

NATIONAL SCHOOL OF BANKING

INTERIM BUDGET

INTERIM BUDGET 2019-2020

Presented by Union Finance Minister Shri Piyush Goyal
on 1st February, 2019 in Parliament, New Delhi.

1. BUDGET - HIGHLIGHTS -

- Within 2 years, tax assessment will be done electronically.
- IT returns processing in just 24 hours.
- Minimum 14% revenue of GST to states by Central Govt.
- Customs duty has been abolished from 36 Capital Goods.
- **Recommendations to GST council for reducing GST rates for home buyers.**
- **Full tax rebate up to 5 lakh annual income after all deductions.**
- Standard deduction increased from 40000 to 50000.
- Exempt on tax on second self-occupied house.
- Ceiling Limit of TDS u/s 194A increased from 10000 to 40000.
- Ceiling Limit of TDS u/s 194I increased from 180000 to 240000.
- Capital tax Benefit u/s 54 increased from investment in one residential house to two residential houses.
- Benefit u/s 80IB increased to one more year i.e. 2020.
- Benefit to unsold housing inventory increased from one year to two years.

Other Areas -

- State share increased to 42%.
- PCA restriction abolished from 3 major banks.
- 2 lakh seats will increase for the reservation of 10%.
- Rs.60000 crores for MGNREGA.
- Rs.1.7 Lakh crore to ensure food for all.
- 22nd AIIMS to be opened in Haryana.
- Approval given to PM Kisan Yojana.
- Rs. 6000 per annum will be given to every farmer having upto 2 hectares land. Applicable from Sept 2018. Amount will be transferred in 3 instalments.
- National Kamdhenu Ayog for cows. Rs. 750 crores for National Gokul Mission.
- 2% interest subvention for farmers pursuing animal husbandry and also creation of separate department for fisheries.
- 2% interest subvention for farmers affected by natural calamities and additional 3% interest subvention for timely payment.
- Tax-free Gratuity limit increased to Rs.20 lakhs from Rs.10 lakhs.
- Bonus applicable for workers earning Rs.21000 monthly.
- The scheme, called Pradhan Mantri Shram Yogi Mandhan, will provide assured monthly pension of Rs. 3,000 with contribution of Rs. 100 per month for workers in unorganized sector after 60 years of age.
- Government delivered 6 crore free LPG connections under Ujjwala scheme.
- 2% interest relief for MSME GST registered person.
- 26 weeks of Maternity Leave to empower women.
- More than Rs.3 lakhs crores for defence.
- One lakh digital villages in next 5 years.
- Single window for approval of Indian film-makers.

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The year 2019 being an election year, the Finance Minister (FM) was supposed to present an interim budget, a Vote on Account. However, departing from the tradition, he announced a number of measures and made some changes in the direct tax.

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1. AGRICULTURE AND ALLIED ACTIVITIES :

To provide an assured income support to the small and marginal farmers, the Government has launched a historic programme namely “Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)”. Under this programme, vulnerable landholding farmer families, having cultivable land upto 2 hectares, will be provided direct income support at the rate of Rs.6,000 per year. This income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal instalments of Rs.2,000 each. This programme will be funded by Government of India. **Around 12 crore small and marginal farmer families are expected to benefit from this. The programme would be made effective from 1st December 2018 and the first instalment for the period upto 31st March 2019 would be paid during 2019 itself. This programme will entail an annual expenditure of Rs.75,000 crore.**

Animal Husbandry and Fisheries sector also needs considerable support -

Government has increased the allocation for Rashtriya Gokul Mission to Rs.750 crore in the current year itself setting up of "Rashtriya Kamdhenu Aayog" to upscale sustainable genetic up-gradation of cow resources and to enhance production and productivity of cows. The Aayog will also look after effective implementation of laws and welfare schemes for cows.

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

Now, Government has provided the benefit of 2% interest subvention to farmers pursuing activities of animal husbandry and fisheries, who avail loan through Kisan Credit Card. Further, in case of timely repayment of loan, they will also get an additional 3% interest subvention.

IMPACT -

- PM-KISAN would not only provide assured supplemental income to the most vulnerable farmer families, but would also meet their emergent needs especially before the harvest season. PM-KISAN would pave the way for the farmers to earn and live a respectable living.
- People pursuing animal husbandry have been extended concessional rate of interest, which was available only to agriculture till now. These areas will get stimulus for growth.
- All farmers affected by severe natural calamities, where assistance is provided from National Disaster Relief Fund (NDRF), will be provided the benefit of interest subvention of 2% and prompt repayment incentive of 3% for the entire period of reschedulement of their loans.

2. **BENEFITS FOR WORKMEN :**

The New Pension Scheme (NPS) has been liberalized. Keeping the contribution of the employee at 10%, the Government contribution has been increased by 4%, making it 14%. **Maximum ceiling of the bonus given to the labourers has been increased from Rs.3,500 pm to Rs.7,000 pm and the maximum ceiling of the pay has been increased from Rs.10,000 pm to Rs.21,000 pm. The ceiling of payment of gratuity has been enhanced from Rs.10 lakhs to Rs.20 lakhs.**

Half of India's GDP comes from the sweat and toil of 42 crore workers in the unorganised sector working as street vendors, rickshaw pullers, construction workers, rag pickers, agricultural workers, beedi workers, handloom, leather and in numerous other similar occupations. Domestic workers are also engaged in big numbers. They must be provided comprehensive social security coverage for their old age. Therefore, in addition to the health coverage provided under 'Ayushman Bharat' and life and disability coverage provided under 'Pradhan Mantri Jeevan Jyoti Bima Yojana' and 'Pradhan Mantri Suraksha Bima Yojana', Government has launched a mega pension yojana namely 'Pradhan Mantri Shram-Yogi Maandhan' for the unorganised sector workers with monthly income upto Rs.15,000. This pension yojana shall provide them an assured monthly pension of Rs.3,000 from the age of 60 years on a monthly contribution of a small affordable amount during their working age. An unorganised sector worker joining pension yojana at the age of 29 years will have to contribute only Rs.100 per month till the age of 60 years. A worker joining the pension yojana at 18 years, will have to contribute as little as Rs.55 per month only. **The Government will deposit equal matching share in the pension account of the worker every month. A sum of Rs.500 crore has been allocated for the Scheme.**

IMPACT -

- **It is expected that at least 10 crore labourers and workers in the unorganised sector will avail the benefit of 'Pradhan Mantri Shram-Yogi Maandhan' within next five years, making it one of the largest pension schemes of the world.**

3. **WOMEN EMPOWERMENT :**

The government embarked upon a programme to deliver 8 crore free LPG connections under the Ujjwala Yojana. More than 6 crore connections have already been given and the remaining will get free gas connections by 2020. Ujjwala is a remarkable success story of Government programme, defined by a bold yet practical vision of a responsible and compassionate leadership.

More than 70% of the beneficiaries of the Pradhan Mantri MUDRA Yojana are women who are getting affordable and collateral-free loans to start their own businesses. Under the MUDRA Yojana, 15.56 crore loans have been disbursed amounting to Rs.7,23,000 crore. Amongst many measures, benefits of Maternity leave of 26 weeks and Pradhan Mantri Matru Vandana Yojana for pregnant women are game changers.

IMPACT -

- **These measures have provided financial support to women while empowering them to participate in work. With Mudra loans, they have become job creators as well.**

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- Through Pradhan Mantri Kaushal Vikas Yojana, over 1 crore youth are being trained to help them earn a livelihood. The govt. has harnessed through self-employment schemes including MUDRA, Start-up India and Stand-up India. The concept of employment is changing all over the world, now the employment generation is not confined merely to Government services or factories. With job seekers becoming job creators, India has become the world's second largest start-up hub.

4. MSME :

Government has undertaken many effective steps to strengthen the MSME sector, which provides employment to crores of people. Recently, a scheme of sanctioning loans upto Rs.1 crore in 59 minutes has been launched. GST-registered SME units will get 2% interest rebate on incremental loan of Rs.1 Crore. The requirement of sourcing from SMEs by Government enterprises has been increased to 25%. Of this, the material to the extent of at least 3% will be sourced from women-owned SMEs.

Government has recently assigned the subject of "promotion of internal trade including retail trading and welfare of traders, and their employees" to the Department of Industrial Policy and Promotion, which will now be renamed as the Department for Promotion of Industries and Internal Trade.

IMPACT -

- More impetus for growth and more concessions to MSME will ensure this large employment generator will increase its share in the GDP.

5. DEFENCE :

Government has already disbursed over Rs.35,000 crore after implementing the One Rank One Pension Scheme in its' true spirit. The Government also announced substantial hike in the Military Service Pay (MSP) of all service personnel and special allowances given to Naval and Air Force personnel deployed in high risk duties.

Government Defence Budget will be crossing Rs.3,00,000 crore for the first time in 2019-20. For securing our borders and to maintain preparedness of the highest order, if necessary, additional funds would be provided.

6. RAILWAYS :

Indian Railways has experienced the safest year in its history. All Unmanned Level Crossings on broad gauge network have been eliminated. **Introduction of the first indigenously developed and manufactured semi high-speed "Vande Bharat Express" will give the Indian passengers world class experience with speed, service and safety. This major leap in wholly developed technology by our engineers will give an impetus to the Make in India programme and create jobs. Capital support from the budget for railways is proposed at Rs.64,587 crore in 2019-20 (BE).** The Railways' overall capital expenditure programme is of Rs.1,58,658 crore.

7. ENTERTAINMENT :

To promote entertainment industry - Single window clearance for ease of shooting films, available only to foreigners, is now going to be made available to Indian filmmakers as well. Regulatory provisions will rely more on self-declaration. The Govt. will also introduce anti-camcording provisions in the Cinematograph Act to control the menace of piracy.

8. **GST** :

Government implemented the GST, which is undoubtedly the biggest taxation reform undertaken since Independence. Seventeen different taxes levied by the Central and State/UT Governments with cascading effect of tax on tax, were consolidated into one GST. India became a common market. GST has resulted in increased tax base, higher collections and ease of trade.

Most items of daily use of the poor and middle class are now in the 0% or 5% tax slab.

Exemptions from GST for small businesses has been doubled from Rs.20 lakh to Rs.40 lakh. Further, small businesses having turnover up to Rs.1.5 crore have been given an attractive composition scheme wherein they pay only 1% flat rate and have to file one annual return only. Similarly, small service providers with turnover upto Rs.50 lakhs can now opt for composition scheme and pay GST at 6% instead of 18%. More than 35 lakh small traders, manufacturers and service providers will benefit from these trader friendly measures. Soon, businesses comprising over 90% of GST payers will be allowed to file quarterly return.

The average monthly GST collection in the current year is Rs.97,100 crore per month as compared to Rs.89,700 crore per month in the first year.

The Interim Budget 2019-20 has proposed several measures aimed at micro enterprises, which account for more than 99 per cent of India's micro, small and medium enterprise (MSME) universe.

Among other things, it doubled the limit for exemption from Goods and Services Tax (GST) to Rs.40 lakh, from Rs.20 lakh.

It also proposed an attractive composition scheme for small businesses having a turnover of up to Rs 1.5 crore, wherein these can pay only a one per cent flat rate and file only one annual return. Similarly, small service providers with a turnover of up to Rs 50 lakh can now opt for the composition scheme and pay GST at six per cent instead of 18 per cent.

The government believes more than 35 lakh small traders, manufacturers and service providers will benefit from these measures.

The government also announced that businesses with a turnover of less than Rs.5 crore - comprising over 90 per cent of GST payers - will soon be allowed to file quarterly returns, as against only annual returns right now.

9. **INCOME TAX** :

The tax collections increased significantly from Rs.6.38 Lakh crore in 2013-14 to almost Rs.12 lakh crore this year. The number of returns filed have also increased from 3.79 crore to 6.85 crore showing 80% growth in tax base.

The Income Tax Department now functions online. Returns, assessments, refunds and queries are all undertaken online. **In 2018, 99.54% of the income-tax returns were accepted as they were filed.**

All returns will be processed in twenty-four hours and refunds issued simultaneously.

Within the next two years, almost all verification and assessment of returns selected for scrutiny will be done electronically through anonymised back office, manned by tax experts and officials, without any personal interface between taxpayers and tax officers.

10. It is, therefore, just and fair that some benefits from the tax reforms must also be passed on to the middle class taxpayers. Keeping this in view, Govt. has to further reduce the tax burden on such taxpayers. Though as per convention, the main tax proposals will be presented in the regular budget, small taxpayers especially middle class, salary earners, pensioners, and senior citizens need certainty in their minds at the beginning of the year about their taxes. Therefore, proposals, particularly relating to such class of persons should not wait. Hence, while for the present the existing rates of income tax will continue for FY 2019-20, the following measures are initiated:

Individual taxpayers having taxable annual income up to Rs.5 lakhs will get full tax rebate and therefore will not be required to pay any income tax. As a result, even persons having gross income up to Rs.6.50 lakhs may not be required to pay any income tax if they make investments in provident funds, specified savings, insurance etc. In fact, with additional deductions such as interest on home loan up to Rs.2 lakh, interest on education loans, National Pension Scheme contributions, medical insurance, medical expenditure on senior citizens etc., persons having even higher income will not have to pay any tax. This will provide tax benefit of Rs.18,500 crore to an estimated 3 crore middle class taxpayers comprising self employed, small business, small traders, salary earners, pensioners and senior citizens.

For salaried persons, Standard Deduction is being raised from the current Rs.40,000 to Rs.50,000. This will provide additional tax benefit of Rs.4,700 crore to more than 3 crore salary earners and pensioners.

Currently, income tax on notional rent is payable if one has more than one self-occupied house. Considering the difficulty of the middle class having to maintain families at two locations on account of their job, children's education, care of parents etc. it has been proposed to exempt levy of income tax on notional rent on a second self-occupied house.

TDS threshold on interest earned on bank/post office deposits is being raised from Rs.10,000 to Rs.40,000. This will benefit small depositors and nonworking spouses. Further, the TDS threshold for deduction of tax on rent is proposed to be increased from Rs.1,80,000 to Rs.2,40,000 for providing relief to small taxpayers.

The benefit of rollover of capital gains under section 54 of the Income Tax Act will be increased from investment in one residential house to two residential houses for a tax payer having capital gains up to Rs.2 crore. This benefit can be availed once in a life time.

For making more homes available under affordable housing, the benefits under Section 80-IBA of the Income Tax Act is being extended for one more year, i.e. to the housing projects approved till 31st March, 2020.

Also, for giving impetus to the real estate sector, it has been proposed to extend the period of exemption from levy of tax on notional rent, on unsold inventories, from one year to two years, from the end of the year in which the project is completed.

OTHER SECTORS :

1. The Nomadic and Semi-Nomadic communities move from place to place in search of a livelihood. Government will also set up a Welfare Development Board under the Ministry of Social Justice and Empowerment specifically for the purpose of implementing welfare and development programmes for De-notified, Nomadic and Semi-Nomadic communities. The Board shall ensure that special strategies are designed and implemented to serve these hard-to-reach communities.
2. Allocation for the North Eastern Areas is being proposed to be increased by 21% to Rs.58,166 crore in 2019-20 BE over 2018-19 BE.
3. In order to take the benefits of Artificial Intelligence and related technologies to the people, a National Programme on 'Artificial Intelligence' has been envisaged by Government. This would be catalysed by the establishment of the National Centre on Artificial Intelligence as a hub along with Centres of Excellence. Nine priority areas have been identified. A National Artificial Intelligence portal will also be developed soon.
4. The Government will make 1 lakh villages into Digital Villages over next five years. Jan Dhan-Aadhaar-Mobile (JAM) and Direct Benefit Transfer have been game changers.

VISION FOR THE NEXT DECADE :

We are poised to become a Five Trillion Dollar Economy in the next five years and aspire to become a Ten Trillion Dollar Economy in the next 8 years thereafter. In the Indian ethos, anything which is good is supposed to bestow, cause, create and do good in all ten directions. The FM laid-out the vision for ten most important dimensions in 2030.

1. **The First Dimension of this Vision will be to build physical as well as social infrastructure for a ten Trillion Dollar economy and to provide ease of living. It will comprise next generation infrastructure of roads, railways, seaports, airports, urban transport, gas and electric transmission and inland waterways.** On the social infrastructure side, every family will have a roof on its head and will live in a healthy, clean and wholesome environment.
2. **The Second dimension of the country and impacting the life of all Indians. Digital Infrastructure and digital economy of 2030** will be built upon the successes achieved in recent years in **digitisation of Government processes and private transactions.**
3. **Making India a pollution-free nation with green Mother Earth and blue skies is the Third Dimension of our Vision. This India will drive on Electric Vehicles with Renewables becoming a major source of energy supply.** India will lead the world in the transport revolution through electric vehicles and energy storage devices, bringing down import dependence and ensuring energy security for our people.
4. **Expanding rural industrialisation using modern digital technologies to generate massive employment is the Fourth Dimension of our Vision.** This will be built upon the Make in India approach to develop grassroots level clusters, structures and mechanisms encompassing the MSMEs, village industries and start-ups spread in every nook and corner of the country.
5. Our rivers and water bodies are our life supporting assets. Our Government has worked vigorously for cleaning River Ganga. **Fifth Dimension of our Vision for India of**

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2030 is Clean Rivers, with safe drinking water to all Indians, sustaining and nourishing life and efficient use of water in irrigation using micro-irrigation techniques.

6. Exploitation of the Blue Economy, to ensure better standards and quality of life for a large number of people living in the coastal areas. **Our coastline and our ocean waters powering India's development and growth is the Sixth Dimension of our Vision.**
 7. The **Seventh Dimension** of our Vision aims at the outer skies. Our space programme – Gaganyaan, **India becoming the launch-pad of satellites for the World and placing an Indian astronaut into space by 2022** reflect this dimension of our vision.
 8. **Making India self-sufficient in food, exporting to the world to meet their food needs and producing food in the most organic way is the Eighth Dimension of our Vision.**
 9. **A healthy India is the Ninth Dimension of our Vision.** We will be aiming at healthy society with an environment of health assurance and the support of necessary health infrastructure. Such a healthy India built with the participation of women having equal rights and concern for their safety and empowerment.
 10. Our Vision can be delivered by Team India - **our employees working together with the elected Government, transforming India into a Minimum Government Maximum Governance nation. This is the Tenth Dimension.**
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