Analysis of Interim Budget 2019-20

- **Agri and allied sectors**
  - PM Kisan Samman Nidhi
    - A direct income support of ₹ 6,000 per year would be provided to small and marginal farmers (with holdings up to 2 hectares)
    - This transfer would happen in three equal instalments of ₹ 2,000 each. Allocation of ₹ 20000 Cr has been made for this fiscal itself
    - The transfers would start retrospectively from December 2018
    - 12 crore farmer families/households to get the benefit
    - Scheme to be fully funded by the central government
    - Allocation of ₹ 75,000 Cr has been provided for the scheme
  - 2% interest subvention for the farmers pursuing activities of animal husbandry and fisheries, who avail the loans through Kisan Credit card. In case of timely repayment there would be a further interest subvention of 3%
  - Rashtriya Kamadhenu Aayog to be set up to upscale genetic upgradation of cow resources, enhance production and productivity of the cows apart from looking into effective implementation of laws and welfare schemes for the cows
  - 2% interest rate subvention for rescheduled crop loans, in case of natural calamity (3% additional subvention in case of timely payment)
  - Impact
    - Will provide some relief for the farmers, farmer distress and rural distress
    - To certain extent will boost rural consumption
    - Will have some impact on the fiscal deficit
  - Issues
    - The land record titles are not very clear especially in northern India
    - What about land labourers?

- **MSMEs and Industries**
  - All the government undertakings will have to source 25% of their requirements from the SMEs and of this, material to the extent of at least 3% will be sourced from women owned SMEs
  - All the CPSEs will be brought on the GeM (Government e-Marketplace)
  - **Artificial Intelligence (AI)**
    - National Centre on Artificial Intelligence as a hub along with Centres of Excellence will be set up
    - Nine priority areas under this have been identified.
    - National Artificial Intelligence Portal will also be developed soon as a part of the National Programme on 'Artificial Intelligence’
  - DIPP will be renamed as Department for Promotion of Industries and Internal Trade (DPIIT)
  - 2% interest subvention for loans up to ₹ 1 Cr for the MSMEs registered with GST
  - Impact

- Market access for MSMEs will increase
- Reduce the cost of funds for MSMEs and increase the access to finance
- Cost of funds for the MSMEs will come down and make them more competitive
- By allowing the subvention to be given to only the registered MSMEs, the compliance/tax base will increase

- **Social welfare**
  - 1 lakh villages to be made digital villages in the next five years (will be achieved by expanding Common Service Centres - CSCs)
  - Women led development
    - 6 Cr LPG connections
    - More than 70% of the beneficiaries under MUDRA Yojana are women
  - 22nd AIIMS would be set up in Haryana
  - Pradhan Mantri Shram Yogi Mandhan
    - It is a pension scheme for workers in unorganised sector
    - Workers earning up to ₹ 15000 per month shall receive a monthly pension of ₹ 3000 after the age of 60
    - Worker at the age of 18 has to contribute ₹ 55 a month and that above age of 29 has to contribute ₹ 100 per month
    - The government will match the contributions
    - ₹ 500 Cr has been allocated in this fiscal

- **Tax changes**
  - Because of the reforms under taxation
    - Collections have increased from ₹ 6.3 lakh Cr (FY14) to ₹ 12 lakh Cr this year
    - Number of returns filed have increased from 3.79 Cr to 6.85 Cr (i.e. tax base has grown by 80%)
    - More than 1 Cr people are filing tax returns for the first time in FY18 mainly because of demonetization
  - In the next two years, all the verifications and assessment of returns would be done electronically with anonymised back office i.e. there will be personal interface between the taxpayer and tax officer
  - Individual taxpayers having annual taxable income of up to ₹ 5 lakh will be getting a full tax rebate
    - By providing rebate, the tax base will be maintained
    - Only the middle income individuals will get the tax benefit
    - With additional deductions such as on home loans, persons with even higher income will not have to pay tax. Total tax benefit of ₹ 18,500 crore to an estimated 3 Cr taxpayers.
  - For salaried persons, standard deduction raised from ₹ 40,000 to ₹ 50,000 per annum (was abolished under Finance Act 2005 and reintroduced in the Finance Act of 2018; and the amount that was allowed to deducted was ₹ 40000 per annum. Earlier there was a deduction of 19200 and 15000 allowed

under the transport and medical allowance respectively which has been abolished)
- Exempt levy of income tax on notional rent for second self-occupied house
- Tax deducted at source threshold on interest earned on bank/post office deposits to be raised from ₹ 10,000 to ₹ 40,000
- TDS threshold on rent to be raised to ₹ 2.4 lakh from ₹ 1.8 lakh per annum
- Prepare from rollover of capital gains (up to ₹ 2 crore) to be expanded from one house to two houses, once in a lifetime (the holding period for the immovable asset is 2 years, in case of rollover, the tax authority will exempt the capital gains up to ₹ 2 Cr if the money is invested again in a residential property)

- **Financials**
  - Disinvestment
    - The government has set a target of ₹ 90000 Cr for FY20 (for FY19 the target was ₹ 80000 Cr)
    - Of the targeted ₹ 80000 Cr for this fiscal, the government has been able to raise only ₹ 36000 Cr so far
  - Fiscal Deficit
    - The borrowings have been revised for the present fiscal to ₹ 6.34 lakh Cr. for the next year this has been increased to ₹ ₹ 7.6 lakh Cr
    - FD has been brought down from 4.4% in FY15 to 3.4% in FY19. the medium term objective of achieving the FD of 3% has been deferred to FY21
    - For FY19, it has been revised to 3.4% (BE - Budgeted Estimate was 3.3%)
    - For FY20, the target has been set at 3.4%
    - This is the second year in a row that the government has missed the FD target (for FY18, the target was 3.2%, which was revised to 3.5%)
    - Rating agencies such as Fitch and Moody's has already raised concerns related to fiscal slippages that the government would incur in election year. This would also delay the plans to reduce the high general government FD and debt burden

- **Issues with the budget**
  - The FD has been revised upwards at 3.4%, this may lead to downgrading India's ratings by the Rating agencies which will increase the interest rates for the bondholders. Apart from this of the target of ₹ 80000 Cr that has been set for this fiscal, around ₹ 36000 Cr has been raised so far and more than 50% is yet to be realised
  - Farm labourers have been neglected again. The income support will go to the small and marginal farmers but will neglect the labour that will toil on the lands
  - The defense allocation though has reached an all-time high of ₹ 3 lakh Cr, when compared in dollar terms, the allocation is lesser that the last year's. It is important because India is one of the largest weapon importers

    - ₹ 3.05 tn is $43 bn. The allocation done last year was ₹ 2.85 tn, which was $40 bn, today turns out to become $44.5 bn
- The tax to GDP ratio is supposed to be increased from the existing 17% to 22%. With increased threshold exemption it won't be achieved
- For all the sops such as pension scheme, income support for the farmers etc, where will the finances come from? (having said so, the gross tax collections in FY18 have increased by 11.8%, in FY19 they have increased by 17% and the next fiscal the target is 13.5%)
- No provision for recapitalisation