be 3.4% of GDP in 2018-19 and 3.3% in 2019-20. This is higher than the 3.3% and 3.1% envisaged for 2018-19 and 2019-20, respectively, in the 2018-19 Budget. The Government has projected to adhere to the FRBM Act's target of 3% in 2020-21, which seems challenging right now. Although revenue deficit is no longer a parameter for measuring fiscal outcomes in the FRBM Act, it is projected to be 2.2% of GDP in 2018-19 and 2.3% in 2019-20. The Government expects revenue deficit to reduce to 1.9% of GDP in 2020-21 and to 1.7% in 2021-22.

Fiscal Deficit and Revenue Deficit (% of GDP)



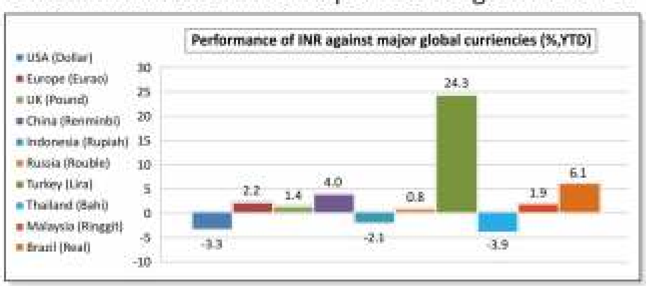
Central government debt as percentage of GDP

As per the 2019-20 Budget, Central Government debt (excluding extra budgetary resources) is expected to be 48.4% of GDP in 2018-19, which is lower than the 48.8% projected in the 2018-19 Budget. Central Government debt comprises of 79% of internal debt and 2.7% of external debt in 2019-20. The share of external debt has showed a declining trend from 3% in 2017-18 to 2.7% in 2019-20. The Government has quoted this as a basis to target external markets for Government debt and avoid crowding out the private sector in the Indian debt market. Interest payments to revenue receipts ratio, which is an indicator of debt sustainability, is expected to improve from 36.9% in 2017-18 to 33.7% in 2019-20.

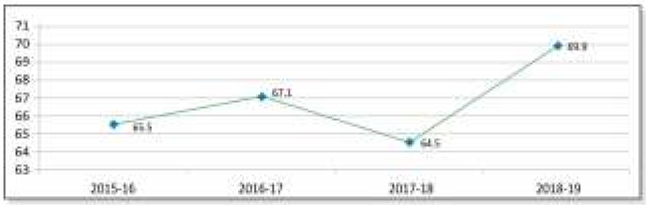


Positive on the INR

INR was one of the least volatile Emerging Market (EM) currencies during FY 17-18 but suffered significantly in FY 18-19, touching a low of 74.4 per USD in October 2018. INR remained weak in H1FY18-19 due to concerns related to widening of CAD owing to rising crude oil prices, and affected by tightening financial conditions in the US. However, it picked up gradually on account of easing monetary policy stance across major central banks, softening crude oil prices, and FPIs inflows. Overall, in FY 18-19 INR traded below INR 70 per USD for the entire year and is expected to remain within the INR 68-70 per USD range in FY 19-20.



Average Exchange Rate



Indian Stock Market (SENSEX)

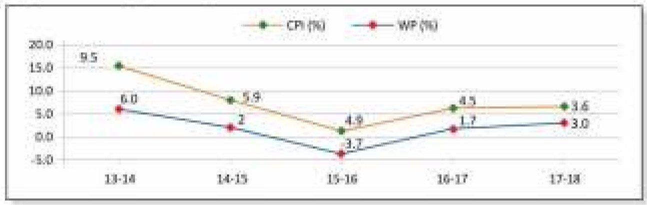
Indian equities outperformed other asset classes in FY 18-19. The Sensex jumped 5,704 points or 17 per cent and the NSE Nifty 50 Index added 1,510 points to clock a return of 15 % in FY 18-19. However, the year-long journey for the domestic benchmark equity indexes was marred with volatility. The benchmarks rose to record highs in August but corrected sharply starting September through January on the back of tight liquidity conditions domestically in the aftermath of liquidity-related concerns triggered by the defaults by Investment Leasing and Financial Services (IL&FS).

Index of Industrial Production (IIP)

IIP grew at 3.5% in FY 18-19 as against 4.6% in FY 17-18. The moderation in IIP is mainly due to subdued manufacturing activities in Q3 and Q4 due to slower credit flow to medium and small industries. However, the index demonstrated strong performance during 3Q of FY19, registering a growth rate of 8.4% in October 2018.

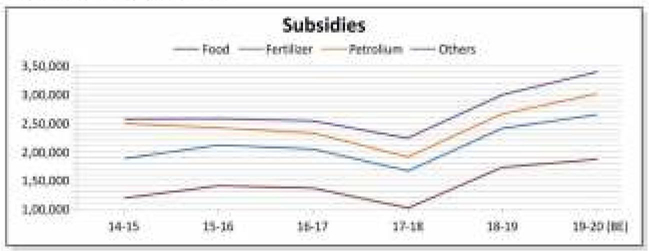
Inflation/ Consumer Price Index (CPI)

The CPI inflation has been volatile throughout FY 18-19, with the average rate of approximately 3.4%. The CPI-based inflation declined 3.4% in FY 18-19 from 3.6% in FY 17-18. Inflation declined to a low of 2% during Jan'19. Since then it has been on a consistent upward trajectory.



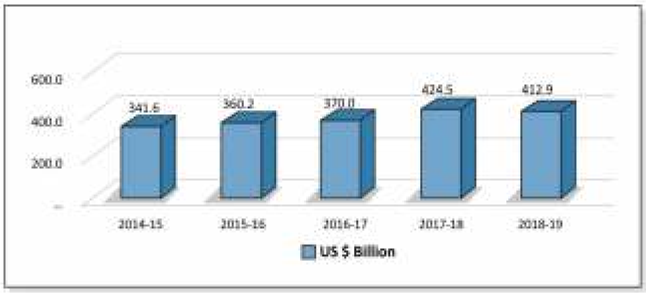
Subsidy burden to remain stable

Since BJP came into power in 2014, the subsidies have been falling as a % of GDP due to couple of favorable factors like falling prices of oil and fertilizers raw material, coupled with reforms in agricultural sector like DBT and regularization of urea pricing. Subsidies as a % of GDP has come down from 2.2% of GDP in FY 2013-14 to 1.6% of GDP in FY19. In the final budget subsidies are estimates to grow by 13.3% yoy to ₹ 3,38,949 crore which is more or less in line with the interim budget estimates of ₹ 334,235 crore Small increment is on account of ₹ 5,010 crore of additional fertilizer subsidies.



Foreign Exchange reserves at the end of financial year (end March)

Foreign Exchange Reserves of India consists of cash, gold, bonds, bank deposits and financial assets denominated in foreign currencies. (Primarily US dollars in the forms of US treasury bonds and institutional bonds). Even though India is the largest gold-consuming nation, the share of gold in total forex reserves is much less than most developed nations. The share of gold in total forex reserves has fallen from 78% prior to liberalization of the Indian economy to around 5.4% at present. India's forex reserves have increased by about 48%. In terms of inter-country comparisons, forex reserves of India stand at 6th position behind China (1st) and Japan (2nd), to name a few.



Key highlights of the Economic Survey 2019

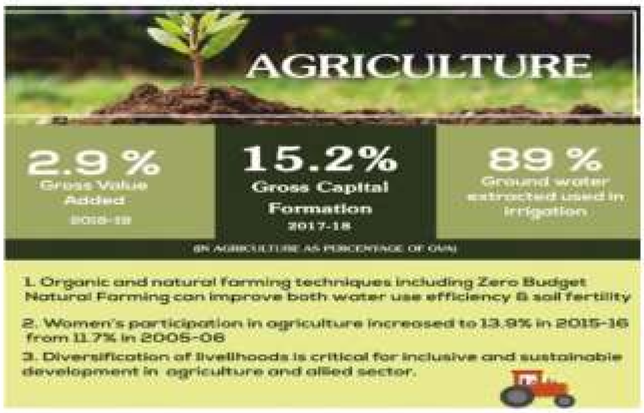
1. **A macro view of the state of Indian Economy in FY 2018-19**
   - GDP to grow at 7% in FY 2019-20 due to growth of investment and consumption
   - India's share in world service exports increased from 2% in 2005 to 3.5% in 2017
   - India's foreign exchange reserves are placed at $422.2 billion in June 2019
   - India still holds the top position of the fastest growing major economy in FY 2018-19
   - GDP growth rate moderated to 6.8% in FY 2018-19 from 7.2% in FY 2017-18
   - Inflation was at 3.4 % in FY 2018-19
   - Non-Performing Assets (NPAs) as percentage of Gross Advances reduced to 10.1% at end December 2018 from 11.5% at end March 2018
   - Growth in fixed investment grew to 10.0% in FY 2018-19
   - Current account deficit was manageable at 2.1% of GDP
2. **Fiscal Developments**
   - Fiscal deficit declined from 3.5% of GDP in FY 2017-18 to 3.4% in FY 2018-19
   - FY 2018-19 closed with fiscal deficit at 3.4% of GDP
   - Total Central Government expenditure fell by 0.3 percentage points in FY 2018-19
3. **Money Management & Inflation**

   - Banking system improved with the decline in the NPA ratios
   - Insolvency and Bankruptcy Code led to recovery and resolution of significant amount of distressed assets
   - As per RBI reports, banks received ₹ 50,000 crore from previously non-performing accounts
   - Repo Rate first hiked by 50 bps and later reduced by 75 bps in 2018
   - Inflation continued to decline for fifth straight financial year and remained below 4%
   - Food inflation based on Consumer Food Price Index (CFPI) also continuing on its declining trend and remained below 2%
   - Housing and fuel are the main contributors of inflation based on CPI-C during FY 2018-19
4. **Industry and Infrastructure**
   - India's ranking improved by 23rd to 77th position in 2018 among 190 countries assessed by the World Bank Doing Business (DB) Report 2019.
   - Road construction grew at 30 km per day in FY 2018-19.
   - Rail freight and passenger traffic grew by 5.33% and 0.64% respectively in FY 2018-19.
   - Total telephone connections in India touched 118.34 crore in FY 2018-19.
   - Public Private Partnerships are ideal for addressing infrastructure gaps

- Building sustainable and resilient infrastructure was given due importance with programmes such as SAUBHAGYA scheme, PMAY, etc.

5. **Services Sector**
   - Services sector contributed more than half of GVA growth in FY 2018-19
   - IT-BPM industry grew by 8.4% in FY 2017-18 to $ 167 billion.
   - The services sector growth declined marginally to 7.5% in FY 2018-19
   - The sectors that saw growth were Financial services, real estate and professional services
   - The sectors that saw decline were Hotels, transport, communication and broadcasting services

6. **Agriculture and Food Management**



   - Gross Value Added (GVA) in agriculture improved from -0.2% in FY 2014-15 to 6.3% in FY 2016-17 but decreased to 2.9% in FY 2018-19
   - Gross Capital Formation (GCF) in agriculture declined to 15.2% in FY 2017-18 as compared to 15.6% in FY 2016-17
   - Women's participation in agriculture increased to 13.9% in FY 2015-16 from 11.7% in FY 2005-06
   - 89% of groundwater extracted is used for irrigation
   - Policies should focus on dairying as India is the largest producer of milk and livestock rearing & second largest producer in the fisheries sector

7. **Health & Education**
   - Government expenditure on health increased to 1.5% in FY 2018-19 from 1.2% in FY 2014-15
   - Government expenditure on education increased to 3% in FY 2018-19
   - Affordable and quality healthcare being provided through National Health Mission and Ayushman Bharat scheme

8. **Sustainable Development and Climate Change**
   - India's Sustainable Development Goals (SDG) Index score ranges between 42 and 69 for States and between 57 and 68 for UTs
   - Kerala and Himachal Pradesh are the front runners with a score of 69 amongst states. Chandigarh and Puducherry are the front runners with a score of 68 and 65 respectively among the UTs
   - Namami Gange Mission was launched for achieving the SDG-6 with a budget outlay of ₹ 20,000 crore
   - A comprehensive National Clean Air Programme (NCAP) was launched in 2019 as a pan India time bound strategy for prevention, control and abatement of air pollution

9. **Minimum Wage System to be redesigned for Inclusive Growth**
   - Survey proposes redesigning of Minimum Wage System for protecting workers and alleviating poverty
   - India has 1,915 minimum wages for various scheduled job categories across states

- 1 in every 3 wage workers is not protected by the minimum wage law
- Survey proposes minimum wages to all employments/workers
- Government will soon notify **'National Floor Minimum Wage'**, varying across five geographical regions
- States will fix the Minimum wages at levels not lower than the 'floor wage'
- It proposes **'National level dashboard'** under the Ministry of Labour & Employment for regular notifications on minimum wages

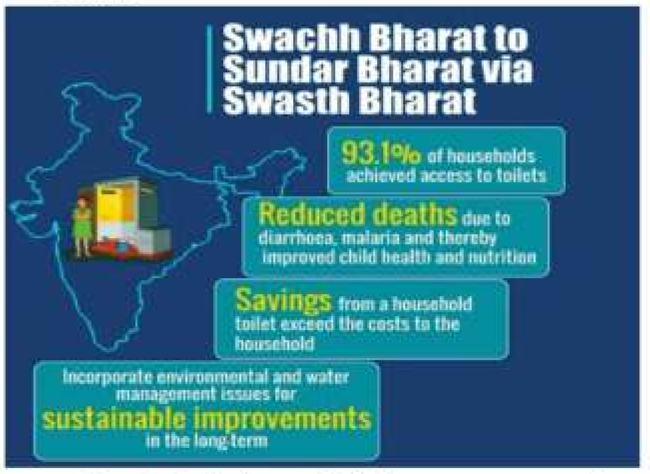
10. Effective Use of Technology for Welfare Schemes

- Survey depicts boost in efficiency of **'The Mahatama Gandhi National Rural Employment Guarantee Scheme'** (MGNREGS) with use of technology that has led to significant reduction in delays in the payment of wages with adoption of **'The National Electronic Fund Management System'** (NeFMS) and **'Direct Benefit Transfer'** (DBT)
- Demand and supply of work under MGNREGS increased
- Vulnerable sections such as women, SC and ST workforce increased under MGNREGS during economic distress

11. Inclusive Growth through Affordable, Reliable and Sustainable Energy

- India requires 2.5 times increase in per capita energy consumption to increase its real per capita GDP by $ 5,000 at 2010 prices to enter the upper-middle income group
- 4 times increase in per capita energy consumption is needed to achieve 0.8 Human Development Index score
- India presently stands at 4th in wind power, 5th in solar power and 5th in renewable power installed capacity
- Thermal power still plays a dominant role at 60% share
- Market share of electric cars is only 0.06% in India while it is 2% in China and 39% in Norway. India needs faster access to fast battery charging facilities to increase the market share of electric vehicles

12. From Swachh Bharat to Sundar Bharat via Swasth Bharat



- 93.1% of the households have access to toilets and 96.5% of those with access to toilets are using them in rural India
- 100% Individual Households Latrine (IHHL) coverage in 30 states and UTs
- Now, environmental and water management issues need to be incorporated in the Swachh Bharat Mission (SBM) for sustainable improvements in the long-term

13. Reorientation of policies for MSME Growth

- Firms having less than 100 workers despite being over 10 years old account for over 50% of all organized firms in the manufacturing sector. Their contribution to employment is only 14% and just 8 % to productivity
- Large firms with more than 100 employees account for 75% employment and around 90% to productivity. These large MSMEs firms account for just 15% of the total organized sector by number
- Survey throws light upon the growth of the MSME sector for achieving greater profits,

boosting job creation and enabling enhanced productivity

- Survey also focuses on tourism, hotel & catering, transport, real estate, entertainment sectors etc., for job creation
- It calls for enabling MSMEs to grow by way of:
  - o A sunset clause of less than 10 years for all size-based incentives
  - o Deregulating labor law restrictions to create more jobs
  - o Re-calibrating Priority Sector Lending (PSL) guidelines for direct credit flow to young firms

14. Creation of Data "Of the People, By the People, For the People"

- At present, society's consumption of data is at the optimum level, given the technological advances
- This data is generated by the people, thereby, the Government too can create data for public good, ensuring data privacy
- Government must intervene in creating data for the good of the people, especially for poor and social sectors

15. Ending Matsyanyaya: Ways to ramp up the Lower Judiciary to clear backlog

Matsyanyaya literal meaning is the "law of fish" or the "law of the jungle." Why should there be governments in the world at all?

In short, it refers to a Governance where strong prevails over the weak.

- The Government is facing the biggest hurdles in name of contract enforcement and clearance resolution while working towards the ease of doing business and higher GDP growth in India
- Around 87.5 % of the total pending cases are in the District and Subordinate courts
- 100 % clearance rate can be achieved by just recruiting to fill in 2279 vacancies in the lower courts and 93 in High Courts
- Uttar Pradesh, Bihar, Odisha and West Bengal need special attention
- The backlog can be cleared with just 25 % productivity improvements in lower courts, 4 % in High Courts and 18 % in Supreme Court

16. How does Policy Uncertainty affect Investment?

India has witnessed significant reduction in Economic Policy Uncertainty over the last one decade. Considering that the uncertainty dampens investment growth in India for about five quarters, the Survey proposes reduction in economic policy uncertainty by:

- Consistency of actual policy with forward guidance
- Quality assurance certification of processes in Government departments

17. Policy for Real People, Not Robots: Behavioral Economics of "Nudge"

- Decisions by real people diverge from impractical robots theorized in classical economics
- Behavioral economics provides insights to push or nudge people towards desirable behavior
- Key principles of behavioral economics: Emphasizing the beneficial social norm, changing the default option and repeated reinforcements

Survey calls to create an aspirational agenda for social change by using insights from behavioral economics.

- o From **'Beti Bachao Beti Padhao'** to **'BADLAV'**

(Beti Aapki Dhan Lakshmi Aur Vijay Lakshmi)

- o From **'Swachh Bharat'** to **'Sundar Bharat'**
- o From **'Give it up'** for the LPG subsidy to **'Think about the Subsidy'**
- o From **'Tax evasion'** to **'Tax compliance'**

18. Key ingredients for a self-sustaining Virtuous Cycle

- Presenting data as a public good
- Emphasizing legal reforms
- Ensuring policy consistency
- Encouraging behavior change using principles of behavioral economics
- Nourishing MSMEs to create more jobs and become more productive
- Reducing the cost of capital
- Rationalizing the risk-return trade-off for investments

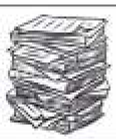
In Sum...

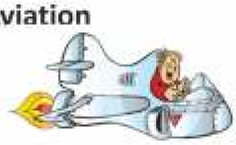
- **#EcoSurvey 2019 :**
  Startegic blueprint for #Economy@5trillion
- **Shift gears through a virtuous cycle : Investment as key driver**
- **Behavioural economics for path-breaking behavioural change**
- **Unshackle MSMEs to grow and create jobs & exports**
- **Data as a public good for ease of living**
- **Clearing legal logjam :**
  Best investment for # Economy@5trillion

OVERALL SECTORAL IMPACT

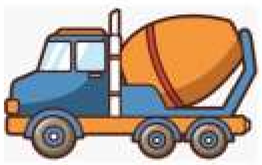
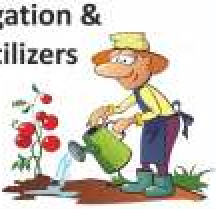
Sector	Policy	Impact	Effect
Automobiles 	✦ EV Initiative : Government has now recommended to the GST council that duties on EVs (2w or 4w) will be at 5% ✦ Income tax exemption on interest on E vehicles up to ₹ 1.5 lakh This loan is to be taken before 31st March 2023 ✦ Customs duty exempt on E Drive Assembly, board charger, E Compressor and Charging gun	✦ In two wheelers (2ws) case, the petrol 2ws are taxed at 28% and EV at 5%. This should encourage EV 2ws in India	N
Banking & Finance 	✦ Recapitalization of PSU banks by ₹ 70,000 crore ✦ One Nation one card - Rupay card with feature to pay across different areas - like metro fare, toll taxes, bus travel, parking charges, etc ✦ Government to raise a part of its gross borrowing program in external markets in foreign currencies ✦ Interest subvention of 2% on fresh loan or incremental loan up to ₹ 1 crore provided the the MSME has GST registration ✦ Platform to facilitate timely payment to SME & MSME for government related contract work	✦ Would support credit growth in the economy ✦ Would promote digital transaction ✦ This is positive for the bond market ✦ Provided the MSME has GST registration	F
NBFCs & HFCs 	✦ For purchase of high rated pooled assets of NBFC, Goverment to provide one time six months partial credit guarantee for first loss up to 10% to PSU banks for a pool of ₹ 1 trillion ✦ Interest on bad or doubtful debts in the case of deposit-taking NBFC and systemically important non-deposit-taking NBFC shall be charged to tax on receipt basis ✦ To enhance regulatory power of RBI over NBFC ✦ Additional deduction of ₹ 1.5 lakh	✦ This would provide the necessary liquidity support to the NBFC sector. ✦ Would provide a level playing field to NBFC and Banks ✦ Would improve the credibility of the sector ✦ Would provide a stimulus to the housing market positive for HFCs, Banks and Real estate developer	F

OVERALL SECTORAL IMPACT

Sector	Policy	Impact	Effect
	(over & above ₹ 2 lakh currently available) towards interest paid on housing loan borrowed before Mar 20 for buying affordable housing up to ₹ 45 lakh ✦ Regulation of HFC's to move to RBI from NHB		
Insurance & Capital markets 	✦ 100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries ✦ To raise the foreign shareholding limits to maximum permissible sector limits for all PSU companies which are part of Emerging Market Index. ✦ Investment option in ETFs on the lines of Equity Linked Savings Scheme (ELSS). ✦ Buy back of shares by listed entity would attract tax at the rate of 20%	✦ This would encourage long term investment in CPSEs, negative for flows in Mutual fund ELSS scheme.	F U
Paper 	✦ Imposition of 10% customs duty on newsprint and other types of paper used by newspapers / magazines	✦ This a positive for domestic paper manufacturers.	F
Railways 	✦ Allocation for railways is increased by 15% to ₹ 1,599 billion in FY 20 (vs ₹ 1,388 billion in FY19 and ₹ 1,599 billion in interim budget) ✦ Capex requirement of ₹ 50 trillion between 2018 to 2030 to complete the sanctioned projects to fulfilled by PPP route	✦ To rope in private players to meet ₹ 50 lakh crore funding	F
Defense 	✦ The defense budget is ₹ 3.1 trillion in FY 20 against FY 19 of ₹ 2.9 trillion (+ 5.3% over FY 19) ✦ Out of total budget, the capital outlay is estimated to be ₹ 1,034 billion, up 10% over FY 19 ✦ Import of defense equipment that are not being manufactured in India is being exempted from the basic customs duty.	✦ The financial outlay for the defense sector remained unchanged as it was in interim budget.	N

Sector	Policy	Impact	Effect
Telecom 	✦ Withdrawal of exemption of BCD on certain inputs used in manufacture of cellular mobile phones ✦ Import of capital goods used for the manufacture of populated printed circuit board assembly (PCBA), camera modules of cellular mobile phones, chargers/adapters of cellular mobile phones, etc., exempted from BCD	✦ BCD exemption for import of specific capital goods for "Make in India"	N
Aviation 	✦ Government to initiate regulatory roadmap for making India a hub for aircraft financing and leasing activities	✦ This will provide much needed boost to debt laden sector	N
Infrastructure & Construction   	**Roads** ✦ Total road sector outlay for FY20 is ₹ 1.58 lakh crore (+ 12% yoy) ✦ Gross budgetary support has gone up from ₹ 68,564 crore in FY19 to ₹ 72,010 crore in FY20 ✦ NHAI outlay is at ₹ 1.11 lakh crore in FY20, (+13%) Growth is primarily driven NHAI's own funds - from ₹ 62,000 crore in FY19 to ₹ 75,000 crore in FY20. ✦ **Rural Roads** : Pradhan Mantri Gram Sadak Yojana (PMGSY) is allocated ₹ 19,000 crore (+ 23% yoy) ✦ PMGSY (Rural roads) Phase III to be launched with target to develop 1.25 lac km at a cost of ₹ 80,250 crore over next 5 years **Affordable Housing** ✦ PMAY Rural allocation declined marginally from ₹ 19,900 crore to ₹ 19,000 crore ✦ PMAY Urban allocation increased to ₹ 6,853 crore (+ 5% yoy)	✦ Infrastructure continue higher allocations ✦ Faster implementation of development of Road networks under Bharatmala Phase 2 ✦ Every Single Rural Family to have electricity by 2022	F

OVERALL SECTORAL IMPACT

Sector	Policy	Impact	Effect
	**Urban Infrastructure** ✦ Total outlay for AMRUT increased to ₹ 7,300 crore (+14% yoy) ✦ Smart Cities outlay increased to ₹ 6,450 crore (+5%yoy)		
Cement 	✦ Increase in allocation for North East Infra Development scheme by 286% ✦ All relevant schemes allocations put together (+ 5% yoy) ✦ Implementation of incremental cess of ₹ 1/liter each by way of Special Additional Excise Duty & Road and Infrastructure Cess	✦ Reinstating focus on 'Housing for All' and 'Affordable Housing' and incentivizing such schemes by providing for additional tax deductions ✦ Both diesel and petrol to increase logistics cost for cement companies	N
Metals 	✦ Import duty increase on silver from 10% to 12.5% to aid domestic prices ✦ Import duty increase on stainless steel products from 5% to 7.5% to aid domestic prices	✦ To benefit domestic manufacturers as imports form 17% of domestic consumption	F
Textile 	✦ GST on job work in relation to textiles reduced to 5% from 18%	✦ To benefit manufacturers using labour for job work	F
Irrigation & Fertilizers 	✦ Increased subsidy allocation for Urea from ₹ 450 billion in FY19 to ₹ 536.3 billion in FY20 (+19% yoy) ✦ Fertilizer subsidy allocation rises by 6.7% from interim budget and 14.1% yoy to ₹ 799.96 billion	✦ To help better subsidy receipt by companies and may reduce the outstanding subsidy receivables as input costs have been declining	F
Oil & Gas 	✦ LPG/Kerosene subsidy provision unchanged from the Feb-19 vote on account. ✦ ₹ 1/tonne custom duty on crude oil import. ✦ SAD and road cess on petrol and diesel increased by ₹ 1/ltr each	✦ Negligible-perhaps levied to have better accountability of import ✦ Resulting in government revenue of ₹ 62 billion for petrol and ₹ 153 billion for diesel for the remaining 9 months for FY20 (annual is ₹ 287 billion combined) Also, government has taken enabling provision to increase tax by total ₹ 5/ltr each of which only ₹ 2/ltr has been taken in the budget	N

Sector	Policy	Impact	Effect
Retail / FMCG 	✦ No quick fix stimulus to revive rural consumption ✦ Re-imposition of excise duty on cigarettes was at negligible rates ✦ Increase in customs duty on split AC outdoor and indoor units likely to make Acs more expensive ✦ Rise in customs duty on gold by 250 bps ✦ Easing of local procurement norms for single brand retail FDI	✦ May put pressure on domestic demand for gold in the short to medium term ✦ May lead to higher FDI investment in the sector	N
Agriculture 	✦ The ASPIRE scheme with its objective of creating 100 technology and livelihood incubation centers ✦ The creation of 10000 Farmer Production Organization (FPO's)	✦ Will boost the entrepreneurial ecosystem in the agricultural sector	F
	F - Favorable U - Unfavorable N - Neutral		

FINANCE BILL 2019

Rate of Tax

Rate of tax has been retained as in earlier year in all category of assesses, except the following changes:

- Surcharge on income-tax, in case Individual, HUF, AOP etc on income exceeding ₹ 2 crore but not exceeding ₹ 5 crore be levied at the rate of 25% and in case of income exceeding ₹ 5 crore surcharge be at the rate of 37%. Health and Education cess continues at 4%. Marginal relief is provided in case of surcharge.

Taxable income (in INR)	Surcharge (%)	Effective (%)
>5,000,000 up to 10,000, 000	10	34.32
>10,000,000 up to 20,000,000	15	35.88
>20,000,000 up to 50,000,000	25	39.00
> 50,000,000	37	42.744

- In case of all companies, having turnover not exceeding ₹ 400 crore in the year ended March 31st, 2018 be 25%, as against turnover of ₹ 250 crore upto now, even if turnover in year of assessment exceeds ₹ 400 crore.
- Rebate under section 87A is available, as a result on income upto ₹ 5 lakh, no tax is payable.

Tax Deducted at Source (TDS)

There are certain amendments with regard to tax deduction at source (TDS) provisions

- **TDS By Individuals/ HUFs**

  An individual/HUF making payment to a contractor or professional, exceeding in aggregate ₹ 50 Lakh, during the year be required to deduct tax at 5%, under the provisions of section 194M, even if he is not liable for tax audit and even if such payment are for non-business purposes, such individual/HUF shall not be required to obtain Tax deduction Account Number (TAN). It will be effective from 1st September, 2019.

- **TDS On Purchase Price of Immovable Property**

  Section 194-IA provide that on purchase of immovable property, other than agricultural land, TDS at the rate of 1% be made on consideration for purchase. Now by amending the section, scope of consideration is defined to include other payments made to builder/seller like club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee etc. The provisions will be effective from 1st September, 2019.

- **TDS on Cash Withdrawal**

  By introducing a new section 194N it is proposed to provide that on TDS @ 2% on cash withdrawal in excess of ₹ 1 crore in aggregate during the year from a bank, co-op. bank or post office be applicable. The TDS will be made by such bank, co-op. bank or post office from which cash is withdrawn. Certain exceptions are provided to banks, government, co-op. society, post office, etc. the amendment will be effective from 1st September, 2019.

- **Online Application for Detention of Tax to be deducted on payment to Non-Resident u/s.195(2)**

  It is proposed to provide that an application for permission to deduct tax on payment to nonresident at a lower rate under section 195(2) to the Assessing Officer for determining appropriate rate of tax on which deduction is to be made online. It will be effective from 1st November, 2019.

- **Statement of Tax Deducted u/s 206A**

In the present provision of law an assessee is required to file a statement of tax deducted on a computer readable media. Now it will be required to file the statement online. It is also proposed to provide that a correction statement to correct any mistake or to add, delete or update the information furnished be filled within time permitted and manner to be prescribed. The provision will be applicable from 1st September, 2019.

- **TDS on Life Insurance Pay Out**

Under the provision of section 10(10D) a receipt under an LIC policy is exempt from tax. However, under certain cases as keyman Insurance policy or in case of certain policies where premium paid exceed 20% /10% such policy being issued after specified date, such exemption under section 10(10D) is not available and income portion received under, Life Insurance Policy is taxable. At present, insurance companies deduct tax out of such payments. Now, it is proposed to provide that TDS at the rate of 5% be made by Insurance Company on net basis i.e. payment under the policy as reduced by premium paid. It will be effective from 1st September, 2019.

- **Relaxing the provisions of Section 201 and 40**

In case of a resident, an assessee, at present, will not be treated as an assessee in default under sub section (1) to section 201, if payee resident has furnished return of income and has included such payment while computing income and paid tax on such income. At present similar provisions are not available in case of non-resident payees. Now the similar provisions are extended to payment to non-residents. The provision will be effective from 1st September, 2019.

Carrying on the consequential amendment to Clause (a) to section 40 now will provide that if a non-resident payee, include the income in its return of income and pay tax, no disallowance in the hands of the payer resident will be made, the provision are effective from A.Y. 2020-21.

Deductions

- **National Pension Scheme (NPS) :**

Currently, an assessee contributing to the NPS is allowed an exemption to the extent of 40% of the total amount payable to him on closure of his or her account or on his or her opting out of the scheme. It is now proposed to increase the said threshold exemption limited to 60%.

Central Government Employees can avail benefit of deduction up to ₹ 1,50,000 under section 80C, on their contribution to NPS, subject to fulfillment of prescribed conditions. Currently, contribution by CGT to NPS for its employees is eligible for deduction up to 10 % of salary. This is now sought to be increased to 14 %.

- **Deduction for Interest Paid**

Interest paid on loan taken for purchase of electric vehicles from any financial institutions up to ₹ 1,50,000/- is proposed to be allowed as deduction under section 80EEB if loan is taken during the period 1st April, 2019 to 31st March, 2023 and such assessee do not own any other electric vehicle. Financial Institution will include NBFC. This amendment will be effective from A.Y. 2020-21.

Interest paid, by an assessee on loan borrowed for purchase of affordable residential house, such unit having carpet area not exceeding 60 square meters in metropolitan cities or 90 square meters in cities or towns other than metropolitan cities of Bengaluru, Chennai, Delhi national capital region, Hyderabad, Kolkata and Mumbai Metropolitan Region and cost not exceeding ₹ 45 Lakh from any financial institution, up to ₹ 1,50,000/- is proposed to be allowed as deduction under section 80EEA if such assessee do not own any residential house on the date of sanction of loan. This amendment will be effective from A.Y. 2020-21.

- **Short Term Capital Gain on CPSCS**

  In order to provide incentive to Funds of Funds set up for investment in Central Public Sector Enterprises (CPSES) securities, Finance Act 2018 provided concessional rate of Long-Term Capital Gain on transfer of units of such Funds of Funds. Same benefit is now proposed to be extended in case of Short Term Capital Gain under section 111A. The benefits are similar to quoted shares. The provision will be effective from A.Y. 2020-21.

Non Resident

- **Taxability of Gift**

  It is proposed to provide that in case a person resident in India makes any gift to a non-resident of any sum of money or any property situated in India, after 5th July, 2019, the same will be taxable as income under section 56(2)(x) and such gift be an income accruing in India.

- **Taxability of Foreign Funds**

  At present section 9A provides that an eligible investment fund, if carries, fund management activity through eligible fund manager, located in India, shall not constitute a business connection in India of said fund and the eligible fund shall not be treated as resident in India on account of managing activities of fund by eligible manger in India subject to certain conditions. Now it is proposed to relax certain conditions to provide:

  - The corpus of the fund shall not be less than 100 crore at the end of the period of six months from the end of the month of establishment / inception or end of the previous year whichever later.
  - The remuneration payable to such eligible manager is not less than amount calculated in prescribed manner.
  - These amendments will be applicable from A.Y. 2019-20.

- **Interest Paid to Non - Residents**

  Interest, exemption on Rupee denominated bonds, at present, payable by an Indian Company/business trust to a non resident on monies borrowed by issuing rupee denominated bonds issued before 1st July, 2020 is liable for tax at 5%. CBDT issued a Press Release dated 17th September, 2018 exempting such interest completely from tax during the period 17/09/2018 to 31/03/2019. Now such exemption is proposed to be incorporated in section 10(4C) for that period.

- **International Financial Services Centre (IFSC)**

  The government provided certain tax concessions to the units operating from IFSC (Gift city). Further liberalization has been made under the budget effective from A.Y. 2020-21.

- Under the existing provisions a unit situated in IFSC is entitled for deduction from tax on its 100% income for five years and 50% income in next five years, now it is proposed to increase the such deduction to 100% of income for any 10 consecutive years out of 15 years beginning from the year of setting up of the unit by amending section 80LA.

- Under the existing provisions of section 47 transfer of capital assets such as bonds or GDR or rupee denominated bonds of Indian company or derivative made by a non-resident , through a recognized Stock Exchange located in IFSC, if investment is made in foreign currency, is not subjected to capital gain and considered not being transfer. Now these exemption is extended to category III Alternative Investment Fund (AIF) in IFSC, if unit holders of such AIF are non-resident and fulfill certain conditions as prescribed.

- The scope of securities entitled to such exemptions be widened by Central Government by issuing necessary notification.

- Interest payable by a unit in IFSC to a non-resident on monies borrowed in foreign exchange after 1st September, 2019 shall be exempt from tax under section 10.

- Currently dividend distribution tax (DDT) under section 115-O is not chargeable in respect of dividend declared and distributed by a unit of an IFSC, out of its current income, now it is proposed to exempt from DDT dividend declared and distributed by such unit even out of accumulated income after 1st April, 2017.

- It is also proposed to provide that on income distributed by a Mutual Funds out of its income derived from transactions made on Stock Exchange located in IFSC be not liable for additional tax on distribution of income under section 115R if mutual fund is located in IFSC, derives income solely in convertible Foreign Exchange and Units in Mutual Fund are held by non-resident.

❖ Transfer Pricing

Provision relating to maintenance and furnishing of information the provision of section 92D require maintenance keeping of information and documents by present entry into all transactions or Specified Domestic Transac-tions. It is proposed to provide that such information will be kept maintained and filed by constituted entity of International Group even if there is no inclusive transaction. It will be applied from A.Y. 2020-21.

✦ Modified Return of Income

In pursuance of Advance Pricing Agreement (APA) for international transaction, entered by an assessee are valid for a period of 5 years subsequently and can also be applied for past 4 years, an assessee is required to file modified returns of income, in certain cases even assessment are completed. The proposed amendment in subsection (3) to section 92 CD proposes to permit to files amended of return of income and to give effect to the same. The provisions will be applicable from 1st September, 2019.

✦ Secondary Adjustment

In certain cases secondary adjustments are required to be made by the assesse sumo motto or adjustment made by Assessing Officer are accepted by assessee or adjustment made in view of APA etc. As per the provision of section 92CE such adjustments are not required to be made prior to A.Y. 2017-18 or where such adjustments does not exceed ₹ 1 crore. The section also provides that in case of such secondary adjustment, the amount covered is required to be remitted back to India. Now it is proposed to amend these provisions to provide an option to assessee to pay additional income tax @ 18% of such excess money or part thereof to be remitted to Indian, in lieu of such remittance along with interest till the date of payment of such additional tax along with surcharge at the rate of 10%.

- **Accounting year under section 286**

  In case of International Group "Country-by-Country Report" (CBCR) are required to be filed by the parent entity or by alternative entry resident in India. There were problems when the parent was having an accounting year different from Indian accounting year. Now it is proposed to provide by amending the section that an affiliate resident entity of international group can adopt the accounting year of foreign group for the purpose of filing CBCR.

- Provision relating to maintenance and furnishing of information under the provision of section 92D require maintenance, keeping of information and documents by entity entering into International Transactions or Specified Domestic Transactions. It is proposed to provide that such information will be kept, maintained and filed by constituted entity of International Group even if there is no International Transaction or Specified Domestic Transaction. It will be applied from A.Y. 2020-21.

Mandatory Furnishing of Return of Income

It is now proposed to provide that even if a person, is not having a taxable income , be required to file its return of income mandatorily, if, either, it deposited an aggregate amount exceeding ₹ 1 crore in one of more current account maintained with a banking company a co-operative bank or incurs expenditure exceeding ₹ 2 Lakh for travel to foreign country for himself or any other person or incurs expenditure aggregating an amount exceeding ₹ 1 Lakh towards consumption of electricity or any other conditions applicable as may be prescribed. The provisions will be applicable for A.Y. 2020-21.

PAN & Aadhaar Inter-changeable

PAN and Aadhar are made interchangeable and in case a person is not having a PAN is required to furnish a Aadhaar number under section 139A of the Act for the prescribed transactions and can also file return of income using Aadhar wef 1st September, 2019. It is clarified that in such cases a PAN be issued.

Scope of furnishing Statement of Financial Transactions (SFT)

Existing section 285BA provides for furnishing STF by such class of assesses and for such nature of transaction as prescribed, it is proposed to provide that such STF be furnished by such other persons and for such other categories of transactions, as may be prescribed and current threshold limit of ₹ 50,000/- as to value of transaction during the financial year be also be modified. It will be effective from 1st September, 2019.

Steps for Cash Less Economy

Under the various provision of law, as it exists at present, cash payment is prohibited and payment is required to be made through account payee cheque, draft or Electronic Clearing System through bank account. Such payments are receipt of donation by political party section 13A, expenditure of capital nature section 35AD, disallowance of payment made in cash exceeding ₹ 10,000/- section 40A(3), cost of assets for purpose of deprecation section 43(1), proof of payment for an agreement fixing the date of agreement for the purpose of determining consideration section 43CA/section 50C, concessional rate of tax for presumptive taxation section 44AD, and payment to employees for deduction under section 80JJAA. Now it is proposed to provide, by amending various section, so as to include in permitted mode of payment, other electronic mode as may be prescribed, in addition to existing permissible mode of payment. The provision will be applicable from A.Y. 2020-21.

Under the provision of sections 266SS and 269ST loans or advances received or paid equal to ₹ 20,000/- or more cannot be taken/repaid otherwise than by an account payee cheque, bank draft or use of electronic clearing system through bank account, by amendment to these sections now it is proposed to included pressible mode of payment/receipt by such other electronic modes as may be prescribed. These provisions will be effective from 1st September, 2019. Consequential amendment is made in penalty provisions.

Facility

A new section 269SU is proposed to be introduced to provide that every person carrying on business having turnover exceeding ₹ 50 crore during the immediately preceding previous year shall provide facility for accepting payment through prescribed electronic modes. In case of non-compliance, such assessee will attract penalty of ₹ 5,000/- for every day of default under section 271DB. However, penalty shall not be imposed if there are reasonable case for such failure, penalty be imposed by Joint Commissioner the provisions will be effective from 1st November, 2019. It is mandated to accept payment through such modes.

Non-Banking Financial Companies (NBFCs)

By proposed amendment to section 43D it is proposed to provide that NBFCs deposit taking as well as systematically important non deposit taking be taxed on interest on NPA advances on receipt basis in contract to on accrual basis.

These provisions will be applicable from A.Y. 2020-21.

Loss of Distressed Companies

As per the present provision of the law as contained in section 79 in case of a loss, in case of companies in which public is not substantially interested, share holding or voting power of 51% be with same persons in the year of profit, as in the year of loss incurred subject to certain exceptions provided therein. However such restrictions at present are inapplicable to the loss where shareholding is changed on account of 'resolution plan approved under the insolvency and bankruptcy code' (IBC). It is now proposed to provide that provisions of section 79 will not apply in cases of Companies where:

i) The National Company Law Tribunal (NCLT) on a petition moved by the Central Government under section 241 of the Companies Act, 2013 has suspended the Board of Directors of such company and has appointed new directors, who are nominated by the Central Government, under section 242 of the Companies Act, 2013 and

ii) A change in shareholding of such company, and its subsidiaries and the subsidiary of such subsidiary, has taken place in a previous year pursuant to a resolution plan approved by NCLT under section 242 of the Companies Act, 2013, after affording a reasonable opportunity of being heard to the jurisdictional Principal Commissioner or Commissioner.

Further, it is also proposed to provide that under section 115JB of the Act for calculating book profit, the aggregate amount of unabsorbed depreciation and loss (excluding depreciation) brought forward shall also be allowed to be reduced in cases of the above-mentioned companies.

These provisions will be effective from A.Y. 2010-21.

❖ Full Value Sale consideration for transfer of unquoted shares of section 50CA

At present law provides that if certain unquoted shares are sold at a consideration less than Fair Market Value (FMV) then the difference is liable for tax. Section 50CA is proposed to be amended providing certain exemptions as provided in Section 56(2)(x) in case of assets received without consideration or in adequate consideration as in case of sale consideration being lower on account of prior agreement subject to certain conditions, from relatives. Similarly provisions are proposed to be placed in section 50CA. With a view to deal with genuine hardship even in the cases where the sale price is being fixed by certain authorities, as court and seller has no control over determination of such price, necessary rules will be framed in that respect.

❖ Buy Back of Shares by Listed Companies

Under the present provision of law section 115QA provides a levy of additional tax @ 20% in case of Buy Back of unlisted shares of a company similar provisions are proposed to be extended to the shares of listed companies which will result in imposition of additional tax of 20% in case of Buy Back of shares by a listed company on or after 5/7/2019.

❖ Definition of demerger

The present definition of demerger as given in section 2(19)AAA and term Demerger is defined under section 2 (19)AA which provides that all the properties and liabilities of the Undertaking be transferred at the value appearing in Books of Accounts of demerged company before transfer. The Accounting Standard IND-AS require such property/liabilities to be reflected in the books of accounts at their fair value. The amendment is proposed to allow reflection in the accounts of such assets and liabilities at Fair Value.

❖ Taxation of Alternative Investment Fund (AIF) Section 115UB

In case of category I & II AIF income is taxable in the hands of unit holders on pass through basis except business income which is taxed in the hands of AIF. In case of losses such losses are allowed to be carried forward for adjustment in the hands of AIF. Now it is proposed to provide that loss, other than business loss, accumulated at the level of fund as on 31/03/2019 shall be deemed to be loss of unit holder who held the unit on 31/03/2019 and such loss will be dealt with in the hands of the unit holders. Loss incurred henceforth other than business loss be allocated to unit holders. The amendment is effective from A.Y. 2020-21.

Imposition of interest u/s. 234A, section 234B and section 234C

It is proposed to provide with retrospective effect from 1st April, 2007 that while imposing such interest benefit available to a salary earner under section 89 on account of receipt of arrear or advance salary be given effect.

Start Ups

Carrying Forward of Loss under section 79

Under the existing provisions of section 79, in case of Startup Companies as referred in section 80IAC, loss incurred is allowed to be carried forward and set off in the year of profit, if all the share holders of the company carrying voting rights on last day of the year or years in which loss was incurred, continues to hold those shares on the last day of previous year in which the profit is earned. Now it is proposed to provide that in case of Startup Companies will also be entitled to carry forward the loss and set off the same against the profit if 51% of share holders or share holding voting rights continues to be shareholders in the year in which profit is earned. The startup be entitled to set off of loss if any one of the condition is complied

Investment in Startup - Exemption From Tax

Under the existing provision of Section 54GB an assessee, if utilize the net consideration on sale of a residential property being Long Term capital asset into equity shares of an eligible Startup Company before date of filing of return of income and owns more than 51% share capital/voting right of such company after such investment ,capital gain tax arising on sale of such residential property will be exempt from tax. There are restrictions on transfer of assets by the company for a period of 5 years. These provision are proposed to be relaxed and period of such eligibility is extended to 31st March, 2021 from 31st March, 2019, the limit of 50% is being reduced to 25% and holding period of assets by the eligible company is reduced from 5 years to 3 years. The provisions will be applicable from A.Y. 2020-21.

- The section 56(2)(vii)(b) provides that if consideration received on issue of shares which are not listed, exceed Fair Market Value (FMV) such excess amount will be taxable as income, in hands of company issuing shares. Fair Market Value will be determined as per rules prescribed. However with a view to give relief to certain startups, Central Government issued notifications for granting exemption from such taxation, on fulfillment of certain conditions. It is proposed to provide that in case of failure to comply with the conditions, consideration received for issue of shares which exceed Fair Market Value be deemed to be income of the year in which such failure occurs. The provision will be applicable from A.Y. 2020-21

Penalty provision under section 270A

Section 270A provide calculation of penalty and nature of default falling under reporting and misreporting of income. The section provide mechanism for determining quantum of under reported income, now it is proposed to provide that in case of return of income filled under section 148 first time, under reported income be determined similarly. The provisions are amended w.e.f. A.Y. 2017-18.

Prosecution Section 276CC

Section 276CC provides prosecution in case of non filing of return of income within time allowed if tax payable exceeds ₹ 3,000/- now, by the proposed amendment, it is proposed to provide that no prosecution be filled unless tax payable is not less than ₹ 10,000/- after giving credit of all taxes paid by way of TDS, Advance Tax, Self-Assessment, etc.

Trust Registration and Cancellation

Section 12AA provides the manner of granting registration and cancellation to Charitable Institutions by Pr Commissioner. It basically provides that Principal Commissioner will arrive at a satisfaction that activities of the institution are genuine and are being carried out in accordance with the objects and any part of income of the Institution is not subjected to tax on account of violation of provisions of section 13 of the Income Tax Act. It is now proposed to provide a further condition at the time of registration of the Institution, the Principal Commissioner shall also satisfy himself as to compliance by the Institution to the requirement of any other law which are material for the carrying out of the objects. Violation of such requirements for instance can be receipt of caption money by a education Institution or under Trust Act non maintenance of 10% free patient beds by a Charitable Hospital. In case of such violation registration can be denied as well as cancelled by Principal Commissioner. The provision will be applicable from 1st September, 2019.

Recovery & Refunds

- Recovery of taxes on behalf of foreign countries section 228A provide that where an agreement is entered into by the Government of India with Government of a foreign country for recovery of Tax and if the foreign country issues a Certificate of Recovery of any tax from any person having any asset in India the recovery will be made by Tax Recovery Officer based on such certificate. Such provisions are extended to nonresident assesses if assets are in India. The provision will be applicable from 1st September, 2019.
- Rule 68B of section Schedule of the Act under the existing provision provides that no sale of immoveable property attached against recovery of tax, penalty, etc. shall be effected after expiry of three years from the end of financial year in which order become final. It is proposed to be extended the said period to 7 years and can be further extend by 3 more years by CBDT. It will be effective from 1st September, 2019.
- Refunds by amendment to section 239 it is proposed to provide that claim of refunds will be made under the return to be filed under section 139. The provisions will be effective from 1st September, 2019

Rationalization of Black Money (Undisclosed Foreign Income & Assets) and Imposition of Tax Act 2015

Under the existing provision of section 2 of the Black Money Act provides "assessee" means a person who is resident in India within the meaning of section 6 of the Income Tax Act. Having regard to objects of the Act, it is proposed to amend definition of "assessee" to mean a person being a resident in India within the meaning of section 6 of the Act, in the previous year, or a person being a non-resident or not ordinary resident in Indian within the meaning of Clause 6(6) of Section 6 of the Income Tax Act in the previous year who was resident in India either in the previous year to which income referred to in section 4 or in previous year in which undisclosed assets located outside India was acquired. There are certain other amendment in section 10 and section 17 of the said Act. Definition of assessee stand amended with retrospective effect from 1st July, 2015 and other provisions with effect from 1st September, 2019.

- **Rationalization of Income Declaration Scheme 2016**

  As per the provisions of the said scheme the tax payable on income declared under the scheme was required to be paid on or before due date as notified. Now it is provided that Central Government will notify the class of persons who may made the payment under the scheme of amount unpaid on or before notified date along with interest at the rate of 1% per month following the due date under the scheme. Amendment also provides that Central Government may notify the class of persons to whom the tax paid in excess of amount payable on income declared under the scheme shall be refundable. The amendments are made effective with effect from 1st June, 2016.

- **Rationalization of Provisions Relating to STT.**

  It is proposed to provide that on options, STT will be paid on sale of option on difference between strike price and settlement price. It will reduce STT liability. The amendment will be effective from 1st November, 2019.

- **Rationalization of The Provisions of the Prohibition of Benami Property Transaction Act.**

  Section 23 of the Act provides that Initiating Officer shall conduct any enquiry or investigation with the prior approval of Approving Authority where no case is pending before the Initiating Officer. However, it is now expressly proved that the Initiating Officer if has already initiated proceeding by issuing notice under section 24(1) prior approval of Approving Authority shall not be required. The provisions are made effective from 1st November, 2019.

  Under the provisions of section 24(3) of the said Act attachment of property can be made for the period of 90 days from the date of issue of notice under section 24(1) and under the provisions of section 24(4) an order is required to be passed within 90 days from the issue of notice under section 24(1). It is now proposed to provide that period of 90 days shall be reckoned from the last date of the month in which notice under section 24(1) is issued. It is also proposed to provide that if the proceedings are stayed by the Court the period of stay shall be excluded for the purpose of calculation. There are certain amendments with regard to the provision for compliance with summons, etc. The provisions will be effective from 1st September, 2019.

INDIRECT TAX PROPOSALS

A. Boost to the domestic industry

I. Custom duty on imports of many products have been increased such as Automobile parts, Electronic & electrical equipment, etc.

S.N.	Category & Products	Rate in %	
		Present	Proposed
1	**Construction Materials**		
	• Floor covering of plastics, wall or ceiling coverings of plastics	10.0	15.0
	• Ceramic roofing tiles and ceramic flags and paving, hearth or wall tiles		
	• Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles		
2	**Precious Metals**		
	• Silver (including silver plated with gold or platinum) unwrought or in semi- manufactured forms, or in powdered form	10.0	12.5
	• Base metals clad with silver, not further worked than semi-manufactured		
	• Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form		
	• Base metals or silver, clad with gold, not further worked than semi- manufactured		
	• Platinum, unwrought or in semi-manufactured form, or in powder form		
	• Base metals, silver or gold, clad with platinum, not further worked than semi- manufactured		
	• Waste and scrap of precious metals or of metal clad with precious metals; other waste and scrap containing precious metal compounds, of a kind used principally for the recovery of precious metal		
3	**Automobile parts**		
	• Friction material and articles thereof (for example, sheets, rolls, strips, segments, discs, washers, pads), not mounted, for brakes, for clutches or the like, with a basis of asbestos, of other mineral substances or of cellulose, whether or not combined with textile or other materials	10.0	15.0
	• Glass mirrors, whether or not framed, including rear-view mirrors	10.0	15.0
	• Locks of a kind used in motor vehicles	10.0	15.0
	• Oil or petrol filters for internal combustion engines	7.5	10.0
	• Intake air-filters for internal combustion engines	7.5	10.0
	• Air purifiers or cleaners and other filtering or purifying machinery and apparatus for gases	7.5	10.0
	• Lighting or visual signaling equipment of a kind used in bicycles or motor vehicles	10.0	15.0

S.N.	Category & Products	Rate in %	
		Present	Proposed
	• Other visual or sound signaling equipment for bicycles or motor vehicles	7.5	15.0
	• Horns for vehicles	10.0	15.0
	• Parts of visual or sound signaling equipment for bicycles or motor vehicles	7.5	10.0
	• Windscreen wipers, defrosters and demisters, Sealed beam lamp units and other lamps for automobiles	10.0	15.0
	• Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705	10.0	15.0
	• Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10.0	15.0
	• Catalytic convertor (All goods under these tariff items other than catalytic converters will continue at 7.5%)	5.0	10.0
	• Completely Built Unit (CBU) of vehicles falling under heading 8702, 8704	25.0	30.0
	• Following parts of electric vehicles: -E-Drive assembly, On board charger, E-compressor and Charging Gun	Applicable Rate	Nil
4	**Electronics and Electrical equipment**		
	• Indoor and outdoor unit of split - system air conditioner	10.0	20.0
	• Loudspeaker	10.0	15.0
	• Digital Video Recorder (DVR) and Network Video Recorder (NVR)	15.0	20.0
	• CCTV camera and IP camera	15.0	20.0
	• Optical Fibers, optical fiber bundles and cables	10.0	15.0
	• Charger/Power adapter for CCTV camera/IP camera/DVR/NVR	Nil	15%
	• Specified electronic items like plugs, sockets, switches, connectors, relays	Nil	Applicable Rate
5	**Defence**		
	• Specified Defence equipment and their parts imported by the Ministry of Defence or the Armed Forces	Applicable rate	Nil
6	**Medical Devices**		
	• Raw material, parts or accessories for use manufacture of artificial kidneys, disposable sterilized dialyzer and micro-barrier of artificial kidney	Applicable rate	Nil
7	**Food processing**		
	• Cashew kernel broken	₹ 60/ Kg or 45%, whichever is higher	70%
	• Cashew kernel whole, Cashew nuts shelled, others	₹ 75/ Kg or 45%, whichever is higher	70%

S.N.	Category & Products	Rate in %	
		Present	Proposed
8	**Nuclear Fuels and Nuclear Energy projects**		
	• All forms of Uranium ores and Concentrates for generation of nuclear power	2.5	Nil
	• All goods for use in generation of Nuclear power	7.5	Nil
	• Goods required for setting up of the power projects under project imports	Applicable Rate	Nil
9	**Oils and associated chemicals**		
	• Palm stearin and other oils, having 20% or more free fatty acid, Palm Fatty Acid Distillate and other industrial monocarboxylic fatty acids, acid oils from refining, for use in manufacture of soap and oleo chemicals	Nil	7.5
10	**Petroleum and Petrochemicals**		
	• Petroleum Crude	Nil	₹ 1 per tonne
	• Naphtha	5.0	4.0
	• Ethylene dichloride (EDC)	2.0	Nil
	• Methyloxirane (Propylene Oxide)	7.5	5.0
11	**Plastic and Rubber**		
	• Poly Vinyl Chloride	7.5	10.0
	• Articles of plastics	10.0	15.0
	• Butyl Rubber	5.0	10.0
	• Chlorobutyl rubber or bromobutyl rubber	5.0	10.0
12	**Paper and Paper products**		
	• Newsprint	Nil	10.0
	• Uncoated paper used for printing of newspapers	Nil	10.0
	• Lightweight coated paper used for printing of magazines	Nil	10.0
	• Printed books (including covers for printed books) and printed manuals, in bound form or in loose-leaf form with binder, executed on paper or any other material including transparencies	Nil	5.0
13	**Textiles**	5.0	2.5
	• Wool Fibre		
	• Wool Tops		
14	**Flooring materials**		
	• Marble Slabs	20.0	40.0

S.N.	Category & Products	Rate in %	
		Present	Proposed
15	**Inputs for Optical Fibres**		
	• Raw materials used in manufacture of Preform of Silica	Applicable Rate	Nil
	• Water blocking tapes for manufacture of optical fiber cable	Nil	20.0
16	**Iron and Steel, Other base metals**		
	• Stainless steel in ingots or other primary forms; semi-finished products of stainless steel	5.0	7.5
	• Other alloy steel in ingots or other primary forms;semi-finished products of other alloy steel	5.0	7.5
	• Inputs for the manufacture of CRGO steel	5.0	2.5
	• Wire of other alloy steel (other than INVAR)	5.0	7.5
	• Cobalt mattes and other intermediate products of cobalt metallurgy	5.0	2.5
	• Amorphous alloy ribbon	10.0	5.0
17	**Capital goods**		
	• Stone crushing (cone type) plants for the construction of roads	Nil	7.5
	• Capital goods used for manufacturing of electronic items namely Populated PCBA, Camera module of cellular mobile phones, Charger/ Adapter of cellular mobile phone, Lithium Ion Cell, Display Module, Set Top Box, Compact Camera Module	Applicable Rate	Nil
	• Capital goods used for manufacturing of specified electronic items namely Cathode Ray tubes, CD/CD-R/DVD/DVD-R, Deflection components, CRT monitors/CTVs, Plasma Display Panel	Nil	Applicable Rate
18	**Oil rigs and other goods used for oil exploration**		
	• Providing option to pay BCD at transaction value on the disposal of goods, imported without payment of customs duty for petroleum operations / coal bed Methane operations where such disposal is made in unserviceable and mutilated condition	Applicable rate on depreciated value	7.5% on transaction value
19	**Export Promotion for Sports goods**		
	• Foam/EVA foam (39) and Pine Wood (4407) are being included in the list of items allowed duty free import upto 3% of FOB value of sports goods exported in the preceding financial year subject to specified conditions	Applicable Rate	Nil
20	**Fisheries**		
	• Prawn feed and shrimp larvae feed other than in pellet form	Nil	5%

ii. **Proposals involving changes in export duty rates**

S.N.	Products	Rate of duty %	
		From %	To %
1	EI tanned Leather	15.0	Nil
2	Hides, skins and leathers, tanned and untanned, all sorts	60.0	40.0

iii. **Amendments in scheduled rate of Road and Infrastructure Cess levied as additional duty of customs, on Petrol and Diesel**

S.N.	Products	Rate of Duty per litre	
		From	To
1	Motor spirit commonly known as petrol	₹ 8	₹ 9
2	High speed diesel oil	₹ 8	₹ 9

B. Getting tough with offenders under Customs Act

Strict penal and prosecution provisions have been introduced for frauds

C. Resolving litigation under Central Excise and Service Tax

Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 proposed for quick disposal of pending cases aimed at unlocking over Rs. 3.65 lakh crore. The scheme has been introduced for resolution and settlement of tax dues of Central Excise, Services Tax, Cess, other specified ancillary Indirect Tax Acts or any other Act that may be notified. Relief within the range of 40% to 70% of amount of duty/ tax involved have been provided as follows:

Particulars	Relief available
Show cause notice/ appeal pending as on 30 June 2019, and dues linked to investigation/enquiry/audit:	
• Tax dues > INR 5 million	50%
• Tax dues <= INR 5 million	70%
Tax amounts in arrears or tax payable declared by assessee in returns:	
• Tax dues > INR 5 million	40%
• Tax dues <= INR 5 million	60%
Show cause notice issued only with respect to late fee/ penalty, and tax amount is paid or NIL	Entire amount of late fee/penalty
Voluntary disclosure of tax dues by assessee	No tax relief

D. Towards reducing compliance under GST

Proposal to introduce electronic invoicing and doing away with e-way bill from Jan 2020.

E. National Appellate Authority for Advance Ruling (NAAAR) under GST

National Appellate Authority for Advance Ruling has been constituted for hearing appeals against conflicting advance rulings pronounced on the same question by the Appellate Authorities of two or more States or Union territories in case of distinct persons.

F. Relief to Medium and Small Enterprises under GST

- Alternative composition scheme for supplier of services or mixed suppliers having an annual turnover in preceding financial year up to ₹ 50 Lakh subject to fulfillment of conditions
- Threshold limit of registration for supplier exclusively dealing in goods to be enhanced from ₹ 20 lakh to ₹ 40 lakh, if recommended by States or the GST Council
- Composition tax payers to furnish a return annually along with quarterly payment of taxes
- Other specified taxpayers having turnover upto 5 crores to file return quarterly .
- Fully automated GST refund module shall be implemented.

KEY FEATURES OF BUDGET 2019

A day after 'Unfettered Sky Blue' Economic Survey, breaking away from tradition, Finance Minister Nirmala Sitharaman today presented Modi government's first Budget in the second term in the form of **traditional bahi khaata** (account ledger).

After a pre-elections populous Budget in February, Modi government today presented the Union Budget to boost infrastructure and foreign investment at a time when economy is showing signs of slowdown.

Taking a pragmatic approach Finance Minister today announced no changes in personal income tax rates, hikes excise duty on fuel, increased tax rate for super rich and provide additional tax relief for home loan holders.

Among key announcement, Sitharaman said the government will launch an inter-operable ATM-like One Nation One Card for pan-India travel, new rental laws for affordable housing and interest subvention scheme for MSMEs and women.

Below mentioned are all the key highlights from the Finance Minister's speech:

Income Taxes :

- No change in personal income tax rates
- Increase in surcharge on super rich
- Annual turnover limit for corporate tax rate @ 25% raised to ₹ 400 crore from ₹ 250 crore
- Additional ₹ 1.5 lakh deduction on loans taken for affordable housing (house value up to ₹ 45 lakh)
- Interchangeability of PAN and Aadhaar for ITR who don't have PAN cards
- 2% TDS on withdrawals of ₹ 1 crore in a year from bank accounts for business payments
- Government waives MDR charges on cashless payment

GST, Excise Duty & Custom Duty :

- Taxpayers having annual turnover of less than ₹ 5 crore can now file quarterly returns
- The Government has increased the excise duty on fuels i.e. petrol, diesel by ₹ 1 per liter
- Government hike custom duty on fuel by 1 rupee

Ease of living :

- ₹ 3,000 pension per month for informal sector workers
- Aadhaar card under 180 days for NRIs on arrival in India
- Government to open embassies in countries where India doesn't have a resident diplomatic mission as yet

Women empowerment :

- Women SHG Interest Subvention Programme to be expanded to all districts in India

- ₹ 1 lakh loan to be provided for SHG women members
- Every verified woman SHG member having a Jan Dhan account can avail ₹ 5,000 overdraft facility

Banking reform :

- On purchase of high-rate pooled assets of NBFC amounting of ₹ 1 lakh crore in this FY, Government will provide one-time 6 month credit guarantee
- Propose to provide ₹ 70,000 crore capital for PSU Banks
- Regulation of HFCs (Housing Finance Cos) to move to RBI from National Housing Bank

Divestment :

- Government to modify present policy of retaining 51% stake in PSUs
- Government to continue with strategic divestment of select CPSEs.
- Divestment target of ₹ 1.05 lakh crore for FY20

Railways :

- A new PPP model will usher the new dawn of Indian railway
- Railways to be encouraged to invest more in suburban rail network via SPVs
- Railway infrastructure will need an investment of ₹ 50 lakh crore between 2018 and 2030

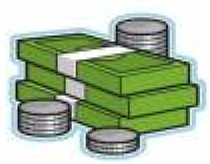
MSME :

- Propose easing angel tax for startups
- Angel tax: Won't require scrutiny from Income Tax department for startup
- 2% interest subvention for GST-registered MSME on fresh or incremental loans
- 'Stand Up India' Scheme to continue till 2025
- Propose to commence television channel for start-ups
- To extend pension benefit to retail traders with annual turnover less than ₹ 1.5 crore
- New payment platform for MSMEs to be created

Affordable Housing :

- Rental laws to be reformed. Modern tenancy law will be shared with states to promote house renting

Economy :



- Fiscal deficit in FY19 at 3.3% of the GDP
- Government will start raising part of borrowing in foreign currency
- Government external debt to GDP is among the lowest in the world

Education :

- Government to launch 'Study in India' programme to attract foreign students in higher education
- Allocate ₹ 400 crore for world-class higher education institutions in FY20
- To unveil new education policy
- National research foundation to fund, coordinate and to promote research in the country
- New Higher Education Commission with focus on higher autonomy
- New national education policy to propose changes in school, higher education

Tourism :

- 17 iconic world-class tourist sites to be developed

FDI :

- Local sourcing norms will be relaxed for the Single brand retail sector
- Government to open FDI in aviation, insurance, animation AVGC and media

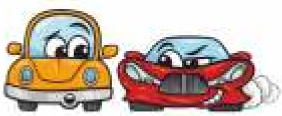
Transportation :

- Inter-operable One Nation One transport card : National transport card for universal travel which can be used on various modes of transport (road, railways etc). The card can also be used as a ATM card for withdrawing money
- Government plans to create MRO (Manufacturing, Repair and Operate) industry
- PPP to be used to unleash faster development and the delivery of passenger freight services
- Comprehensive restructuring of National Highways Programme for creation of National Highways Grid
- Government envisions using rivers for cargo transport; it will also decongest roads and railways

Investment :

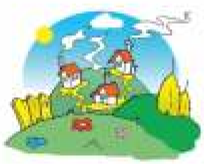
- Existing KYC norms for FPIs to be rationalized and simplified to make it more investor friendly
- Long-term bonds for market
- To allow FIIs & FPIs investment in debt securities issued by NBFCs
- Credit Guarantee Enhancement Corporation to be set up long-term bonds with specific focus on infra sector
- Propose Social Stock Exchange under SEBI for listing social enterprises & voluntary organizations
- To merge NRI portfolio route with FPI route
- To hike statutory limit for foreign investment in some companies
- To set up a credit guarantee enhancement corporation

- Government will take up measures to make RBI & SEBI depositories inter-operable
- SEBI to mull increasing minimum public shareholding to 35% from 25%
- User friendliness of trading platforms for corporate bonds will be reviewed, including issues arising out of capping of International Securities Identification Number
- To deepen corporate tri-party repo market in corporate debt securities. Plan to enable stock exchanges to allow AA rated bonds as collaterals
- Annual Global Investors' Meet for attracting global players to come and invest in India
- To allow FPIs to subscribe to listed debt papers of REITs



Auto sector :

- FAME II scheme aims to encourage faster adoption of electric vehicles by the right incentive and charging infrastructure



For Rural India :

- Gaon, Garib and Kisan are the focus of the government
- New Jal Shakti ministry will work with states to ensure Har Ghar Jal for all rural houses by 2024
- Pradhan Mantri Gram Sadak Yojana phase 3 is envisaged to upgrade 1,25,000 km of road length over the next 5 years
- Government will set up 100 new clusters for 50,000 artisans in FY 20
- To invest ₹ 80,250 crore for upgradation of roads under PM Gram Sadak Yojana
- Every single rural family except those unwilling to have electricity by 2022

Agriculture :

- Government to promote innovative Zero Budget farming
- 10,000 new farmer producer organisations
- 80 Livelihood business incubators and 20 technology business incubators to be set up in FY 2019-20 under ASPIRE to develop 75,000 skilled entrepreneurs in agro-rural industries

Space :

- India has emerged as a major space power. It is time to harness our ability commercially
- A public sector enterprise, New Space India Limited (NSIL) has been incorporated to tap benefits of ISRO

Sports :

- To popularise sports at all levels, National Sports Education Board for development of sportspersons to be set up under Khelo India

State of the economy :

- Government external/ foreign debt to GDP is among the lowest in the world
- Railways will require investment of ₹ 50 lakh crore from 2018-30
- Schemes such as Bharatmala, Sagarmala and UDAN are bridging rural urban divide and improving our transport infrastructure
- Gandhipedia' is being developed to sensitize the youth about positive Gandhian values
- The unambiguous mandate by the people in the recent election has set the ball rolling for the New India
- NPAs recovery of ₹ 4 lakh crore over the last four years, NPAs down by ₹ 1 lakh crore in the last one year
- Rashtriya Swachhta Kendra to be inaugurated at Raj Ghat on Oct 2
- The people of India have validated their two goals for our country's future: national security and economic growth
- India will become $3 trillion economy this year. The country need to take many structural reforms to achieve $5 trillion economic goal
- Connectivity is the lifeline of the economy

In all, this Budget has set the tone for considerable future discourse.

BUDGET AT A GLANCE 2019-2020

(In crore of Rupees)

Particulars	2017-2018 Actuals	2018-2019 Budget Estimates	2018-2019 Revised Estimates	2019-2020 Budget Estimates
1. **Revenue Receipts**	**1435233**	**1725738**	**1729682**	**1962761**
2. Tax Revenue (Net to Centre)	1242488	1480649	1484406	1649582
3. Non Tax Revenue	192745	245089	245276	313179
4. **Capital Receipts**[1]	**706740**	**716475**	**727553**	**823588**
5. Recovery of Loans	15633	12199	13155	14828
6. Other Receipts	100045	80000	80000	105000
7. Borrowings and Other Liabilities[2]	591062	624276	634398	703760
8. **Total Receipts** (1+4)	**2141973**	**2442213**	**2457235**	**2786349**
9. **Total Expenditure** (10+13)	**2141973**	**2442213**	**2457235**	**2786349**
10. On Revenue Account of which	1878833	2141772	2140612	2447780
11. Interest Payments	528952	575795	587570	660471
12. Grants in Aid for creation of capital assests	191034	195345	200300	207333
13. On Capital Account	263140	300441	316623	338569
14. **Revenue Deficit** (10-1)	**443600** (2.6)	**416034** (2.2)	**410930** (2.2)	**485019** (2.3)
15. **Effective Revenue Deficit** (14-12)	**252566** (1.5)	**220689** (1.2)	**210630** (1.1)	**277686** (1.3)
16. **Fiscal Deficit** [9-(1+5+6)]	**591062** (3.5)	**624276** (3.3)	**634398** (3.4)	**703760** (3.3)
17. **Primary Deficit** (16-11)	**62110** (0.4)	**48481** (0.3)	**46828** (0.2)	**43289** (0.2)

1. Excluding receipts under Market Stabilisation Scheme
2. Includes drawdown of cash Balance

Notes: (i) GDP for BE 2019-2020 has been projected at ₹ 21100607 crore assuming 12.0 % growth over the estimated GDP of ₹ 18840731 crore for 2018-2019 (RE).

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

(iii) Figures in parenthesis are as a percentage of GDP

BUDGET AT A GLANCE 2019-2020

1. Budget at a Glance presents broad aggregates of the Budget in a reader-friendly document. This document shows receipts and expenditure as well as the Fiscal Deficit (FD), Revenue Deficit (RD), Effective Revenue Deficit (ERD), and the Primary Deficit (PD) of the Government of India. Besides, it presents a pictorial account of sources of receipts, their application, the details of debt and deficit indicators, sources of deficit financing and trends and composition of important budgetary variables through charts and graphs.

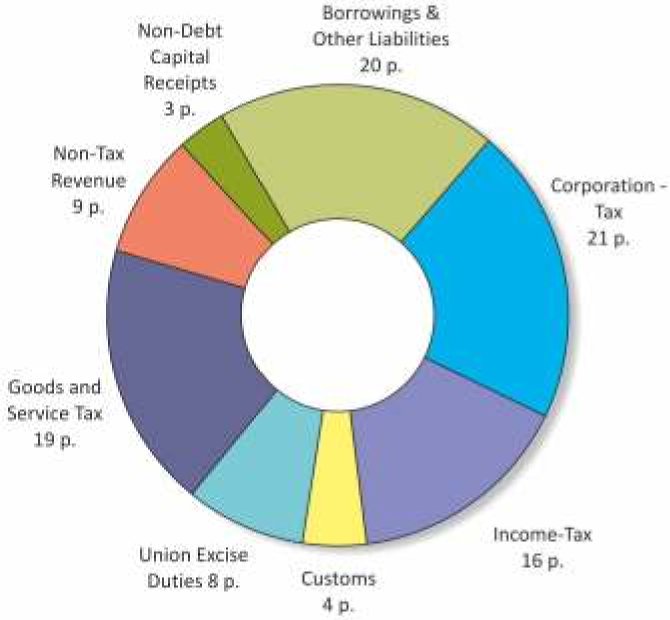
2. **Fiscal Deficit** is the difference between the Revenue Receipts plus Non-debt Capital Receipts (NDCR) and the total expenditure. FD is reflective of the total borrowing requirements of Government. **Revenue Deficit** refers to the excess of revenue expenditure over revenue receipts. **Effective Revenue Deficit** is the difference between Revenue Deficit and Grants for Creation of Capital Assets. **Primary Deficit** is measured as Fiscal Deficit less interest payments.

3. 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 ₹ 3,29,114 crores over RE (2018-19) while keeping the fiscal deficit at 3.3% of GDP.

4. In RE 2018-19, the total expenditure has been kept at ₹ 24,57,235 crore and is more than BE 2018-19 by ₹ 15,022 crore. The increase in total expenditure is on account of increased support to agricultural sector, interest payments and internal security.

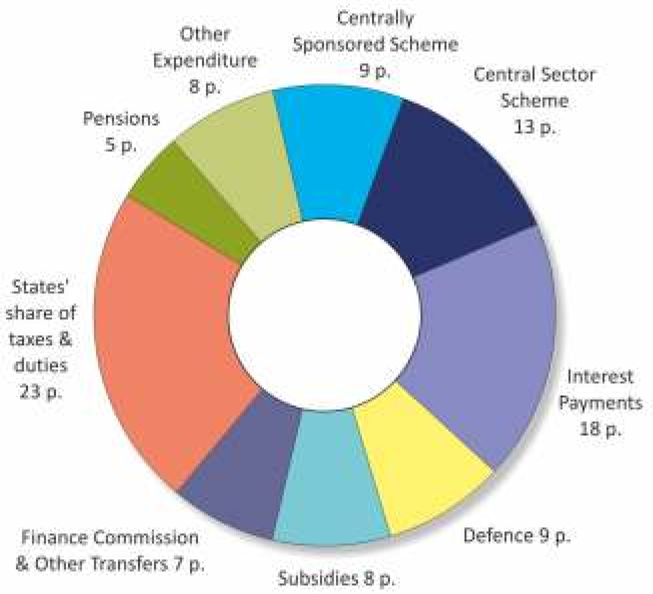
5. The total resources going to States including the devolution of State's share in taxes, Grants/ Loans, and releases under Centrally Sponsored Schemes in BE (2019-20) is ₹ 13,29,428 crore, with a jump of ₹ 82,844 crore over RE (2018-19) and ₹ 2,44,299 crore more than the Actuals (2017-18).

Rupee Comes From (Budget 2019-20)



Notes: 1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page 37.
2. Figures have been rounded.

Rupee Goes To (Budget 2019-20)



Notes: 1. Total expenditure is inclusive of the States' share of taxes and duties which have been netted against receipts in the table on page 37.
2. Figures have been rounded.

NOTES

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