



ECONOMICS - PART 3

BUDGET 2019-2020

MSMEs

- Through on line portal MSMEs can access credit / loans upto 1 crore within 59 minutes.
- Under the Interest Subvention Scheme for MSMEs, ₹ 350 crore has been allocated for 2019-20 for 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans
- Government will create a payment platform for MSMEs for filing bills and getting the payment. The cash flow of MSMEs will improve considerably with faster payments for supplies made or service rendered by MSMEs.

Corporate Tax

Corporate Tax

- All companies having annual turnover of 400 crores, will now be under the bracket of 25%. This will cover 99.3% of all the companies.
- To discourage the practice of making business payments in cash, TDS of 2% is levied on cash withdrawal exceeding Rs 1 crore in a year from bank account.

Minimum Public Shareholding in the listed Companies

- Public share holding in the listed companies to be raised from current threshold of 25% to 35%
- Listed companies now to maintained 35% minimum public Shareholding
- Many MNCs with higher promoter holdings will have to reduce stakes
- There are 1174 listed companies
- At current prices the total quantum of sale that needs to be done is estimated to be ₹ 3,87,000 crore
- In value terms, TCS - ₹ 59600 Crore, WIPRO - ₹ 15000 crore and D-Mart - ₹ 14000 crore will need to pare stakes.

Foreign Portfolio Investors

- FPI are a key source of capital to the Indian economy
- The process of investment needs to be hassle free
- It is proposed to rationalize and streamline the existing know your customer (KYC) norms for FPI to make it more investor friendly without compromising the integrity of cross-border capital flows

Social Stock Exchange

- An electronic fund raising platform- Social stock exchange will be created under SEBI
- Social Enterprises and voluntary organizations working for the realization of a social welfare objectives will be listed
- These organizations will be able to raise capital as equity, debt or as units like a mutual fund
- This will ensure taking capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion.

FDI

- FDI flows slid by 13% in 2018, to US\$ 1.3 trillion from US\$ 1.5 trillion the previous year
- This was third consecutive annual decline
- Data provided by UNCTAD's World Investment Report 2019.
- FDI inflows in 2018-19 remained strong at US \$ 64.37 billion marking 6% growth over the previous year.

FDI- Steps to make more FDI

- Further Steps to consolidate the gains in order to make India a more attractive FDI destination
- Further opening up of FDI in aviation, media (animation, AVGC) and insurance sectors
- 100% FDI will be permitted for insurance intermediaries
- Local sourcing norms will be eased for FDI in Single Brand Retail sector

Global Financial System

- There are many institutionalized global funds like pension, insurance and sovereign wealth funds
- With aim of India become part of the global financial system to be able to mobilize global savings the government is contemplating organizing an annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as the anchor, to get all three sets of global players-top industrialists/corporate honchos, top pension/insurance/sovereign wealth funds and top digital technology/venture funds.
- The statutory limit for FPI (Foreign Portfolio Investors) is to be increased from 24% to sectoral foreign investment limit

Increasing Investments

- Even though India is the world's top remittance receipt, NRI investment in Indian capital markets is comparatively less. With a view to provide NRIs with seamless access to Indian equities, it is proposed to merge the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route.
- New and innovative financial instruments launched in last five years as part of brownfield asset modernization strategy for augmenting infrastructure investment
 - Infrastructure Investment Trusts (InvITs)
 - Real Estate Investment Trusts (REITs)
 - Toll-Operate-Transfer (TOT)
- The cumulative resources garnered through these instruments and model exceed ₹ 24,000 crore

Electric Vehicle

Electric Vehicle

- Government has already moved GST council to lower the GST rate on Electric Vehicle (EV) from 12% to 5%. In addition to make Evs affordable for consumers government will provide additional income tax deduction of 1.5 lakh rupees on the interest paid on the loans taken to purchase EVs.

Electric Vehicles

- FAME II - Faster Adoption and Manufacturing of Hybrid and Electric Vehicle scheme approved by cabinet with outlay of Rs. 10,000 crore for a period of 3 years starting from April 1, 2019
- The main objective of the scheme is to encourage faster adoption of Electric Vehicles by offering upfront incentive on purchase of electric vehicles and also by establishing the necessary charging infrastructure for electric vehicles.
- Only advanced battery and registered e-vehicles will be incentivized under the scheme with greater emphasis on providing affordable & environment friendly public transportation options for the common man

Youth

Youth / Education Policy

- New Education policy to transform India's higher education system to one of the global best education system.
- The new policy proposes major changes in both school and higher education among others, better Governance systems and brings greater focus on research and innovation
- 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. NRF will focus on thrust areas relevant to our national priorities.

Education Policy

- SWAYAM initiative of online open courses has helped disadvantaged section of the student community.
- Global Initiative of Academic Network (GIAN) programme for higher education has been launched
- In GIAN global pool of scientists and researchers are being tapped
- The IMPRINT or IMPacting Research Innovation and Technology scheme began as a Pan-IIT and IISc joint initiative to develop a roadmap for research to solve major engineering and technology challenges in selected domains needed by the country
- Higher educational institutions are becoming the centres of innovation

Education

- The quality of education is on upgradation path.
- We have three institutes -two IITs and IISc Bangalore - in top 200 bracket of world rating
- An amount of ₹ 400 crore has been provided under the head, “World Class Institutions” for FY 2019-20.
- India has the potential to become hub of higher education
- A programme ‘Study in India’ is being started. This will focus on bringing foreign students to study in our higher educational institutions.
- Plan to set up Higher Education Commission of India (HECI)

Sports

- Khelo India Scheme, launched in October, 2017, has created awareness of sports as an integral part of wellness throughout the country.
- The Khelo India Scheme is being expanded and all financial help will be provided.
- To popularize sports at all levels, a National Sports Education Board for Development of Sportspersons would be set up under Khelo India Scheme.

Skill Development

- Under the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) about 10 million youth to take up industry-relevant skill training
- This will help to create a large pool of skilled manpower with speed and high standards.
- Demographic trends worldwide show that major economies will face severe labour shortage in future
- India youth will be trained in skill sets needed abroad including language training
- Training focus will be on new-age skills like Artificial Intelligence (AI), Internet of Things, Big Data, 3D Printing, Virtual Reality and Robotics which are valued highly both within and outside the country, and offer much higher remuneration

Indirect Taxes

Indirect Taxes

- With GST 17 taxes and 13 cesses have become one tax
- Almost all commodities saw rate reduction
- Tens of returns have been replaced by one
- Taxpayer's interface with tax departments got reduced
- Border checks got eliminated
- Goods started moving freely across state which saved time and energy
- A truck started doing two trips in the same time in which it was doing one.

GST Further simplifying

- A simplified single monthly return is being rolled out
- Taxpayer having annual turnover of less than 5 crore shall file quarterly return
- Free accounting software for return preparation has been made available to small businesses
- A fully automated GST refund module shall be implemented.
- Multi tax ledgers for a taxpayer shall be replaced by one.

GST

- An electronic invoice system will be introduced wherein invoice details will be captured in a central system at the time of issuance. This will be used to prefill the taxpayers' returns.
- There will be no need for a separate e-way bill. (From January 2020)
- Electronic invoice system will significantly reduce the compliance burden
- There is huge pending litigations from pre-GST regime. More than 3.75 lakh crore is blocked in litigations in service tax and excise
- A Dispute Resolution Scheme is being launched for quick closure of these litigation

- Thank You