

# Union Budget 2019-20

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UNION BUDGET 2019-20

- Union Budget 2019-20 was presented by the Union Minister for Finance and Corporate Affairs Smt. Nirmala Sitharaman in her maiden Budget speech on 5<sup>th</sup> July 2019
- Nirmala Sitharaman is the second Women Finance Minister to present Budget in the Parliament. First was Indira Gandhi who presented the Budget in 1970, when she was the Prime Minister. Morarji Desai (the then Finance Minister) had resigned from the Cabinet, prompting her to retain the Finance portfolio for a year.
- Nirmala Sitharaman has presented the Budget in “Bahi-Khata” (ledger) or red cloth folder rather than in traditional Briefcase style

**The Budget flagged 10-point “Vision for the Decade”**

The budget is presented with a 10-year vision in mind that includes:

- Digital India
- physical and social infrastructure
- Emphasis on Make in India
- Pollution-free India
- Clean rivers and efficient water management
- Blue Economy
- Space program
- Minimum Government Maximum Governance
- Boost export and self-sufficiency
- Healthy society

### Towards a \$5 trillion economy

- India is presently a \$2.7 trillion economy and the government is targeting to become a \$5 trillion economy
- Presently, Indian economy is at 6<sup>th</sup> position in the world
- Indian Economy Ranks 3<sup>rd</sup> in terms of Purchasing power parity only next to China and USA

## INFRASTRUCTURE

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- The Government will boost connectivity across the country through Pradhan Mantri Gram Sadak Yojana, Industrial Corridors, Dedicated Freight Corridors, Bharatmala and Sagarmala projects and others
- A Blueprint for developing gas grids, i-ways, water grids, airports would be made this year
- The Government will take into concern the recommendations of High Level Empowered Committee for implementation

### Inland waterways:

- In the second phase of Bharatmala project, States will be helped to develop state road networks
- Under Jal Marg Vikas Project, Multi-Modal terminals at Sahibganj and Haldia, navigational lock at Farakka to be completed by 2019-20 to increase cargo movement in Ganga by four times

### Aviation:

- Bridge rural-urban divide with UDAN scheme
- To achieve self-reliance in the aviation sector, the government will do policy interventions in **Maintenance, Repair and Overhaul (MRO)**

### Railways:

- More projects to be sanctioned under **New Metro Rail Projects**, 657 km Metro Rail network has become operational in the country
- **Public-Private-Partnership** for completion of tracks, delivery of passenger freight services and rolling stock manufacturing

### Payment platform:

- **Inter-operable transport card** runs on RuPay card and based on National Common Mobility Card (NCMC) standards would allow the holders to pay for bus travel, toll taxes, parking charges, retail shopping and even withdraw money

### Electric Vehicles & highways:

- Outlay of Rs. 10,000 crore for 3 years approved for Phase-II of FAME Scheme and Upfront incentive proposed on purchase and charging infrastructure for EVs
- **National Highway Grid** to be formed by restructuring the existing National Highway Programme

### Power connectivity:

- **“One Nation, One Grid”** Model to ensure **Power connectivity** to states
- The Government will examine the performance of the UDAY Scheme and will work with state governments to remove barriers like a cross subsidy surcharges and also undertake reforms in power sector tariff policy and structural reforms
- **Model Tenancy Law** to be finalised and circulated to states to restructure rental laws

### Public infrastructure:

- A plan is proposed to build large public infrastructure on land held by ministries and public enterprises
- Make public infrastructure affordable through innovative instruments

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## INVESTMENT

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- It is estimated that India requires Investment of averaging Rs 20lakh crore every year

### Infrastructure financing:

- A **Credit Guarantee Enhancement Corporation** is to be set up in 2019-2020
- An Action plan to deepen the market for long term bond to be set up
- Proposed transfer/sale of FIIs/FPIs investments (in debt securities issued by IDF-NBFCs) to any domestic investor within a lock-in period

### Bond markets:

- The Government will work with RBI/SEBI to enable Stock exchanges to **allow AA rated bonds as collaterals** in order to deepen corporate debt markets
- Trading platforms for corporate bonds will be reviewed to make them more User-friendly
- SEBI to consider raising the threshold from **25% to 35%** for **minimum public shareholding** in the listed companies

### FPIs:

- Government is to make **Know Your Customer (KYC)** norms for Foreign Portfolio Investors more investor-friendly

### Social stock exchange:

- Create an **Electronic fund raising platform** under the regulatory ambit of SEBI
- Listing social enterprises working for realisation of social welfare objective, to enable them to raise capital as equity, debt and as units like a mutual fund
- The Government will supplement efforts by RBI to get retail investors to invest in government treasury bills and securities

### FDI:

- Proposal to Consider the opening of FDI in sectors like aviation, media (animation, AVGC) and insurance sectors
- 100% FDI will be permitted for the insurance sector
- Local sourcing norms to be eased for FDI in Single Brand Retail sector
- **Global Investors Meet** will be organised annually in India, using National Infrastructure Investment Fund (NIIF), to get all three sets of global players (pension, sovereign wealth funds and insurance)
- Proposed to increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit. Option for concerned corporate to limit it to a lower threshold
- FPIs to be permitted to subscribe to listed debt securities issued by REITs and InvITs.
- NRI-Portfolio Investment Scheme Route is proposed to be merged with the FPI Route

- Cumulative resources exceed Rs. 24,000 crore that are garnered through new financial instruments like Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs) as well as models like Toll-Operate-Transfer (ToT)

### URBAN

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#### Housing:

- PM Awas Yojana-Urban: over 81Lakh houses at a cost of Rs 4.83Lakh crore sanctioned
- Construction started in about 47 lakh crore houses

#### Sanitation:

- Over 5.6 lakh villages declared open defecation free
- Over 45,000 public toilets across 1,700 cities uploaded on **Google maps**
- PMAY-Urban: With about 95% cities declared open defecation free, the government target is to achieve Gandhi's Swachh Bharat to make **India ODF by 2nd October 2019**
- To mark the 150<sup>th</sup> birth anniversary of Mahatma Gandhi, **Rashtriya Swachhta Kendra** will be inaugurated at Gandhi Darshan, Rajghat on 2nd October, 2019
- **Gandhipedia** being developed by **National Council for Science Museums** to sensitize youth and society about positive Gandhian values.

#### Cities connectivity:

- Railways to be made to invest more in **suburban railways through Special Purpose Vehicle (SPV) structures** like Rapid Regional Transport System (RRTS) proposed on the Delhi-Meerut route.
- Encouraging more PPP initiatives in metro-railway initiatives and develop passenger trains

#### Housing:

- The government assured to provide electricity and clean cooking facility to all willing rural families by 2022 under **Ujjwala** and **Saubhagya** Yojana
- **Pradhan Mantri Awas Yojana – Gramin** (PMAY-G) will provide 1.95 crore houses to eligible beneficiaries during its second phase (2019-20 to 2021-22) along with amenities like toilets, electricity and LPG connections
- Now the house will get completed in **114 days** which earlier took 314 days to be built

#### Sanitation:

- Swachh Bharat Mission will be expanded to undertake sustainable **solid waste management** in every village.

#### Digitalisation:

- Under Bharat-Net, internet connectivity will be expanded to **local bodies in every panchayat**
- To speed up Bharat-Net project assistance from **Universal Obligation Fund under a PPP** arrangement is to be utilized

#### Connectivity:

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- The Government will upgrade 1,25,000 kilometers of road over the **next five years** under **Pradhan Mantri Gram Sadak Yojana (PMGSY) Phase III**

### Rural economy:

- Under **Scheme of Fund for Upgradation and Regeneration of Traditional Industries'** (SFURTI), Common Facility Centres (CFCs) are to be setup to facilitate cluster based development during 2019-20 with special focus on **Bamboo, Honey and Khadi**
- Under **Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE)**, Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs) to be setup in 2019-20 to develop 75,000 entrepreneurs in agro-rural industry sectors
- **Pradhan Mantri Matsya Sampada Yojana (PMMSY)** to be established to robust fisheries management framework including modernisation, productivity, quality control etc.

## AGRICULTURE

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- **Private entrepreneurship** to be supported for value-addition to farmers' produce
- **Dairying through cooperatives** to be encouraged by creating infrastructure for cattle feed manufacturing, procurement, processing and marketing of milk
- 10,000 new **Farmer Producer Organizations** to be formed
- Government to work with State Governments to allow farmers to benefit from e-NAM
- **Zero Budget Farming**

## WATER

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- **Jal Jeevan Mission** is launched to achieve Har Ghar Jal (piped water supply) to all rural households by 2024
- Convergence of Jal Jeevan Mission with other Central and State Government Schemes
- Under the Jal Shakti Abhiyan, over exploited Blocks across 256 District will be identified
- Government is exploring of using funds under Compensatory Afforestation Fund Management and Planning Authority (CAMPA) this purpose

## MSMES:

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- **2% interest subvention** (on fresh or incremental loans) for all GST-registered MSMEs to be given under Interest Subvention Scheme for MSMEs
- **Payment platform** for MSMEs to be created to enable them filing of bills and eliminate delays in receiving government payments
- **Pension coverage** for traders and shopkeepers whose annual turnover is less than Rs 1.5 crore under **Pradhan Mantri Karam Yogi Maandhan Scheme**

## SCIENCE & TECH

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- NSIL: **New India Space Limited**, a commercial arm for Space is made under the Department of space to tap the benefits of research and development carried out by ISRO
- Commercialization include launch vehicles, transfer to technologies and marketing of space products

## YOUTH

### Education:

- **New National Educational Policy** to transform India's education
- **National Research Foundation (NRF)** to fund and promote research and will assimilate research grants provided by various ministries
- Rs. 400 crore is allotted in FY 2019-20 for making "World Class Institutions"
- 'Study in India' is started with the purpose to bring foreign students for higher education in India
- Draft legislation to set up Higher Education Commission of India (HECI) is to be presented

### Sports:

- **National Sports Education Board** for development of sportspersons to be set up under Khelo India Scheme

### Start-ups:

- A dedicated **DD channel** exclusively for and by start-ups themselves is proposed
- The government will continue **Stand-Up India Scheme** for the period of 2020-25 with Banks providing financial assistance for demand based businesses

## EASE OF LIVING

- Government will take up mass scaling of LED bulbs to promote use of solar stoves, battery chargers
- Program for railway station modernization will be launched

## WOMEN

- Shift in approach from women-centric-policy making to women-led initiatives/movements
- A committee consisting of government and private stakeholders is proposed on gender budgeting
- SHG interest subvention program will be expanded to all districts
- For every SHG member having a Jan Dhan Bank account, an **overdraft of Rs. 5,000** will be allowed
- One woman in every SHG will be eligible for a loan up to **Rs. 1 lakh** under MUDRA Scheme

## SOFT POWER

- The government propose **Aadhaar Card for NRIs** with Indian Passports without waiting for 180 days
- Government will integrate traditional artisans with global markets
- Revamping of **Indian Development Assistance Scheme (IDEAS)** is proposed
- Development of **17 iconic tourism sites** into world class tourist destinations
- **Digital repository** to be made to preserve tribal cultural heritage

## BANKING AND FINANCE

### Steps taken for PSB (public sector Banks):



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- Public sector banks to be provided with Rs 70,000 crore capital
- PSBs will leverage technology by offering online personal loans and doorstep banking, and enabling customers of one PSBs to access services across all PSBs
- Steps to be taken to empower accountholders to have control over cash deposits by others in their accounts

### Steps taken for NBFCs (Non-Banking Financial company):

- Proposal to strengthen regulation of RBI over NBFCs will be placed in the Finance Bill
- **Debenture Redemption Reserve(DRR)** will allow NBFCs to raise funds in public issues
- To allow NBFCs to raise funds in public issues, Requirement of creating a Debenture Redemption Reserve will be done away with
- Steps will be taken to allow all NBFCs to directly participate on the **TReDS platform**
- The government proposed to return the regulation authority over the housing finance sector **from National Housing Bank(NHB) to RBI**
- Investment of Rs. 100 lakh crore is proposed in infrastructure over the next five years
- Steps for Separation of NPS from PFRDA will be taken
- Proposal to reduce Net Owned Fund requirement from Rs. 5,000 crore to Rs. 1,000 crore for facilitating on-shoring of international insurance transactions
- Foreign reinsurers will be enabled to open branches in the International Financial Services Centre

### Steps taken for CPSEs(Central Public Sector Enterprises):

- Give encouragement to Retail participation in CPSEs
- In PSUs where government control is still to be retained, Government can go to an appropriate level **below 51% in PSUs**
- Present policy of retaining 51% Government stake to be modified to allow inclusive of the stake of Government controlled institutions
- Reinitiation of disinvestment of Air India would be taken
- Government to offer investment in ETFs on line of Equity Linked Savings Scheme (ELSS)
- Steps will be taken to meet public shareholding norms of 25% of listed PSUs and raise the foreign shareholding limits to the maximum for all PSUs
- Government to raise a part of gross borrowing program in external markets
- Issuing Coins of One Rupee, Two Rupees, Five Rupees, Ten Rupees and Twenty Rupees, identifiable by visually impaired

## TAXATION

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- The **Corporate Tax rate is reduced to 25%** for companies with annual turnover up to **Rs. 400 crore** exceeding from earlier limit of **Rs. 250 crore**
- Firms to be exempted under section 35 D of I-T Act

### Electric Vehicle:

- In order to make electric vehicle affordable to consumers, the government will provide **income tax deduction of Rs 1.5 lakh** for interest paid **on electric vehicle loans**
- Those who take loans to buy EVs will have benefit of Rs 2.5 Lakh over loan period

### Startups:



- To resolve the '**Angel tax**' issue, No scrutiny will be made in respect of valuations of share premiums for the startups and their investors who file requisite declaration and provide returns information
- **E-verification** mechanism will be put in place to resolve establishing identity of investors and source of funds
- Funds raised by start-ups doesn't not require scrutiny from Income Tax Department
- No inquiry can be preceded by assessing officer without approval from supervisory officer
- No scrutiny of valuation of shares to Category-II Alternative Investment Funds

### Affordable Housing:

- Additional deduction up to Rs. 1.5 lakhs for interest paid on loans valued up to Rs. 45 lakh taken upto 31<sup>st</sup> March, 2020
- Total benefit of around Rs. 7 lakh over loan period of 15 years

### NBFCs:

- Interest on certain bad or doubtful debts by deposit taking as well as some non-deposit taking NBFCs to be taxed in the year in which interest is actually received

### International Financial Services Centre (IFSC):

- 100 % profit-linked deduction in any 10 year block within a 15 year period
- Exemption to companies and mutual funds from dividend distribution tax from current and accumulated income
- Exemptions to Category-III Alternative Investment Funds (AIFs) on capital gain
- Exemption to interest payment on loan taken from non-residents

### Securities Transaction Tax (STT)

- STT restricted to the difference between settlement and strike price in case of option is exercised

### Make In India

- Increase in Basic Customs Duty on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.
- Certain electronic items now manufactured in India are not exempted from Custom Duty
- 5% Basic Custom Duty will be on imported books
- Reduction in Customs duty on raw materials such as:
- Fuels for nuclear power plants, Inputs for artificial kidney and disposable sterilised dialyser etc.
- Capital goods required for manufacturing specific electronic goods

### Defence

- Exemption will be given to Defence equipment not manufactured in India from basic customs duty

### Other Indirect Tax provisions

- Increase by Rs. 1 per litre on petrol and diesel for Special Additional Excise Duty and Road and Infrastructure Cess each
- Increase in Custom duty on gold and other precious metals
- **Legacy Dispute Resolution Scheme** for quick closure of pending litigations in Central Excise and Service tax from pre-GST regime

## TAX SIMPLIFICATION AND EASE OF LIVING

### Interchangeability of PAN and Aadhaar

- Those who don't have PAN can file IT returns quoting Aadhaar number
- Aadhaar can be used to substitute PAN

### Pre-filing of Income-tax Returns

- Pre-filled tax return form with details of incomes and deductions are to be made available
- Details for forms to be obtained from Banks, Stock exchanges, mutual funds etc.

### Faceless e-assessment

- Faceless e-assessment to eliminate human interface to be launched to avoid face to face interaction between tax payer and the department officer
- The central cell will be the only point of contact between tax payer and the department

### Digital Payments

- **2% TDS** on cash withdrawal exceeding Rs. 1 crore in a year
- Business with annual turnover over Rs. 50 crore shall offer low cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants.

### Mega Investment in Sunrise and Advanced Technology Areas

- Scheme to invite global companies to set up mega-manufacturing plants in areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Computer Servers, Laptops, Lithium storage batteries, , etc
- Investment linked income tax exemptions to be provided along with indirect tax benefits

