



ECONOMICS - Part 1

BUDGET 2019-2020

Finance Minister carries budget in a red cloth,
breaks tradition



General

General

- Average amount spent on food security per year approximately doubled during 2014-19 compared to the preceding five years.
- Number of patents issued more than trebled in 2017-18 as against the number of patents issued in 2014.
- General aim is to simplify procedures, incentivize performance, reduce red-tape and make the best use of technology
- In 2014 our economy was at approximately US\$ 1.85 trillion now after 5 years it has reached US\$ 2.7 trillion. In next years we can surely be \$5 trillion economy

General - Vision for the decade

- Building physical and social infrastructure;
- Digital India reaching every sector of the economy;
- Pollution free India with green Mother Earth and Blue Skies;
- Make in India with particular emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices;
- Water, water management, clean Rivers;
- Blue Economy;

General- Vision for the decade

- Space programmes, Gaganyaan, Chandrayan and Satellite programmes;
- Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables;
- Healthy society- Ayushman Bharat, well-nourished women & children. Safety of citizens;
- Team India with Jan Bhagidari. Minimum Government Maximum Governance.

General- 3 trillion dollar economy

- The Indian economy will grow to become a 3 trillion dollar economy in the current year.
- It is now the sixth largest in the world
- Five years ago, it was at 11th position
- In Purchasing Power Parity terms, India in fact, the 3rd largest economy already, only next to China and the USA
- It took over 55 years for the Indian economy to reach 1 trillion dollar, in 5 years 1 trillion dollar added
- To achieve our goal we need to continue to invest heavily in infrastructure, in digital economy and on job creation in small and medium firms.

General

- All of India's private sector industries-small, medium or large-have played a substantial role in growing our economy.
- Government is not averse to legitimate profit-earning by private sector
- Gone are the days of policy paralysis and licence-quota-control regimes.
- India Inc. are job-creators. They are the nation's wealth-creators
- Together, with mutual trust, (Govt. and Private sector) can gain, catalyze fast and attain sustained national growth

Number of Taxpayers

Financial year	Number of Taxpayers	Growth%
2013-14	5,71,58,811	8.27
2014-15	6,15,23,699	7.64
2015-16	6,92,73,834	12.60
2016-17	7,41,27,250	7.01
2017-18	8,44,46,376	13.92

Moderation of Tax Rates

- It is ongoing endeavor of the Government to moderate the tax rate in order to reduce the tax burden and increase compliance.
- 100% tax rebate to individuals having taxable income up to ₹ 5 lakh
- The basic exemption limit was increased from ₹ 2 lakh to 2.5 lakh and for senior citizens from ₹ 2.5 lakh to 3 lakh
- Tax rate for the slab ₹ 2.5 to 5 lakh was reduced from 10% to 5%
- Standard deduction of ₹ 40,000 was increased to ₹ 50,000
- Levy of wealth tax abolished

Moderation of Tax Rates

- Deduction limit for savings under section 80C was increased from ₹ 1 lakh to ₹ 1.5 lakh
- The deduction limit for medical insurance was increased from ₹ 15,000 to ₹ 25,000. For senior citizens, the deduction limit was increased from ₹ 20,000 to ₹ 50,000
- Deduction limit for individuals with disability was increased by ₹ 25,000
- Deduction of ₹ 50,000 was provided on interest income from deposits from senior citizens.
- Deduction limit for senior citizens for medical expenditure for critical illnesses increased from ₹ 60,000 to ₹ 1 Lakh

Ease of compliance for small Businesses

- Small businesses constitute the backbone of our economy.
- Threshold for presumptive taxation of businesses was raised from ₹ 1 crore to ₹ 2 crore
- For maintenance of books of accounts by individuals and HUFs, income threshold was raised from ₹ 1.20 lakh to ₹ 2.5 lakh AND the turn over threshold was raised from ₹ 10 lakh to ₹ 25 lakh
- Presumptive taxation was introduced for professionals having receipts up to ₹ 50 lakh

Incentives for affordable housing

- Housing has been an area of concern for middle and lower-middle class. Further, real estate sector plays a significant role in generating employment in the economy.
- Deduction of interest on loan taken to purchase self-occupied house property was increased from ₹ 1.5 lakh to ₹ 2 lakh
- 100% deduction was provided for the income of affordable housing projects
- The base year for computation of long term capital gains was shifted from 1981 to 2001
- Holding period for long-term gain on immovable property was reduced from 36 months to 24 months

Promoting Employment Generation

- Tax policy plays an important role in promoting the growth and creation of employment.
- Profit-linked deduction introduced for start-ups
- Investment-linked deduction to include like infrastructure
- Higher depreciation was permitted for undertakings set up in backward regions of states of AP, Bihar, Telangana and West-Bengal

Measures to curb Black Money

- Black money eats into vitals of our economy.
- Elimination of poverty and inequity in our society cannot be achieved unless the problem of generation and concealment of black money is dealt with forcefully and effectively
- Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was introduced to address the problem of concealed foreign assts.
- Benami Law was amended to enable confiscation of benami property
- Reduce the level of cash transactions in the economy is an effective measure to curb generation of Black Money

Less cash transactions

- Acceptance of cash payment of ₹20,000 or more for immovable property transaction is prohibited
- The threshold for cash donation to charitable trusts was reduced from ₹ 10,000 to ₹ 2000
- Threshold of ₹ 2000 was introduced for acceptance of cash donation by political parties
- Profit rate for non-cash transactions in presumptive regime for businesses was reduced from 8% to 6%
- Any cash transaction of ₹ 2,00,000 or more is prohibited

Infrastructure

Infrastructure

- Connectivity is the lifeblood of an economy.
- All forms of physical connectivity has been given a push
 - Pradhan Mantri Gram Sadak Yojana
 - Industrial corridors
 - Dedicated freight corridor
 - Bharatmala and Sagarmala projects
 - Jal Marg Vikas
 - UDAN
- Industrial corridors would improve infrastructure availability for greater industrial investment in the catchment regions
- The Dedicated Freight Corridors would mitigate the congestion of our railway network benefitting the common man

Infrastructure

- Bharatmala project will help develop national road corridors and highways
- Sagarmala project would enhance port connectivity, modernization and port-linked industrialization. Sagarmala project is aimed at improving the infrastructure for external trade
- Waterways are proven as a cheap mode of transport. The Jal Marg Vikas project for capacity augmentation of navigation on National Waterways is aimed at smoothening internal trade carried through inland water transport.
- These initiatives will improve logistics tremendously, reducing the cost of transportation and increasing the competitiveness of domestically produced goods.

Infrastructure

- UDAN scheme is providing air connectivity to smaller cities and enabling the common citizens of our country to avail air travel. This also helps in bridging rural-urban divide.
- India is now world's third largest domestic aviation market
- The time is ripe for India to enter into aircraft financing and leasing activities from Indian shores. This is critical to the development of a self-reliant aviation industry.
- This will create jobs in aviation finance
- This will bring new business opportunities to India's financial Special Economic Zones (SEZs) namely International Financial Services Centre (IFSC)
- The aim is to make India a hub of these activities

Infrastructure

- Growth in aviation sector will trigger the growth in India of Maintenance, Repair and Overhaul (MRO) industry. The aim is to become self-reliant in this sector by leveraging India's engineering advantage and potential.

METRO RAIL

- The New Metro Rail Projects for a total route length of 300 kilometers have been approved during 2018-19.
- Also, during 2019, about 210 kms metro lines have been operationalized.
- With this, 657 kms of Metro Rail Network has become operational across the country.

Infrastructure

- The Government will carry out a comprehensive restructuring of National Highway Programme
- To ensure that the National Highway Grid of desirable length and capacity is created using financeable model
- After completing the Phase 1 of Bharatmala, second phase will be launched
- In second phase States will be helped to develop State road networks.

Infrastructure Inland waterways

- We need to develop Waterways to shift a significant portion of inland cargo movement from road and rail
- Using rivers for cargo movement will help to decongest roads and railways
- Jal Marg Vikas Project is for enhancing the navigational capacity of Ganga, a multi modal terminal at Varanasi has become functional in November 2018 and two more such terminals at Sahibganj and Haldia and a navigational lock at Farakka would be completed in 2019-20.
- The movement of cargo volume on Ganga is estimated to increase by nearly four times in the next four years.
- Will make movement of freight, passenger cheaper and reduce our import bill

Infrastructure Railways

- It is estimated that Railway Infrastructure would need an investment of ₹ 50 lakh crore between 2018-2030.
- The capital expenditure outlays of Railways are around 1.5 to 1.6 lakh crore per year
- Completing even all sanctioned projects would take decades
- It is therefore proposed to use Public-Private Partnership to unleash faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services

Infrastructure Grids

- To improve the connectivity infrastructure it is proposed to have One Nation One Grid concept
- Gas Grid
- Water Grid
- i-ways
- Regional airports
- Inefficient and old plants will be retired

Infrastructure UDAY

- Ujjwal DISCOM Assurance Yojana (UDAY) was launched in 2015
- Aim was to have financial and operational turnaround of DISCOMs.
- Scheme to be examined for performance with State governments

- Thank You