

FOREWORD

Interim Union Minister for Finance, Shri Piyush Goyal, being the first Chartered Accountant to present the budget before the parliament on 1st February 2019. This was also the sixth (albeit an interim budget), for the government, for fiscal year 2019-20 primarily to cover the expenditure until the government term ends in near future. However, it went beyond that and, amongst other announcements, it summarized how in the past 5 years, the government has achieved utmost to change the mind-set and ignited the self-confidence of the nation. This budget was NDA Government's last budget ahead of General Elections. An 'Interim Budget' is not defined in the Constitution of India. However, in practice and as a convention, quite often, the Government in power has resorted to seek approval of the Parliament to enable the Government to discharge its responsibilities and to meet all essential expenditure during the forthcoming months of the next fiscal year by introducing an interim budget (word now synonym to 'Vote on Account'). The Constitution of India imposes certain restrictions to introduce any new policy initiatives through 'Vote on Account'.

India has made remarkable progress since liberalisation some 25 years ago. But in last 5 years India has witnessed its best phase of macro-economic stability. Its GDP has grown almost 10-fold since, making it the sixth-largest economy in the world which was standing at eleventh rank in fiscal year 2013-14. India has become the fastest growing major economy in the world with an annual average GDP growth during last five years higher than the growth achieved by any Government since economic reforms began in 1991. Important reforms were undertaken in the last five years — notably, huge fiscal decentralisation, GST, Insolvency and Bankruptcy Code (IBC) and Ayushman Bharat.

The budget states that the fiscal deficit for 2018-19 has been brought down to 3.4% from the high of 6% seven years ago. Also, the Current Account Deficit (CAD), against a high of 5.6% six years ago, is likely to be only 2.5% of GDP this year. The Finance Minister said that the Government has been successful in bringing down average inflation to 4.6% over last five years, which is lower than the inflation during the tenure of any other Government. In fact inflation in December 2018 was down to 2.19% only. The average rate of inflation during previous five years, 2009-2014, was a backbreaking 10.1%.

A New Deal for 12 Crore Small and Marginal farmers with direct income support, a path breaking Pension initiative for 10 Crore unorganized sector workers, exempting income up to Rs 5 lakhs from Income Tax for approx 3 crore tax payers, reforms in stamp duty, highest ever budgetary allocation of Rs 3 lakh crore for Defense, record allocation of funds at Rs 58,166 crore for North Eastern Areas, a new AIIMS for Haryana, single window clearance for Indian film makers at par with foreigners and higher budgetary allocations for various identified sectors are some of the major highlights of the Interim Budget 2019.

The minister announced that due to a stable and predictable regulatory regime, growing economy and strong fundamentals, India could attract massive amount of Foreign Direct Investment (FDI) during the last 5 years - as much as \$239 billion. This period also witnessed a rapid liberalisation of the FDI policy, allowing most FDI to come through the automatic route.

The speech of the Finance Minister contained report of the NDA Government for last 5 years. The report has been tabled just before ensuing elections in few months, with an aim to highlight the achievements of the present government in spite of challenges, both on domestic and global scenario. Former finance minister P Chidambaram Friday has termed the union budget as an "account for votes" and not a "vote on account". Critics have also stated that Finance Minister mentioned jobs on nine occasions, and yet somehow managed to evade addressing the reportedly alarming rise of unemployment in the country. The Finance Minister at this budget also gave an overview of the election manifesto of his political party and allies.

To conclude, the interim budget 2019 tries to woo the masses of Indian population (farmers, labourers and middle class) by giving them a huge relief through offering direct income benefits and / or offering tax concessions. As minister put across "This is not merely an Interim Budget, but a medium of the country's development journey".

01 February 2019, Mumbai
Friday, INDIA

ECONOMIC INDICATORS

India is now steadily back on track and heading towards growth and prosperity. The country is in a motion of realizing the 'New India' by 2022 while celebrating 75 years of its Independence. India is being universally recognized as a bright spot of global economy since last five years. From being the 11th largest economy in the world in last budget (2013-14), India today is the 6th largest in the world.

The major economic indicators brought out in the Interim Budget 2019 were as follows:

- The fiscal deficit for 2018-19 seen at 3.4 percent of GDP and is estimated to be seen at 3 percent in 2020-21.
- The current account deficit for 2018-19 is seen at 2.5 percent of GDP
- Debt to GDP ratio is to be brought down to 40 percent by 2024-25.
- The average inflation rate during 2009-2014 was a burdensome 10.1 percent, the same was brought down to 4.6 percent. It is controlled and in fact in December 2018, inflation was down to 2.19 percent only.
- Government is launching a historic programme 'PM-KISAN' in which farmer family having cultivable land upto 2 hectares will be provided direct income of Rs. 6,000 per year.
- Animal Husbandry, fishery sector allocation increased to Rs. 750 crore in Financial Year 2019.
- India has achieved over 98 percent of rural sanitation coverage.

RECENT ANNOUNCEMENTS OF POLICIES AFFECTING INBOUND AND OUTBOUND INVESTMENTS

The Budget Speech acknowledged that the Foreign Direct Investment (FDI) was allowed mostly under the

automatic route. Results of this are that during 2007-08, FDI of US \$ 32.4 billion was received, out of which FDI during April – November was US \$23.3 billion (i.e. 45% growth as compared to the same period in 2007). The recent policies affecting Inbound and Outbound Investments are:

Due to a stable and predictable regulatory regime, growing economy and strong fundamentals, India could attract FDI during last five years – as much as \$239 billion.

This period also witnessed a rapid liberalization of the FDI policy allowing most FDI to come through the automatic route. Various amendments relating to FDI in India were carried out. The changes also related to liberalization of various sectors as well as long awaited relaxations to the policy framework has made a positive impact thereby enhancing foreign inflow into India.

The main sectors that receive the maximum foreign inflows include services, computer software and hardware, telecommunications, trading, construction, automobile, and power.

The top sources of FDI includes Mauritius, Singapore, Netherlands, US and Japan.

FDI is important as India would require huge investments in the coming years to overhaul its infrastructure sector to boost growth.

Overseas Direct Investment

Government of India's Public Sector Undertakings (PSUs) have invested over US\$ 15 billion in Russia's oil and gas projects and are planning to undertake more investments in the country's oil and gas fields.

The RBI, encouraged by adequate forex reserves, has relaxed the norms for domestic companies investing abroad by doing away with the ceiling for raising funds through pledge of shares, domestic and overseas assets. In addition to joint ventures (JVs) and wholly owned subsidiaries (WOSs), the central bank has announced similar concessions for pledging

of shares in case of step down subsidiary.

The RBI also liberalized/ rationalized guidelines for foreign investments abroad by Indian companies

The Union Cabinet has permitted ONGC Videsh to acquire 11 per cent stake in Russian oil company JSC Vankorneft from Rosneft Oil Co. for US\$ 930 million.

India became the third largest source of FDI for UK.

projects have been proposed to be extended for projects approved till 31st March 2020.

- Notional rent income on house property held as stock-in-trade is proposed to be charged to tax after the expiry of 2 years from the end of financial year in which certificate of completion is obtained from the competent authority.
- The existing TDS threshold limit has been increased as follows :

DIRECT TAXES

Income Tax

In order to provide certainty to identified tax payers, the finance bill containing various amendments to income tax law was tabled at the parliament. These changes would be applicable from 1st April 2019. Few of those amendments have been highlighted below.

- No changes have been proposed to the income tax slab rates. They remain unchanged.
- The benefit of Tax rebate u/s 87A has been increased to Rs.12, 500 for Individual tax payers. Effectively, an individual having taxable income up to Rs.5,00,000 will not be subject to income tax.
- The standard deduction available to the salaried employees have been proposed to be increased from Rs.40,000 to Rs.50,000/-.
- Deemed income shall not be taxable for second self occupied house property.
- The tax exemption available under section 54 towards investment of capital gains into the house property is proposed to be made available in respect of 2 houses for long term capital gains earned by Individual & HUF taxpayers subject to maximum of Rs. 2 crores and on fulfillment of specified conditions. This exemption of investment in two houses will be available only once in lifetime.
- The benefit of section 80-IBA granting deduction of an amount equal to hundred per cent of the profits and gains derived from business of developing specified housing

Section	Nature of income	Existing Threshold limit	New Threshold limit
194A	Interest other than interest on securities	Rs.10,000/-	Rs.40,000/-
194I	Rent	Rs.1,80,000/-	Rs.2,40,000/-

INDIRECT TAXES

Excise, Customs and GST

- No changes have been proposed in the interim budget.
- Government is committed towards reducing the number of items from higher tax brackets to lower tax brackets.
- GST Council has constituted a committee to recognize and simplify challenges faced by real estate sector. GST council will take appropriate measures based on the committee's report.

OTHER BUDGET PROPOSALS FOR FEW SELECT SECTORS

Agricultural Sector

- 12 crore small and marginal farmers to be provided with assured yearly income of Rs. 6000 per annum under PM KISAN SAMMAN NIDHI YOJANA.
- Outlay of Rs. 75,000 crore for PM KISAN for the financial year 2019-2020 also providing Rs. 20,000 crore in Revised Estimates.
- 2% interest subvention to Farmers for Animal husbandry and Fisheries activities; additional 3% in case of timely repayment.

- Rashtriya Kamdhenu Ayog to be setup for sustainable genetic up-gradation of the Cow resources.

Manufacturing Sector

- In Make in India Scheme, mobile and parts manufacturing companies have increased from 2 to more than 268 companies.
- India is now on the way to becoming a global manufacturing hub in various sectors including automobiles and electronics, defence and medical devices.

Infrastructure

- The number of operational airports has crossed 100
- Domestic Passenger traffic has doubled during the last five years.
- India has become the fastest highway developer in the world – 27 kms each day.

Education

- An amount of Rs.38, 572 crore has been allocated for National Education Mission
- Allocation of Rs. 27,584 crore for Integrated Child Development Scheme (ICDS)

Defence

- After Implementing One rank One Pension (OROP) over Rs. 35,000 crore have been already disbursed.
- The Defence Budget will cross Rs. 3,00,000 crore for securing the borders and to maintain preparedness of the highest order.

Banking Reforms and Insolvency and Bankruptcy Code (IBC)

- Amalgamation of Banks has been done to reap the benefits of economies of scale.
- Recapitalization of Rs. 2, 60,000 crore for Public sector unit banks.
- An amount of Rs. 3,00,000 crore has been recovered in favour of banks and creditors through IBC Process

Animal Husbandry and Fisheries sector

- India is the second largest fish producing nation in the world. To provide sustained and focused attention towards development of this sector, government has proposed to create separate Department of Fisheries.
- Government proposes to provide the benefit of interest subvention to farmers pursuing the activities of animal husbandry and fisheries who avail loan through kisan credit card. Further, in case of timely repayment of loan, they will get an additional 3% interest subvention.

Entertainment sector

- To promote entertainment industry, single window clearance for ease of shooting films (currently available to foreigners) is proposed to be made available to Indian filmmakers as well. Regulatory provisions will rely more on self declaration.
- Anti piracy measures will be made more stringent.

DISCLAIMER

For private circulation and for internal use. This document summarizes the Finance Speech and Finance Bill delivered by the Finance Minister on 1st February 2019. Certain policy announcement and changes to the statute carried out by the Finance Minister in the recent past is not brought out in this document. Information is being made available at this document purely for the benefit of the readers. Whilst every care has been taken in the preparation of this document, it may contain errors for which we should not be held responsible. It must be stressed that the present Finance Bill shall be followed by a detailed and exhaustive Finance Bill to be presented by the next Government during the financial year 2019-20. Needless to state that each economic decision would call for a specific reference of the relevant statute.

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