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# UNION BUDGET 2019-20:
## IMPACT ANALYSIS



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Our headline response to the Union Budget is that the government stayed consistent to the growth agenda that was emphasized in their election manifesto. The Union budget was expected to provide a blueprint to make India a US$ 5 tn economy. It has outlined some of the measures to achieve that. We see four themes in the Budget announcements: Structural reforms, Infrastructure development, Investment facilitation and 'Ease of living'.

**Structural reforms** like strengthening the regulatory authority of RBI, faceless tax administration, rationalization of labour laws, promoting R&D, bringing companies having annual turnover up to ₹ 4 bn within the 25% corporate tax benefit and social stock exchange will provide a foundational support to the economy.

**Infrastructure spending** of ₹ 100 tn in next five years, connecting states in Bharatmala phase 2 and developing connectivity infrastructure will facilitate ease of doing business.

**Measures to facilitate foreign investment** through 100% FDI for insurance intermediaries, merging of the NRI-Portfolio Investment Scheme Route with the FPI Route and permitting investments made by FIIs/FPIs in debt securities will help in getting capital.

**Ease of living** measures like National Common Mobility Card, 80 mn free LPG connections and interoperability of PAN and Aadhaar are helpful initiatives.

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It is certainly an improvement from the interim budget with the objective to achieve US$ 5 tn economy. By focusing broadly on infrastructure, affordable housing, recapitalizing PSU banks and supporting NBFCs and agriculture sector, government has shown intent to revitalize the economy. However, specific measures were expected to revive the Indian economy from the current slowdown. Expectation of restricting fiscal deficit at 3.3% compared to 3.4% is well intended with realistic revenue and ambitious non-tax tax revenue mobilization. However, borrowing in foreign currency can have implications if not well managed. The target for divestment in this fiscal is huge and should have careful monitoring of the execution, to avoid slippage of fiscal deficit target. The announcements towards education, skilling, and labour reforms needs to be well drafted, executed and timely implemented to get the intended benefit. On the flip side, increase in excise duty for petrol and diesel has a potential to stoke inflation.

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# BUDGET AT A GLANCE

| (₹ bn) | 2018-19 Revised Estimates | 2019-20 Budget Estimates |
|---|---|---|
| **1) Revenue Receipts** | **17,297** | **19,628** |
| 1.1) Tax Revenue (net to centre) | 14,844 | 16,496 |
| 1.2) Non-Tax Revenue | 2,453 | 3,132 |
| **2) Capital Receipts (2.1+2.2+2.3)**** | **7,276** | **8,236** |
| 2.1) Recoveries of loans | 132 | 148 |
| 2.2) Other receipts | 800 | 1,050 |
| 2.3) Borrowings and other liabilities* | 6,344 | 7,038 |
| **3) Total Receipts (1+2)** | **24,572** | **27,863** |
| **4) Total Expenditure (4.1+4.4)** | **24,572** | **27,863** |
| 4.1) On Revenue Account | 21,406 | 24,478 |
| 4.2) Of which, Interest Payments | 5,876 | 6,605 |
| 4.3) Grants in Aid for creation of capital assets | 2,003 | 2,073 |
| 4.4) On Capital Account | 3,166 | 3,386 |
| **5) Revenue Deficit (4.1-1)** | **4,109** | **4,850** |
| % of GDP | (2.2) | (2.3) |
| **6) Effective Revenue Deficit (5-4.3)** | **2,106** | **2,777** |
| % of GDP | (1.1) | (1.3) |
| **7) Fiscal Deficit {4-(1+2.1+2.2)}** | **6,344** | **7,038** |
| % of GDP | (3.4) | (3.3) |
| **8) Primary Deficit (7-4.2)** | **468** | **433** |
| % of GDP | (0.2) | (0.2) |

*** Excluding receipts under Market Stabilisation Scheme*

** Includes draw-down of Cash Balance*

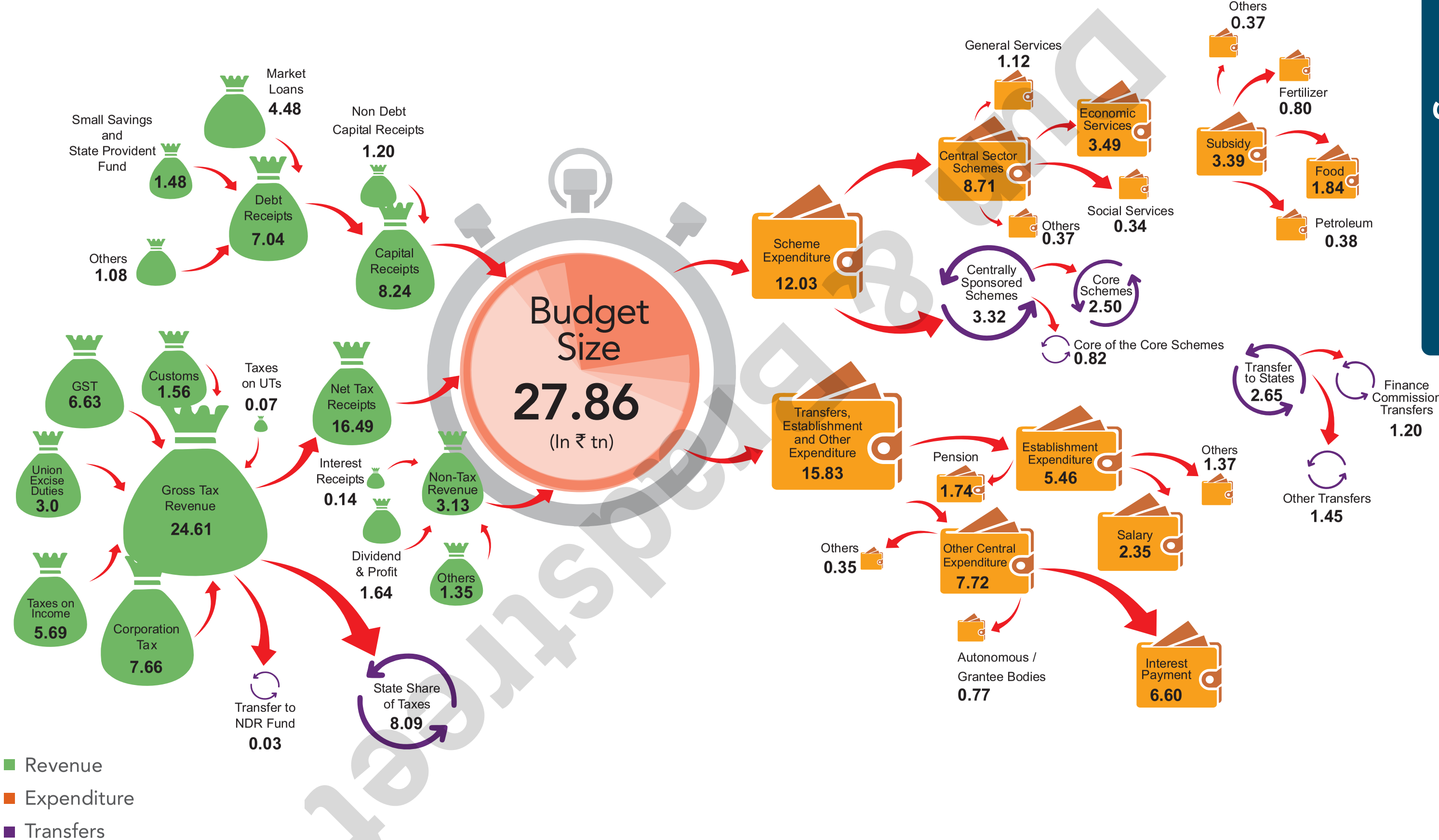
*GDP for BE 2019-2020 has been projected at ₹ 211,006.07 bn assuming 12.0 % growth over the estimated GDP of ₹ 188,407.31 bn for 2018-2019 (RE).*

*Individual items in this document may not sum up to the totals due to rounding off*

*Figures in parenthesis are as a percentage of GDP*

*Source: Union Budget 2019-20*

# Budget Profile




**Source:** Union Budget, 2019-20
**Note:** All figures are in ₹ tn

# A MACROECONOMIC PERSPECTIVE

The Union Budget 2019-20 laid out the strategic blue print to make India a US$ 5 tn economy in next few years. A goal had been framed in the election manifesto and a series of measures and intentions have been outlined since then. However, the budget has steered clear of big bang announcements and strong fiscal stimulus measures and maintained a balance between the need to achieve fiscal consolidation and funding constraints given the slowdown in the economy. It is a prudent budget as, despite the many initiatives, it aims to bring down the fiscal deficit to 3.3% in FY20 from 3.4% in FY19 and 3.5% achieved in FY18. The government's decision to borrow from overseas to fund its deficit has been a departure from the previous regimes of government borrowing. There are two arguments in this regard. A benign global interest rate scenario along with low external debt of India provides an opportune time to borrow overseas to fund India's productive investment expenditure, and not consumption which can be destabilizing. On the other hand, this measure will expose India to exchange rate risk. While, India has adequate reserves, it remains a capital deficit country. The gross tax revenue, including the GST has been budgeted to grow at a rate of 9% and 3%, respectively, during FY20 seems achievable provided the actual figures do not deviate largely from the revised estimates. While the non-tax revenue mobilization through higher budgeted dividends and profits of PSUs seems ambitious.

Overall, the budget has covered a wide spectrum of areas. It has provided levers to support the private sector. The levers to make GST efficient, facilitate the start-ups and the MSMEs, make capital available and deepen the bond market should support the private sector investment sentiment. Continuing with its effort to bring about structural reforms, the budget has laid out the infrastructure investment plans and taken measures to facilitate not only ease of doing business but also ease of living.

Stating its intention to invest ₹ 100 tn in infrastructure over the next five years, the government has announced clear measures to enhance the sources of capital for infrastructure financing and attract foreign funds, has announced more than expected funds for recapitalization of PSUs and has undertaken measures for development of debt markets. It has also addressed the governance, solvency and liquidity needs of the NBFCs which would help in kick starting the investment cycle in the economy and lead to more job creation. Although, there are concerns that addressing the liquidity issue of only the financially sound NBFCs by providing one-time partial guarantee to the purchase of high rated pooled assets by the PSBs, the liquidity needs of the other section of the NBFCs remained unaddressed.

The intention to develop gas grids, water grids, i-ways, and regional airports is laudable, and its execution would lead India to build a strong network of infrastructure. The idea of building public infrastructure on land held by central government and central PSUs across the country could solve much of the land availability issues.

However, the absence of a mention of an industrial policy was unexpected. India needs an export centric strategic policy and a clear linkage drawn between its export and industrial policies to create not only more jobs but also more high paid jobs. There are also expectations of more concrete measures on labour and land reforms going ahead during the year.

However, there were certain announcements such as the increase in the threshold of public shareholding in companies from 25% to 35% which could lead to delisting of some multinational enterprises (MNEs) who are not dependent on the local market for fund raising. A mention of the time frame for increasing the public shareholding would have alleviated some concerns as selling of shares by the promoters within a limited time could lead to under realisation of prices. Although, there were no definitive measures taken for improving governance of the PSU's in the budget, there was a mention in the budget that the government would undertake reforms to strengthen governance in public sector banks- a measure which is expected to be taken outside the budget during the year. However, the decision on the strategic disinvestment of the PSUs is in line with the Government’s vision to improve their operation and performance. In the absence of clarity on the dividend payout from the RBI, the contentious issue continues to prevail. Lastly, since the government is known to initiatie reforms outside the ambit of the budget framework, it is expected that the government will continue to take measures during the year and many of the intended measures stated in the Budget will be seen in fine print.

# SECTORAL IMPACT

| Sector | Rating |
|---|---|
| Agriculture | Positive |
| Social Sector | Positive |
| Infrastructure | Positive |
| **Services** | |
| Banking/Insurance/Financial Service and Market | Positive/Marginally Positive/ Positive/Positive |
| Hospitality | Marginally Positive |
| IT - BPM | Marginally Positive |
| Media & Entertainment | Marginally Positive |
| Retail | Marginally Positive |
| Telecom | Marginally Positive |
| **Manufacturing** | |
| Automotive | Marginally Positive |
| Capital and Engineering Goods | Marginally Positive |
| Cement | Positive |
| Consumer Goods | Marginally Positive |
| Gems and Jewellery | Negative |
| Metals & Mining | Marginally Positive |
| MSMEs | Marginally Positive |
| Oil & Gas and Petrochemicals | Neutral |
| Pharma & Healthcare | Marginally Positive |
| Power | Marginally Positive |
| Real Estate and Construction | Marginally Positive |
| Textiles & Garments | Neutral |
| **Personal Budget** | Marginally Positive |

## Ratings:

| | |
|---|---|
| ***Positive Plus*** | Predominantly positive proposals |
| ***Positive*** | Positive proposals |
| ***Marginally Positive*** | Positive proposals but not upto industry expectations |
| ***Neutral*** | Negative proposals offsetting positive proposals |
| ***Marginally Negative*** | Negative proposals having less severe impact on the sector |
| ***Negative*** | Negative proposals impacting the sector |

## Agriculture

- The budgetary allocation for agriculture and allied activities increased to ₹ 1,515.18 bn in FY20 as against ₹ 866.02 bn (RE) in FY19.
- Through the Pradhan Mantri Matsya Sampada Yojana (PMMSY) – the Department of Fisheries will establish a robust fisheries management framework to address critical gaps in the value chain, including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.
- The Budgets expects to form 10,000 new Farmer Producer Organizations (FPOs), to ensure economies of scale for farmers over the next five years.
- The Budget proposed to support private entrepreneurships in driving value-addition to farmers' produce from the field and for those from allied activities, like Bamboo and timber from the hedges and for generating renewable energy.
- The Budget proposed to encourage dairy industry through cooperatives by creating infrastructure for cattle feed manufacturing, milk procurement, processing & marketing.
- The Budget proposed to replicate Zero Budget Farming in other states.
- Scheme of Fund for Upgradation and Regeneration of Traditional Industries (SFURTI) envisions setting up 100 new clusters during FY20 for Bamboo, Honey and Khadi.
- The Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) contemplates to set up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in FY20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors.
- Basic customs duty on cashew kernels increased to 70% from 45%.
- End-use based exemptions on palm stearin and fatty oils are proposed to be increased to 7.5% from nil.

### *Positive*

*The budgetary allocation for the agriculture and allied activities has been increased significantly in FY20. However, this significant increase in the budgetary allocation can partly be attributed to the allocation of ₹ 750 bn to Pradhan Mantri Kisan Samman Nidhi (PM-Kisan) in FY20. Almost 50% of the budgetary allocation for agriculture and allied sector is now for direct cash assistance to farmers. This, however would leave less room for investment in agricultural infrastructure.*

*The budget has particularly emphasised on increasing farmers' income. The proposal to revive Zero Budget Farming is a positive step as it will help farmers in cutting down their input costs, thereby taking them towards sustainable farming. The formation of 10,000 new FPOs which are expected to provide farmers collective bargaining power will revive the growth in farmers' income.*

*The Budget has also focused on allied agricultural activities like fisheries, dairy, food processing and other agro-rural industries. This will promote agro-rural entrepreneurships as well as lead to improvement in livelihood of rural population. Further, the proposal regarding fisheries sector is aimed at eradicating gap in value chain and helping the fishery industry to realize it's true potential.*

# Social Sector

- The allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme reduced to ₹ 600 bn in FY20 (BE) from ₹ 610.84 bn in FY19 (RE).
- The Budget proposed to initiate steps towards creating an electronic fund raising platform – a social stock exchange - under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.

## Health & Sanitation

- Allocation for health sector increased to ₹ 649.99 bn (BE) in FY20 from ₹ 559.49 bn (RE) in FY19.
- Jal Shakti Mantralaya to work with states to ensure piped water supply to all rural households by 2024 under the Jal Jeevan Mission.
- The Budget proposed to expand the Swachh Bharat Mission to undertake sustainable solid waste management in every village.

## Education

- Allocation of ₹ 948.54 bn has been proposed for education sector in FY20 (BE) as compared to ₹ 836.26 bn in FY19 (RE)
- Allocation of ₹ 4 bn has been provided under the head, "World Class Institutions", for FY20.
- The Budget proposed to establish a National Research Foundation (NRF) to fund, coordinate and promote research in the country. NRF will assimilate the research grants being given by various Ministries independent of each other.
- The Budget proposed to start a programme, 'Study in India', that will focus on bringing foreign students to study in Indian higher educational institutions.

- Digital literacy programme for rural India is proposed to be accelerated with assistance from Universal Service Obligation Fund and under a Public Private Partnership arrangement.
- National Sports Education Board for development of sportspersons is proposed to be set up under Khelo India Scheme.
- Under the Pradhan Mantri Kaushal Vikas Yojana, the Budget proposed to focus on skill sets like language training, Artificial Intelligence (AI), Internet of Things (IoT), Big Data, 3D Printing, Virtual Reality and Robotics.

## Social Security

- The Budget proposed to extend the pension benefit to about 30 mn retail traders & small shopkeepers whose annual turnover is less than ₹ 15 mn under a new scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme. Enrolment into the scheme is proposed to be kept simple requiring only Aadhaar and a bank account and rest will be on self-declaration.
- The Budget proposed to take steps to separate the National Pension System (NPS) Trust from Pension Fund regulatory and Development Authority (PFRDA) with appropriate organizational structure.
- The Budget proposed incentives to National Pension System (NPS) subscribers which include: (i) increase the limit of exemption from current 40% to 60% of payment on final withdrawal from NPS; (ii) allow deduction for employer's contribution upto 14% of salary from current 10%, in case of central government employee; and (iii) allow deduction under section 80C for contribution made to Tier II NPS account by central government employees.

## Social welfare, Job creation, & Women empowerment

- The allocation for social welfare increased to ₹ 508.5 bn (BE) in FY20 from ₹ 464.92 bn (RE) in FY19.
- The Government proposed to streamline multiple labour laws into a set of four labour codes.

- Stand-Up India scheme has been proposed to be continued till 2025. The banks will provide financial assistance for demand-based businesses, including for acquisition of scavenging machines and robots.
- The Budget proposed to expand the Women Self Help Group (SHG) interest subvention programme to all districts. Furthermore, for every verified women SHG member having a Jan Dhan Bank Account, an overdraft of ₹ 5,000 shall be allowed. One woman in every SHG will also be made eligible for a loan up to ₹ 100,000 under the MUDRA scheme.
- The Budget proposed to form a broad-based committee with government and private stakeholders to evaluate and suggest action for moving forward on the gender analysis of the budget.

### *Positive*

*The Union Budget has given special emphasis on the skilling and higher education sector in order to reap the demographic dividend. The new education policy and allocation for building of 'World Class Institutions' are aimed towards improving the quality of education in the country. The budget has recognised some new-age market-relevant skills and has proposed to include them in the government's skilling programme to improve the employability of the country's youth population. The emphasis on providing training in new technology coupled with focus on research and higher education are expected to help India in building technological competence.*

*The proposal to extend pension benefits to about 30 mn retail traders and small shopkeepers is commendable. This will provide much needed social security benefits to small traders and businesses in the retail segment. Besides, the enrolment to the scheme will also help to formalise the unorganised sector. The Budget has also laid focus on women empowerment through various proposals which are expected to help in achieving greater women participation in the economic activity.*

*While education, skilling, women empowerment and social security segments have received their due attention, there are no major proposals for health sector in the budget. Further, the share of health and education sectors in the total budget outlay has remained same at around 5.7% in FY20 as against FY19 (RE), pointing towards the constant need for stepping up of investment in these sectors.*

# Infrastructure

- The Government announced its intention to invest ₹ 100 tn in infrastructure over the next five years. It is estimated that India requires investment averaging ₹ 20 tn every year.

## Roads & Highways

- A comprehensive restructuring of National Highway Programme will be carried out to ensure that the National Highway Grid of desirable length and capacity is created using financeable model. Bharatmala phase 2 to be launched wherein States will be helped to develop State road networks.
- For the Pradhan Mantri Gram Sadak Yojana-III, it is envisaged to upgrade 1,25,000 kms of road length over the next five years, with an estimated cost of ₹ 802.5 bn.

## Railways

- The Government will encourage Railways to invest more in suburban railways through Special Purpose Vehicle (SPV) structures like Rapid Regional Transport System (RRTS) proposed on the Delhi-Meerut route.
- The Government will promote Public-Private Partnership (PPP) to unleash faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services.
- A proposal to enhance the metro-railway initiatives by encouraging more PPP initiatives and ensuring completion of sanctioned works, while supporting Transit Oriented Development (TOD) to ensure commercial activity around transit hubs.
- The Government is in the process of completing the dedicated freight corridor project that will free up some of the existing railway network for passenger trains.

- The Government will launch a massive programme of railway station modernization in the year 2019-20 to make railway travel a pleasant and satisfying experience for the common citizen.
- The Government has approved the New Metro Rail Projects for a total route length of 300 Kms. With about 210 kms metro lines being operationalized in 2019, a total of 657 kms of Metro Rail network has become operational across the country.
- The Government has launched India's first indigenously developed payment ecosystem for transport, based on National Common Mobility Card (NCMC) standards, to enable people to pay multiple kinds of transport charges, including metro services and toll tax, across the country.

## Shipping and Inland waterways

- It is envisioned that rivers will be used for cargo transportation which will help to decongest roads and railways. A multi modal terminal at Varanasi has become functional in November 2018 as part of the Jal Marg Vikas Project for enhancing the navigational capacity of Ganga for smoothening internal trade. Two more such terminals at Sahibganj and Haldia and a navigational lock at Farakka would be completed in 2019-20.

## Connectivity Infrastructure

- On the lines of successful model of One Nation - One Grid, the government has proposed to make available a blueprint in 2019-20 for developing gas grids, water grids, i-ways, and regional airports.

## Agriculture Infrastructure

- The Government intends to invest extensively in agricultural infrastructure. Private entrepreneurships will be supported in driving value-addition to farmers' produce from the field and for those from allied activities, like Bamboo and timber from the hedges and for generating renewable energy.

- To create infrastructure for cattle feed manufacturing, milk procurement, processing & marketing for encouraging dairying through cooperatives.

## Water Resources Infrastructure

- With the constitution of the Jal Shakti Mantralaya, the Government under the Jal Jeevan Mission will focus on integrated demand and supply side management of water at the local level, including creation of local infrastructure for source sustainability like rainwater harvesting, groundwater recharge and management of household wastewater for reuse in agriculture.
- The government has proposed that the Jal Jeevan Mission will get converged with other Central and State Government Schemes to achieve its objectives of sustainable water supply management across the country.

## Land banks for Public Infrastructure

- The Government will take up public infrastructure and affordable housing through innovative instruments such as joint development and concession. Large public infrastructure can be built on land parcels held by Central Ministries and Central Public Sector Enterprises all across the country.

## Affordable Housing

- Construction of 19.5 mn houses with amenities like toilets, electricity and LPG connection to eligible beneficiaries in the second phase of Pradhan Mantri Awas Yojana-Gramin (PMAY-G) between FY19-22.
- The Government has proposed to align the definition of affordable housing in Income-tax Act with GST Act by
    - Increasing the limit of carpet area from 30 square meters to 60 square meters in Metropolitan regions and from 60 square meters to 90 square meters in nonmetropolitan regions

  - Provision of limit on cost of the house at ₹ 4.5 mn in line with the definition in the GST Acts.

- To enhance interest deduction up to ₹ 0.35 mn from the previous ₹ 0.2 mn on loans borrowed up to March 31, 2020 for purchase of an affordable house valued up to 4.5 mn

## Digital Infrastructure

- The Government is targeting internet connectivity in local bodies in every Panchayat in the country through the Bharat- Net for bridging rural-urban digital divide. The government has proposed to speed up this project with assistance from Universal Service Obligation (USO) Fund and under a Public Private Partnership arrangement.

## Infrastructure Financing

- To boost infrastructure financing, the Government has proposed following measures:
  - A Credit Guarantee Enhancement Corporation will be set up in the year 2019-20.
  - An action plan to deepen the market for long term bonds including for deepening markets for corporate bond repos, credit default swaps etc., with specific focus on infrastructure sector, will be put in place.
  - To permit investments made by FIIs/FPIs in debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) to be transferred/sold to any domestic investor within the specified lock-in period.
- The Government has proposed following the measures to further deepen bond markets which are crucial for the infrastructure sector:
  - To work with regulators to enable stock exchanges to allow AA rated bonds as collaterals.
  - User-friendliness of trading platforms for corporate bonds will be reviewed.

- The Government has proposed to set up an expert committee to study the current situation relating to long-term infrastructure finance, past experiences and to recommend the structure and the required flow of funds through development of finance institutions.
- It is proposed to increase Special Additional Excise duty and Road and Infrastructure Cess each by one rupee a litre on petrol and diesel

### *Positive*

*The intention to invest ₹ 100 tn for infrastructure development in the next five years shows the Government's thrust and commitment to develop the country's infrastructure. The Government's announcement of a number of measures for boosting infrastructure financing and for developing corporate debt markets will help in bridging India's infrastructure funding gap that requires an average of ₹ 20 tn every year. The Government's proposal to set up an expert committee to study Infrastructure financing will help create a detailed road map for financing of Infrastructure development in the country.*

*The Government's announcement of several measures to boost road, railways, and waterways infrastructure will go a long way in creating a much needed infrastructure connectivity within the country. In addition, income tax measures announced for affordable housing will help the Government in achieving the target of 'Housing for All' by 2022.*

*Overall, the Union Budget can be seen as the Government's commitment to take the country's infrastructure development to the next level.*

# Services

## BFSI

### Banking

- Proposal to infuse ₹ 700 bn into public sector banks to improve the capital base of state-owned banks and to boost credit.
- Proposal to give customers control over cash deposited by others into their accounts.
- Proposal to expand the Women Self Help Group (SHG) interest subvention programme to all districts across India.
- Every verified women SHG member having a Jan Dhan Bank Account to be allowed an overdraft facility of ₹ 5,000.
- One woman in every SHG to be made eligible for a loan of up to ₹ 0.1 mn under the MUDRA Scheme.

### *Positive*

*The Union Budget announcements for the banking sector are aimed at rebuilding the financial system and making it more stable and resilient. The ₹ 700 bn capital infusion into the public sector banking will help banks shore up their balance sheets. This will help them enhance lending. Weaker banks could also use the funds to comply with regulatory norms. The move could also help banks which are currently in the RBI's Prompt Corrective Action (PCA) list to improve their financial health. The Union Budget's banking reforms also addresses women-centric needs.*

### Insurance

- The Government will examine suggestions of further opening up of FDI in the insurance sector, in consultation with all stakeholders.
- FDI limit in insurance intermediaries raised to 100% from earlier 49%.
- Proposal to reduce Net Owned Fund requirement from ₹ 50 bn to ₹ 10 bn in order to facilitate on-shoring of international insurance

transactions and to enable opening of branches by foreign reinsurers in International Financial Services Centres (IFSCs).

- TDS on taxable payout of life insurance companies increased to 5% on net basis, instead of 1% on gross basis.

### *Marginally Positive*

*The move to allow 100% FDI for insurance intermediaries will bring in much-needed long term capital for the sector, which will boost delivery channels, enable the entry of large professional advisories and in turn enhance insurance penetration in India. The Union Budget will also attract foreign reinsurers and will make the sector more competitive.*



## Financial Services

### *Incentives for Non-Resident Indians*

- Proposal to consider issuing Aadhaar Card to Non-Resident Indians (NRIs) with Indian passports after their arrival in India, without waiting for 180 days.

### *Reforms for NBFCs*

- Proposal to strengthen the regulatory authority of RBI over NBFCs.
- Proposal to return the regulation authority over the housing finance sector from the National Housing Bank (NHB) to the RBI, as a move towards efficient and conducive regulation of the housing sector.
- The Government will provide one time six months' partial credit guarantee to public sector banks for first loss of up to 10% for purchase of high-rated pooled assets of financially sound Non-Banking Financial Companies (NBFCs), amounting to ₹ 1 tn during the current financial year.
- Proposal to do away with the requirement of creating a Debenture Redemption Reserve (DRR) which is currently applicable for only public issues (as private placements are exempt) to allow NBFCs to raise funds in public issues.
- Amendments to be made in the Factoring Regulation Act, 2011 to bring more participants, especially NBFCs, not registered as NBFCs-

Factor to directly participate on the Trade Receivables Discounting System (TReDS) platform.

- Currently, interest on certain bad or doubtful debts made by scheduled banks and other financial institutions is subject to tax in the year in which this interest is received; the Government proposes to extend this facility to deposit taking and systemically important non-deposit taking NBFCs as well.

***Tax Concessions for IFSC***

- Several tax concessions have already been provided in respect of businesses carried on from an International Financial Services Centre (IFSC), with the aim of promoting the development of world class financial infrastructure in India. To further promote such developments and bring the IFSC at par with other countries, the government proposed the following additional tax benefits:
  - 100% deduction for 10 consecutive years out of 15 years from the year of commencement of a unit in the IFSC, as against the existing deduction of 100% of profits for first five consecutive years and 50% for next five consecutive years from the year of commencement.
  - Tax exemptions for interest received by a non-resident in respect of lending to a unit located in an IFSC.
  - Exemption from capital gains tax on Category-III Alternative Investment Funds (AIFs) in IFSC of which all the unit holders are non-residents, subject to certain other conditions.
  - Notification of other securities which shall be eligible for capital gains exemptions if traded on a recognised stock exchange in IFSC by a specified person.
  - Non-levy of dividend distribution tax (DDT) on distribution of dividend out of profit accumulated by a unit after April 1, 2017 from operations in IFSC, over and above the existing exemption on dividend distributed out of current income.
  - To facilitate setting up of mutual funds in the IFSC, no additional tax on distribution of any amount, on or after September 1,

2019, by a specified Mutual Fund out of income derived from transactions made on a recognised stock exchange located in any IFSC.

- Deduction under section 80 LA of the Income Tax Act to a non-resident for computing tax liability in respect of income of the nature of interest, dividend etc. referred to in section 115A of the Act.

***Reforms in National Pension System (NPS)***

- Steps to be taken to separate the NPS Trust from Pension Fund Regulatory and Development Authority (PFRDA) with appropriate organizational structure, for the wider interest of subscribers and to maintain arm's length relationship of the NPS Trust with PFRDA.
- Proposal to increase the exemption limit for final withdrawal from NPS from the current 40% to 60% of payment.
- Proposal to allow deduction for employer's contribution up to 14% of salary from current 10%, in the case of Central Government employees.
- Proposal to allow deduction under section 80C of the Income Tax Act for contribution made to Tier-II NPS account by Central Government employees.

***Pension Scheme for Retail Traders***

- Proposal to extend pension benefit to retail traders & small shopkeepers whose annual turnover is less than 15 mn under a new Scheme - Pradhan Mantri Karam Yogi Maandhan Scheme (PMKYMS); about 30 mn traders and shopkeepers are expected to benefit from the scheme. Enrolment for the scheme merely requires Aadhaar, a bank account and self-declaration by beneficiaries.

## *Positive*

*The Union Budget has announced a slew of measures that will help ease the liquidity crunch of NBFCs. The move to provide partial credit guarantee to public sector banks for the purchase of high-rated pooled assets of NBFCs* *will help bring in the much-needed liquidity. This measure comes against the backdrop of RBI's announcement of additional liquidity support of ₹ 1,340 bn to the sector through banks, for purchase of assets from and / or on-lending to non-banking financial companies and housing finance companies, under the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) within the mandatory Statutory Liquidity Ratio (SLR) requirement.*

*The Budget also announced measures to promote the development of world class financial infrastructure in India, through IFSCs. This is significant, since it is expected that the Gujarat International Finance Tec-City (GIFT City) IFSC alone, as per various estimates, can provide a US$ 1 tn boost to the Indian economy. The incentives offered to IFSCs can go a long way in boosting investor confidence.*



## Markets

***Proposals for Disinvestment***

- Disinvestment target for FY20 enhanced to ₹ 1,050 bn.
- Government to consider reducing stake in Government-controlled institutions to below 51% to an appropriate level on a case-to-case basis, while still retaining control.
- Government to modify present policy of retaining 51% Government stake to retaining 51% stake inclusive of the stake of Government-controlled institutions.
- Besides reinitiating the process of strategic disinvestment of Air India, Government to offer more CPSEs for strategic participation by the private sector.
- Government to offer an investment option in ETFs on the lines of Equity Linked Savings Scheme (ELSS), as an instrument for its divestment programme.
- Government to take all necessary steps to meet public shareholding norms of 25% for all listed PSUs and raise the foreign shareholding

limits to maximum permissible sector limits for all PSU companies which are part of Emerging Market Index.

***Reforms for Retail Investors***

- To boost investor participation in equity markets, the Government proposed increasing the minimum shareholding in listed companies to 35% from the existing 25%.
- To enable retail investors to invest in treasury bills and securities issued by the Government. Proposed to take up necessary measures in consultation with RBI and SEBI to enable inter-operability of RBI depositories and SEBI depositories for seamless transfer of treasury bills and government securities.
- Proposal for relief in levy of Securities Transaction Tax (STT), by restricting it only to the difference between settlement and strike price in the case of exercise of options.

***Reforms for Infrastructure Financing***

The Government proposed several measures to enhance the sources of capital for infrastructure financing, including: -

- Proposed to set up a Credit Guarantee Enhancement Corporation in FY20, for which regulations have already been notified by the RBI.
- The Government to lay down an action plan to deepen the market for long term bonds, including corporate bond repos, credit default swaps, etc., with specific focus on the infrastructure sector.
- Proposal to permit investments made by FIIs/FPIs in debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) to be transferred/sold to any domestic investor within the specified lock-in period.
- Government to work with RBI and SEBI to enable stock exchanges to allow AA-rated bonds as collaterals, to deepen the corporate tri-party repo market in Corporate Debt securities.
- User-friendliness of trading platforms for corporate bonds to be reviewed, including issues arising out of capping of International Securities Identification Number (ISIN).

***Reforms to boost Foreign Investment***

- Proposed rationalization and streamlining of existing Know Your Customer (KYC) norms for FPIs to make it more investor-friendly without compromising the integrity of cross-border capital flows.
- The Government would examine suggestions of further opening of FDI in aviation, media (animation, visual effects, gaming and comics) and insurance sectors in consultation with all stakeholders.
- 100% FDI will be permitted for insurance intermediaries.
- Local sourcing norms proposed to be eased for FDI in single brand retail.
- The Government would contemplate organizing an annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as the anchor, to mobilise global savings, mostly institutionalized in pension, insurance and sovereign wealth funds from global industrialists and corporate honchos, pension/insurance/ sovereign wealth funds and digital technology/venture funds.
- Proposal to increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit, with option given to the concerned corporates to limit it to a lower threshold; FPIs to be permitted to subscribe to listed debt securities issued by Real Estate Investment Trusts (ReITs) and Infrastructure Investment Trusts (InvITs).
- Proposal to merge the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route, to provide NRIs with seamless access to Indian equities.

***Offshore Funds***

- Since India's sovereign external debt-to-GDP is among the lowest globally at less than 5%, the Government is considering raising a part of its gross borrowing programme in external currencies from external markets.
- To contain the current account deficit and augment the foreign exchange inflow, the Government had issued a press release in

September 2018 exempting interest income of non-resident from Rupee-Denominated Bonds (RDB) issued by a company or a business trust, outside India, during the period September 17, 2018 to March 31, 2019. The Government proposed to incorporate this tax incentive in the Income Tax Act.

***Incentives for Start-ups***

- Proposal to resolve 'angel tax' issue (pertaining to taxation of funds received from angel investors), start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny in respect of valuations of share premiums.
- Start-ups are currently not required to justify fair market value of their shares issued to certain investors, including Category-I Alternative Investment Funds (AIF); proposal to extend this benefit to Category-II AIFs also. The valuation of shares issued to these funds shall be beyond the scope of income tax scrutiny.

***Creation of a Social Stock Exchange***

- Proposal to create an electronic fund-raising platform, viz. a social stock exchange, under the regulatory ambit of SEBI for listing social enterprises and voluntary organizations working towards social welfare objectives to help them raise capital.

***Prevention of Tax Abuse***

- To discourage the practice of avoiding Dividend Distribution Tax (DDT) through buy back of shares by listed companies, the Government proposed that listed companies be made liable to pay additional tax at 20% in case of buy back of shares, as is the case currently for unlisted companies.

***Digital Economy***

- Proposal to levy TDS of 2% on cash withdrawals exceeding ₹ 10 mn in a year from a bank account, to discourage business payments in cash.
- Proposal that business establishments with annual turnover of more than ₹ 500 mn shall offer low-cost digital modes of payment such as

BHIM UPI, UPI-QR Code, Aadhaar Pay, certain debit cards, NEFT, RTGS, etc. to their customers, with no charges or merchant discount rates being imposed on customers as well as merchants; the RBI and banks would absorb these costs from the savings that will accrue to them on account of handling less cash. For ensuring compliance, a suitable penalty provision is proposed.

- The Government launched the National Common Mobility Card (NCMC) in March 2019, which enables universal payment for various modes of transport, across the country. This inter-operable transport card runs on RuPay card and will allow holders to pay for their bus travel, metro travel, toll taxes, parking charges, retail shopping and even for cash withdrawal.



### *Positive*

*Union Budget 2019-20 reiterated the Government's focus on strategic disinvestment of CPSEs. The announcements are expected to encourage significant retail participation in CPSEs. Likewise, the Budget also proposed multiple measures to enhance infrastructure financing, boost foreign investment through FDI and FPI, easing of angel investing norms for start-ups and fund-raising for social welfare objectives. These measures will substantially improve the depth of the financial markets. The proposal to raise the minimum public shareholding to 35% from the current 25% certainly promises to get more retail investment in the equity market in the long term. However, this would create a supply overhang in the markets, and could also potentially lead to the delisting of many entities, especially multinational companies. Although, the Government has not yet announced a deadline in this regard, it would be more helpful if implemented over a two or three-year horizon.*

*On the digitization front, the Government has announced various measures to help promote a less cash economy. The plan to let the RBI and banks to absorb the cost of deploying digital payment systems will go a long way in promoting cashless transactions among customers and businesses alike.*

## Hospitality

- Government is planning to develop 17 iconic tourism sites into world class tourist destinations and to serve as a model for other tourist sites.
- A digital repository to be developed for storing India's tribal cultural heritage like documents, folk songs, photos & videos regarding their evolution etc. and other anthropological details.
- Launching massive program for railway station modernization in FY20 to augment travel experience

### *Marginally positive*

*The sector stands to benefit from the announcement related to development of 17 iconic tourist destinations. Improving the travel experience by modernization of railway stations will boost domestic tourism. Given the dependence of hospitality sector on the state of infrastructure, greater impetus and higher fund allocation for infrastructure will provide incremental benefits to the sector. The digital repository for storing India's tribal cultural heritage would help in promoting tourism. In the absence of any direct measures for the hospitality service providers, the overall impact would be marginally positive.*

## IT - BPM

- The government will launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas which includes computer servers and laptops.
- To promote digital economy, business establishments with annual turnover more than ₹ 500 mn, which offer low cost digital modes of payment such as BHIM UPI, UPI-QR Code, Aadhaar Pay, certain Debit cards, NEFT, RTGS etc. have been provided incentives in this budget. No charges or Merchant Discount Rate shall be imposed on customers as well as merchants.

- The budget proposes to prepare youth to take up jobs overseas. For this purpose, the focus will be on developing new-age skills like Artificial Intelligence (AI), Internet of Things, Big Data, 3D Printing, Virtual Reality and Robotics.
- The government has launched inter-operable transport card that runs on RuPay card and would allow the holders to pay for their bus travel, toll taxes, parking charges, retail shopping and even withdraw money. This will further spread digital economy across India.
- Budgetary Allocation for Ministry of Electronics and Information Technology for 2019-20 was ₹ 66.5 bn, only 4% increase from the revised estimates of 2018-19. Allocation for Digital India program has been increased by 12% to ₹ 37.5 bn.

### *Marginally Positive*

*The government has proposed a series of direct and indirect measures in this budget to provide support to IT and ITeS sector. Thrust on digital economy, training of youth, foreign investment in manufacturing of computer servers and laptops etc. are likely to provide the necessary boost to the sector.*

## Media & Entertainment

- The government has proposed to examine the suggestions of further opening up of FDI in media (animation, AVGC) sector in consultation with the stakeholders.
- Proposal to start a television programme within the DD bouquet of channels, which would serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning.
- Reduction in custom duty of Set Top Box to nil.
- Increase in custom duty for newsprint, uncoated papers used for newspaper printing, lightweight coated paper used for magazines to 10% from nil.

### *Marginally Positive*

*Media and entertainment industry will benefit from opening up of FDI in the sector, which will attract foreign investments, especially to cash-strapped print media. Input costs for print media are expected to rise with the increase in custom duty for the paper. However, the broadcast media will get a boost with the reduction in custom duty for set top boxes. Further, the government's digital push in the rural economy will boost revenue of the industry leading to even greater employment generation.*

## Retail

- Local sourcing norms to be eased for Foreign Direct Investment (FDI) in single brand retail sector.
- Pension benefit to nearly 30 mn retail traders and small shopkeepers whose annual turnover is less than ₹ 15 mn under a new initiative namely the Pradhan Mantri Karam Yogi Maandhan Scheme.
- Customs duty increased for certain items such as gold, cashew kernels, indoor and outdoor unit of split system air conditioner, charger/ power adapter of CCTV camera, CCTV camera, stainless steel products etc.

### *Marginally Positive*

*There have been various direct and indirect measures announced in the Budget which will eventually benefit single brand retail and small traders. Gold, imported electronic items, fuel and tobacco products are likely to get expensive.*

*Currently, the Foreign Direct Investment policy, under the automatic route, allows 100% FDI in single brand retail but mandates the 30% local sourcing norms. Given the announcement in the Union Budget of relaxing the local sourcing norms, the single brand retail sector is likely to benefit in a big way. It will not only facilitate the ease of doing business in India but also attract more FDI. It will encourage international brands, especially those operating in areas of fashion and electronics, to enter into India and will lead to increased competitiveness.*

*The Budget also announced measures to increase disposable income by increasing the deduction on interest paid for affordable housing. This will help increase in demand for the retail sector.*

## Telecom

- "Bharat-Net", an internet connectivity programme to connect local bodies in every panchayat in the country, will be speeded up with assistance from Universal Service Obligation Fund (USOF) and under a Public Private Partnership arrangement.
- Custom duty on lithium ion cell and charger/adapter of cellular mobile phone was reduced to nil.
- Custom duty on Optical Fibres, optical fibre bundles and cables increased to 15% from 10% while custom duty on raw materials used in manufacture of Preform of Silica has been reduced to nil.

### *Marginally Positive*

*While there are no major direct announcements in the Union Budget for the telecom sector, various measures to mobilize funds for speeding up the world's largest rural broadband connectivity programme using optical fiber will aid the expansion of digital infrastructure in rural areas, which will boost the telecom sector going forward. Custom duty exemption on lithium ion cell is expected to support domestic manufacturing of various products such as portable electronics, PDAs, iPods, laptops, electric vehicle including mobile handset manufacturing. Zero custom duty on raw materials used for manufacturing preform of silica along with increase in custom duty on Optical Fibres, optical fibre bundles and cables will positively impact the domestic optical fibre manufacturers.*

# Manufacturing

## Automotive

- The Budget announced investment linked income tax exemptions under section 35 AD of the Income Tax Act and other indirect tax benefits to global companies for setting up mega plants for manufacturing electric vehicle components such as semi-conductor fabrication (FAB), solar photo voltaic cells, lithium storage batteries as well as solar electric charging infrastructure.
- Full exemption on customs duty on lithium ion cell.
- Exemption on customs duty on parts such which are used exclusively in electric vehicles such as e-drive assembly, on-board charger, e-compressor and charging gun.
- Income tax deduction of ₹ 0.15 mn on the interest paid on loans taken to purchase electric vehicles.
- Increase in customs duty on certain automobile and automobile parts such as glass mirrors, oil or petrol filters for internal combustion, windscreen wipers etc.
- Special additional excise duty for petrol increased to ₹ 8 per litre from ₹ 7 per litre.
- Special additional excise duty for high speed diesel oil increased to ₹ 2 per litre from ₹ 1 per litre.
- Road and infrastructure cess increased for petrol and high speed diesel oil to ₹ 9 per litre from ₹ 8 per litre.

### *Marginally Positive*

*The government launched the National Electric Mobility Mission Plan (NEMMP) 2020 in 2013 for large scale promotion and adoption of hybrid and electric vehicles in the country. However, creation of a viable environment in terms of infrastructure and incentives seemed to be one of the major challenges. The current budget made major announcements aimed at overcoming challenges related to adoption of electric vehicles.*

*As a part of NEMMP, starting from Apr 1, 2019, the government has embarked on phase II of the FAME scheme (Faster Adoption and Manufacturing of Hybrid and Electric Vehicles). Its outlay of ₹ 100 bn for a period of three years is significantly higher than the FAME I outlay of nearly ₹ 9 bn indicating the government's thrust for driving the e-mobility initiative. Tax exemptions on selected e-vehicle components and for setting up e-vehicle components plants show the government's intent on creating a sustainable ecosystem for electric vehicles. By increasing excise duty on conventional fuels and offering tax sops for buying electric vehicles the government is looking to achieve its target of 30% of road vehicles being electric by 2030. However, in order to achieve it, the government needs to chalk out a clear roadmap for developing the infrastructure, such as charging stations, to sustain an e-vehicle ecosystem successfully.*

## Capital and Engineering Goods

- Customs duty on import of electronic components used in manufacturing of consumer electronic products like cellphones and televisions has been abolished.
- Policy initiatives and income tax exemptions to encourage global companies to set up mega manufacturing plants in advanced technology sectors like semi-conductor fabrication, solar photo voltaic batteries, lithium storage batteries, and solar electric charging infrastructure.
- Import of defense equipment to be exempted from basic customs duty. Additionally, import of few components used to manufacture electric vehicles are also exempted from customs duty.

### *Marginally Positive*

*Rationalization of customs duty framework has been used by this government in the previous budgets to promote its flagship "Make in India" program.*

*The current budget continues this trend by expanding the duty rationalization into electronic components imports. The proposed abolition of customs* *duty on components used in consumer electronic products is expected to encourage domestic consumer electronics manufacturing industry.*

*The move to rope in global manufacturers to develop high technology manufacturing infrastructure in India through a mix of supportive policies and tax incentives would help in developing India's manufacturing prowess. The thrust is on setting up production capabilities in segments associated with renewable energy (storage battery, electric charging stations, solar PV cells). This is especially beneficial to become self-sustainable in renewable energy & clean energy space, which would form a prominent component of energy mix in the coming years.*

*Although, the direct budgetary intervention in the capital and engineering goods sector is limited, the indirect benefit expected to accrue from the proposed infrastructure development is immense. The massive infrastructure spending announced in the Union Budget will create demand for capital and engineering goods.*



**<u>Cement</u>**

- Government announced its intent to invest ₹ 100 tn in infrastructure over the next five years with an estimated outlay of ₹ 20 tn each year.
- Government to construct 19.5 mn houses for eligible beneficiaries under Pradhan Mantri Awas Yojana – Gramin (PMAY-G).
- Allocation of AMRUT and Smart Cities Mission increased to ₹ 138 bn (BE) FY20 from ₹ 126 bn (RE) FY19.
- Under Phase III of Pradhan Mantri Gram Sadak Yojana (PMGSY), it is envisaged to upgrade 1,25,000 kms of road length over next five years, with an estimated outlay of ₹ 190 bn.
- Enhance interest deduction up to ₹ 0.35 mn from the previous ₹ 0.2 mn on loans borrowed up to March 31, 2020 for purchase of an affordable house valued up to 4.5 mn.
- Comprehensive restructuring of National Highway Programme is on the agenda to create National Highway Grid of desirable capacity.
- Bharatmala Phase II to focus on state road network development.

### *Positive*

*While there was no direct major announcement in the Union Budget for cement sector, sustained focus on infrastructure and rural development in the Budget will increase demand for cement. Greater push to infrastructure including rural infrastructure is likely to boost demand for cement. Additionally, continued implementation of PMAY and PMGSY schemes will translate to higher demand for cement. On the whole, the sector can anticipate higher growth in volume owing to rising demand from infrastructure development and housing sector.*

## Consumer Goods

- Scheme to invite global companies for setting up mega-manufacturing plants in sunrise and advanced technology areas such as semi-conductor fabrication (FAB), lithium storage batteries, solar photo voltaic cells, lithium storage batteries, solar electric charging infrastructure, computer servers and laptops through transparent competitive bidding.
- Business establishment with annual turnover of more than ₹ 500 mn to offer low cost digital modes of payment to their customers. No charges or merchant discount rate can be imposed on customers or merchants.
- Increase in effective tax rates for individuals in tax bracket of ₹ 20 mn - 50 mn and ₹ 50 mn above by 3 % and 7 % respectively.
- Additional income tax deduction of ₹ 0.15 mn on interest paid on loans taken for purchasing electric vehicles.
- Zero Custom duty on capital goods used for manufacturing for electronic items such as PCBA, camera module and charger/adapter of cellular mobile phones, lithium ion cell, display module set-top box and compact camera modules.
- Increase in custom duty to 7.5% from nil for fatty acids, acid oils used for manufacturing oleochemicals and soap.
- Increase in custom duty for printed books increased to 5% from nil. Increase in custom duty for newsprint, uncoated paper and lightweight coated paper to 10% from nil.

- Increase in custom duties for electric goods and machine
  - Increase in custom duty of indoor and outdoor unit of split system of air conditioner to 20% from 10%.
  - Increase in custom duty of stone crushing plants for road construction to 7.5% from nil.
  - Increase in custom duty for charger/power adapter of CCTV Camera/ IP camera and DVR/NVR to 15% from nil.
  - Increase in custom duty of loudspeaker to 15% from 10%.
  - Increase in custom duty of DVR/NVR, CCTV camera and IP camera to 20% from 10%.
  - Increase in custom duty of optic fibers, optical fibre bundle and cables to 15% from 10%.
- Zero custom duty for parts used for electric vehicles such as e-driver assembly, on board charger, e-compressor and charging gun
- Duty rationalization for certain electric goods such as switches, sockets, plugs, connectors and relays.
- Increase Special Additional Excise duty and Road and Infrastructure Cess each by ₹ 1 per litre on petrol and diesel.
- Duty rationalization for capital goods used for manufacturing specified electronic items such as cathods ray tubes, CD/CD-R/DVD/DVD-R, deflection components, CRT monitors/CTVs and plasma display panel.
- Duty free import of Foam/EVA foam and pinewood upto 3% of FOB value of sports goods exported in preceding financial year.
- Custom duty on gold and other precious metals to be increased from 10% to 12.5%.
- Duty on Silver dore bar, having silver content not exceeding 95% increased from 8.5% to 11%.
- For Gold dore bar, having gold content not exceeding 95%, custom duty increased from 9.35% to 11.9%.

### *Marginally positive*

*The Government's scheme for setting up mega-manufacturing plants will increase growth and employment opportunities in the segment. With zero custom duty for capital goods used as inputs for manufacturing electronic items, and increase in custom duty for certain electronic machines, the domestic manufacturers of electric goods will receive a boost. Increase in customs duty in various automobile parts has also been taken to support the domestic manufacturers. While the government has introduced many schemes to provide support to the manufacturers in the consumer goods sector, the overall budget has disincentivized the consumers. Taxes on high income group, high custom duty on gold, silver and certain electronic goods will curtail consumer demand.*

## Gems & Jewellery

- Custom duty on gold and other precious metals to be increased from 10% to 12.5%.
- Duty on Silver dore bar, having silver content not exceeding 95% would increase from 8.5% to 11%.
- For Gold dore bar, having gold content not exceeding 95%, custom duty would increase from 9.35% to 11.85%.

### *Negative*

*Against the expectation of reduction in the custom duty, Union Budget has announced an increase in custom duty on gold and precious metals. Being one of the largest importer of gold, this move will increase the gold prices which in turn may impact demand.*

## Metals & Mining

- Customs duty for stainless steel products, other alloy steel are increased to 7.5% from 5%.
- Customs duty for base metal fittings increased to 15% from 10%.

### *Marginally Positive*

*The Union Budget does not contain any significant announcements that could directly impact the metals & mining sector. However, demand could go up for metals used in infrastructure construction such as copper, steel, aluminium etc. given the government's thrust on building a robust infrastructure. Ferrous and non-ferrous metals, especially those used in real estate construction will benefit from the proposed construction of 19.5 mn houses in the second phase of Pradhan Mantri Awas Yojana-Gramin (PMAY-G) between FY19-22.*

## MSMEs

- Proposal to create "Sabka Vishwas Legacy Dispute Resolution Scheme" to allow quick closure of pending litigations in service tax and excise duty.
- Proposal to relax Angel Tax scrutiny for startups by introducing e-verification of investors and their source of funds; extension of the facility for startups to not justify the fair market value of shares issued to Alternate Investment Funds; relaxation of conditions for carry forward and set-off of losses for startups.
- Proposal to create a payment platform for MSMEs to enable filing of bills and payments, and to move to an electronic invoice system.
- To discourage the practice of making business payments in cash, the Government proposes to levy TDS of 2% on cash withdrawal exceeding ₹ 10 mn in a year from a bank account.
- Business establishments with annual turnover more than ₹ 500 mn will need to offer low cost digital modes of payments like BHIM UPI, UPI-QR Code, Aadhaar Pay, Debit cards, NEFT and RTGS to their customers. No charges or Merchant Discount Rate shall be imposed on customers as well as merchants. RBI and Banks will absorb these costs from the savings that will accrue to them on account of handling lesser cash as people move to these digital modes of payment.

- Proposal to extend pension benefit to retail traders & small shopkeepers whose annual turnover is less than 15 mn under a new Scheme - Pradhan Mantri Karam Yogi Maandhan Scheme (PMKYMS).
- Proposal to expand the Women Self Help Group (SHG) interest subvention programme to all districts, and to make one woman in every SHG to be eligible for a loan up to ₹ 0.1 mn under the MUDRA Scheme.
- Setting up 100 clusters under 'Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI) for three focused sectors, Bamboo, Honey and Khadi clusters to enable around 50,000 artisans to join the economic value chain.
- Consolidation of Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE) for setting up of 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in FY20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors.
- Proposal to start a television programme within the DD bouquet of channels, which would serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning.
- Proposal to increase the basic customs duty on items such as cashew kernels, PVC, vinyl flooring, tiles, metal fittings, mountings for furniture, auto parts, certain kinds of synthetic rubbers, marble slabs, optical fibre cable, CCTV camera, IP camera, digital & network video recorders and imported books; reduction in customs duty on certain raw materials and capital goods such as certain inputs of CRGO sheets, amorphous alloy ribbon, ethylene di-chloride, propylene oxide, cobalt matte, naphtha and wool fibres; rationalisation of export duty on raw and semi-finished leather.

## *Marginally Positive*

*There were proposals aimed at easing the regulatory compliance, improving the financial security of small retailers and promoting women* *entrepreneurship. These measures will provide the required support to the MSME sector. The creation of a Legacy Dispute Resolution Scheme would expedite the clearance of pending litigations in service tax and excise duty wherein over ₹ 3.75 tn is blocked. The proposals made for the financial sector such as one time six months' partial credit guarantee to Public Sector Banks to encourage purchase of high-rated pooled assets of sound NBFCs, would improve the flow of funds to MSMEs. Further, the aforementioned relaxations for the startup sector, along with the thrust on digital payments and e-invoicing, would improve the ease of doing business. The extension of pension benefit under PMKYMS would provide respite for around 30 mn retailers and small shopkeepers. With the proposed change in customs duty, MSMEs are offered a level playing field which is a positive for Make in India. Apart from these benefits, the sector would also gain from the other measures which are targeted at improving the overall business environment and through increased allocation towards farm, infrastructure and social sector.*



## Oil & Gas and Petrochemicals

- Allocation for capital outlay of ₹ 429 bn to the Ministry of Petroleum and Natural Gas in FY20 as compared to ₹ 324.6 bn in FY19, of which ₹ 295 bn has been allocated to Direct Benefit Transfer – LPG as compared to 164.8 bn in FY19.
- Increase in special additional excise duty on petrol to ₹ 8 per litre from ₹ 7 per litre and on high-speed diesel to ₹ 2 per litre from ₹ 1 per litre.
- Increase in road and infrastructure cess on petrol and high-speed diesel to ₹ 9 per litre from ₹ 8 per litre.
- Increase in excise duty on petroleum crude to ₹ 1 per tonne from nil.
- The government has proposed to make available a blueprint for developing gas grids.
- The government has proposed to take up implementation of recommendations of the High-Level Empowered Committee (HLEC) on retirement of old & inefficient plants and addressing low utilization of Gas plant capacity due to paucity of Natural Gas.

- Increase in LPG subsidy to ₹ 329.9 bn in FY20 from ₹ 202.8 bn in FY19.

### *Neutral*

*The increased subsidy on LPG will help rural India. The increase in basic excise duty on petroleum crude, special additional excise duty and road and infrastructure cess on petrol and high-speed diesel is likely to increase the fuel prices going forward, thereby impacting the demand.*

## Pharmaceuticals & Healthcare

- Budgetary allocation for healthcare sector is ₹ 650 bn - nearly 16% higher than the previous year. About 52% of the total allocation is for National Health Mission (NHM) - the flagship healthcare program launched by the government in 2013.
- Nearly 82% of the allocation to NHM was for various rural healthcare programs that was launched under National Rural Health Mission (NRHM).
- Under NHM, ₹ 16 bn is allocated to setting up Ayushman Bharat – Health and Wellness Centers, nearly 33% higher than previous year. Nearly 84% of this ₹ 16 bn allocation is towards setting up centers in rural areas while rest is for setting up centers in urban areas.
- The budgetary allocation for Ayushman Bharat – Prime Minister Jan Arogya Yojana (PMJAY) in FY20 has been increased by 167% to ₹ 64 bn. Meanwhile the allocation for Pradhan Mantri Swasthya Suraksha Yojana has been increased by 5% to ₹ 40 bn.

### *Marginally Positive*

*The announcements in the Union Budget pertaining to healthcare sector are largely in line with those made in the interim budget. Higher allocation towards the Ayushman Bharat program reaffirms this government's commitment to improve the healthcare infrastructure in the country. In addition, the Ayushman Bharat program finds prominent mention in the government's 10-point vision to take India towards a US$ 5 tn economy.*

*All these measures would help in improving the healthcare accessibility among rural population.*

**Power**

- The government would soon announce a package for power sector tariffs and reforms to achieve the objective of "One Nation, One Grid" model.
- Improve electricity availability to states at affordable rates.
- Provide electricity to every single rural family under the Saubhagya scheme who are willing to take the connection by 2022.
- Performance of Ujjwal DISCOM Assurance Yojana (UDAY) announced in 2015 for DISCOMs turnaround is currently being examined and will be improved further.
- The budget also proposed to work upon the recommendations provided by high-level committee on retiring old and inefficient power plants, and addressing the under-utilisation of gas based power plants.
- Total Budgetary allocation to the Ministry of Power is ₹ 158.75 bn, marginally higher than the previous year's allocation of ₹ 156.25 bn.
- Approximately 75% of the allocation to the Ministry of Power is for central sector schemes /projects, which includes Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY), Integrated Power Development Scheme (IPDS) and strengthening of power systems.
- Similarly, the allocation for Integrated Power Development Scheme (IPDS) has been increased by 33% over the previous year revised estimates. As against an allocation of ₹ 39.7 bn in FY19, the budgetary allocation of ₹ 52.8 bn was made for FY20.
- However, the budgetary allocation for the strengthening of power systems declined from ₹ 27.7 bn in FY19 to ₹ 16.4 bn in FY20.
- The budgetary allocation for Ministry of New and Renewable Energy (MNRE) is pegged at ₹ 52.5 bn, which is only 2.1% higher than previous year allocation.

- The allocation for grid interactive renewable power has been increased by 5.1% to ₹ 42.7 bn. Solar power generation segment continues to receive the largest share. Of the ₹ 42.7 bn allocated to grid interactive renewable power, approximately 58% goes to solar power segment. Compared to last year, the allocation to grid interactive solar power segment has increased by 15% to ₹ 24.80 bn.
- Meanwhile, the allocation for off-grid interactive renewable power has been decreased by 26.8% to ₹ 6.9 bn.
- New UJALA-type scheme that will promote solar stoves and battery chargers.
- Custom duty reduction from 2.5% to 0% was announced on all forms of Uranium ores and concentrates, and from 7.5% to 0% for Uranium enriched in U-235 or its compounds, plutonium and its compounds, mixtures etc. for nuclear power generation.
- Custom duty on all goods required for setting up of nuclear power plant under project imports have been exempted.

### *Marginally Positive*

*The government's continued thrust to ensure access to electricity to all at affordable rate may push the adoption of energy efficient measures. Furthermore, the proposal to introduce several structural and tariff policy reforms highlights the government's conscious effort in reviving the ailing power sector. Such policy reform if timely implemented will help the sector to address several challenges associated with 24X7 power supply, distribution sector inefficiency, underutilization of gas based plant and generation sector stress.*

*The government's measures on retiring old and inefficient power plants with installation of new supercritical units that consume less coal to produce more power and with other cleaner options such as solar energy is likely to push clean energy initiative. Further, higher allocation to solar power sector, custom duty reduction on uranium ore and its concentrated and all other goods used in nuclear power generation will help in improving the* *share of renewables in the country's overall energy mix. The continued investment in renewables would achieve the twin goals of a cleaner energy mix and a reduction in import dependency.*

## Real Estate and Construction

- The Budget proposes to construction of 19.5 mn houses with amenities like toilets, electricity and LPG connection to eligible beneficiaries in the second phase of Pradhan Mantri Awas Yojana-Gramin (PMAY-G) between FY19-22.
- Enhanced interest deduction up to ₹ 0.35 mn from the previous ₹ 0.2 mn on loans borrowed up to March 31, 2020 for purchase of affordable houses valued up to ₹ 4.5 mn.
- Model tenancy laws will be shared with states to promote rental housing.
- Consideration for Tax deduction at source (TDS) on immovable property to include club membership fee, car parking fee, electricity and water facility fee, maintenance fee, advance fee or charges of similar nature incidental to purchase of the property.
- Aligning the definition of affordable housing in Income-tax Acts with GST Acts by
    - Increasing the limit of carpet area from 30 square meters to 60 square meters in Metropolitan regions and from 60 square meters to 90 square meters in non-metropolitan regions
    - Provision of limit on cost of house at ₹ 4.5 mn in line with the definition in the GST Acts.
- Regulatory jurisdiction over Housing Finance Companies (HFCs) to be shifted to RBI from National Housing Bank (NHB)
- Extension of exemption period of capital gains arising from sale of residential house for investment in start-ups up to March 31, 2021 and relax certain conditions of this exemption.
- Increase in custom duty of ceramic products (ceramic roofing tiles, ceramic flags and paving) and steel & other base metal products (alloy

steel, base metal fittings, mountings for furniture, door) to 15% from 10%; increase in custom duty for marble slabs to 40% from 20%.

- Increase in custom duty of stone crushing plants for road construction to 7.5% from nil.
- Government announced its intent to invest ₹ 100 tn in infrastructure over the next five years.

### *Marginally Positive*

*The intention of investing ₹ 100 tn in the next five years in infrastructure has potential to provide an impetus to both real estate and construction. Public-Private Partnership (PPP) led investment in railways, proposal for modernization of railway stations, construction of 19.5 mn rural houses will drive employment and growth in both these sectors.*

*Certain structural changes such as model tenancy laws, shift in regulatory jurisdiction to RBI from NHB, alignment of definition of 'affordable housing' in Income Tax Acts and GST Acts will serve to strengthen the sector. Further, tax exemption of ₹ 0.35 mn is likely to drive demand in the affordable housing segment. For premium real estate segment, extension of TDS on immovable property to include other miscellaneous costs incidental to purchasing house will negatively impact consumer demand. Also, easing the liquidity scenario in NBFC sector would provide an impetus to the sector, however, increase in input cost due to increased custom duty on ceramic, steel and marble may impact the sector negatively.*

## Textiles & Garments

- Budgetary allocation to Ministry of Textile reduced to ₹ 48 bn (BE) FY20 from ₹ 69 bn (RE) in FY19.
- Development of khadi clusters under Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI) [100 clusters will be set up for three focus sectors (Bamboo, Honey and Khadi clusters) enabling 50,000 artisans to join the economic value chain].

- Budgetary allocation for integrated scheme for Skill Development to the Ministry of Textile increased to ₹ 1.0 bn from the previous allocation of ₹ 0.42 bn.
- Allocation to Integrated Wool Development increased from ₹ 50 mn (RE) FY19 to ₹ 290 mn (BE) FY20.
- Decrease in custom duty for wool fibre and wool tops to 2.5% from 5%.
- Increase in custom duty for water blocking tapes (used for manufacturing optical fibre cables) from nil to 20%

### *Neutral*

*Budgetary allocation for Textile Ministry reduced to a considerable extent. Khadi cluster development has received a big push. This along with a 139% increase in allocation towards integrated skill development for textiles will increase income generation opportunities for the sector. The reduction in custom duty for raw materials such as wool fibre and wool tops will reduce cost burden on local manufacturers. Increasing custom duty on water blocking tapes will provide level playing field to the domestic manufacturers in this segment.*

# Personal Budget Impact Analysis

- There has been **no change in Income Tax slab** rates.
- Proposed incentives for **National Pension System (NPS)** subscribers.
    - Withdrawal from NPS: Increase exemption limit from current 40% to 60%
    - Deduction for NPS (for Central Government employees):
        - Increase in deduction for employer's contribution to 14% of salary from the current 10%.
        - Deduction under section 80C for the contribution made to Tier II NPS account.
- Proposal to increase in surcharge on high tax payers:

| Taxable Income Slab | Effective Tax Rate |
|---|---|
| ₹ 20 mn – 50 mn | Increased by 3% |
| > ₹ 50 mn | Increased by 7% |

- An additional deduction of ₹ 0.15 mn is proposed over and above the existing limit of ₹ 0.20 mn, for individuals obtaining housing loan till 31st March 2020 under the affordable housing scheme. However, the value of affordable house purchased should not exceed ₹ 4.5 mn and the assessee should not own any house property as on the date of sanction of such loan.
- In-order to incentivize the purchase of Electric Vehicles, a deduction up-to ₹ 0.15mn on interest paid on loan is proposed.
- Pension benefit to be extended to around 3 crore retail traders and shopkeepers with an annual turnover of less than ₹ 15 mn under Pradhan Mantri Karam Yogi Man Dhan Scheme.
- To discourage the practice of making business payments in cash, the Government proposes to levy TDS of 2% on cash withdrawal exceeding ₹ 10 mn in a year from a bank account.

- Business establishments with annual turnover more than ₹ 500 mn will need to offer low cost digital modes of payments like BHIM UPI, UPI-QR Code, Aadhaar Pay, Debit cards, NEFT and RTGS to their customers. No charges or Merchant Discount Rate shall be imposed on customers as well as merchants. RBI and Banks will absorb these costs from the savings that will accrue to them on account of handling lesser cash as people move to these digital modes of payment.
- Other non- monetary reliefs:
  - PAN and Aadhaar are proposed to be interchangeable, which will facilitate, those without PAN Cards to file income tax returns by using Aadhaar number.
  - Issue of Aadhaar card for NRIs with an Indian Passport on arrival in India, without waiting for a mandatory 180 days.
  - The Finance Budget emphasized on faceless and anonymous assessment system for income tax.
  - Pre-filled income tax return form will be available for download from the Income Tax E-filing website. The information in ITR forms will be collected from various sources such as mutual fund houses, registrars and banks. Tax payers will just need to verify pre-filled forms and submit the same.

## *Marginally Positive*

*Increase on limit of withdrawal from NPS in turn will lead to higher disposal income. The additional deduction in the form of housing loan interest up to ₹ 0.15 mn will lead to additional disposal income in the hands of the middle-class buyers. Also, this initiative is expected to contribute to the Government's "House for All by 2022" mission. Proposal towards Electric vehicles will benefit consumers buying electric vehicles. With non-monetary benefits such as interchangeability in Aadhaar and PAN, Issue of Aadhaar on arrival for NRIs, Pre-filled income tax return forms and faceless income tax assessments will bring in process efficiency. The Budget is envisioned to move towards the goal of cashless economy and Digital India.*

# EXPENDITURE OF MINISTRIES AND DEPARTMENTS

| *(₹ bn)* | **2018-19 Revised Estimates** | **2019-20 Budget Estimates** | **% Change** |
|---|---|---|---|
| Department of Agriculture, Cooperation and Farmers' Welfare | 678.0 | 1,304.9 | 92.5 |
| Department of Agricultural Research and Education | 79.5 | 80.8 | 1.6 |
| Atomic Energy | 169.7 | 169.3 | -0.2 |
| Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH) | 16.9 | 19.4 | 14.6 |
| Department of Chemicals and Petrochemicals | 3.4 | 2.6 | -22.7 |
| Department of Fertilisers | 701.2 | 800.4 | 14.1 |
| Department of Pharmaceuticals | 2.2 | 2.4 | 6.9 |
| Ministry of Civil Aviation | 97.0 | 45.0 | -53.6 |
| Ministry of Coal | 7.8 | 11.6 | 48.2 |
| Department of Commerce | 62.0 | 62.2 | 0.4 |
| Department for Promotion of Industry and Internal Trade | 61.4 | 56.7 | -7.6 |
| Department of Posts | 110.8 | 113.0 | 2.0 |
| Department of Telecommunications | 215.8 | 273.4 | 26.7 |
| Department of Consumer Affairs | 17.8 | 22.7 | 27.5 |
| Department of Food and Public Distribution | 1,778.7 | 1,922.4 | 8.1 |
| Ministry of Corporate Affairs | 5.9 | 5.9 | -1.5 |
| Ministry of Culture | 28.0 | 30.4 | 8.7 |
| Ministry of Defence (Civil) | 163.2 | 136.4 | -16.4 |
| Defence Services (Revenue) | 1,881.2 | 2,019.0 | 7.3 |
| Capital Outlay on Defence Services | 939.8 | 1,033.9 | 10.0 |
| Defence Pensions | 1,067.8 | 1,120.8 | 5.0 |
| Ministry of Development of North Eastern Region | 26.3 | 30.0 | 14.1 |
| Ministry of Earth Sciences | 18.0 | 19.0 | 5.7 |
| Ministry of Electronics and Information Technology | 63.8 | 66.5 | 4.3 |
| Ministry of Environment, Forests and Climate Change | 26.8 | 29.5 | 10.4 |
| Ministry of External Affairs | 155.8 | 178.8 | 14.8 |
| Department of Economic Affairs | 120.5 | 143.1 | 18.7 |

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## EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

| (₹ bn) | 2018-19 Revised Estimates | 2019-20 Budget Estimates | % Change |
|---|---|---|---|
| Department of Expenditure | 3.4 | 4.0 | 17.5 |
| Department of Financial Services | 57.2 | 46.9 | -17.9 |
| Department of Investment and Public Asset Management (DIPAM) | 1.5 | 1.3 | -9.6 |
| Department of Revenue | 524.4 | 1,020.5 | 94.6 |
| Direct Taxes | 73.8 | 73.4 | -0.6 |
| Indirect Taxes | 76.3 | 79.0 | 3.6 |
| Indian Audit and Accounts Department | 45.2 | 46.8 | 3.6 |
| Interest Payments | 5,875.7 | 6,604.7 | 12.4 |
| Pensions | 464.3 | 485.7 | 4.6 |
| Transfers to States | 1,413.5 | 1,554.5 | 10.0 |
| Department of Fisheries | - | 8.0 | - |
| Department of Animal Husbandry and Dairying | 32.7 | 29.3 | -10.4 |
| Ministry of Food Processing Industries | 10.0 | 12.0 | 19.7 |
| Department of Health and Family Welfare | 543.0 | 626.6 | 15.4 |
| Department of Health Research | 17.4 | 19.0 | 9.0 |
| Department of Heavy Industry | 10.4 | 13.7 | 31.9 |
| Department of Public Enterprises | 0.2 | 0.2 | 5.6 |
| Ministry of Home Affairs | 49.0 | 49.0 | -0.1 |
| Cabinet | 16.4 | 8.3 | -49.3 |
| Police | 925.0 | 982.0 | 6.2 |
| Andaman and Nicobar Islands | 45.9 | 48.2 | 5.0 |
| Chandigarh | 40.8 | 42.9 | 5.1 |
| Dadra and Nagar Haveli | 10.8 | 11.8 | 9.1 |
| Daman and Diu | 7.4 | 8.2 | 11.6 |
| Lakshadweep | 12.5 | 12.8 | 2.2 |
| Transfers to Delhi | 8.7 | 11.1 | 28.2 |
| Transfers to Puducherry | 15.3 | 16.0 | 4.9 |
| Ministry of Housing and Urban Affairs | 429.7 | 480.3 | 11.8 |
| Department of School Education and Literacy | 501.1 | 565.4 | 12.8 |

## EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

| (₹ bn) | 2018-19 Revised Estimates | 2019-20 Budget Estimates | % Change |
|---|---|---|---|
| Department of Higher Education | 335.1 | 383.2 | 14.3 |
| Ministry of Information and Broadcasting | 40.9 | 43.8 | 7.0 |
| Department of Water Resources, River Development and Ganga Rejuvenation | 76.1 | 82.5 | 8.3 |
| Department of Drinking Water and Sanitation | 199.9 | 200.2 | 0.1 |
| Ministry of Labour and Employment | 97.5 | 111.8 | 14.7 |
| Law and Justice | 63.3 | 30.6 | -51.7 |
| Election Commission | 2.4 | 2.9 | 18.7 |
| Supreme Court of India | 2.6 | 2.7 | 4.2 |
| Ministry of Micro, Small and Medium Enterprises | 65.5 | 70.1 | 7.0 |
| Ministry of Mines | 13.5 | 16.8 | 24.1 |
| Ministry of Minority Affairs | 47.0 | 47.0 | 0.0 |
| Ministry of New and Renewable Energy | 51.5 | 52.5 | 2.1 |
| Ministry of Panchayati Raj | 7.2 | 8.7 | 21.7 |
| Ministry of Parliamentary Affairs | 0.2 | 0.2 | 4.7 |
| Ministry of Personnel, Public Grievances and Pensions | 15.5 | 17.3 | 11.6 |
| Central Vigilance Commission | 0.3 | 0.4 | 4.6 |
| Ministry of Petroleum and Natural Gas | 324.6 | 429.0 | 32.1 |
| Ministry of Planning | 4.9 | 5.8 | 19.9 |
| Ministry of Power | 156.3 | 158.7 | 1.6 |
| Staff, Household and Allowances of the President | 0.6 | 0.8 | 26.2 |
| Lok Sabha | 8.0 | 8.1 | 1.8 |
| Rajya Sabha | 4.4 | 4.0 | -8.1 |
| Secretariat of the Vice-President | 0.1 | 0.1 | 28.3 |
| Union Public Service Commission | 2.8 | 3.0 | 6.3 |
| Ministry of Railways | 551.4 | 680.2 | 23.4 |
| Ministry of Road Transport and Highways | 786.3 | 830.2 | 5.6 |
| Department of Rural Development | 1,124.0 | 1,176.5 | 4.7 |
| Department of Land Resources | 20.0 | 22.3 | 11.6 |

## EXPENDITURE OF MINISTRIES AND DEPARTMENTS (Cont.)

| *(₹ bn)* | **2018-19 Revised Estimates** | **2019-20 Budget Estimates** | **% Change** |
|---|---|---|---|
| Department of Science and Technology | 51.1 | 55.8 | 9.1 |
| Department of Biotechnology | 24.1 | 25.8 | 7.0 |
| Department of Scientific and Industrial Research | 45.7 | 49.0 | 7.1 |
| Ministry of Shipping | 19.4 | 19.0 | -1.9 |
| Ministry of Skill Development and Entrepreneurship | 28.2 | 29.9 | 6.0 |
| Department of Social Justice and Empowerment | 99.6 | 88.9 | -10.8 |
| Department of Empowerment of Persons with Disabilities | 10.7 | 12.0 | 12.6 |
| Department of Space | 112.0 | 124.7 | 11.4 |
| Ministry of Statistics and Programme Implementation | 49.3 | 52.3 | 6.1 |
| Ministry of Steel | 1.5 | 2.4 | 55.8 |
| Ministry of Textiles | 69.4 | 48.3 | -30.4 |
| Ministry of Tourism | 21.1 | 21.9 | 3.6 |
| Ministry of Tribal Affairs | 60.0 | 68.9 | 14.9 |
| Ministry of Women and Child Development | 247.6 | 291.6 | 17.8 |
| Ministry of Youth Affairs and Sports | 20.0 | 22.2 | 10.7 |
| **Grand Total** | **24,572.4** | **27,863.5** | **13.4** |
| | | | |
| Central Sector Schemes/Projects | 7,368.0 | 8,707.9 | 18.2 |
| Centrally Sponsored Schemes | 3,048.5 | 3,316.1 | 8.8 |
| Establishment Expenditure of the Centre | 5,170.2 | 5,463.0 | 5.7 |
| Finance Commission Grants | 1,061.3 | 1,204.7 | 13.5 |
| Other Central Sector Expenditure | 6,956.1 | 7,721.3 | 11.0 |
| Other Grants/Loans/Transfers | 968.3 | 1,450.5 | 49.8 |

*Source: Union Budget 2019-20*

# OUTLAY ON MAJOR SCHEMES

| *(₹ bn)* | 2018-19 Revised Estimates | 2019-20 Budget Estimates | % Change |
|---|---|---|---|
| **Core of the Core Schemes** | | | |
| National Social Assistance Program | 89.0 | 92.0 | 3.4 |
| Mahatma Gandhi National Rural Employment Guarantee Program | 610.8 | 600.0 | -1.8 |
| Umbrella Scheme for Development of Scheduled Castes | 76.1 | 54.5 | -28.4 |
| Umbrella Programme for Development of Scheduled Tribes | 37.8 | 38.1 | 0.8 |
| Umbrella Programme for Development of Minorities | 14.4 | 15.9 | 10.4 |
| Umbrella Programme for Development of Other Vulnerable Groups | 15.5 | 18.2 | 17.3 |
| **Core Schemes** | | | |
| Green Revolution | 118.0 | 125.6 | 6.4 |
| White Revolution | 24.3 | 22.4 | -7.9 |
| Blue Revolution | 5.0 | 5.6 | 11.8 |
| Pradhan Mantri Krishi Sinchai Yojna | 82.5 | 96.8 | 17.3 |
| Pradhan Mantri Gram Sadak Yojna | 155.0 | 190.0 | 22.6 |
| Pradhan Mantri Awas Yojna (PMAY) | 264.1 | 258.5 | -2.1 |
| National Rural Drinking Water Mission | 55.0 | 100.0 | 81.8 |
| Swachh Bharat Mission | 169.8 | 126.4 | -25.5 |
| National Health Mission | 311.9 | 336.5 | 7.9 |
| National Education Mission | 323.3 | 385.5 | 19.2 |
| National Programme of Mid Day Meal in Schools | 99.5 | 110.0 | 10.6 |
| Umbrella ICDS | 233.6 | 275.8 | 18.1 |
| Mission for Protection and Empowerment for Women | 11.6 | 13.3 | 15.1 |
| National Livelihood Mission-Ajeevika | 62.9 | 97.7 | 55.3 |
| Jobs and Skill Development | 68.3 | 72.6 | 6.3 |
| Environment, Forestry and Wildlife | 10.0 | 8.9 | -11.0 |
| Urban Rejuvenation Mission: AMRUT and Smart Cities Mission | 125.7 | 137.5 | 9.4 |

## OUTLAY ON MAJOR SCHEMES

| *(₹ bn)* | 2018-19 Revised Estimates | 2019-20 Budget Estimates | % Change |
|---|---|---|---|
| Modernisation of Police Forces | 31.9 | 34.6 | 8.5 |
| Infrastructure Facilities for Judiciary | 6.6 | 7.2 | 9.4 |
| Border Area Development Programme | 7.7 | 8.3 | 7.0 |
| Shyama Prasad Mukherjee Rurban Mission | 4.5 | 8.0 | 77.4 |
| Rashtriya Gram Swaraj Abhiyan (RGSA) | 6.8 | 8.2 | 21.8 |
| Rashtriya Swasthya Bima Yojna | 27.0 | 65.6 | 142.8 |
| **Major Central Sector Schemes** | | | |
| Crop Insurance Scheme | 129.8 | 140.0 | 7.9 |
| Interest Subsidy for Short Term Credit to Farmers | 149.9 | 180.0 | 20.1 |
| Market Intervention Scheme and Price Support Scheme (MIS-PSS) | 20.0 | 30.0 | 50.0 |
| Pradhan Mantri Annadata Aay Sanrakshan Yojna (PM-AASHA) | 14.0 | 15.0 | 7.1 |
| Distribution of Pulses to State / Union Territories for Welfare Schemes | 5.5 | 8.0 | 45.5 |
| Promotion of Agricultural Mechanization for in-situ Management of Crop Residue | 5.9 | 6.0 | 1.4 |
| Pradhan Mantri Kisan Samman Nidhi(PM-Kisan) | 200.0 | 750.0 | 275.0 |
| Pradhan Mantri Kisan Pension Yojana | - | 9.0 | - |
| Crop Science | 6.5 | 7.0 | 7.7 |
| Agricultural Universities and Institutions | 5.3 | 5.7 | 7.6 |
| Nuclear Fuel Inventory | 4.2 | 7.5 | 79.2 |
| Feedstock | 11.1 | 11.0 | -0.6 |
| R and D Basic Science and Engineering | 10.0 | 13.2 | 32.0 |
| Fuel Cycle Projects (Fast Reactor Fuel Cycle Facility) | 6.5 | 7.5 | 15.4 |
| Urea Subsidy | 450.0 | 536.3 | 19.2 |
| Nutrient Based Subsidy | 250.9 | 263.7 | 5.1 |
| Purchase of two new aircraft for Special Extra Section Flight operations | 35.5 | 10.8 | -69.5 |
| Air India Asset Holding Limited (SPV) | 13.0 | 26.0 | 100.0 |
| Exploration of Coal and Lignite | 5.0 | 9.4 | 87.4 |

# OUTLAY ON MAJOR SCHEMES

| *(₹ bn)* | 2018-19 Revised Estimates | 2019-20 Budget Estimates | % Change |
|---|---|---|---|
| Interest Equalisation Scheme | 26.0 | 29.1 | 11.9 |
| National Industrial Corridor Development and Implementation Trust (NICDIT) | 11.0 | 8.5 | -22.5 |
| Exhibition-Cum-ConventionCentre,Dwarka | 7.0 | 5.0 | -28.6 |
| Refund of Central and Integrated GST to Industrial Units in North Eastern Region and Himalayan States | 15.0 | 17.0 | 13.3 |
| Optical Fibre Cable based network for Defence Services | 25.0 | 47.3 | 89.0 |
| Compensation to Service Providers for creation and augmentation of telecom infrastructure | 50.0 | 83.5 | 67.0 |
| Price Stabilisation Fund | 15.0 | 20.0 | 33.3 |
| Assistance to State Agencies for intra-state movement of foodgrains and FPS dealers margin under NFSA | 38.8 | 41.0 | 5.6 |
| Food Subsidy to Food Corporation India under National Food Security Act | 1,401.0 | 1,510.0 | 7.8 |
| Food Subsidy for Decentralized Procurement of Foodgrains under NFSA | 310.0 | 330.0 | 6.5 |
| Scheme for Creation and Maintenance of Buffer Stock of Sugar | 4.5 | 3.5 | -22.2 |
| Scheme for Assistance to Sugar Mills for 2018-19 season | - | 10.0 | - |
| Capital Outlay on Defence Services | 939.8 | 1,033.9 | 10.0 |
| Schemes of North East Council | 6.1 | 5.8 | -4.4 |
| Central Pool of Resources for North East and Sikkim | 7.8 | 5.3 | -32.0 |
| Promotion of Digital payment | 6.9 | 6.0 | -13.3 |
| Promotion of Electronics and IT HW Manufacturing (MSIPS, EDF and Manufacturing Clusters) | 8.4 | 9.9 | 16.8 |
| National Investment and Infrastructure Fund (NIIF) | 10.0 | 10.0 | 0.0 |
| Subscription to Share Captial of National Bank for Agricultural and Rural Development (NABARD) | 20.0 | 15.0 | -25.0 |

## OUTLAY ON MAJOR SCHEMES

| *(₹ bn)* | 2018-19 Revised Estimates | 2019-20 Budget Estimates | % Change |
|---|---|---|---|
| Subscription to the Share Capital of Export-Import Bank of India | 5.0 | 9.5 | 90.0 |
| Pradhan Mantri Kisan Sampada Yojana | 8.7 | 11.0 | 26.6 |
| National AIDS and STD Control Programme | 19.3 | 25.0 | 29.9 |
| Family Welfare Schemes | 5.2 | 7.0 | 34.9 |
| Pardhan Mantri Swasthya Suraksha Yojana | 38.3 | 40.0 | 4.6 |
| Relief and Rehabilitation for migrants and repatriates | 10.5 | 8.4 | -19.7 |
| Freedom Fighters (pension and other benefits) | 8.6 | 9.5 | 11.1 |
| Border Infrastructure and Management | 20.0 | 21.3 | 6.4 |
| Police Infrastructure | 48.4 | 47.6 | -1.6 |
| Metro Projects | 148.7 | 177.1 | 19.2 |
| National Capital Region Transport Corporation | 6.6 | 9.7 | 47.8 |
| Technical Education Quality Improvement Programme of Government of India (EAP) | 5.0 | 9.5 | 90.0 |
| Higher Education Financing Agency (HEFA) | 27.5 | 21.0 | -23.6 |
| Interest Subsidy and contribution for Guarantee Funds | 18.0 | 19.0 | 5.6 |
| Employees Pension Scheme,1995 | 49.0 | 45.0 | -8.2 |
| Pradhan Mantri Karam Yogi Maandhan | - | 7.5 | - |
| Pradhan Mantri Shram Yogi Maandhan | - | 5.0 | - |
| Credit Linked Capital Subsidy and Technology Upgradation Scheme | 10.1 | 7.1 | -30.4 |
| Prime Minister Employment Generation Programme (PMEGP) | 21.2 | 23.3 | 9.8 |
| Credit Support Programme | 7.2 | 6.0 | -16.5 |
| Education Empowerment | 24.5 | 23.6 | -3.6 |
| Skill Development and Livelihoods | 6.0 | 5.6 | -7.8 |
| Wind Power | 9.5 | 9.2 | -3.2 |
| Solar Power (Both Grid and off-Grid) | 29.7 | 30.1 | 1.2 |
| Green Energy Corridors | 5.0 | 5.0 | 0.0 |
| Phulpur Dhamra Haldia Pipeline Project | 12.1 | 15.5 | 28.6 |

## OUTLAY ON MAJOR SCHEMES

| *(₹ bn)* | 2018-19 Revised Estimates | 2019-20 Budget Estimates | % Change |
|---|---|---|---|
| Direct Benefit Transfer | 164.8 | 295.0 | 79.0 |
| LPG Connection to Poor Households | 32.0 | 27.2 | -14.9 |
| Other subsidy payable including for North Eastern Region | 5.1 | 6.7 | 31.4 |
| Payment of differential royalty to State Governments | 42.6 | 19.5 | -54.1 |
| National Seismic Programme | 13.0 | 16.2 | 24.8 |
| Deen Dayal Upadhyaya Gram Jyoti Yojna | 38.0 | 40.7 | 7.0 |
| Integrated Power Development Scheme | 39.7 | 52.8 | 33.0 |
| Strengthening of Power Systems | 27.7 | 14.8 | -46.6 |
| Power System Development Fund | 5.4 | 10.4 | 90.3 |
| Budgetary support to Schemes of Ministry of Railways | 551.4 | 680.2 | 23.4 |
| National Highways Authority of India | 373.2 | 366.9 | -1.7 |
| Road Works | 409.1 | 458.8 | 12.2 |
| Science and Technology Institutional and Human Capacity Building | 10.0 | 10.9 | 8.3 |
| Innovation, Technology Development and Deployment | 7.8 | 8.7 | 11.7 |
| Biotechnology Research and Development | 13.5 | 14.8 | 9.3 |
| Sagarmala | 3.8 | 5.5 | 44.4 |
| Space Technology (including Gaganyan) | 69.9 | 84.1 | 20.2 |
| Space Applications | 16.0 | 18.9 | 18.2 |
| INSAT Satellite Systems | 13.3 | 8.8 | -33.5 |
| Capacity Development (CD) | 2.4 | 5.3 | 121.3 |
| Member of Parliament Local Area Development Scheme (MPLAD) | 39.5 | 39.6 | 0.3 |
| Amended Technology Upgradation Fund Scheme(ATUFS) | 6.2 | 7.0 | 12.4 |
| Central Silk Board | 6.0 | 7.3 | 21.5 |
| Procurement of Cotton by Cotton Corporation under Price Support Scheme | 9.2 | 20.2 | 118.4 |

# OUTLAY ON MAJOR SCHEMES

| *(₹ bn)* | **2018-19 Revised Estimates** | **2019-20 Budget Estimates** | **% Change** |
|---|---|---|---|
| Integrated Development of Tourist Circuits around specific themes (Swadesh Darshan) | 11.0 | 11.1 | 0.5 |
| National Ganga Plan and Ghat Works | 7.5 | 7.5 | 0.0 |
| National River Conservation Programme | 16.2 | 12.2 | -24.7 |
| North East Special Infrastructure Development Scheme (NESIDS) | 1.4 | 7.0 | 396.4 |
| Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) | 4.4 | 5.2 | 18.3 |

*Source: Union Budget 2019-20*

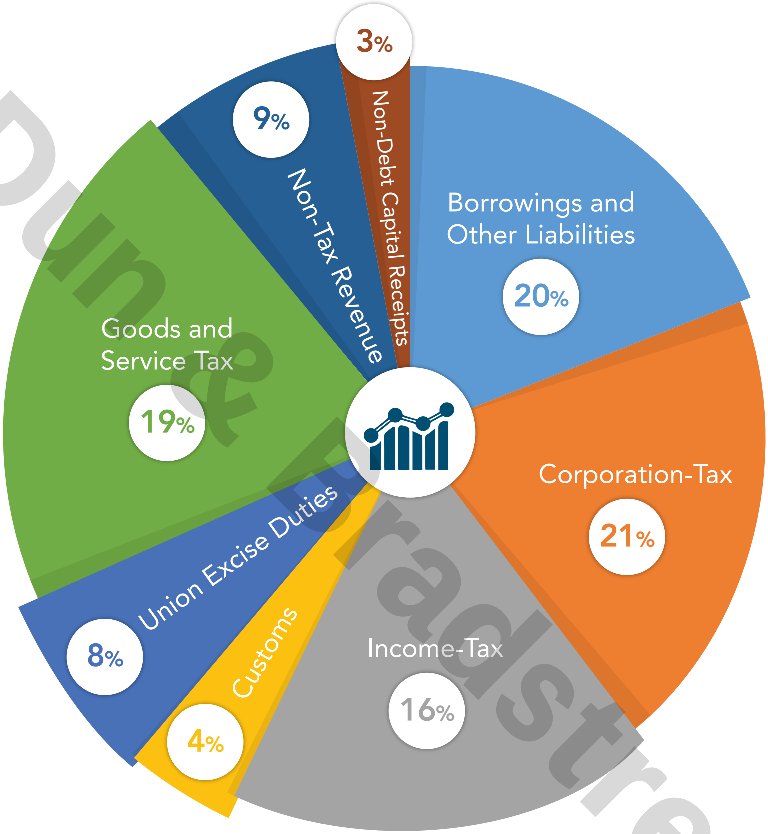
# RECEIPTS

| (₹ bn) | 2018-19 Revised Estimates | 2019-20 Budget Estimates |
|---|---|---|
| **A. REVENUE RECEIPTS** | | |
| **1. Tax Revenue** | | |
| **Gross Tax Revenue** | 22,482 | 24,612 |
| Corporation Tax | 6,710 | 7,660 |
| Taxes on Income | 5,290 | 5,690 |
| Wealth Tax | - | - |
| Customs | 1,300 | 1,559 |
| Union Excise Duties | 2,596 | 3,000 |
| Service Tax | 93 | - |
| Goods and Services Tax (GST) | 6,439 | 6,633 |
| CGST | 5,039 | 5,260 |
| IGST | 500 | 280 |
| GST Compensation Cess | 900 | 1,093 |
| Taxes on Union Territories | 53 | 69 |
| **Less - NCCD transferred to the National Calamity Contingency Fund/National Disaster Response Fund** | 23 | 25 |
| **Less - State's share** | 7,615 | 8,091 |
| **1.a Centre's Net Tax Revenue** | 14,844 | 16,496 |
| **2. Non-Tax Revenue** | **2,453** | **3,132** |
| Interest receipts | 120 | 137 |
| Dividend and Profits | 1,193 | 1,635 |
| External Grants | 13 | 10 |
| Other Non Tax Revenue | 1,106 | 1,328 |
| Receipts of Union Territories | 21 | 21 |
| **Total Revenue Receipts (1.a + 2)** | **17,297** | **19,628** |
| 3. Capital Receipts | - | - |
| **A. Non-debt Receipts** | 932 | 1,198 |
| (i) Recoveries of loans and advances@ | 132 | 148 |
| (ii) Disinvestment Receipts | 800 | 1,050 |
| **B. Debt Receipts*** | **5,932** | **6,527** |
| **Total Capital Receipts (A+B)** | **6,864** | **7,725** |
| **Total Receipts (1.a+2+3)** | **24,160** | **27,353** |
| **4. Draw-Down of Cash Balance** | **412** | **511** |
| Receipts under MSS (Net) | - | - |

**Note:** @ Excludes recoveries of short-term loans and advances.
* The receipts are net of payment.

*Source: Union Budget 2019-20*

## Major Items of Revenue - 2019-20 (% of total revenue)




*Source: Union Budget 2019-20*

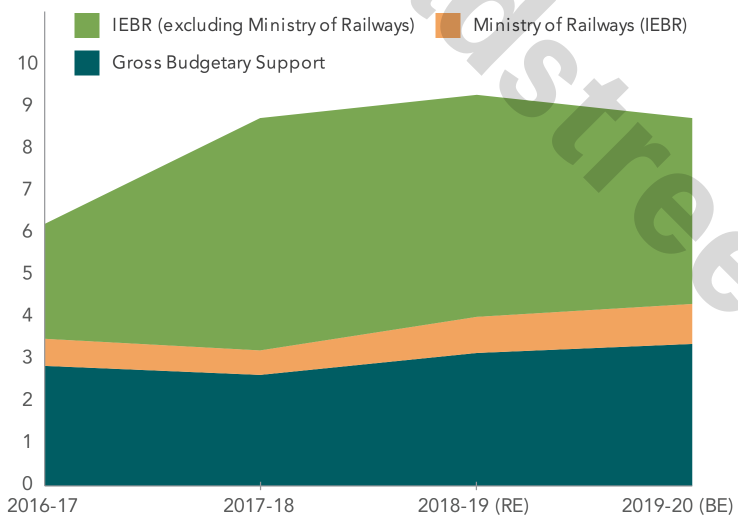
# EXPENDITURE

| (₹ bn) | 2018-19 Revised Estimates | 2019-20 Budget Estimates |
|---|---|---|
| **A. Centre's Expenditure** | | |
| I. Establishment Expenditure of Centre | 5,170 | 5,463 |
| II. Central Sector Schemes/Projects | 7,368 | 8,708 |
| III. Other Central Sector Expenditure | 6,956 | 7,721 |
| of which Interest Payments | 5,876 | 6,605 |
| **B. Centrally Sponsored Schemes and other Transfers** | | |
| IV. Centrally Sponsored Schemes | 3,048 | 3,316 |
| V. Finance Commission Grants | 1,061 | 1,205 |
| VI. Other Grants/Loans/Transfers | 968 | 1,451 |
| **Grand Total** | **24,572** | **27,863** |

*Source: Union Budget 2019-20*



## Capital Expenditure of the Government - 2019-20 (in ₹ tn)




*Source: Union Budget 2019-20*

Major Items of Expenditure (% of total expenditure)


*Source: Union Budget 2019-20*

# KEY ECONOMIC INDICATORS
## (Absolute Values)

| | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|
| **Gross Domestic Product at factor cost (₹ tn)** | | | |
| At current market prices | 154 | 171 | 190[a] |
| At 2011-12 prices | 123 | 132 | 141[a] |
| **Output** | | | |
| Foodgrains (mn tonnes) | 275 | 285 | 283[b] |
| Power generation (by utilities) (bn units) | 1,160 | 1,206 | 1,249 |
| **Prices (Average)** | | | |
| Wholesale Price Index (All commodities) | 112 | 115 | 120 |
| CPI-Combined (Rural & Urban) (Base 2012) | 130 | 135 | 140 |
| **External Sector (US$ bn)** | | | |
| Export | 276 | 304 | 330[c] |
| Import | 384 | 466 | 513[c] |
| Current Account Balance (net) | -14 | -49 | -57[c] |
| Foreign Direct Investment (net) | 36 | 30 | 31[c] |
| **Monetary and Finance** | | | |
| Money Supply (M3) (₹ tn)* | 128 | 140 | 154 |
| Foreign Exchange Reserves (US$ bn)* | 370 | 425 | 413 |
| Exchange rate (₹/US$) (Average) | 67.09 | 64.45 | 69.89 |

**Note** - a: Provisional Estimates; b: 3rd Advance Estimates; c: Provisional; *: end period data

*Source: RBI, CSO, Ministry of Commerce, Ministry of Power, Ministry of Agriculture & Farmers Welfare*

# KEY ECONOMIC INDICATORS
## (Percentage Change Over Previous Year)

| (%) | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|
| **Gross Domestic Product at factor cost** | | | |
| At current market prices | 11.5 | 11.3 | 11.2[a] |
| At 2011-12 prices | 8.2 | 7.2 | 6.8[a] |
| **Sectoral Growth Rates at Constant (2011-12) prices** | | | |
| Agriculture & allied | 6.3 | 5.0 | 2.9[a] |
| Industry | 7.7 | 5.9 | 6.9[a] |
| Services | 8.4 | 8.1 | 7.5[a] |
| **Prices (Average)** | | | |
| Wholesale Price Index (All commodities) | 1.7 | 2.9 | 4.3 |
| CPI-Combined (Rural & Urban) (Base 2012) | 4.5 | 3.6 | 3.4 |
| **External Sector** | | | |
| Export | 5.2 | 10.0 | 8.6[c] |
| Import | 0.9 | 20.9 | 10.2[c] |
| Foreign Direct Investment (net) | -1.1 | -15.0 | 1.4[c] |
| **Monetary and Finance** | | | |
| Money Supply (M3)* | 10.1 | 9.2 | 10.5 |
| Foreign Exchange Reserves* | 2.7 | 14.8 | -2.7 |
| Exchange rate (₹/US$) (Average) | 2.5 | -3.9 | 8.5 |

**Note** - a: Provisional Estimates; c: Provisional; *: end period data

*Source: RBI, CSO, Ministry of Commerce, Ministry of Power, Ministry of Agriculture & Farmers Welfare*

# KEY ECONOMIC INDICATORS
## (Percentage Change Over Previous Year)

| Industry-wise Deployment of Bank Credit* | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|
| Industries | -1.9 | 0.7 | 6.9 |
| Mining & Quarrying (incl. Coal) | -11.6 | 19.7 | 1.1 |
| Food Processing | -3.0 | 6.8 | 1.1 |
| Beverage & Tobacco | -4.9 | -9.7 | -5.9 |
| Textiles | -4.6 | 6.9 | -3.0 |
| Leather & Leather Products | 2.0 | 5.7 | -2.1 |
| Wood & Wood Products | 10.8 | 3.3 | 10.2 |
| Paper & Paper Products | -8.1 | -6.1 | -1.0 |
| Petroleum, Coal Products & Nuclear Fuels | 16.2 | 9.4 | -3.1 |
| Chemicals & Chemical Products | 4.8 | -5.5 | 17.5 |
| Rubber, Plastic & their Products | 4.8 | 8.2 | 8.1 |
| Glass & Glassware | -10.8 | 6.5 | 17.0 |
| Cement & Cement Products | -0.1 | -3.1 | 5.9 |
| Basic Metal & Metal Product | 1.2 | -1.2 | -10.7 |
| All Engineering | -2.9 | 3.8 | 8.6 |
| Vehicles, Vehicle Parts & Transport Equipment | 6.6 | 7.0 | 1.4 |
| Gems & Jewellery | -5.1 | 5.3 | -0.9 |
| Construction | 10.3 | 9.5 | 10.4 |
| Infrastructure | -6.1 | -1.7 | 18.5 |
| Other Industries | 1.4 | -4.2 | 6.8 |

**Note** - *: end period data

*Source: RBI*

# GLOSSARY

**Appropriation Bill:** This Bill entails the Parliament's approval for withdrawal of money from the Consolidated Fund to pay off expenses. After the Demands for Grants are voted by the Lok Sabha, the Parliament approves this bill. Under Article 114(3) of the Constitution, no amount can be withdrawn from the Consolidated Fund without the enactment of such a law by the Parliament.

**Capital Expenditure:** It is the expenditure incurred on acquisition of assets like land, buildings, machinery, equipment etc and also loans and advances granted by the Central Government to State and Union territories, Public sector enterprises and other parties. This expenditure is also categorised as plan and non-plan capital expenditure.

**Capital Receipts:** Capital receipts include loans raised by the Government from public which are called Market Loans, borrowings by the Government from the Reserve Bank of India and other parties through sale of Treasury Bills, loans received from foreign Governments and bodies and recoveries of loans granted by Central Government to State and Union Territory Governments and other parties.

**Consolidated Fund:** All revenues received by the Government, loans raised by it, and also its receipts from recoveries of loans granted by it, form the Consolidated Fund. All expenditure of the Government is incurred from the Consolidated Fund and no amount can be withdrawn from the Fund without authorisation from the Parliament.

**Contingency Fund:** It is an imprest from the Consolidated Fund, and may be used by the Government without waiting for an appropriation bill to be passed by the Parliament. If it becomes necessary for the Government to incur expenditure not included in the budget, it can do so from the Contingency Fund.

**Customs Duties:** Customs duty is a type of indirect tax levied on goods imported into India as well as on goods exported from India.

**Effective Revenue Deficit:** Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets.

**Exceptional Grant:** Through the Exceptional Grant the House of People can make provision for an exceptional grant that does not form part of the current service of any financial year.

**Excise Duties:** Central excise duty is an indirect tax levied on those goods which are manufactured in India and are meant for home consumption.

**Extra Budgetary Resources:** Extra-budgetary resources are the sum of domestic and foreign loans raised directly by CPSUs. The extra-budgetary resources consist of receipts from the issue of bonds, debentures, external commercial borrowing (ECB), suppliers' credit, deposit receipts and term loans from financial institutions.

**Finance Bill:** At the time of presentation of the Annual Financial Statement before the Parliament, a Finance Bill is also presented in fulfilment of the requirement of Article 110(1) (a) of the Constitution, detailing the imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget. A Finance Bill is a Money Bill as defined in Article 110 of the Constitution.

**Fiscal Deficit:** The difference between the total expenditure of the Government by way of revenue, capital and loans net of repayments on the one hand and revenue receipts of the Government and capital receipts which are not in the nature of borrowing but which finally accrue to the Government on the other, constitutes fiscal deficit.

**Non-Plan Expenditure:** It includes expenses that do not form a part of the Government's five year plan. These expenses consist of revenue and capital expenditure on defense, subsidies, interest payments, postal deficit, pensions, police, loans to public sector enterprises, economic services and loans as well as grants to State Governments, Union Territories and foreign Governments.

**Non-Tax Revenues:** Revenues earned by the Government from sources other than taxes are termed as non-tax revenues. The sources of non-tax revenues may include; dividends and profits received from public sector companies, interest receipts, fines, penalties and fees for various services rendered by the Government.

**Plan Expenditure:** It consists of both revenue expenditure and capital expenditure of the Centre on the Central Plan and Central Assistance to States and Union Territories. Plan expenditure reflects the Government's investment in enhancing the economy's productive aptitude. It arises out of schemes freshly introduced in an ongoing Five Year Plan (FYP) period.

**Plan Outlay:** Plan Outlay refers to the amount sanctioned for expenditure on projects, schemes and programmes announced in the Plan. The provision for this amount is made through extra budgetary resources and from provisions in the Demands for Grants. The budgetary support is also reflected as plan expenditure in Government accounts.

**Primary Deficit:** The amount by which the Government's total expenditure exceeds its total revenue generated, excluding the interest payments on debt.

It is primarily the difference between the gross fiscal deficit and gross interest payments.

**Public Account:** Besides the normal receipts and expenditure of the Government which relate to the Consolidated Fund, certain other transactions enter Government accounts, in respect of which the Government acts more as a banker. For example, transactions relating to provident funds, small savings collections, other deposits, etc. The money thus received is kept in the Public Account and the connected disbursements are also made therefrom.

**Public Debt:** It refers to the total debt of the central and the State Governments. Public debt can be classified into internal debt (comprising of money borrowed within the country) and external debt (comprising of funds borrowed from non-Indian sources). The net accretion to public debt is the difference in borrowing and repayments during a fiscal year.

**Revenue Deficit:** Revenue Deficit is the excess of Government's revenue expenditure over revenue receipts.

**Revenue Expenditure:** It is the expenditure incurred by the Government for running of Government departments and conducting various economic, social and general services, interest payments, subsidies, grants and assistance to State and Union territories etc. This expenditure is also categorised as plan and non-plan revenue expenditure.

**Revenue Receipts:** It includes revenues garnered by the Government through taxes and other non-tax sources. Other receipts of the Government mainly consist of interest and dividend on investments made by the Government, fees, and other receipts for services rendered by it.

**Tax Revenues:** It comprises of revenue receipts through taxes and other duties levied by the Government. Tax revenue includes revenue generated through both direct taxes (personal income tax, corporate tax, capital gain tax and wealth tax) and indirect taxes (central excise duty, customs duty, service tax and VAT).

**Vote on Account:** It means a grant made in advance by the Parliament, in respect of the estimated expenditure for a part of the new financial year, pending the completion of the procedure relating to the voting of the demand for grants and the passing of the Appropriation Act.

**Vote of Credit:** Through the Vote of Credit the House of People can approve grant for meeting an unexpected demand upon the resources of India when on account of the magnitude or the indefinite character of the service, the demand cannot be stated with the details ordinarily given in an annual financial statement.

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# UNION BUDGET 2019-20:
## IMPACT ANALYSIS

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