

Bottoms-up, Inclusive and Balanced Budget; Focus on Infrastructure, Affordable Housing, MSMEs and Women empowerment inspiring: PHD Chamber

Union Budget 2019-20

Hon'ble Finance Minister Smt. Nirmala Sitharaman has presented a bottoms-up, inclusive, and balanced budget with a strong focus on socio-economic development of the country to build a New India, going forward.

The proposals unveiled in it on various socio-economic fronts of the economy indicate promises of progress in coming times. The focus on MSMEs, development of infrastructure, affordable housing and women empowerment would go a long way to promote all-inclusive development in the economy.

The lowering of tax rates to 25% for companies with annual turnover of Rs 400 crores is encouraging as it was proposed by the industry since the last many years. It will enhance business sentiments and production possibility frontiers in the economy.

The proposal to streamline multiple labour laws into a set of four labour codes is inspiring as simplification of labour laws would reduce the compliances for the industry particularly for the MSMEs and provide more room for deployment of workforce in the factories.

The Budget has focused on attracting foreign investors to increase capital flows with the easing of local sourcing norms for FDI in Single Brand Retail and 100% Foreign Direct Investment (FDI) permitted for insurance intermediaries.

MSMEs are the potential growth engine of the Indian economy. The government has very rightly diagnosed the importance of MSMEs in the economy; the announcement of 2% interest subvention for all GST registered MSMEs on fresh or incremental loans and creation of payment platform for MSMEs would facilitate them in getting better access to credit and expansion in business activities.

The allocation of Rs. 70,000 crore for the PSU bank recapitalization will enhance the health of the PSU bank and push up the pace of lending in the economy, by increasing the

sentiments for credit availability. Various praise-worthy announcements such as solving the issue of 'Angel Tax' by introducing e-verification, speedy assessments of start-ups and redressal of their grievances and relaxing some of the conditions for carry forward and set-off of losses for start-ups would strengthen the start-up campaign in the economy.

A big infrastructure push such as a massive program for Railway modernization, a massive push to infrastructure connectivity through the projects such as industrial corridors, Bharatmala, etc., the target of building 1.95 crore houses in the second phase of PMAY-Gramin, additional tax benefits for first time home buyer, a further tax deduction of Rs. 1.5 lakhs for interest paid on housing loans sanctioned in the current fiscal year upto 31st March, 2020, will certainly push the infrastructure health of the country to the next level.

The proposal to invest Rs 100 lakh crore in infrastructure over the next 5 years is highly encouraging and put India's infrastructure development really on a high road. The setting up of Credit Guarantee Enhancement Corporation and placing an action plan to deepen markets for long term bonds with specific focus on infrastructure sector would give a big push to development of state of the art infrastructure in the economy.

The announcement of blueprint for developing gas grids, water grids, i-ways, and regional airports on lines of One Nation, One Grid for power availability to all states at affordable rates is highly appreciable as it would be instrumental in developing infrastructure for not just industry but also for socio-economic development of the masses.

The government's focus on encouraging PPP in unleashing faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services in railways would not only promote industrial growth but also provide better service delivery to masses.

The government has given prime focus to affordable housing in this budget as alignment of the definition of affordable housing in the Income-tax Act with the GST Acts and providing the limit on cost of the house at Rs. 45 lakh in line with the definition in the GST Acts would create demand in the housing and construction sector activity.

In addition, the usage of land parcels held by Central Ministries and Central Public Sector Enterprises all across the country for public infrastructure and affordable housing is encouraging and growth provoking. The additional income tax deduction of Rs. 1.5 lakh on interest paid on loans taken to buy electric vehicles and additional deduction of up to Rs 1,50,000/- for interest paid on loans borrowed up to 31st March, 2020 for purchase of an affordable house valued up to Rs 45 lakh are highly beneficial for middle class buyers.

The Budget has a strong synergy for the new education policy and made comprehensive allocation of Rs. 400 crore for FY2019-20 to transform education system with the focus on learning outcomes which will play a big role in revising the current education level.

The Budget announced to expand the Women SHG interest subvention programme to all districts and made provisions for overdraft of Rs. 5,000 to be given to verified women SHG member. These measures would strengthen women's role in the society, going forward.

The government's commitment to skill development of the youth as per the current technological developments is indicative of the progressive thoughts of the government to steer economy towards growth and prosperity.

Overall, it is believed the budget is balanced, pragmatic and would rejuvenate the economic growth trajectory of the nation.

The key highlights of Union Budget 2019 are as follows:

The key highlights of the Union Budget 2019-20 presented by the Hon'ble Minister for Finance, Smt. Nirmala Sitharaman in Parliament are as follows:

Key Announcements

10-point Vision for the decade

- Building Team India with Jan Bhagidari: Minimum Government Maximum Governance.
- Achieving green Mother Earth and Blue Skies through a pollution-free India.
- Making Digital India reach every sector of the economy.
- Launching Gaganyaan, Chandrayan, other Space and Satellite programmes.
- Building physical and social infrastructure.
- Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables.
- Achieving a healthy society via Ayushman Bharat, well-nourished women & children, safety of citizens.
- Emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices under Make in India.

Towards a 5 Trillion Dollar Economy

- Indian economy to become a 3 trillion dollar economy in the current year.
- Government aspires to make India a 5 trillion dollar economy.
- Need for investment in:
 - Infrastructure.
 - Digital economy.
 - Job creation in small and medium firms.
 - Initiatives to be proposed for kick-starting the virtuous cycle of

investments.

Measures related to MSMEs:

- Pradhan Mantri Karam Yogi Maandhan Scheme
 - Pension benefits to about three crore retail traders & small shopkeepers with annual turnover less than Rs. 1.5 crore.
 - Enrolment to be kept simple, requiring only Aadhaar, bank account and a self-declaration.
 - Rs. 350 crore allocated for FY 2019-20 for 2% interest subvention (on fresh or incremental loans) to all GST-registered MSMEs, under the Interest Subvention Scheme for MSMEs.
- India's first indigenously developed payment ecosystem for transport, based on National Common Mobility Card (NCMC) standards, launched in March 2019.
- Inter-operable transport card runs on RuPay card and would allow the holders to pay for bus travel, toll taxes, parking charges, retail shopping.
- Massive push given to all forms of physical connectivity through:
 - Pradhan Mantri Gram Sadak Yojana.
 - Industrial Corridors, Dedicated Freight Corridors.
 - Bhartamala and Sagarmala projects, Jal Marg Vikas and UDAN Schemes.
- Rs. 50 lakh crore investment needed in Railway Infrastructure during 2018-2030.
- Public-Private-Partnership proposed for development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services.
- Policy interventions to be made for the development of Maintenance, Repair and Overhaul (MRO), to achieve self-reliance in aviation segment.
- Regulatory roadmap for making India a hub for aircraft financing and leasing activities from Indian shores, to be laid by the Government.
- Outlay of Rs. 10,000 crore for 3 years approved for Phase-II of FAME Scheme.
- Upfront incentive proposed on purchase and charging infrastructure, to encourage faster adoption of Electric Vehicles.
- National Highway Programme to be restructured to ensure a National Highway Grid, using a financeable model.
- Power at affordable rates to states ensured under 'One Nation, One Grid'.
- Blueprints to be made available for gas grids, water grids, i-ways, and regional airports.
- High Level Empowered Committee (HLEC) recommendations to be implemented:
 - Retirement of old & inefficient plants.
 - Addressing low utilization of gas plant capacity due to paucity of Natural Gas.

- Cross subsidy surcharges, undesirable duties on open access sales or captive generation for industrial and other bulk power consumers to be removed under Ujjwal DISCOM Assurance Yojana (UDAY).
- Model Tenancy Law to be finalized and circulated to the states.
- Joint development and concession mechanisms to be used for public infrastructure and affordable housing on land parcels held by the Central Government and CPSEs.

Measures to enhance the sources of capital for infrastructure financing:

- Credit Guarantee Enhancement Corporation to be set up in 2019-2020.
- Proposed transfer/sale of investments by FII/FPIs (in debt securities issued by IDF-NBFCs) to any domestic investor within the specified lock-in period.

Measures to deepen bond markets:

- Stock exchanges to be enabled to allow AA rated bonds as collaterals.
- User-friendliness of trading platforms for corporate bonds to be reviewed.

Social stock exchange:

- Electronic fund raising platform under the regulatory ambit of SEBI.
- Listing social enterprises and voluntary organizations.
- To raise capital as equity, debt or as units like a mutual fund.
- SEBI to consider raising the threshold for minimum public shareholding in the listed companies from 25% to 35%.

Measures to make India a more attractive FDI destination

- FDI in sectors like aviation, media (animation, AVGC) and insurance sectors can be opened further after multi-stakeholder examination.
- Insurance Intermediaries to get 100% FDI.
- Government to organize an annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as an anchor to get all three sets of global players (pension, insurance and sovereign wealth funds).
- Statutory limit for FPI investment in a company is proposed to be increased from 24% to sectoral foreign investment limit. Option to be given to the concerned corporate to limit it to a lower threshold.
- FPIs to be permitted to subscribe to listed debt securities issued by REITs and InvITs.
- NRI-Portfolio Investment Scheme Route is proposed to be merged with the

Foreign Portfolio Investment Route.

- Cumulative resources garnered through new financial instruments like Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs) as well as models like Toll-Operate-Transfer (ToT) exceed Rs. 24,000 crore.
- New Space India Limited (NSIL), a PSE, incorporated as a new commercial arm of Department of Space.
- To tap the benefits of the Research & Development carried out by ISRO like commercialization of products like launch vehicles, transfer to technologies and marketing of space products.

Direct Taxes

- Tax rate reduced to 25% for companies with annual turnover up to Rs. 400 crore
- Surcharge increased on individuals having taxable income from Rs. 2 crore to Rs. 5 crore and Rs. 5 crore and above.
- Those who don't have PAN can file tax returns using Aadhaar. Aadhaar can be used wherever PAN is required.
- Pre-filing of Income-tax Returns for faster, more accurate tax returns.
- Faceless e-assessment with no human interface to be launched.
- **Affordable Housing**
 - Additional deduction up to Rs. 1.5 lakhs for interest paid on loans borrowed up to 31st March, 2020 for purchase of house valued up to Rs. 45 lakh.
 - Overall benefit of around Rs. 7 lakh over loan period of 15 years.
- **Boost to Electric Vehicles**
 - Additional income tax deduction of Rs. 1.5 lakh on interest paid on electric vehicle loans.
 - Customs duty exempted on certain parts of electric vehicles.
- **Relief for Start-ups**
 - Capital gains exemptions from sale of residential house for investment in start-ups extended till FY21.
 - 'Angel tax' issue resolved- start-ups and investors filing requisite declarations and providing information in their returns not to be subjected to any kind of scrutiny in respect of valuations of share premiums.
 - Funds raised by start-ups to not require scrutiny from Income Tax Department
- **NBFCs**
 - Interest on certain bad or doubtful debts by deposit taking as well as systemically important non-deposit taking NBFCs to be taxed in the year in which interest is actually received.
- **International Financial Services Centre (IFSC)**
 - 100 % profit-linked deduction in any ten-year block within a fifteen-year period.
 - Exemption from dividend distribution tax from current and accumulated income to companies and mutual funds.
 - Exemptions on capital gain to Category-III Alternative Investment Funds (AIFs).
 - Exemption to interest payment on loan taken from non-residents.

Indirect Taxes

- **Make In India**
 - Basic Customs Duty increased on cashew kernels, PVC, tiles, auto parts, marble slabs, optical fibre cable, CCTV camera etc.
 - Exemptions from Custom Duty on certain electronic items now manufactured in India withdrawn.
 - End use based exemptions on palm stearin, fatty oils withdrawn.
 - Exemptions to various kinds of papers withdrawn.
 - 5% Basic Custom Duty imposed on imported books.
 - Customs duty reduced on certain raw materials such as: Inputs for artificial kidney and disposable sterilised dialyser and fuels for nuclear power plants etc.; Capital goods required for manufacture of specified electronic goods.
- Defence equipment not manufactured in India exempted from basic customs duty
- Export duty rationalised on raw and semi-finished leather
- Increase in Special Additional Excise Duty and Road and Infrastructure Cess each by Rs. 1 per litre on petrol and diesel
- Custom duty on gold and other precious metals increased
- Legacy Dispute Resolution Scheme for quick closure of pending litigations in Central Excise and Service tax from pre-GST regime

Grameen Bharat / Rural India

- Electricity and clean cooking facility to all willing rural families by 2022.
- Pradhan Mantri Awas Yojana – Gramin (PMAY-G) aims to achieve "Housing for All" by 2022. Eligible beneficiaries to be provided 1.95 crore houses with amenities like toilets, electricity and LPG connections during its second phase (2019-20 to 2021-22).
- Pradhan Mantri Matsya Sampada Yojana (PMMSY)- A robust fisheries management framework through PMMSY to be established by the Department of Fisheries.
- Pradhan Mantri Gram Sadak Yojana (PMGSY)- Target of connecting the eligible and feasible habitations advanced from 2022 to 2019 with 97% of such habitations already being provided with all weather connectivity. 1,25,000 kilometers of road length to be upgraded over the next five years under PMGSY III with an estimated cost of Rs. 80,250 crore.
- Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI)- 100 new clusters to be setup during 2019-20 with special focus on Bamboo, Honey and Khadi, enabling 50,000 artisans to join the economic value chain.
- Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) consolidated. 80 Livelihood Business Incubators (LBIs) and 20 Technology

Business Incubators (TBIs) to be setup in 2019-20. 75,000 entrepreneurs to be skilled in agro-rural industry sectors

- 10,000 new Farmer Producer Organizations to be formed, to ensure economies of scale for farmers.
- India's water security- New Jal Shakti Mantralaya to look at the management of our water resources and water supply in an integrated and holistic manner. Jal Jeevan Mission to achieve Har Ghar Jal (piped water supply) to all rural households by 2022.
- Swachh Bharat Abhiyan- 9.6 crore toilets constructed since Oct 2, 2014; Swachh Bharat Mission to be expanded to undertake sustainable solid waste management in every village.
- Pradhan Mantri Gramin Digital Saksharta Abhiyan- Universal Obligation Fund under a PPP arrangement to be utilized for speeding up Bharat-Net.

Shahree Bharat/Urban India

- Pradhan Mantri Awas Yojana – Urban (PMAY-Urban)- Over 81 lakh houses with an investment of about Rs. 4.83 lakh crore sanctioned of which construction started in about 47 lakh houses. the Rashtriya Swachhta Kendra to be inaugurated at Gandhi Darshan, Rajghat on 2nd October, 2019.
- Proposal to enhance the metro-railway initiatives by: Encouraging more PPP initiatives; Ensuring completion of sanctioned works; Supporting transit oriented development (TOD) to ensure commercial activity around transit hubs.

Youth

- New National Education Policy to be brought
- National Research Foundation (NRF) proposed
- Rs. 400 crore provided for “World Class Institutions”, for FY 2019-20
- ‘Study in India’ proposed to bring foreign students to study in Indian higher educational institutions.
- Draft legislation to set up Higher Education Commission of India (HECI), to be presented.
- Khelo India Scheme to be expanded with all necessary financial support.
- National Sports Education Board for development of sportspersons to be set up under Khelo India, to popularize sports at all levels.
- Stand-Up India Scheme to be continued for the period of 2020-25. The Banks to provide financial assistance for demand based businesses.

Ease of Living

- Solar stoves and battery chargers to be promoted using the approach of LED bulbs mission.
- A massive program of railway station modernization to be launched.

Naari Tu Narayani/Women

- Approach shift from women-centric-policy making to women-led initiatives and movements.
- Women SHG interest subvention program proposed to be expanded to all districts.
- Overdraft of Rs. 5,000 to be allowed for every verified women SHG member having a Jan Dhan Bank Account.
- One woman per SHG to be eligible for a loan up to Rs. 1 lakh under MUDRA Scheme.

India's Soft Power

- Proposal to consider issuing Aadhaar Card for NRIs with Indian Passports on their arrival without waiting for 180 days.
- Mission to integrate traditional artisans with global markets proposed, with necessary patents and geographical indicators.
- Revamp of Indian Development Assistance Scheme (IDEAS) proposed.
- 17 iconic Tourism Sites being developed into model world class tourist destinations.

Banking and Financial Sector

- **Measures related to PSBs:**
 - Rs. 70,000 crore proposed to be provided to PSBs to boost credit.
 - PSBs to leverage technology, offering online personal loans and doorstep banking, and enabling customers of one PSBs to access services across all PSBs.
 - Steps to be initiated to empower accountholders to have control over deposit of cash by others in their accounts.
 - Reforms to be undertaken to strengthen governance in PSBs.
- **Measures related to NBFCs:**
 - Proposals for strengthening the regulatory authority of RBI over NBFCs to be placed in the Finance Bill.
 - Requirement of creating a Debenture Redemption Reserve will be done away with to allow NBFCs to raise funds in public issues.
 - Steps to allow all NBFCs to directly participate on the TReDS platform.
 - Return of regulatory authority from NHB to RBI proposed, over the housing finance sector.

- Rs. 100 lakh crore investment in infrastructure intended over the next five years. Committee proposed to recommend the structure and required flow of funds through development finance institutions.
- Steps to be taken to separate the NPS Trust from PFRDA.
- Reduction in Net Owned Fund requirement from Rs. 5,000 crore to Rs. 1,000 crore proposed
- **Measures related to CPSEs:**
 - Target of Rs. 1, 05,000 crore of disinvestment receipts set for the FY 2019-20.
 - Government to reinitiate the process of strategic disinvestment of Air India, and to offer more CPSEs for strategic participation by the private sector.
 - Government to undertake strategic sale of PSUs and continue to consolidate PSUs in the non-financial space.
 - Government to consider going to an appropriate level below 51% in PSUs where the government control is still to be retained, on case to case basis.
 - Present policy of retaining 51% Government stake to be modified to retaining 51% stake inclusive of the stake of Government controlled institutions.
 - Banks to permit greater availability of its shares and to improve depth of its market.
 - ❖ Government to offer an investment option in ETFs on the lines of Equity Linked Savings Scheme (ELSS).
 - ❖ Government 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

Digital Payments

- TDS of 2% on cash withdrawal exceeding Rs. 1 crore in a year from a bank account
- Business establishments with annual turnover more than Rs. 50 crore shall offer low cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants.

Mega Investment in Sunrise and Advanced Technology Areas

- Scheme to invite global companies to set up mega-manufacturing plants in areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Computer Servers, Laptops, etc.
- Investment linked income tax exemptions to be provided along with indirect tax benefits.

Roadmap for future

- Simplification of procedures.
- Incentivizing performance.

- Red-tape reduction.
- Making the best use of technology.
- Accelerating mega programmes and services initiated and delivered so far.

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