

Interim Budget 2019-20

The interim budget for 2019 was presented by the interim Finance Minister Piyush Goyal. Macroeconomic assessment of the budget highlight that India is the fastest growing major economy and is the 6th largest in the world.

I. Macroeconomic achievements

On the achievement side, besides generating high growth rate, the government was able to contain double-digit inflation at the same time restoring fiscal balance. Fiscal deficit has been brought down to 3.4% in 2018-19. Current account deficit (CAD), was at a manageable 2.5% of GDP during 2018-19. Following are the other macroeconomic positives as per the current trends.

a. Banking Reforms and Insolvency and Bankruptcy Code (IBC)

The 4Rs approach of recognition, resolution, re-capitalisation and reforms has been followed. Bankruptcy Code has institutionalised a resolution-friendly mechanism and an amount of close to Rs 3 lakh crore has already been recovered in favour of banks and creditors.

To restore the health of public sector banks, recapitalisation has been done with an investment of Rs 2.6 lakh crore. Amalgamation of banks has also been done to reap the benefits of economies of scale, improved access to capital and to cover a larger geographical spread.

b. Steps against corruption: Real Estate (Regulation and Development) Act, 2016 (RERA) and Benami Transaction (Prohibition) Act, 1988 are bring transparency in the real estate sector. The Fugitive Economic Offenders Act, 2018 will help confiscate and dispose off the assets of economic offenders who escape the jurisdiction of the laws in India.

c. Swachh Bharat Mission: India has achieved 98% rural sanitation coverage and as many as 5.45 lakh villages have been declared "Open Defecation Free."

II. Schemes and Programmes

a. Rural development: For MGNREGA, Rs 60,000 crores are being allocated in 2019-20 (BE).

Pradhan Mantri Gram Sadak Yojana (PMGSY) is being allocated Rs 19,000 crore in BE 2019-20 as against 15,500 crore in RE 2018-19.

Nearly 1.53 crore houses have been built under the Pradhan Mantri Awas Yojana.

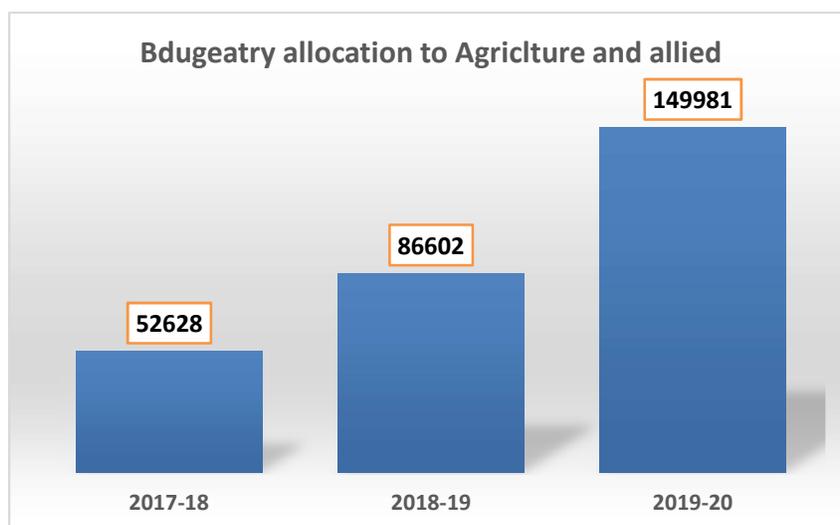
b. Agriculture

The Government has set the minimum support price (MSP) of all 22 crops at minimum 50% more than the cost.

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Table: Allocation to agriculture in recent budges.

Allocation to Agriculture and allied sectors: Recent Budgets			
	2017-18	2018-19	2019-20
Allocation in Rs crores	52628	86602	149981



Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)

To provide an assured income support to the small and marginal farmers, the Government is launching “***Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)***”.

Features of PM-KISAN

- Vulnerable landholding farmer families, having cultivable land upto 2 hectares, will be provided direct income support at the rate of Rs 6,000 per year.
- The income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal instalments of Rs 2,000 each.
- This programme is funded by Government of India.

- Around 12 crore small and marginal farmer families are expected to benefit from the programme.
- The programme would be made effective from 1st December 2018 and the first instalment for the period upto 31st March 2019 would be paid during this year itself.
- This programme will entail an annual expenditure of Rs 75,000 crore.
- The budget provides RS 75,000 crore for the scheme for 2019-20.
- Similarly, Rs 20,000 crore has been allocated for 2018-19 in the Revised Budget for 2018-19.

Agricultural credit: Crop loan to farmers increased to Rs 11.68 lakh crore in year 2018-19.

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Rashtriya Kamdhenu Aayog: Rashtriya Kamdhenu Aayog will be established to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows. The Aayog will also look after effective implementation of laws and welfare schemes for cows.

Creation of Department of Fisheries: to provide sustained and focused attention towards development of this sector. India is the second largest fish producing nation in the world accounting for 6.3% of global production, registering an average annual growth of more than 7% in recent years. The sector provides livelihood to about 1.45 crore people at the primary level.

Interest subvention: Interest subvention extended to animal husbandry and fisheries: the interest subvention of 2% will be provided to the farmers from animal husbandry and fisheries sectors, who avail loan through Kisan Credit Card. Further, in case of timely repayment of loan, they will also get an additional 3% interest subvention.

Interest subvention for farmers facing natural calamities: At present, the crop loans are rescheduled for the affected farmers and they get benefit of interest subvention of 2% for the first year of the rescheduled loan. Now, the government decided that all farmers affected by severe natural calamities, where assistance is provided from National Disaster Relief Fund (NDRF), will be provided the benefit of interest subvention of 2% and prompt repayment incentive of 3% for the entire period of rescheduling of their loans.

c. Pradhan Mantri Shram-Yogi Maandhan –

A new Pension scheme for the unorganised sector workers under Pradhan Mantri Shram-Yogi Maandhan is to be launched. There are around 42 crore unorganised sector workers in the country and this pension scheme will benefit scheme.

- The scheme is for workers with a monthly income of Rs 15000.
- An assured monthly pension of Rs 3,000 from the age of 60 years.
- A worker joining the scheme at the age of 29 years need to contribute only Rs 100 per month till the age of 60 years; worker joining at 18 years, will have to contribute only Rs 55 per month.
- The Government will deposit equal matching share in the pension account of the worker every month.
- It is expected that around 10 crore labourers and workers.
- Allocation of Rs 500 crores for has been made for 2019-20.

De-notified, Nomadic and Semi-Nomadic communities: A Welfare Development Board under the Ministry of Social Justice and Empowerment will be crated for the purpose of implementing welfare and development programmes for these communities.

A Committee under NITI Aayog will be set up to complete the task of identifying De-notified, Nomadic and Semi-Nomadic communities not yet formally classified.

Department for Promotion of Industries and Internal Trade: For the promotion of internal trade including retail trading and welfare of traders, the Department of Industrial Policy and Promotion, which will be renamed as 'Department for Promotion of Industries and Internal Trade'.

Other major budget features: Defence Budget will cross Rs 3,00,000 crore for the first time in 2019-20.

d. Infrastructure development

Infrastructure is the backbone of any nation's development and quality of life. Whether it is highways or railways or airways or even digi-ways, the country has gone beyond incremental growth to attain transformative achievements.

UDAAN: Because of the UDAAN Scheme, the number of operational airports has crossed 100 with the commissioning of the Pakyong airport in Sikkim.

India is the fastest highway developer in the world with 27 kms of highways built each day. Projects like the Eastern Peripheral Highway around Delhi or the Bogibeel rail-cum-road bridge in Assam and Arunachal Pradesh have been completed. For the first time, container freight movement has started on inland waterways from Kolkata to Varanasi.

III. Railways

Allocation to railways (2019-20): Overall capital expenditure for Railways Rs 1,58,658 crore. Budgetary support for capital expenditure Rs 64,587 crore 2019-20 (BE).

The Railways' Operating Ratio is expected to improve from 98.4% in 2017-18 to 96.2% in 2018-19 (RE) and further to 95% in 2019-20 (BE). Operating ratio is the investment needed to get Rs 100 income (expressed as a percentage of income).

G. Hydrocarbon

Urgent action is needed to increase hydrocarbon production to reduce imports. A high level Inter-Ministerial Committee, has made several specific recommendations, including transforming the system of bidding for exploration, changing from revenue sharing to exploration programme for Category II and III basins. The Government is in the process of implementing these recommendations.

Infrastructure expansion in North-East

Arunachal Pradesh came on the air map recently and Meghalaya, Tripura and Mizoram have come on India's rail map for the first time.

Allocation for the North Eastern Areas is to be increased by 21% to Rs 58,166 crore in 2019-20 BE over 2018-19 BE.

H. Entertainment

To promote entertainment industry - Single window clearance for ease of shooting films, available only to foreigners, is now going to be made available to Indian filmmakers also.

Anti-camcording provisions in the Cinematograph Act will be made to control the menace of piracy.

I. MSMEs

MSMEs were incentivised through several measures over the last few years. Following are the important steps:

MUDRA Yojana: Under MUDRA Yojana 15.56 crore loans have been disbursed amounting to Rs 7,23,000 crore. More than 70% of the beneficiaries of Pradhan Mantri MUDRA Yojana are women.

MSMEs: A scheme of sanctioning loans upto Rs 1 crore in 59 minutes has been launched for the MSMEs. Besides, GST registered SME units will get 2% interest rebate on incremental loan of Rs 1 Crore.

The requirement of sourcing from SMEs by Government enterprises has been increased to 25%. Of this, the material to the extent of at least 3% will be sourced from women owned SMEs.

MSMEs have an opportunity to sell their products through GeM which is an e-market place for government procurement. The GeM platform is now extended to all CPSEs.

Artificial Intelligence: To utilise the opportunities of artificial intelligence, a National Programme on 'Artificial Intelligence' has been envisaged by the Government.

IV. Tax Proposals

1. Simplification of Direct Tax System to benefit Tax-payers

Attempts to simplify the tax system has benefited the tax payers as well as the government. Following are some of the benefits and initiatives to encourage small tax payers.

- Tax simplification measures over the last several years have found results.
- Tax collections increased significantly from Rs 6.38 Lakh crore in 2013-14 to almost Rs 12 lakh crore this year.
- Number of returns filed have also increased from 3.79 crore to 6.85 crore showing 80 % growth in tax base.
- Technology intensive project will be used to transform the Income-tax Department into a more assessee-friendly one.

- Hence, all returns will be processed in **twenty-four hours** and refunds issued simultaneously.

2. Incentives for small businesses

Over the last few years, the government has made several efforts to incentives small businesses. Following are some of them:

- Special benefits and incentives were also given to small businesses and start-ups.
- The benefit of presumptive taxation was extended for the first time to small professionals fixing threshold limit at Rs 50 lakh.
- For businesses, the threshold limit for presumptive taxation was raised from Rs 1 crore to Rs 2 crore.
- The tax rate for companies with turnover of up to Rs 250 crore, covering almost 99% of the companies, was reduced to 25%. This limit is also applicable to new manufacturing companies without any turnover limits.

3. GST's benefits to small traders

The GST in its running during the last one year has made several efforts to given incentives to small businesses. Similarly, attempts for simplifications of procedures are also made. Following are some of them.

- Exemptions to small businesses increased: Exemptions from GST for small businesses has been doubled from Rs 20 lakh to Rs 40 lakh.
- Composition scheme turnover limit increased: Small businesses having turnover up to Rs 1.5 crore have been given an attractive composition scheme wherein they pay only 1% flat rate and have to file one annual return only.
- Composition scheme extended to service providers also: Small service providers with turnover upto Rs 50 lakhs can now opt for composition scheme and pay GST at 6% instead of 18%.
- More than 35 lakh small traders, manufacturers and service providers will benefit from these trader friendly measures.

- Soon, businesses comprising over 90% of GST payers will be allowed to file quarterly return.

4. Demonetisation and Drive against Black Money

The anti-black money measures including Black Money Law, the Fugitive Criminal Offenders Act, and Demonetisation, have brought undisclosed income of about Rs 1,30,000 crore to tax.

Seizure and attachment of assets worth approximately Rs 50,000 crore, and compelled holders of large cash currency to disclose their source of earnings. Benami assets worth Rs 6900 crore and foreign assets worth Rs 1,600 crore have been attached.

As many as 3,38,000 shell companies have been detected and de-registered, and their directors disqualified.

Growth of 18% in direct tax collection in 2017-18 and increase in tax base by as many as 1.06 crore people filing income tax returns for the first time in FY 2017-18 is mainly on account of demonetization.

5. Personal Income Tax proposals

Tax rebate up to Rs 5 lakh: A tax rebate will be provided to people with income upto Rs 5 lakh.

Personal Income tax slab for 2019-20	
Tax Slab	Tax Rate
Upto Rs 250000*	Nil
Rs 250001 to Rs 5 lakh	5 per cent
Rs 500001 to Rs 10 lakh	20 per cent
Above Rs 10 lakh	30 per cent
*Rebate of Rs 5 lakh is applicable	

Effectively, even persons having gross income up to Rs 6.50 lakhs may not be required to pay any income tax if they make investments in provident funds, specified savings, insurance etc.

This will provide tax benefit of Rs 18,500 crore to an estimated 3 crore middle class taxpayers.

Standard deduction increased: Standard Deduction is being raised from the current Rs 40,000 to Rs 50,000.

Notional rent on second home will be exempted: The budget proposes to exempt levy of income tax on notional rent on a second self-occupied house. This will help the middle class who are facing the difficulty of having to maintain families at two locations on account of their job, education of children etc.

TDS threshold on interest income: TDS threshold on interest earned on bank/post office deposits is being raised from Rs 10,000 to Rs 40,000.

TDS deduction threshold on rent: Further, the TDS threshold for deduction of tax on rent is proposed to be increased from Rs 1,80,000 to Rs 2,40,000 for providing relief to small taxpayers.

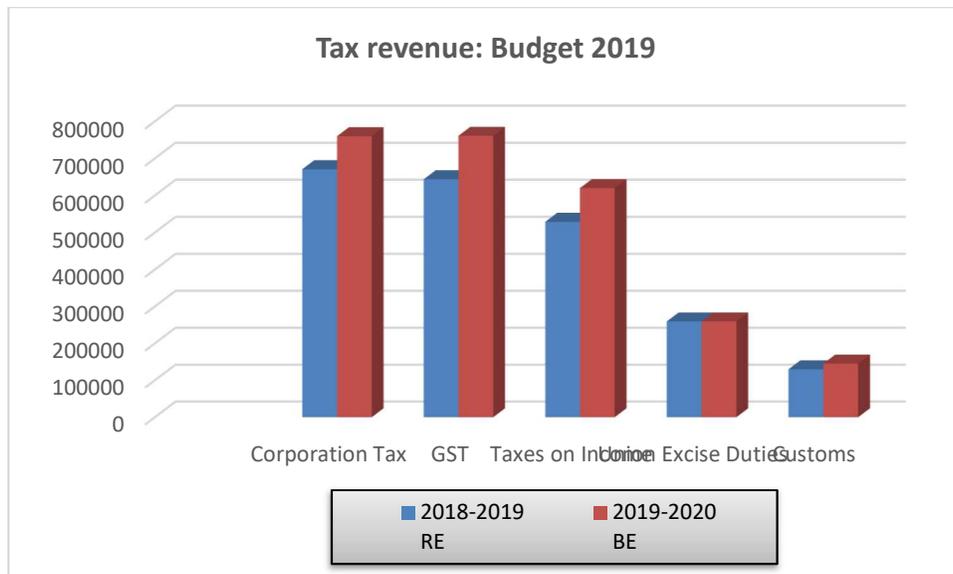
Capital gains benefit roll over enhanced to two houses: The benefit of rollover of capital gains under will be increased from investment in one residential house to two residential houses for a tax payer having capital gains up to Rs 2 crore.

Revenue receipts

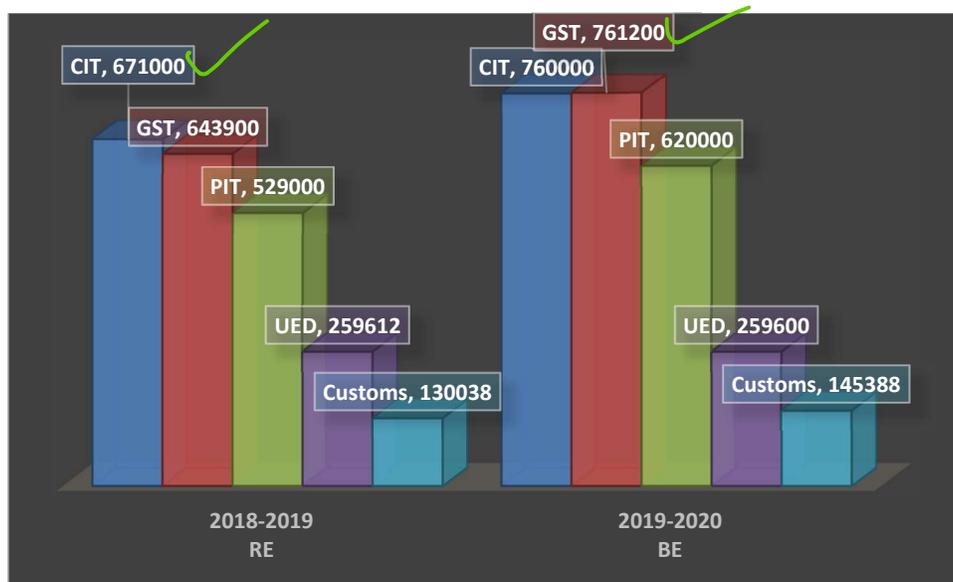
Item number 1, 2 and 3 shows revenue receipts of the government. Revenue receipts includes tax and non-tax revenues.

Table: Tax revenues of the central government: Budget 2019

Tax	2018-2019 RE	2019-2020 BE
Corporation Tax	671000	760000
GST	643900	761200
Taxes on Income	529000	620000
Union Excise Duties	259612	259600
Customs	130038	145388
Gross Tax Revenue	2248175	2552131



Major tax revenues of the centre: 2018 and 2019: GST and CIT are the leading taxes.



Non-tax revenues

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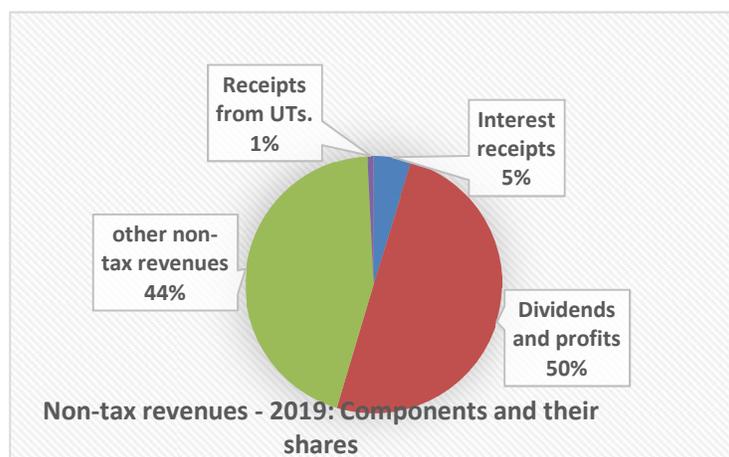
The non-tax revenues are of three types:

- dividends and profits from PSEs
- interest receipts and
- other non-tax receipts.

Compared to tax revenues, the size of non-tax revenues is small.

Table: Non-tax revenues of the centre – budget 2019

Non-tax revenues 2019	
Non-tax revenues	Rs crores
Interest receipts	12911
Dividends and profits	136071
other non-tax revenues	121515
Receipts from UTs.	2149
Total non-tax revenues	272647



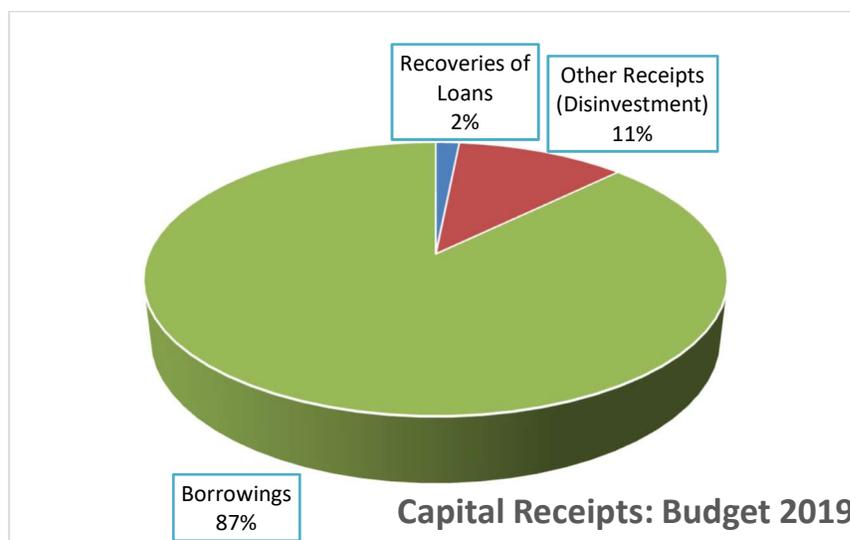
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Capital receipts of the government: Capital receipts are three:

1. Borrowings
2. Disinvestment (Other receipts) and
3. Recoveries of loans.

Table: Estimated capital receipts - budget 2019

Capital Receipts - Budget 2019 (in Rs crores)	
Recoveries of Loans	12508
Other Receipts (Disinvestment)	90000
Borrowings	703999
Total Capital Receipts	806507



GST and its components

The GST is completing a full year and the trend about tax revenues under GST are available. Following table shows the receipts for the three components of GST.

GST and its components: Budget 2019 (BE) (Rs crores)	
GST	610000
IGST	50000
GST Cess	101200
Total GST	761200

V. Budget at a Glance

The budget at a glance statement is a brief explanation of the government's budget. Actually, three year's budgets are indicated under the budget at a glance statement. But the most important one is the next year's budget which is shown as budget estimate (2019-20).

There are seventeen entries in the table and basically the expenditure and receipts are shown under the revenue budget and capital budget. So, there is revenue receipts and expenditure and similarly, there is capital receipts and expenditure.

The various deficit indicators- revenue deficit, fiscal deficit, effective revenue deficit, primary deficit is also shown in the table. Bracketed figures show the indicators as a percentage of GDP.

Budget at a Glance 2019

Budget at a Glance 2019			
	2017- 2018 Actuals	2018- 2019 Revised Estimates	2019- 2020 Budget Estimates
1. Revenue Receipts	1435233	1729682	1977693
2. Tax Revenue (Net to Centre)	1242488	1484406	1705046
3. Non- Tax Revenue	192745	245276	272647
4. Capital Receipts	706742	727553	806507
5. Recovery of Loans	15633	13155	12508
6. Other Receipts (Disinvestment)	100045	80000	90000
7. Borrowings and Other Liabilities	591064	634398	703999
8. Total Receipts (1+4)	2141975	2457235	2784200
9. Total Expenditure (10+13)	2141975	2457235	2784200
10. On Revenue Account	1878835	2140612	2447907
of which			
11. Interest Payments	528952	587570	665061
12. Grants in Aid for creation of capital assets	191034	200300	200740
13. On Capital Account	263140	316623	336293
14. Revenue Deficit (10-1)	443602 (2.6)	410930 (2.2)	470214 (2.2)
15. Effective Revenue Deficit (14-12)	252568 (1.5)	210630 (1.1)	269474 (1.3)
16. Fiscal Deficit [9-(1+5+6)]	591064 (3.5)	634398 (3.4)	703999 (3.4)
17. Primary Deficit (16-11)	62112 (0.4)	46828 (0.2)	38938 (0.2)

Source: Ministry of Finance

Item number 8 and 9 shows the total receipts and total expenditure that is around Rs 27.84 lakh crore rupees.

Item number 16 shows fiscal deficit and it is around 3.4% of the GDP. Fiscal deficit and borrowings are the same. Primary deficit shows the amount of non-interest expenditure financed out of borrowings. Revenue deficit indicate that day to day receipts of the government are not enough to finance its expenditures.

Fiscal outcome of the budget

Fiscal deficit of the government is projected at 3.4% of GDP for 2019-20. The fiscal deficit target of 3% will be realised by 2020-21.

Total expenditure rises from Rs 24,57,235 crore in 2018-19 RE to Rs 27,84,200 crore in 2019-20 BE, a rise of Rs 3,26,965 crore or approximately 13.30%.

Table: Fiscal indicators of the budget

Deficit indicators - Budget 2019			
	2017-18 Actuals	2018-19 Revised Estimates	2019-20 Budget Estimates
1. Fiscal Deficit	591064 (3.5)	634398 (3.4)	703999 (3.4)
2. Revenue Deficit	443602 (2.6)	410930 (2.2)	470214 (2.2)
3. Effective Revenue Deficit	252568 (1.5)	210630 (1.1)	269474 (1.3)
4. Primary Deficit	62112 (0.4)	46828 (0.2)	38938 (0.2)

The table here shows the major deficit indicators in the budget. Fiscal deficit for 2017-18 was 3.5% of GDP whereas that for 2019-20 is estimated at 3.4% of GDP.

Financing of the Fiscal Deficit

Financing of fiscal deficit shows the sources from which the government is borrowing to finance the budget.

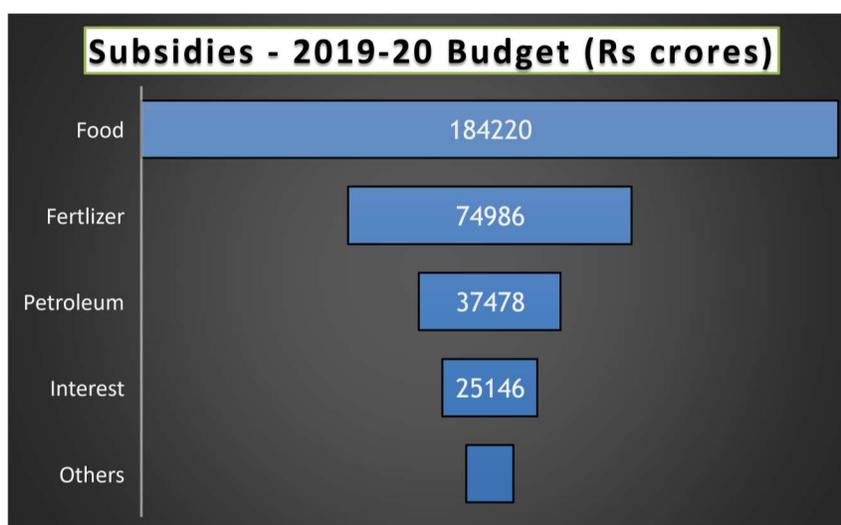
Table: Financing of the fiscal deficit.

Table: Debt receipts or financing of the fiscal deficit (2019)	
Debt receipts	In Rs crores
Market borrowings	448122
Securities against small savings	130000
State PF	18000
Other Receipts	59532
External Debt	-2592
Drawn down of cash balance	51297
Grand total	703999

Major subsidies for 2019-20

The following table shows the major subsidies of the government for 2019. Total subsidy bill is around Rs 3.34 lakh crores.

Major subsidies 2019-20 (interim budget)	
Item	2019-20 (Rs crores)
Food	184220
Fertilizer	74986
Petroleum	37478
Interest	25146
Others	12404
Total Subsidies	334234



Food subsidy is the largest subsidy followed by fertilizer and petroleum subsidies. Subsidy is the second largest revenue expenditure item for the government. Following table shows the remarkable growth of food subsidies in recent budgets.

Table: Total Subsidies and food subsidies in recent budgets.

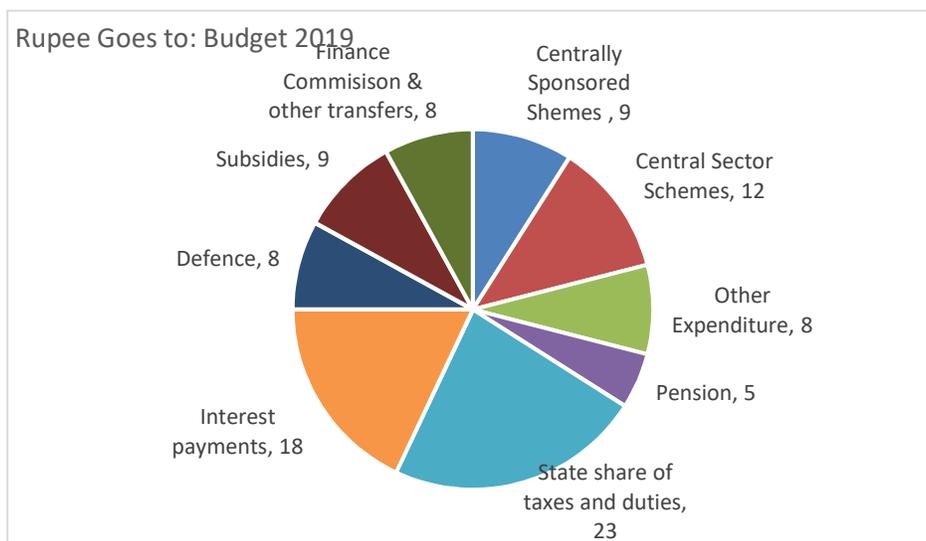
Food and total subsidies in recent budgets (Rs crores)			
Item	2017-18	2018-19(RE)	2019-20 (BE)
Food Subsidy	100281	171298	184220
Total Subsidies	224428	299210	334234

Rupee Goes to (2019 budget): Statement of Expenditure of the government

The Rupee goes to statement indicate the expenditure of the government including the transfers to the states as per the recommendations of the finance commission.

As per the rupee goes to statement, the largest expenditure item for the government is state shares in central taxes. Next one is interest payments. Here, remember, the state share is not shown in the budget at a glance statement.

Budget 2019: Rupee Goes to:	
Item	%
Centrally Sponsored Schemes	9
Central Sector Schemes	12
Other Expenditure	8
Pension	5
State share of taxes and duties	23
Interest payments	18
Defence	8
Subsidies	9
Finance Commission & other transfers	8

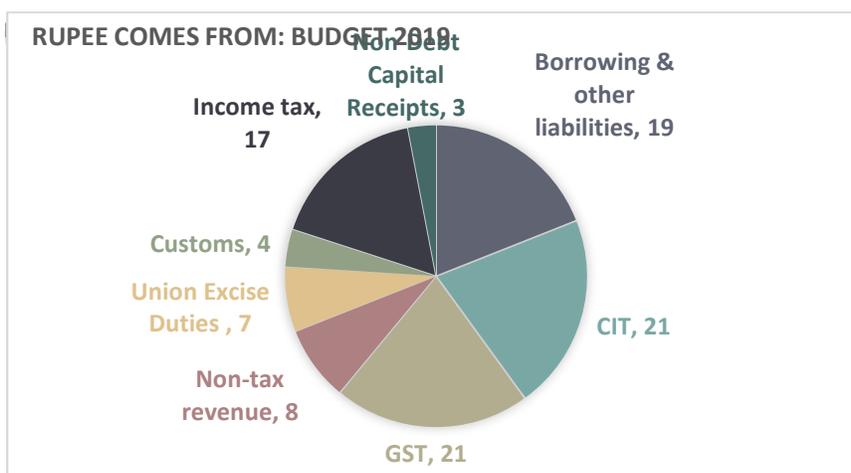


Rupee comes from: expenditure items of the government

The rupee comes from statement shows the major expenditure items of the central government.

Rupee comes from	
Item	Percentage
Borrowing & other liabilities	19
CIT	21
GST	21
Non-tax revenue	8
Union Excise Duties	7
Customs	4
Income tax	17
Non-Debt Capital Receipts	3

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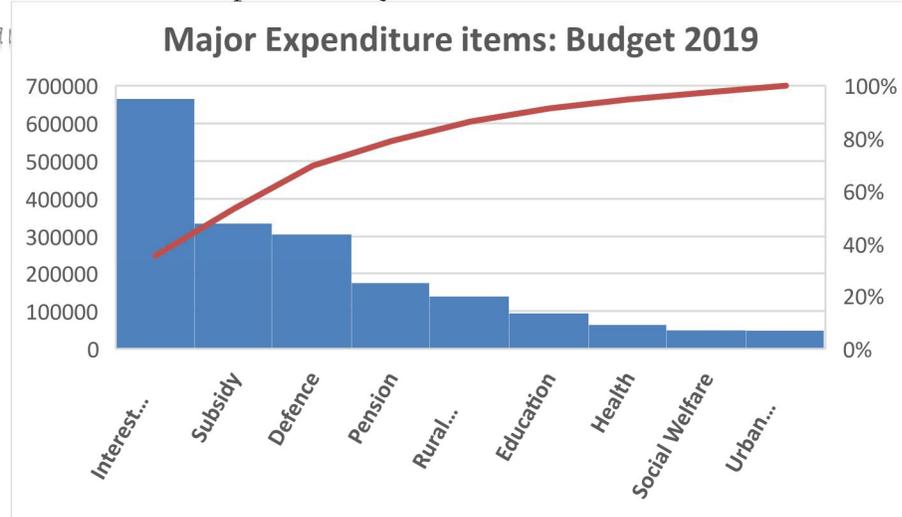
Major expenditure items of the government

Table: Major Expenditure items of the government.

Major expenditure items -budget 2019		
Item	Amount (Rs crores)	Percentage share
Interest Payments	665061	24%
Subsidy	334235	12%
Defence	305296	11%
Pension	174300	6%
Rural Development	138962	5%
Education	93848	3%
Health	63538	2%
Social Welfare	49337	2%
Urban Development	48032	2%
Total Expenditure	2784200	100%

Above table shows the major expenditure items of the government and their relative shares as per budget 2019. The subcomponents may not add to the total as some items are excluded.

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The budget 2019 comes with some schemes specifically for the agriculture sector and the unorganized sectors. At the same time, the usual type of scheme and programme implementation is absent in the budget because of the interim nature. On the fiscal front, the budget is slightly expansionary as fiscal deficit has not been contained to the targeted levels.

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