

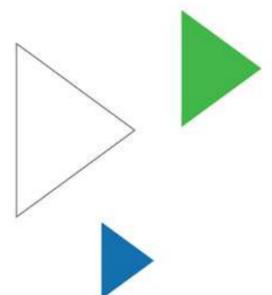
#BUDGETPECHARCHA

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THE BUDGET 2019 E-BOOK

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## **Piyush Goyal sounds poll bugle: Direct cash to farmers, pension for unorganised workers, tax break for middle class**

(<https://www.moneycontrol.com/news/business/budget-2019-big-relief-for-aam-aadmi-fm-goyal-gives-tax-rebate-on-income-up-to-rs-5-lakh-3464021.html>)

**By Gaurav Choudhary**

Finance Minister Piyush Goyal weathered a boisterous Opposition to present an interim budget on February 1 that sought to balance fiscal discipline with welfare necessities in an election year, as he announced a direct cash transfer plan for distressed farmers and a mega pension plan for unorganised sector workers.

The budget, the last before the country votes for a new Lok Sabha in April-May, also broke the convention of not announcing major income tax changes when governments are in transition.

Goyal promised to put more money in the hands of the salaried and middle class by doubling the income tax exemption limit Rs 5 lakh from Rs 2.5 lakh currently, implying those with an annual income of Rs 5 lakh will not have to pay any taxes.

He also raised the “standard deduction” – a flat amount on which taxes are not paid—to Rs 50,000 from Rs 40,000 annually. He also raised the income tax exemption on bank deposit interests to Rs 40,000 from Rs 10,000 currently.

There will also be no tax deducted at source on house rent upto Rs 2.4 lakh a year, while capital gains exemption on houses raised to Rs 2 crore.

“Our aim is to reduce the tax burden on the middle class”, Goyal said.

He presented a stirring account of the Modi-government’s economic and reform policies, generously peppering his 100 minute speech with details of signature initiatives such as Ayushman Bharat, Pradhan Mantri Jan Aushadhi Yojana, Make in India, Jan Dhan Scheme, Start Up India, MUDRA and the Insolvency and Bankruptcy Code (IBC).

Reiterating its commitment to rooting out corruption, the government vowed to continue the crackdown on India’s bustling parallel economy.



The Real Estate Regulation Act (RERA), the Benami Properties Act and the Fugitive Economic Offenders law have enabled this clampdown in a manner not seen during previous governments, he said.

Demonetisation, Goyal said, was part of this broader strategy that had yielded significant results, sounding a warning to those who continue to evade taxes. Demonetisation has come under renewed attack from the opposition that says the decision failed to check corruption and led to job losses.

“We have ushered in a new era of transparency”, he said. “We have walked the talk”.

The government sought to blunt the claims of lack of opportunities for the millions entering the job market every year by handing out statistics on formalisation of India’s labour market, self-employment opportunities through MUDRA loans, growing start-up entrepreneurship and jobs created by infrastructure projects such as roads and bridges.

### FOCUS ON FISC

Goyal did not concede too much on the fiscal consolidation goals, something that stock markets raised a toast to.

Amid looming risks of slippage, the minister pledged to keep the fiscal deficit — a measure of how much a government borrows to meet its expenses—at 3.4 percent of GDP in 2019-20, from a revised 3.3 percent in 2018-19.

It is a deviation from the medium-term consolidation target the government set last year when Finance Minister Arun Jaitley said the fiscal deficit would be contained at 3.1 percent of GDP in 2019-20.

Goyal avoided the temptation of populist spending that can worsen the fisc, particularly when the stress is showing up. Revenues from the goods and services tax (GST) and disinvestment have remained well below the target, accentuating fiscal pressures. Despite this, the minister pegged the fiscal deficit for 2018-19 at 3.4 percent of GDP.

It could have been better, but for the additional setting aside of Rs 75,000 crore for farm income support scheme, Goyal said.

Markets cheered the adherence to fiscal discipline, with the BSE Sensex rising 400 points during the course of the budget speech.



A part of this, however, may have been achieved by window dressing the balance sheet by deferring capital expenditure and rolling over some bill payments to the next financial year.

### HELPING HAND TO FARMERS

Between all the juggling and with some nifty tweaking, Goyal offered farmers—battling falling prices barely enough to cover costs—something to cheer about.

He announced Pradhan Kisaan Samman Nidhi that will enable farmers to receive Rs 6,000 a year directly into their bank accounts. About 120 million farmers owing upto two hectares of land will be eligible scheme. The scheme, which will be funded entirely by the government, will kick in retrospectively from December 2018. Beneficiary farmers will get the money in three equal instalments during the year.

The scheme will cost Rs 75,000 crore in 2019-20, and Rs 20,000 crore for the remaining part of the current financial year, Goyal said.

This could either prove be a masterstroke or too-little-too-late for a government going into elections, given that it comes four days after Congress president Rahul Gandhi promised a minimum basic income to the country's poor.

The pointed attention to farmers, an important electoral constituency, was not unexpected. The BJP is still smarting from its defeat in assembly elections in Madhya Pradesh, Rajasthan and Chhattisgarh, which together account for 65 Lok Sabha seats.

Rural distress exemplified by farmers dumping their produce and the inability of the ruling party--the BJP in all the three states-- to lift farm incomes were seen as main reasons for the setback.

The new scheme, which Goyal announced on Friday, is an attempt to demonstrate the government's intent to walk the talk on offering a structural solution to a persistent farm economy challenge that will only worsen as landholdings shrink.

MNREGS, the world's largest job guarantee scheme, received top billing with budgetary allocation of Rs 60,000 crore in 2019-20, a 9 percent jump over the previous year's Rs Rs 55,000 crore.



## WORKERS' PENSION

Goyal announced the launch of a new pension scheme for millions working in India's bustling unorganised sector who continue to remain outside any social security net.

A monthly pension of Rs 3,000 to unorganised workers that will possibly include tens of thousands of migrant labourers and the household help.

The pension will be transferred directly to their bank accounts once they attain the age of 60 years.

The National Sample Survey Office (NSSO) study has estimated there were 474.1 million employed people in 2011-12. More than 8 out of ten of these (82.7 percent) or 391.4 million persons were working in the unorganised sector, employed without social security benefits, job contracts or even the guarantee of getting paid on time.

In a recent pre-budget meeting, Jaitley told trade union representatives during the weekend one of the major priorities of the government is to ensure social security benefits for those working in the unorganised sector.

While the details were not announced, the scheme is likely to be enforced through the Unorganised Workers' Social Security Act, 2008, (UWSS Act) that gives a legal framework for providing social security benefits to workers in the unorganised sector.

The Act provides for the registration and issuance of identity cards to unorganised workers.

## EYE ON TRADERS

The government also showed its support for India's trading community which has complained of being pushed out of business by transnational online retail giants that offer deep discounts by getting into exclusive deals with preferred vendors.

Goyal announced a new retail trade policy department empowered to redraws the rules of the game while sending out the message that the government stands steadfast behind neighbourhood stores, whose owners are considered to be BJP supporters.

The Confederation of All India Traders (CAIT), led by Praveen Khandelwal, a BJP leader who contested the Delhi assembly election



from Chandni Chowk, has led a campaign against the foreign-funded e-commerce players.

Goyal's announcement came on the day when a new set of rules kicked in, disallowing cashback schemes and barring a vendor from selling more than 25 percent of products on a single e-marketplace firm.

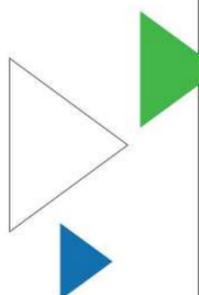
Global e-tail giants such as Flipkart and Amazon were lobbying to get the deadline for the new rules extended beyond February 1, giving them enough time to refit the operational contours.

Local traders saw this lobbying as an attempt to hoodwink the government. CAIT put the government on notice: any change in the deadline or rules would mean a loss of 70 million votes for the BJP.

The Swadeshi Jagran Manch, an affiliate of the BJP's ideological fount Rashtriya Sawyamsevak Sangh (RSS), has been pushing for a clampdown on "predatory behaviour" of e-commerce giants.



- Tax rebate has been announced for individuals with an income of up to Rs 5 lakh.
- The standard deduction for the salaried class has been raised from Rs 40,000 to Rs 50,000.
- Mega Rs 500 crore pension scheme for unorganized sector has been announced, where a monthly pension of Rs 3,000 is to be paid out after the retirement age of 60.
- Rs 75,000 crore Pradhan Mantri Kisan Samman Nidhi scheme has been announced, farmers owning up to 2 hectares to get Rs 6,000 per year.
- The defence Budget has been increased to Rs 3 lakh crore.
- There was an increase in government borrowing from an expectation of Rs 6.50 lakh crore to Rs 7.60 lakh crore.
- Rs 64,587 crore has been allocated for the Railways in FY20.
- Rs 60,000 crore has been set aside for MGNREGA for FY20.
- The revised fiscal deficit target for 2018-19 stands at 3.4%.
- Current account deficit for 2019-20 to be contained to 2.5%.
- The expenditure target for FY20 has been pegged at Rs 27.84 lakh crore.
- The income tax relief on notional rent from unsold houses has been extended to 2 years.
- The TDS threshold of rent has been increased from Rs 1.8 lakh to Rs 2.4 lakh.
- The TDS limit has been hiked from Rs 10,000 to Rs 40,000 on bank deposits, Post-Office savings.
- The capital gains exemption under Section 54 has been increased to Rs 2 crore, and will be available for two house properties instead of one.



# Expert Reactions:



“Measures by the government could move the GDP numbers up by 0.5 percent”

- **Mark Mobius, founder, Mobius Capital Partners.**

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“Markets will test the 11000+ level pre-elections, with the leading real estate players will do well from here on”

- **Ramesh Damani, member, Bombay Stock Exchange**

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“Farm income support will be extended only to land owners, and not tenant farmers. It will not exclude those getting government support.”

-**Subhash Chandra Garg, Economic Affairs Secretary.**

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“The Finance Minister has outlined a good vision in the budget. Salaried tax player was the focus, with meaningful jumps made to get to these changes.”

-**Ashok Wadhwa, Founder and CEO of Ambit Group**

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“Not worried about the fiscal deficit or capital account deficit. A fiscal deficit at 3.5% of the GDP with over 7% growth rate should be reasonable.”

- **Deepak Parekh,  
Chairman, Housing Development Finance Corporation.**

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# Twitter Reactions:



“I was bracing for a populist, profligate budget driven by ‘election panic.’ I’m just grateful that the reliefs to the key middle class & farmer segments were delivered in a measured way without risking bankruptcy of the economy. This was a controlled, pump-priming exercise...”

**- Anand Mahindra, Chairman, Mahindra Group**



“Dear NoMo,  
5 years of your incompetence and arrogance has destroyed the lives of our farmers.  
Giving them Rs. 17 a day is an insult to everything they stand and work for.  
#AakhriJumlaBudget”

**- Rahul Gandhi, President, Congress Party**



“The Budget is unquestionably Pro-Growth, Fiscally prudent, Pro-Farmer, Pro-Poor and strengthens the purchasing power of the Indian Middle Class.”

**- Arun Jaitley, Union Minister**



"This is overall a good budget in that it is aimed at spurring consumption and creating demand that is sustainable"

**-Prashant Ruia, Director, EssarCapital**



“It was not a Vote on Account. It was an Account for Votes.”

**-P. Chidambaram,  
Former Finance Minister and Rajya Sabha MP**



## More heartburns for the market from the budget

By Shishir Asthana

Indian markets have had a roller coaster ride on the budget day. When the finance minister Piyush Goyal rose to speak markets were subdued. But no sooner did he announce tax relief for income taxpayers for salaried employees up to a limit of Rs 5 lakh did the market started to rise. This was the main proposal of the budget that took the market higher. At one point the BSE Sensex was up by 521 points from the previous day's close.

However, the fine prints of the budget document revealed the truth. The relief on income tax is applicable for employees with a salary of up to Rs 5 lakh. However, even those with the salary up to Rs 10 lakh can benefit by taking advantage of various exemptions like 80C/80D, deduction on house loan interest.

But this revelation acted as a dampener for the market which started falling and at one point was in the negative territory.

Part of the reason for the fall was also in the fine prints, especially the borrowing part. There is a sharp jump in the government borrowing program for next year. As against an expectation of Rs 6.50 lakh crore the government is expected to borrow Rs 7.60 lakh crore. Bond markets reacted to this news flow and so did Banking sector indices. NSE Bank Nifty was down by 209 points, down by nearly 450 points from its high.

The rise in the interest rate on account of higher borrowing by the government will affect all sectors of the economy and not only banking stocks.

Consumption stocks rose after the tax exemptions and farm sector benefits were announced, but in the medium to long term, the benefit will be taken away by the rise in interest rates. The same logic goes for the automobile sector however, the two-wheeler segment may gain to some extent on account of tax exemptions.

The real estate sector will be the biggest beneficiary from the budget as the sector has been given direct as well as indirect benefits. Notional rent on the second self-occupied house has been done away with while the TDS threshold of rent has been increased from Rs 1.8 lakh to Rs 2.4 lakh. Rollover of capital gains for section 54 to be increased from 1 residential house to 2 residential houses (for capital gains up to Rs 2

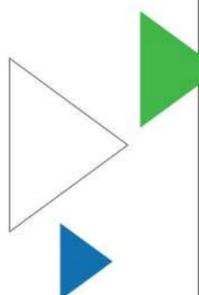


Crore). Also, for affordable Housing - Deduction under 80IB(8) has been extended by one more year. Finally, the builders have been given some relief by extending their exemption (notional income) on unsold inventory from 1 year to 2 years. No surprise the NSE Realty sector was up 1.25 percent during the day.

There has been nothing in the budget to directly benefit the equity markets. All demands from the sector to the finance minister, especially withdrawal of long term capital gains and withdrawal of Statutory Transaction Tax (STT) has been ignored.

The interim budget, however, gives a road map for the final budget to be presented by the newly elected government in July 2019. The populist measures announced by the finance minister are unlikely to be withdrawn. In fact, chances are that many more schemes may be announced in the run-up to the elections and implemented in the budget. The fiscal deficit will be the last thing in the mind of the new government.

Interest rates and FII money, the key drivers for the market are likely to be impacted in the immediate future. The budget has only added more speed bumps for the market. Expect a bumpy ride ahead.



## How you can earn tax-free Rs 10 lakh per annum

By Nikhil Walavalkar

In a move to give relief to the middle class, Finance Minister Piyush Goyal announced in the Budget 2019 that individual taxpayers will get a full tax rebate for income earned up to Rs 5 lakh.

Previously, the income threshold on which rebate was given was Rs 3.5 lakh. Individuals will now get a benefit of Rs 12,500, up from Rs 2,500 earlier. This will benefit taxpayers only to the extent of an annual income of Rs 5 lakh. The basic exemption limit and tax-slabs remain the same.

Additionally, Piyush Goyal also announced an increase in standard deduction to Rs 50,000, up from Rs 40,000 earlier.

To be sure, this is a rebate for those whose taxable incomes are up to Rs 5 lakh. The basic exemption limit of Rs 2.5 lakh - that is, no tax to be paid for those who earn an income of up to Rs 2.5 lakh - continues.

All the tax slabs also continue. In other words, if your taxable income is higher than Rs 5 lakh, you still pay tax at the existing income tax slabs.

But did you know that you can still get a salary of up to Rs 10 lakh and still get the benefit of this rebate?

Here's how:

Salary	10,00,000
Section 80C Exemption	-1,50,000
Standard Deduction	-50,000
Interest on home loan	-200,000
Contribution to NPS	-50,000
Health Insurance Premium Payment	-50,000
<b>Taxable Income</b>	<b>500,000</b>
Income Tax Payable	12,500
Rebate Under Section 87A	-12,500
<b>Tax Liability</b>	<b>0</b>

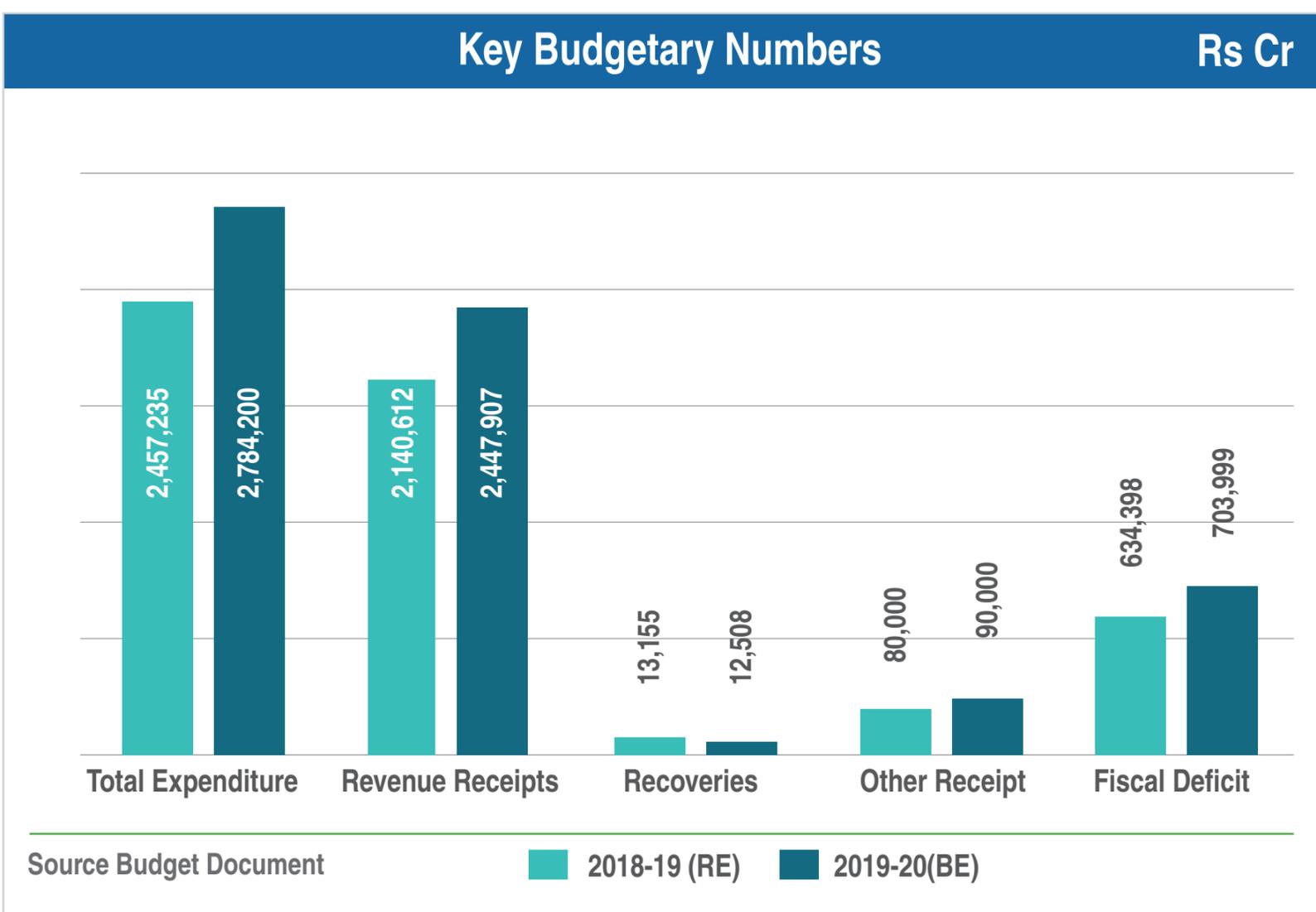
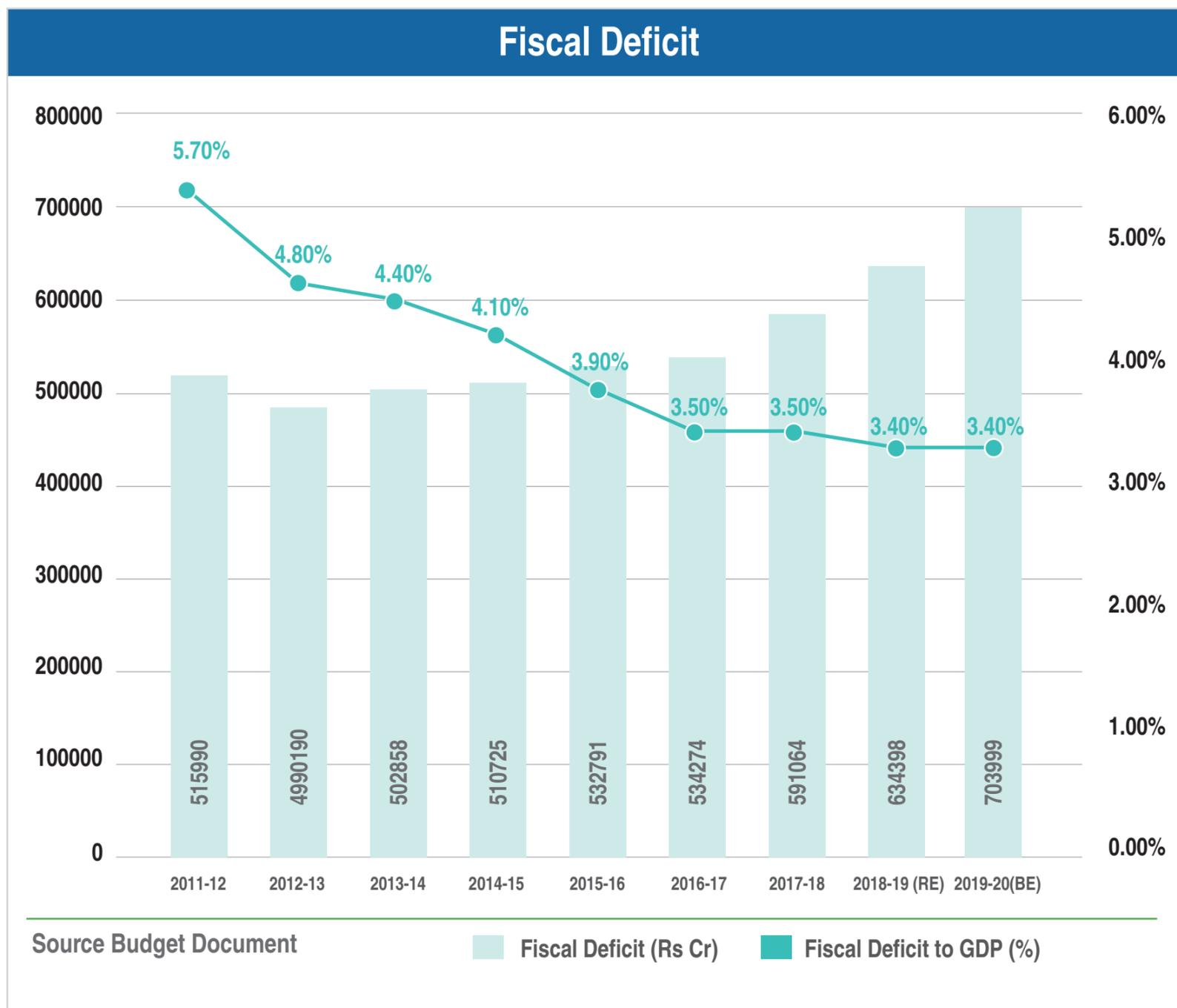
In the above example, existing deductions under Income Tax Act under section 80C along with contribution to NPS (Section 80CCD1B), interest paid on home loan (Section 24) and health insurance premium paid (Section 80D; for both yourself and your senior citizen parents) has

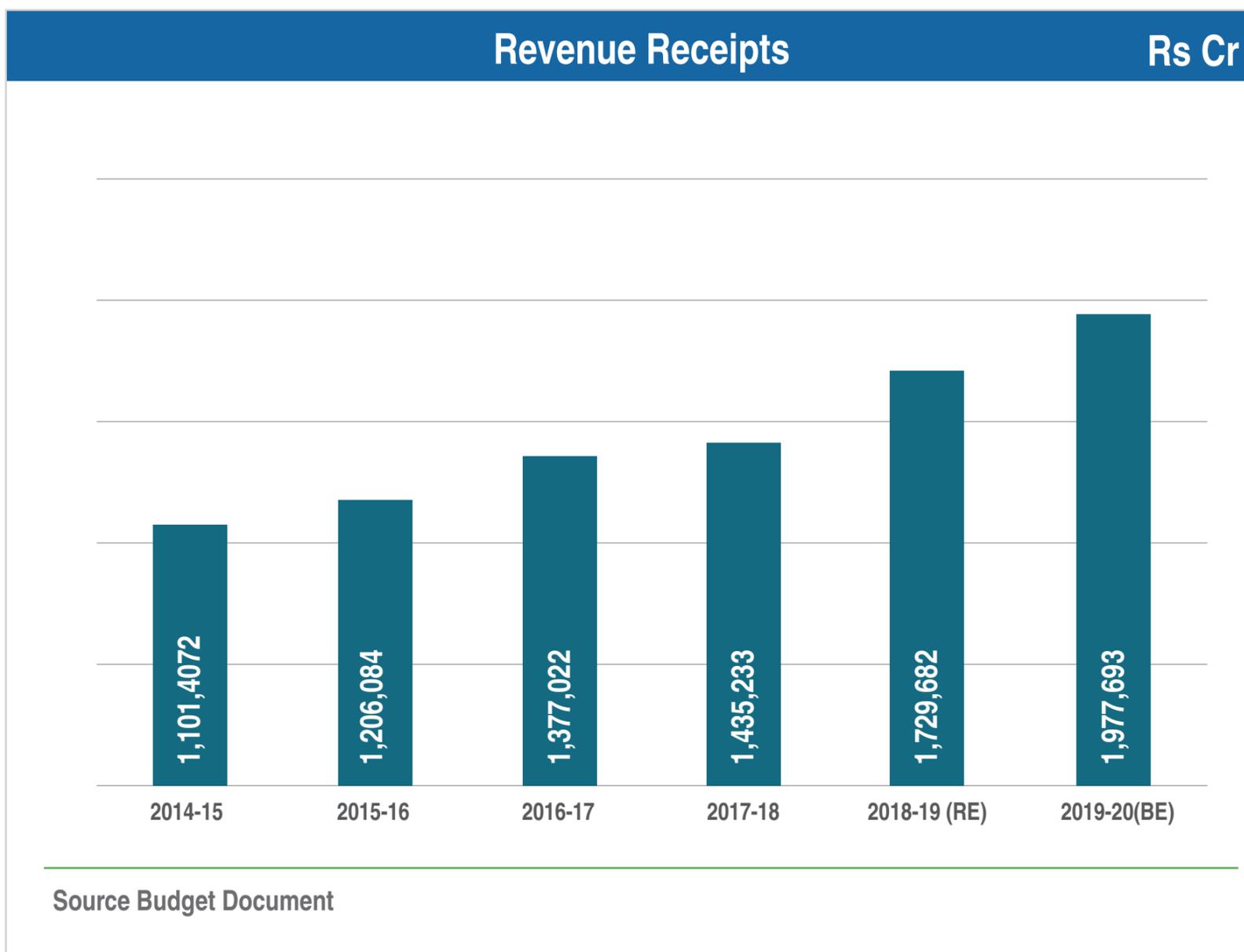
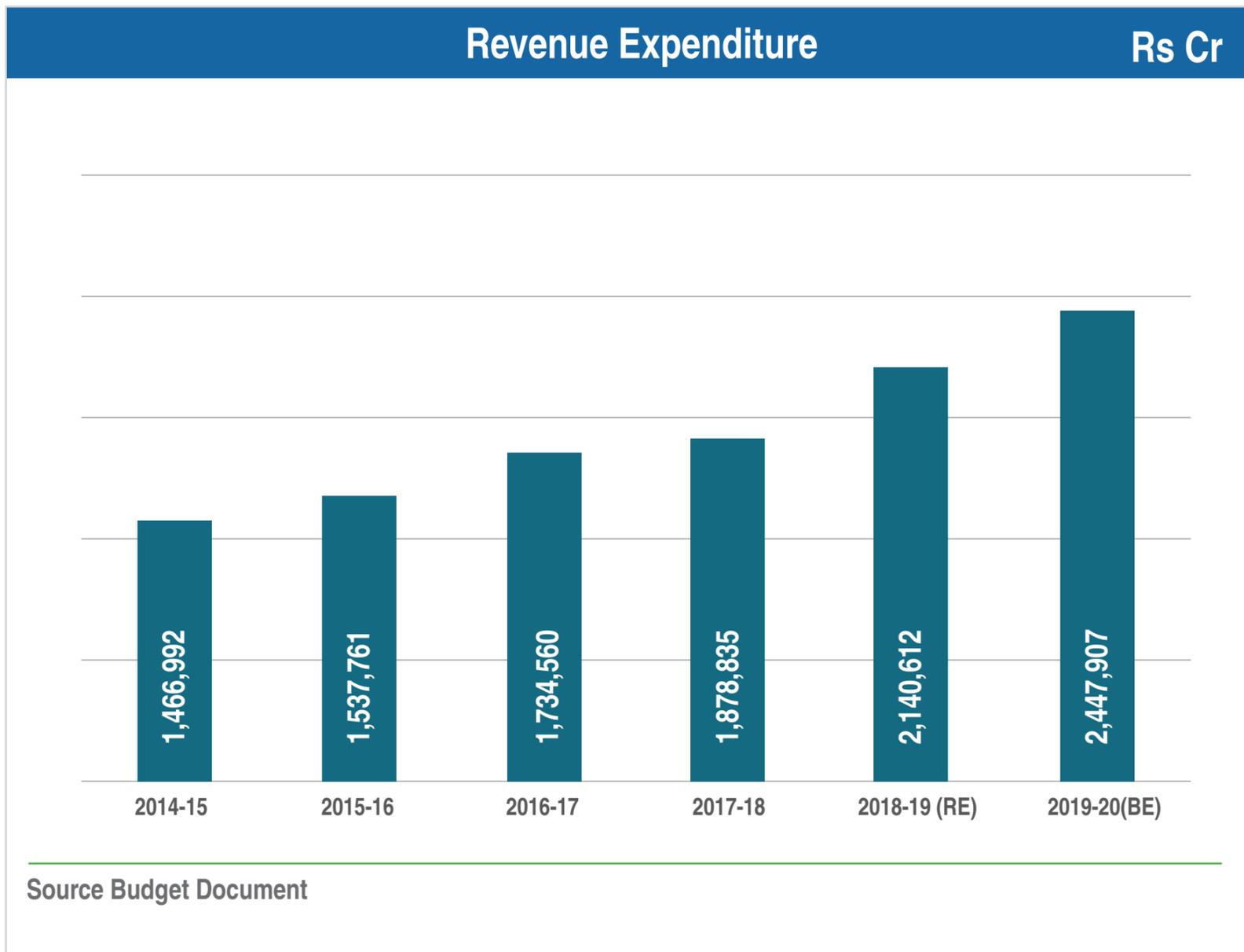


helped the individual to bring down his taxable income to Rs 5 lakh, according to Mrin Agarwal, founder of Finsafe.

This will ensure that his income tax liability is reduced to zero if he files his income tax returns.







**EDUCATION SECTOR:**

Finance minister Piyush Goyal increased the allocation for the education sector by 12.2 percent to Rs 93,847.64 crore in the Interim Budget 2019-20. According to the expenditure budget documents, department of school education and literacy has been allocated Rs 56,386.63 crore while department of higher education has been given Rs 37,461.01 crore.

**FMCG SECTOR:**

The fast-moving consumer goods sector (FMCG sector) is likely to reap the benefits of the government's thrust on the farm sector announced in the Union Budget 2019. The FMCG and retail industry has given a thumbs up to the budget as it will bring in more money in the hands of the consumers and have termed the budget a consumption-oriented budget.

