



2019-20 UNION BUDGET- HIGHLIGHTS

PREPARED BY

RV **veKommunicate**
PARTNERS IN PR & ADVOCACY

KEY FEATURES

Key Features Union Budget 2019-20

- Vision for **\$5 trillion economy** driven by investment
- Transforming rural lives
- New **Jal Shakti Mantralaya** to ensure "Har Ghar Jal"
- Enhancing **ease** of direct and indirect taxation
- Strengthening **connectivity** Infrastructure
- "**Gandhipedia**" to sensitize society
- Harnessing India's **space capabilities** commercially
- **One Nation One Grid** for power sector

Key Schemes

- **Pradhan Mantri Karam Yogi Maandhan:** Pension benefits to retail traders and small shopkeepers
- Enhanced interest deduction for affordable housing loan: Tax benefits for corporate tax payers
- **Pradhan Mantri Matsya Sampada Yojana:** Establish robust fisheries management framework
- Creation of **Social Stock Exchange:** Allow social enterprises and voluntary organisations to raise capital in the form of equity or debt
- Scheme of **Faceless Electronic Tax Assessment:** Aadhaar and PAN to be interchangeable
- **Reform, Perform, Transform** agenda: GST, IBC, RERA etc.
- Changing common man's life: **MUDRA, UJJWALA, SAUBHAGYA** etc.

2019-20

SECTORAL REACH

Transport & Infrastructure

- The Government has given a massive push to all forms of physical connectivity. Minister in her budget speech said that, the time is right for India to enter into **aircraft financing**, critical for a self-reliant aviation industry.
- Schemes such as **BharatMala**, **Sagarmala** and **UDAN** are bridging rural urban divide and improving our transport infrastructure
- The budget stressed upon the government's vision using **rivers for cargo transport**.
- The Budget proposes **Rs. 50 lakh crore** investments for Railway infrastructure between 2018 and 2030, and using **public-private partnerships (PPP)** unleash faster development and completion of tracks.
- Railways to be encouraged to **invest more in suburban railways** through SPV structures such as Rapid Regional Transport System; more PPP initiatives to be encouraged in rail sector
- Government has recommendations for a **high-level committee on retiring old power plants**, and addressing the **under-utilization of power plants will be taken up now**. The Government will announce a package for power sector tariffs and reforms.
- The budget brought into focus India's current power situation and underlined the steps the government has taken to solve the sector's problems. The Budget shed light on the plan on **"one nation one grid"** for **affordable power** to states.
- **Rs. 100 lakh crore** to be invested in infrastructure sector over next five years, **Expert Committee** to be set up to recommend structure and flow of funds through development finance institutions.
- **Comprehensive restructuring of National Highways Programme** to be done, to ensure creation of National Highways Grid of desirable capacity

SECTORAL REACH

Urban Sector

- Over **81 lakh** houses at investment of Rs 4.83 lakh crore have been sanctioned and construction has started in about **41 lakh** houses, under PMAY-Urban. More than **95%** of all cities have declared themselves open defecation free.
- Rashtriya Swachhta Kendra to be inaugurated at Gandhi Darshan on **October 2, 2019**.
- Metro Rail initiatives to be enhanced by encouraging PPPs and faster completion. Dedicated freight corridor is almost complete.

Rural Sector

- The Minister moves on to the rural portion of the Budget. "**Gaon, Gareeb aur Kisan**" at the centre of all our policies.
- All villages and almost **100%** of houses have been provided with electricity and also assured that by **2022** every single rural family, except those who are unwilling to take the connection, will have electricity and clean cooking gas.
- The completion of houses has come down from **314 days** per house in 2015-16 to **114 days** now.

- The Department of Fisheries will establish a **fisheries management network**. The government's rural road scheme has brought about socio-economic improvements. "All-weather connectivity has now been provided to over **97%** of such habitations." **30,000 km** of roads in this scheme have been built using green technology.
- Under phase III of PM Gram Sadak Yojana, **1.25 lakh kms** of road to be built in the next five years, which the project cost is estimated at over Rs 80,000 crore.

Digital Payments

- **TDS of 2%** on cash withdrawals exceeding **Rs. 1 crore** in a year from bank accounts, to discourage business payments in cash.
- **No charges** or merchant discount rates shall be imposed on customers or the merchants. RBI and banks will absorb these costs.
- Budget announced higher surcharges on individuals with taxable income of over **Rs 2 crore**; for those in the income bracket of **Rs 2-5 crore**, the applicable surcharge will be **3%** while those earning above **Rs 5 crore** pay a surcharge of **7%**.

SECTORAL REACH

Investments and Markets

- Investment by Foreign Institutional Investors (FIIs) and Foreign Direct Investment (FDIs) in debt securities in infrastructure debt funds to be allowed. Minimum public shareholding in listed companies can be increased from **25% to 35%**.
- Electronic Fundraising Platform, a **social stock exchange**, to be set up to raise capital, equity and debt and to list social enterprises and voluntary organizations working for social welfare objectives
- Global FDIs fell to **\$1.3 billion from \$1.5 trillion**, but inflows in India remained strong at **\$54.37 billion, a growth of 6%**.
- **100% FDI** for insurance intermediaries. Local sourcing norms to be eased for FDI in single-brand retail.
- Global Investors Meet to happen in India. Limit on Foreign Portfolio Investment (FPI) in a company increased to 24%.

- NRI investment in Indian capital markets is comparatively less. NRI investment is to be merged with FPIs.

Banking & Finance Sector

- The budget has proposed **Rs. 70,000 crore**, recapitalisation for public sector banks.
- NBFCs that are fundamentally sound should continue to get funding from banks and mutual funds. Govt. will provide one-time **6-months partial credit guarantee** for public sector banks, for the purchase of pooled assets of financially sound NBFCs.
- Pension Fund Regulatory Authority to be separated from the National Pension Scheme Trust.
- To improve capital inflows, Government will realign its holdings in CPFCs. Strategic disinvestment of select CPFCs will continue to remain a priority.

SECTORAL REACH



Taxation

- Direct taxes has increased by over 78% in the last five year..
- **Full tax rebate** for individuals with net taxable income up to **Rs 5 lakh**.
- Additional deduction of up to **Rs 1,50,000/-** for interest paid on loans borrowed up to **31st March 2020**, for purchase of an affordable house valued up to **45 lakh**.
- Lower rate of **25%** so far only applicable to companies with turnover of **Rs. 250 crore**. Propose to increase this limit to companies with annual turnover of **Rs. 400 crore**. This will cover **99.3%** of companies.
- **GST rate** on electric vehicles already proposed to be lowered to **5%**. Additional income tax deduction of **Rs.1.5 lakh** on interest on loans taken to purchase electric vehicles.
- To resolve the angel tax issue, startups will not be subject to any scrutiny in respect to valuation. Funds raised by startups will not require any scrutiny by the I-T department.

- Period of exemption for capital gains arising from sale of house for investment in startups to be extended to **March 31, 2021**.
- **PAN** and **Aadhaar** to be interchangeable, and to allow those without **PAN** to file income tax by using **Aadhaar** number. **Faceless** and **anonymous** assessment system for income tax being rolled out this year in phases.

Indirect Taxes

- Various exemptions under customs duty were announced. **Defence** products not manufactured in **India** are exempt from basic customs duty.
- Proposed to increase custom duty on gold and other precious metals from **10 %** to **12.5%**.
- **Increase in excise duty** and cess each on petrol and diesel by **Re 1 per litre**
- Simplified return form for GST registered businesses in offing

VIEWPOINT

**MR. NARENDRA MODI,
PRIME MINISTER, GOVT. OF INDIA**

"This budget is the budget of aha, vishwas and akansha. This is a budget to make the country prosperous, empower citizens. It will strengthen the poor, give a better future to the youth. The budget will simplify tax system, modernise infrastructure, strengthen enterprises, further increase participation of women in the country"

**MR. AMIT SHAH,
HOME MINISTER, GOVT. OF INDIA**

"Finance Minister Nirmala Sitharaman presents a #BudgetForNewIndia which lays the foundation of an inclusive and progressive nation, whose rise is powered by the hard work of 130 crore Indians. The budget gives wings to India's farmers, youngsters, women and poor to fulfil their dreams"

**MR. NITIN GADKARI
ROAD TRANSPORT AND HIGHWAY
MINISTER, GOVT. OF INDIA**

"Heartiest congratulations to Hon'ble PM Shri @narendramodi ji and Finance Minister @nsitharaman ji. This budget will prove as the foundation for #NewIndia. From rural to urban development, infrastructure to startups, from education to industry, #BudgetForNewIndia"

**MR. AMITABH KANT,
VICE CHAIRMAN, NITI AAYOG**

"#UnionBudget2019 is very path breaking. It's a very comprehensive budget. We're particularly delighted as Finance Min has acknowledged role of Niti. But more important is the road map that she has set for laying down a vision for \$5 trillion economy"

HIGHLIGHTS OF ECONOMIC SURVEY 2019

Economic Survey 2019

- India needs to grow at 8% per year to be \$5 trillion economy by FY 2025.
- Recommendation to focus on pushing up exports.
- Govt should foster the growth of large firms instead of focusing on smaller firms.
- Use public data to revolutionise development in the country.
- Looking beyond the economics of equilibrium, survey makes case for investment-driven “virtuous cycle” to sustain growth at 8%.
- Investment the “key driver” of simultaneous growth in demand, jobs, exports & productivity
- Rural wage growth started increasing since mid-2018.
- Poor enforcement of contracts and dispute resolution is a big hurdle. Faster legal process should be top priority.
- Savings & growth are positively correlated. Savings must increase more than investment.
- Constant re-calibration based on real time data. Data must be created as a public good of the people, by the people, for the people.
- Survey argues that nudging behaviour change is simplest way to solve many social issues.
- Top policymakers must ensure actions are predictable. Policy making needs: 1. Clear Vision 2. Strategic blueprint 3. Tactical tools for constant re-calibration.

7 %
GDP Growth FY 20

3.3 %
Fiscal Deficit

- Success of MGNREGAS shows Govt. schemes can make a difference on the ground with skilful use of technology
- A minimum wage policy for bottom rung of wage earners to drive up demand and strengthening the middle class.
- Indian MSMEs need to be freed from shackles that convert them into dwarfs.
- Policy should enable MSMEs to grow, create greater profits for their owners and contribute to job creation and productivity in the economy.
- India needs to increase per capita energy consumption to raise real per capita GDP by US\$ 5000
- India will enjoy the “demographic dividend” phase in the next two decades but some states will start transitioning to an ageing society by the 2030s.
- India moving forward from Swachh Bharat to Swasth and Sundar Bharat.
- The Survey visualizes creating a Detroit for Electric Vehicles in India.
- General fiscal deficit seen at 5.8% in FY19 vs 6.4% in FY18.
- Investment rate seen higher in FY20 on improved demand.
- Oil prices predicted to decline in FY20.

RV-VeKommunicate
1212 12th floor
Tower B, Emaar Digital Greens
Gurugram 121202

Connect:

T S Vishwanath: +91 9810977551; vishwanath@vekommunicate.com

Krishnan Ramalingam: +91 9810042540; krishnan.ramalingam@vekommunicate.com

Gracelle Gerber: +91 9650586622; gracelle@vekommunicate.com