

Key Highlights of Union Budget 2019

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I. INTRODUCTION

The Union Budget for 2019-20 was announced by Ms Nirmala Sitharaman, Minister for Finance and Corporate Affairs, Government of India, in Parliament on July 05, 2019. India is all set to become US\$ 3 trillion economy by the end of FY20. The budget focusses making best use of technology, building social infrastructure, digital India, pollution free India, make in India, job creation in Micro, Small and Medium Enterprises (MSMEs) and investing heavily in infrastructure.

Total expenditure for 2019-20 is budgeted at Rs 27,86,349 crore, an increase of 14.09 per cent from 2018-19.

The receipts are expected to increase by 14.2% to Rs 20,82,589 crore, owing to higher estimated revenue from corporation tax and dividends.

The government has assumed a nominal GDP growth rate of 12% (i.e., real growth plus inflation) in 2019-20. The nominal growth estimate for 2018-19 was 11.5%.

The key highlights of Union Budget 2019 are as follows:

Tax Proposals

- Individual taxpayers with annual income up to Rs 500,000 will get full tax rebate and hence will not be required to pay any tax.
- Limit for applicability of lower corporate tax rate of 25 per cent increased from Rs 250 crore to Rs 400 crore.
- Direct tax revenue increased by over 78% in past 5 years to Rs. 11.37 lakh crore
- The government increased income tax surcharge for HNIs (high net worth individuals) earnings more than Rs 2 crore a year. Those earning between Rs 2-5 crore will have shell out 3 per cent more, with surcharge rate being increased from 15 per cent to 25 per cent. Those earning above Rs 5 crore will have to shell out a surcharge of 37 per cent.
- The government announced Rs 150,000 income tax deduction on interest paid on loans for purchase of electric vehicles.

- To increase Special Additional Excise duty and Road and Infrastructure Cess each by one rupee a litre on petrol and diesel.
- It also proposed to increase custom duty on gold and other precious metals from 10 per cent to 12.5 per cent.

Support for Farmers

- Government is planning to form 10,000 new Farmer Producer Organizations, to ensure economies of scale for farmers over the next five years.
- Government will work with State Governments to allow farmers to benefit from e-NAM (National Agriculture Market).
- The focus of the government is on the “Pradhan Mantri Matsya Sampada Yojana” (PMMSY) for addressing critical gaps in the value chain, including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.

Infrastructure

- Ministry of Railways have been allocated Rs 94,071 crore in 2019-20.
- The government has suggested the investment of Rs 5,000,000 crore for railways infrastructure between 2018-2030.
- Metro rail network has reached to 657 Km.
- 30,000 kms of PMGSY roads have been built using Green Technology, Waste Plastic and Cold Mix Technology.
- To upgrade 1,25,000 kms of road length over the next five years, the estimated cost of Rs 80,250 crore is envisaged under Pradhan Mantri Gram Sadak Yojana-III (PMGSY)

Micro, Small and Medium Enterprises (MSMEs) and Traders

- Government has proposed granting of loans up to Rs 1 crore (US\$ 0.15 million) for MSMEs within 59 minutes through a committed online portal. Under the Interest Subvention Scheme for MSMEs, Rs 350 crore (US\$ 52.50 million) has been allocated for FY 2019-20

- Government will create a payment stage for MSMEs to enable filing of bills and payment thereof on the platform itself.
- The Government e-Marketplace (GeM) is being extended to all Central Public Sector Enterprises (CPSEs), providing more opportunities for MSMEs to sell their products.

Interchangeability of PAN and Aadhaar

- Those who don't have PAN can file tax returns using Aadhaar.
- Aadhaar can be used wherever PAN is required.

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.
- 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

- Defence equipment not manufactured in India exempted from basic customs duty
- Defence budget increased to over 3 lakh crore

Ease of Living

- About 30 lakh workers joined the **Pradhan Mantri Shram Yogi Maandhan Scheme** that provides Rs. 3,000 per month as pension on attaining the age of 60 to workers in unorganized and informal sectors.
- Approximately 35 crore LED bulbs distributed under **UJALA Yojana** leading to cost saving of Rs. 18,341 crore annually.
- Solar stoves and battery chargers to be promoted using the approach of LED bulbs mission.

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.

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.
- Water, water management, clean rivers.
- Blue Economy.
- 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.

Budget at a Glance 2019-20 (Rs crore)

	Actuals 2017-18	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
Revenue Expenditure	18,78,833	21,41,772	21,40,612	24,47,780	14.3%
Capital Expenditure	2,63,140	3,00,441	3,16,623	3,38,569	6.9%
Total Expenditure	21,41,973	24,42,213	24,57,235	27,86,349	13.4%
Revenue Receipts	14,35,233	17,25,738	17,29,682	19,62,761	13.5%
Capital Receipts	1,15,678	92,199	93,155	1,19,828	28.6%
<i>of which:</i>					
Recoveries of Loans	15,633	12,199	13,155	14,828	12.7%
Other receipts (including disinvestments)	1,00,045	80,000	80,000	1,05,000	31.3%
Total Receipts (without borrowings)	15,50,911	18,17,937	18,22,837	20,82,589	14.2%
Revenue Deficit	4,43,600	4,16,034	4,10,930	4,85,019	18.0%
% of GDP	2.6	2.2	2.2	2.3	
Fiscal Deficit	5,91,062	6,24,276	6,34,398	7,03,760	10.9%
% of GDP	3.5	3.3	3.4	3.3	
Primary Deficit	62,110	48,481	46,828	43,289	-7.6%
% of GDP	0.4	0.3	0.2	0.2	

Impact of Budget on the Market and Economy

The Budget impacts the economy, the interest rate and the stock markets. The fiscal measures undertaken by the government affect public expenditure. For instance, an increase in direct taxes would decrease disposable income, thus reducing demand for goods. This decrease in demand will translate into a decrease in production, therefore affecting economic growth. Similarly, an increase in indirect taxes would also decrease demand. This is because indirect taxes are often partially or completely passed on to consumers in the form of higher prices. Higher prices imply a reduction in demand and this in turn would reduce profit margins of companies, thus slowing down production and growth.

Taxpayers and income tax slabs

Income range	Tax rate	Tax to be paid
Up to Rs. 3,00,000	0	No tax
Between Rs 3 lakhs and Rs 5 lakhs	5%	5% of your taxable income
Between Rs 5 lakhs and 10 lakhs	20%	10000 + 20% of total income exceeding 5 lakhs
Above 10 lakhs	30%	1,10,000 + 30% of total income exceeding 10,00,000