



Union Budget 2019-20



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**Highlights
&
Analysis**

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Union Budget 2019-20

Finance Minister Nirmala Sitharaman on 5th July, 2019 presented the Union Budget to boost infrastructure and foreign investment at a time when the economy is showing signs of slowdown. Taking a pragmatic approach, Finance Minister announced no changes in personal income tax rates but levied additional surcharge on the super-rich. She also sought to spur growth with reduction in corporate tax and sops to housing sector, startups and electric vehicles. She also said that digital payments will get cheaper and govt will launch an ATM-like One Nation One Card for pan-India travel.

Highlights & important points of the Union Budget 2019-20

- Income Tax & other Personal Taxes -

- ❖ Interest deduction on housing loan under Section 80EE increased by 1.5 lakhs for home loans taken on self-occupied house property by 31/3/2020, houses with the cost of Rs 45 lacs will be eligible for this.
- ❖ Interchangeability of PAN and Aadhar for ease and convenience of taxpayers. Income Tax return can be filed using Aadhar Number.
- ❖ To discourage cash payments TDS@2% on withdrawals exceeding 1Cr per annum from a bank account
- ❖ Surcharge for individuals having taxable income from Rs 2 crores to Rs 5 crores increased to 18% from 15%. Surcharge for individuals having taxable income from Rs 5 crores to Rs 10 crores increased to 22% from 15%.
- ❖ Additional Rs 1.5 lakh tax relief on home loan for purchase of a house up to Rs 45 lakh.
- ❖ To make electric vehicles affordable, additional IT deduction on 1.5 lakh on interest paid on loan taken to purchase electric vehicles

- Business Taxes -

- ❖ Corporate tax worth 25% that is applicable to companies with an annual turnover Rs 250 crore will be applicable to the ones with an annual turnover of Rs 400 crore.
- ❖ Custom duty hike on fuel by 1 rupee, gold and precious items; Petrol & diesel to get costlier.
- ❖ Duty has been raised on: tiles, cashew kernels, vinyl flooring, auto parts, some synthetic rubber, digital and video recorder and CCTV camera.
- ❖ Businesses with less than Rs. 5 crore annual turnovers, comprising over 90% of GST payers, will be allowed to return quarterly returns.





- ❖ 2 % interest subvention on loan of 1 crore for GST registered MSME units.
- ❖ 350 crore rupees allocated for 2% interest subvention for all GST-registered MSMEs on fresh or incremental loans
- ❖ Advises GST Council to Lower GST Rate from 12% to 5% on Electric vehicle and Additional Income Tax Deduction of 2.5 Lakh on Interest paid on loan taken to purchase an electric vehicle.
- ❖ Propose easing angel tax for startups.
- ❖ 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.
- ❖ FAME II scheme aims to encourage faster adoption of electric vehicles through the right incentives and charging infrastructure.

- Business Sector -

- ❖ MSME: Large-scale extensive reforms planned, government to create a platform for MSME payments
- ❖ MSME to get loans up to 1 crore within 59 minutes. Loans worth Rs. 350 crore already disburse
- ❖ Government to introduce a host of exclusive programs for startups on DD News
- ❖ Govt plans to create MRO (Manufacturing, Repair and Operate) industry.
- ❖ 2% interest subvention for GST-registered MSME on fresh or incremental loans.
- ❖ 'Stand Up India' Scheme to continue till 2025.
- ❖ Pension benefit extended to retail traders with annual turnover less than Rs 1.5 crore.
- ❖ Local sourcing norms will be relaxed for the single-brand retail sector.
- ❖ Govt to open FDI in aviation, insurance, animation AVGC and media.

- Infrastructure Sector -

- ❖ Focus on investment in infrastructure, national highways and aviation sectors
- ❖ The second phase of Bharat Mala to develop state highways
- ❖ A comprehensive restructuring of national highways will be taken up
- ❖ Inter-operable One Nation One transport card: ATM-like Transport card for universal travel on various modes of transport (metro, road, railways etc).
- ❖ 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 to decongest roads and railways.





- Education Sector -

- ❖ National education policy to propose major changes in both secondary and higher education
- ❖ Swayam Initiative – Digital education to be promoted
- ❖ Greater focus on research and development – National Research Foundation to fund and promote research – pooling of research grants from various ministries and disbursing them, preventing duplication of research projects
- ❖ For the Youth – New national educational policy to transform the Indian education system
- ❖ Govt to launch 'Study in India' programme to attract foreign students in higher education.
- ❖ Allocate Rs 400 crore for world-class higher education institutions in FY 20.
- ❖ New Higher Education Commission with focus on higher autonomy.

- Social Welfare -

- ❖ Gaon, Garib and Kisan are the focus of our government.
- ❖ Provision of housing, electricity, clean cooking facility, safe and adequate drinking water to all in rural India
- ❖ Rental laws to be reformed. Modern tenancy laws will be shared with states to promote house renting.
- ❖ Encouragement of rainwater harvesting, groundwater recharge, and management of household wastewater for reuse in agriculture
- ❖ Har Ghar Jal – to all rural household by 2024
- ❖ 7 crore LPG connections delivered to rural households
- ❖ Proposed pension benefit to 3 crore retail traders and shopkeepers whose annual turnover is up to Rs 1.5 crore
- ❖ Rs 3,000 pension per month for workers from the informal sector.
- ❖ 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.
- ❖ Govt will set up 100 new clusters for 50,000 artisans in FY 20.
- ❖ To invest Rs 80,250 cr for upgradation of roads under PM Gram Sadak Yojana.
- ❖ Every single rural family, except those unwilling, to have electricity by 2022.





- Women and Child Development -

- ❖ Committee to be formed with Public and Private stakeholders for gender equality
- ❖ Every SHG Women having Jan Dhan Account – Rs. 5,000/- overdraft allowed
- ❖ Loan up to 1 lakh to be provided for SHG women members, under Mudra Scheme for Women entrepreneurs
- ❖ Nari tu Narayani: Women SHG Interest Subvention Programme to be expanded to all districts in India.
- ❖ Every verified woman SHG member having a Jan Dhan account can avail Rs 5,000 rupees overdraft facility.

- Banking and Financial Sector -

- ❖ Reforms will be taken to strengthen governance in Public Sector banks
- ❖ Record Recovery of over 4lac crore with IBS
- ❖ NPAs of commercial banks reduced by over 1 lakh crore over last year
- ❖ After Consolidation of Public Sector Banks, now 70,000 Crore of Capital boost for credit improvement
- ❖ Government has smoothly carried out consolidation, reducing the number of PSBs by 8
- ❖ NBFCs – that are fundamentally sound, will get fundings from govt to a total of 1lakh crore during the current financial year
- ❖ RBI has limited regulatory Authorities, Now the Regulatory Authorities of RBI over NBFC will be placed
- ❖ Proposals for strengthening the regulatory authority of RBI over NBFCs – Debenture Redemption Reserve to be maintained
- ❖ 2% TDS on withdrawals of Rs 1 crore in a year from your bank account for business payments.
- ❖ No charge on digital payments: MDR charges waived on cashless payment.
- ❖ On purchase of high-rate pooled assets of NBFC amounting of Rs 1 lakh core in this FY, govt will provide one-time 6 month credit guarantee.
- ❖ Propose to provide Rs 70,000 crore capital for PSU Banks.
- ❖ Regulation of HFCs (Housing Finance Cos) to move to RBI from National Housing Bank.

- Technology Sector -

- ❖ Solar storage batteries and chargers included in 35AD deduction
- ❖ Program of mass scaling of LED Bulbs – Approx. 35 Crores of LED bulbs distribute
- ❖ Machines and robots to be deployed for scavenging
- ❖ Focus on VR, AI, Robotics training to youth to align India with the World





- 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 organisations.
- ❖ 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.
- ❖ Govt 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 collateral.
- ❖ 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.

- Disinvestment -

- ❖ Govt to modify present policy of retaining 51% stake in PSUs.
- ❖ Govt to continue with strategic divestment of select CPSEs.
- ❖ Divestment target of Rs 1.05 lakh crore for FY 20.

- Agriculture & Allied sector -

- ❖ Govt to promote innovative zero Budget farming.
- ❖ 10,000 new farm produce organisations.
- ❖ 80 Livelihood business incubators and 20 technology business incubators to be set up in 2019-20 under ASPIRE to develop 75,000 skilled entrepreneurs in agro-rural industries.





- NRI's -

- ❖ Proposal for Issuance of Aadhar Card on arrival for NRIs with Indian Passports
- ❖ Aadhaar card for NRI's post arrival in India
- ❖ To increase NRI investment in Indian capital market – NRI portfolio scheme route and FPI route should merge

- Railway Sector -

- ❖ Railway infrastructure will need an investment of Rs 50 lakh crore between 2018 and 2030.
- ❖ PPP to be used to unleash faster development and delivery of passenger freight services
- ❖ Railway Station Modernisation will be launched this year.
- ❖ Indian Railways to be encouraged to invest more in urban and suburban regions
- ❖ 657KM of Metro Rail operational in the country.
- ❖ Railways to be encouraged to invest more in suburban rail network via SPVs.

- State of Indian Economy -

- ❖ It took us over 55 years to reach \$1 trillion dollar economy, but we added \$1 trillion in just 5 years. We can very well reach \$5 trillion in the next few years.
- ❖ India will become \$3 trillion economy this year. We need to continue to take many structural reforms to achieve \$5 trillion economic goal.

- Fiscal Scenario -

- ❖ Fiscal deficit in FY 19 at 3.3% of the GDP.
- ❖ Govt external debt to GDP is among the lowest in the world.

- Miscellaneous -

- ❖ 17 iconic world-class tourist sites to be developed.
- ❖ 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.
- ❖ To popularise sports at all levels, National Sports Education Board for development of sportspersons to be set up under 'Khelo India.'
- ❖ 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.
- ❖ NPAs recover Rs 4 lakh crore over the last four years, NPAs down by Rs 1 lakh crore in the last one year.
- ❖ Rashtriya Swachhta Kendra to be inaugurated at Rajghat on October 2.
- ❖ ' Yakeen ho to koi raasta niklata hai, hawa ki awt(protection) bhi le kar chiragh jalta hai'
- ❖ Connectivity is the lifeline of the economy.



- North East India -

- ❖ NDA government increases allocation for eight states of Northeast India to Rs 50,169.39 crore in the union budget 2019-20 from Rs 39,201 crore of 2018-19.
- ❖ Rs 4105 Crore is allocated to Oil India Limited for exploration and production, Rs 755 Crore is allocated for MSME sector.
- ❖ The budget allocation for the Northeast under the North East Road Sector Development Scheme has been increased from Rs 391 crore during 2018-19 to Rs 666 crore for 2019-20.
- ❖ Budget allocation of Rs. 3000 crore for the Ministry of Development of Northeastern Region (DoNER) is a gesture that the central government is extending its continued support to ensure development and thrust to the Northeast.
- ❖ The increase of fund for the North East Special Infrastructure Development Scheme (NESIDS) from Rs 140 crore during 2018-19 to Rs 695 crore for 2019-20 will enable different states in the Northeast to further initiate large infrastructure activities.
- ❖ Positive for North East companies as all private entity in North East will be within 25% tax rates, as corporate tax is reduced to 25% for companies with turnover upto 400 crores.
- ❖ Increase in allocation for refund of central and integrated GST to North Eastern Region (NER) the Himalayan states will ensure timely refund of GST under industrial policy."





Budget: Glossary of Terms

Consolidated Fund

All revenues received by the Government including tax and non-tax revenues, loans raised and repayment of loans given (including the interest thereon) form the Consolidated Fund. All expenditure and disbursements of the Government, including release of loans and repayments of loans taken (and the interest thereon), are met from this fund.

Contingency Fund

A reserve fund set aside for possible unforeseen expenditure and established under Article 267(2) of the Constitution. It is an imprest placed at the disposal of the Governor.

Public Account

All public moneys received, other than those credited to the Consolidated Fund, are accounted for under the Public Account. In respect of such receipts, Government acts as a banker or trustee. The Public Account comprises of repayable like Small Savings and Provident Funds, Reserve Fund, Deposits and Advances, Suspense and Miscellaneous transaction (adjusting entries pending booking to final heads of account), Remittances between accounting entities, and Cash Balance.

Deficit

It is the gap between Revenue and Expenditure. The kind of deficit, how the deficit is financed, and application of funds are important indicators of prudence in Financial Management.

Fiscal Deficit

When the government's non-borrowed receipts fall short of its entire expenditure, it has to borrow money from the public to meet the shortfall. The excess of total expenditure over total non-borrowed receipts is called the fiscal deficit.

Primary Deficit

The primary deficit is the fiscal deficit minus interest payments. It tells how much of the Government's borrowings are going towards meeting expenses other than interest payments.





Revenue Deficit/ Surplus

It is the gap between Revenue Receipts and Revenue Expenditure. Revenue Expenditure is required to maintain the existing establishment of Government and ideally, should be fully met from Revenue Receipts.

Direct and Indirect Taxes

Direct taxes are the one that fall directly on individuals and corporations. Eg. Income tax, corporate tax etc. Indirect taxes are imposed on goods and services. They are paid by consumers when they buy goods and services. These include excise duty, customs duty etc.

Fiscal policy

It is the government actions with respect to aggregate levels of revenue and spending. Fiscal policy is implemented through the budget and is the primary means by which the government can influence the economy.

Capital Budget

The Capital Budget consists of capital receipts and payments. It includes investments in shares, loans and advances granted by the central Government to State Governments, Government companies, corporations and other parties.

Revenue Budget

The revenue budget consists of revenue receipts of the Government and its expenditure. Revenue receipts are divided into tax and non-tax revenue.

Tax revenues constitute taxes like income tax, corporate tax, excise, customs, service and other duties that the Government levies.

Non-tax revenue sources include interest on loans, dividend on investments.





Budget Estimates Amount of money allocated in the Budget to any ministry or scheme for the coming financial year.

Guillotine

Parliament, unfortunately, has very limited time for scrutinizing the expenditure demands of all the Ministries. So, once the prescribed period for the discussion on Demands for Grants is over, the Speaker of Lok Sabha puts all the outstanding Demands for Grants, Whether discussed or not, to the vote of the House.

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