Union Budget 2019 (July)

The Budget 2019 (July) was the first budget by the new Finance Minister Ms Nirmala Sitharaman and the first one for the new government as well. Understandably, the new budget is quite an incremental one compared to the budget presented by the Minister Piyush Goyal in February this year.

The financial side of the budget remains identical to that of the budget presented in February. Total expenditure for the February budget was Rs 27.84 lakh crore whereas that presented by Nirmala Sitharaman is Rs 27.86 lakh crores.

Though the new budget is static on the financial side, it is worth to be noted because it contains:

1. Some interesting *policy announcements* and
2. Unique *supportive measures* to various sectors of the economy.

On the policy front, the budget makes several announcements like:

- FDI liberalisation measures,
- FPI treatment for NRIs in the equity market,
- Higher Education reform measures,
- Proposal for the issue of sovereign bonds abroad,
- Aggressive disinvestment proposals, and
- Steps to bring back the era of Development Financial Institutions

On the support front, there is:

- Electric vehicle manufacturing incentives
- Promotional measures for start-ups
- Incentives for affordable housing and
- Liquidity support measures for NBFCs etc.

India's Economic Transformation

India is in a transformation to become a $5 trillion economy. At present, the Indian Economy has reached US$ 2.7 trillion and is expected to cross $3 trillion this year. The economy is on the way to reach the US$ 5 trillion in the next few years.

At present, India is the sixth largest (in the following table prepared by the IMF, India is seventh largest economy) in the world compared to 11th position five years back. In Purchasing Power Parity terms, India is 3rd largest economy after China and the USA.

Countries and GDP size (IMF 2018)

Rank	**Country**	**GDP size (trillion US $)**
1	US	20.4
2	China	13.4
3	Japan	4.97
4	Germany	4.0
5	United Kingdom	2.8
6	France	2.77
7	**India**	**2.7**

India's GDP is $2.7 bn and is poised to overtake France and the UK in short time. The economy surely has the potential to reach at the third position where Japan is having a GDP of just marginally short of $5bn.

Budget 2019: Policy measures

A. FDI promotion

India's FDI inflows in 2018-19 remained strong at US$ 64.375 billion despite global issues. To continuously attract FDI, the following policies are proposed:

1. Higher FDI ceilings for sectors like aviation and insurance

a. The Government will consider further opening up of FDI in aviation, media (animation, AVGC) and insurance sectors in consultation with all stakeholders.

b. 100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries.

c. Local sourcing norms will be eased for FDI in Single Brand Retail sector.

(It is to be noted that increasing FDI limit in aviation sector will benefit troubled airlines companies -Air India and Jet Airways.)

Table: Current FDI norms in selected sectors and the budget proposal

Sector	Current FDI limit (%)	Proposal
Insurance (including insurance broking, insurance companies, third party administrators, surveyors and loss assessors.)	49	Higher but not decided
Aviation	49	Higher but not decided
Insurance intermediaries	49	100
AVGC (Animation, Visual effects, Gaming and Comics)	26	Higher but not decided
newspaper and periodicals	26	Higher but not decided

Another step in attracting foreign investment is incentivising foreign insurance firms to start operation domestically, especially for carrying their back up office works etc. For this, the FM offered to reduce the Net Owned Fund requirement to Rs 1000 crores.

2. Incentivising international insurance companies to establish operations domestically

To facilitate onshoring of international insurance transactions and to enable opening of branches by foreign reinsurers in the International Financial Services Centre, the Net Owned Fund requirement will be reduced from Rs 5,000 crore to Rs 1,000 crore.

3. Annual Investors Meet to attract foreign investors

The Government is planning to organise an annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as the anchor.

Effort is to attract all three sets of global players-top industrialists/corporate honchos, top pension/insurance/sovereign wealth funds and top digital technology/venture funds.

4. Aadhaar Card for NRIs

Aadhaar Card for Non-Resident Indians with Indian Passports will be issued after their arrival in India without waiting for 180 days.

5. Indian Development Assistance Scheme (IDEAS)

IDEAS was designed to provide concessional financing for projects and contributes to infrastructure development and capacity building in the recipient developing countries.

This is aimed to promote economic cooperation with countries through bilateral and regional coordination. The scheme will utilise alternative development models including private sector equity, multilateral financing, contributions from corporates, non-residents etc for development cooperation.

B. Foreign Portfolio Investment (FPI)

FPI is the second major channel of foreign capital for India. On the FPI front, the Finance Minister comes out with an interesting policy of clubbing NRI investment with FPI.

1. Merger of NRI Investment under FPIs

NRI participation in Indian capital markets is low: Even though India is the world's top remittance recipient, NRI investment in Indian capital markets is comparatively less.

For giving the NRIs seamless access to Indian equities, the NRI-Portfolio Investment Scheme Route is to be merged with the Foreign Portfolio Investment Route.

NRI deposit is of remarkable size but their participation in the equity market is small. With the changed regulation, the NRIs may become a sizable investment group in the equity market.

2. FPI investment promotion by reducing procedures

The KYC norms for FPIs will be rationalised to make it more investor friendly without compromising the integrity of cross-border capital flows.

3. FPI investment limit in corporate entities is to be increased

At present, the policy on FPI shareholding in companies is that all FPIs can together hold 24% shares of a company. Now, an option will be given to the concerned corporates to increase it.

4. FPI investment in Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs).

FPIs will be permitted to subscribe to *listed debt securities* issued by Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs).

C. MSMEs

MSMEs are the most vibrant components of the economy. They are large in number, small in size, entrepreneurial and technology adapting.

Every year, the budget comes out with at least one package to the MSME sector. There is the evergreen schemes like MUDRA, SIDBI sponsored SMILE project etc. This budget also carries some goodies for the MSME sector.

1. Interest Subvention Scheme for MSMEs

Under the Interest Subvention Scheme for MSMEs, Rs 350 crore has been allocated for Financial Year 2019-20 for 2% interest subvention for all GST registered MSMEs.

2. Payment platform for MSMEs

Government will create a payment platform for MSMEs to enable filing of bills and payment thereof on the platform itself.

3. Loan within 59 minutes

For ease of access to credit for MSMEs, Government has introduced providing of loans upto Rs 1 crore for MSMEs within 59 minutes through a dedicated online portal.

4. Pradhan MantriKaram Yogi Maandhan Scheme

Pension scheme for the three crore retail traders and small shopkeepers whose annual turnover is less than Rs 1.5 crore.

D. Infrastructure

The budget makes an assessment about the volume of money to be invested in the sector.

Infrastructure Financing -overall target

Government's objective is to invest Rs 100 lakh crore in infrastructure over the next five years. This means an investment averaging Rs 20 lakh crores every year (USD 300 billion a year). A number of measures are proposed to enhance the sources of capital for infrastructure financing.

1. Expert committee on long term infrastructure finance and DFIs

For realising the investment target, the government will set up an expert committee to study the current situation relating to long-term finance in the infrastructure sector.

The Committee will also review the possibility of bringing back Development Finance Institutions (DFIs).

It will also recommend the structure and required flow of funds through development finance institutions.

What are DFIs?

They were created from 1948 onwards to give long term loans or project loans to industries. The IDBI, IFCI, ICICI, UTI etc were the titans of the past who performed the role of development finance.

Now they became IDBI Bank, ICICI Bank etc after the government's decision to phase out DFIs in the 1990s.

But, in the context of the rising exposure of banks to corporate sector and high level of NPAs were produced. Banks are not suitable to give long term loans to the corporate. Public anger may go up with high level of NPAs with banks. Rising corporate debt with banks is not good for systemic financial stability.

Hence, the there is an indication that the government is looking for the rebirth of these vintage entities.

2. Credit Guarantee Enhancement Corporation for infrastructure sector loans

A Credit Guarantee Enhancement Corporation with RBI regulations will be set up in 2019-20.

3. Development of the bond market

An action plan to deepen the market for long term bonds including for deepening markets for corporate bond repos, credit default swaps etc., with specific focus on infrastructure sector, will be designed.

4. Investment by FPIs in infrastructure debt funds can be transferred to domestic investors

Investments made by FIIs/FPIs in debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) can be transferred/sold to any domestic investor within the specified lock-in period.

5. Iconic Tourism Sites

The Government is developing 17 iconic Tourism Sites into world class tourist destinations and to serve as a model for other tourism sites. These sites would enhance visitor experience and thus would lead to increase visits of both domestic and international tourists.

E. Capital Market

For the capital market, the budge comes out with few new ideas including a proposed increase in the public shareholding in listed entities.

1. Minimum shareholding of listed companies to be increased to 35%

Minimum Pubic shareholding in listed companies to be increased: SEBI will consider raising the current threshold of 25% to 35%.

This means that many multinational companies and firms with high promoter holdings will have to come out with FPOs, QIPs or other tools to reduce stakes.

The step is positive for minority shareholders and it will lead to a better price discovery.

Still, some MNCs with low public shareholding may prefer to delist instead of relinquishing their stakes.

For the government, it may get tax revenues from listing of more shares.

2. Social Stock Exchange:

A social stock exchange for creating an electronic fund-raising platform, under SEBI regulations will be created for listing social enterprises and voluntary organizations working for the realization of social welfare. They can raise capital as equity, debt or as units like a mutual fund.

3. Retail investment participation in G-Secs

Government securities (G-Secs) are traditionally instruments of institutions. Retail players are shy to make investment in G-Secs and now the government is coming out with ideas for retail participation in G-Sec market.

Retail investor participation in treasury bills and securities issued by the Government is important.

RBI initiatives to be supplemented with further institutional development using stock exchanges.

The Government will take up necessary measures in this regard in consultation with RBI and SEBI.

4. International Financial Services Centre (IFSC)

The GIFT city in Gujarat is facing difficulty in taking off and the budget comes out with new measures. Several measures were taken to promote the International Financial Services Centre (IFSC) in GIFT City.

Further direct tax incentives will be provided to an IFSC including 100 % profit-linked deduction under section 80-LA in any ten-year block within a fifteen-year period.

Similarly, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gain to Category-III AIF and interest payment on loan taken from non-residents are allowed.

Tax exemptions will be provided for interest received by a non-resident in respect of monies lent to a unit located in IFSC.

To facilitate the setting up of mutual funds in the IFSC, there would be no additional tax on distribution of any amount, on or after 1st September, 2019, by a specified Mutual Fund out of its income derived from transactions made on a recognised stock exchange located in any IFSC.

5. Preventing tax abuse

Listed companies are trying to avoid Dividend Distribution Tax through buy back of shares. This is a tax abuse and it is proposed that listed companies shall also pay additional tax at 20% in case of buy back of share, like in the case currently for unlisted companies.

F. Rural Sector

Rural sector is traditionally getting constant attention of the government. In the past budgets, there are four areas of support by the government.

- Rural electrification
- LPG connection

- Rural housing and
- Rural roads

By 2022, the 75th year of India's independence, every single rural family, except those who are unwilling to take the connection will have an electricity and a clean cooking facility. UjjwalaYojana and Saubhagya Yojana have transformed life in rural areas.

1. Clean energy through LPG connections: Ujjwala Yojana

More than m 7 crore LPG connections were provided to ensure clean cooking energy through Ujjwala Yojana.

2. Electricity- Saubhagya Yojana

All villages, and almost 100% households across the country have been provided with electricity.

3. Pradhan Mantri Awas Yojana – Gramin (PMAY-G)

Pradhan Mantri Awas Yojana – Gramin (PMAY-G) with the objective of "Housing for All" by 2022, has constructed a total of 1.54 crore rural homes in the last five years.

In the second phase of PMAY-G, during 2019-20 to 2021-22, nearly 1.95 crore houses are to be constructed for the eligible beneficiaries.

Average number of days for completion of houses has reduced from 314 days in 2015-16 to 114 days in 2017-18.

4. Pradhan Mantri Gram Sadak Yojana (PMGSY)

Launched in 2000, all weather connectivity has been provided to over 97% of remote habitations under Pradhan Mantri Gram Sadak Yojana (PMGSY).

The scheme achieved high pace with construction of 130 to 135 km per day in the last 1,000 days.

Nearly 30,000 kms of PMGSY roads have been built using Green Technology, Waste Plastic and Cold Mix Technology, thereby reducing carbon footprint.

Now, the focus is connecting villages to rural markets.

Here, PMGSY-III is proposed to upgrade 1,25,000 kms of road length over the next five years, with an estimated cost of Rs 80,250 crore.

5. Pradhan Mantri Matsya Sampada Yojana (PMMSY)

The Department of Fisheries will establish a robust fisheries management framework under the scheme.

The scheme is designed to address critical gaps in the value chain, including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.

6. the Jal Jeevan Mission: Ensuring piped water supply to all by 2024

After electricity and LPG, the government attention in the rural areas shifts to water supply.

The newly created Jal Shakti Mantralaya will work with States to ensure Har Ghar Jal (piped water supply) to all rural households by 2024 under the Jal Jeevan Mission.

The Mission, under the Department of Drinking Water and Sanitation, will focus on integrated demand and supply side management of water at the local level.

This include creation of local infrastructure for source sustainability like rainwater harvesting, groundwater recharge and management of household wastewater for reuse in agriculture.

The Jal Jeevan Mission will converge with other Central and State Government Schemes to achieve its objectives of sustainable water supply management across the country.

The Government has identified 1592 Blocks which are critical and over exploited, spread across 256 District for the Jal Shakti Abhiyan.

Funding of the scheme: Besides using funds available under various Schemes, the Government will also explore possibility of using additional funds available under the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) for this purpose.

G. Agriculture

Last budget has given high attention to the agriculture sector. PM KISAN is a classic example for the approach of the last budget and the focus on the agriculture sector.

Now, the new budget has only few things offer. It comes out with ideas like zero budget farming and expansion of FPOs.

1. Creation of 10000 FPOs

What is an FPO?

An FPO is an entity formed by a group of farm producers, as a registered body with producers as shareholders in the organisation.

FPO deals with business activities including production and marketing related to the farm produce and it works for the benefit of the member producers.

In the next five years, 10,000 new Farmer Producer Organizations will be created to ensure economies of scale for farmers.

2. Agricultural marketing

The centre will work with State Governments to allow farmers to benefit from e-NAM.

3. Zero Budget Farming

What is zero budget farming?

Zero budget farming is a set of farming methods that involve zero credit for agriculture and no use of chemical fertilisers.

Positive expectation about zero budget farming is that it may help farmers to come out of the debt trap as there is less dependence on credit and commercial input use.

The Finance Minister advocate that India has to replicate the innovative Zero Budget Farming model which has been followed by farmers in a few States including Karnataka and Andhra Pradesh.

H. Traditional industries

1. SFURTI for traditional industries

To make the traditional industries more productive, profitable and to create more employment opportunities, the 'Scheme of Fund for Upgradation and Regeneration of Traditional Industries' (SFURTI) will set up more Common Facility Centres (CFCs).

SFURTI aims to set up 100 new clusters during 2019-20 that is expected to help 50,000 artisans to join the economic value chain.

This CFCs are expected to facilitate cluster-based development of traditional industries.

The focused sectors are Bamboo, Honey and Khadi clusters.

2. ASPIRE

Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) has been consolidated for setting up of Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs).

The ASPIRE Scheme will help to set up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in 2019-20 to support 75,000 skilled entrepreneurs in agro-rural industry sectors.

3. Supporting traditional artisans to get more market access

A Mission will be launched to integrate the traditional artisans and their creative products with global markets.

Traditional artisan products will be protected by obtaining Intellectual Property rights helping them to access the National and International Markets. For this, the Government will help them to obtain patents and geographical indications.

I. Swachh Bharat Mission

Swachh Bharat Mission to undertake solid waste management

Launched in 2014, the mission has achieved its target and constructed 9.6 crore toilets. More than 5.6 lakh villages have become Open Defecation Free (ODF).

Now, the scheme will be expanded to undertake sustainable solid waste management in every village. The SBM now switch gears from toiled construction to solid waste management.

J. Urban sector

1. Pradhan MantriAwasYojana – Urban (PMAY-Urban)

Under the scheme, over 81 lakh houses with an investment of about Rs 4.83 lakh crores have been sanctioned.

Of the sanctioned houses, construction has started in about 47 lakh houses.

Over 26 lakh houses have been completed of which nearly 24 lakh houses have been delivered to the beneficiaries.

Over 13 lakh houses have so far been constructed using new technologies.

2. Urban sanitation

More than 95% of cities also have been declared ODF. More than 45,000 public and community toilets across 1700 cities have been uploaded on Google maps, covering more than 53% of India's urban population.

3. Urban transportation using Railways

Railways will be encouraged to invest more in suburban railways through Special Purpose Vehicle (SPV) structures like Rapid Regional Transport System (RRTS) proposed on the Delhi-Meerut route.

K. Education and Youth

Most reformist budget vision step in this budget is on higher education. It is the area where a lot of change are to be made and there is an urgent need as well. The new budget also reflects this mindset.

1. New National Education Policy:

The Government will bring in a New National Education Policy to transform India's higher 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.

2. National Research Foundation (NRF)

NRF will be created 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 ensure that the overall research eco-system in the country is strengthened with focus on identified thrust areas relevant to the national priorities and towards basic science without duplication of effort and expenditure.

The funds available with all Ministries will be integrated in NRF.

PM is the Chairman of the NRF whereas tit is co-chaired by the Principal Scientific Advisor

3. GIAN: Global Initiative of Academic Networks (GIAN) in higher education was started for tapping the global pool of scientists and researchers.

4. IMPRINT: 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.

5. SWAYAM: Massive online open courses through the SWAYAM initiative have helped bridge the digital divide for disadvantaged section of the student community.

6. Upgrading the quality of education: Creation of world class educational institutions: There are three Indian institutions in world class educational institutions. Funding to support the creation of world class institutions is provided by the government. In the budget, an amount of Rs 400 crore has been provided under the head, "World Class Institutions", for FY 2019-20.

7. Study in India: This is a new effort to attract foreign students to study in India's higher educational institutions.

8. Regulatory reform for higher education- the HECI

The regulatory systems of higher education would be reformed comprehensively to promote greater autonomy and focus on better academic outcomes. A draft legislation for setting up Higher Education Commission of India (HECI), would be presented in the year ahead.

9. Sports education: To popularize sports at all levels, a National Sports Education Board for Development of Sports

Khelo India Scheme was launched in October 2017 to create awareness of sports as an integral part of wellness.

10. Skill Development

Pradhan Mantri Kaushal Vikas Yojana (PMKVY): PMKVY was launched to provided industry-relevant skill to 10 million youth. In the context of the changing skill requirements, the government will also focus on new-age skills like Artificial Intelligence (AI), Internet of Things, Big Data, 3D Printing, Virtual Reality and Robotics.

L. Streamlining labour laws

The Government is proposing to streamline multiple labour laws into a set of four labour codes.

This will ensure that process of registration and filing of returns will get standardized and streamlined.

With various labour related definitions getting standardized, it is expected that there shall be less disputes.

M. Start-ups

Angel tax problem is the leading issue that hurt the start-up sector. In the budget, the FM comes out with some consolation measure for the start-up sector regarding angel tax.

1. The angel tax relief to start-ups

What is Angel Tax?

Technically, angel tax is an income tax payable on capital raised by unlisted companies (start-ups here) from investors (mostly angel investors) via issue of shares if the sold share price is excess of the fair market value of the shares.

The excess of share price over the fair market price and the amount raised is treated as income and taxed accordingly.

The angel tax issue for start-ups

The tax was applicable on angel investment that are supposed to make investment in start-ups, hence it is known as angel tax. Start-ups who received such capital have to pay the tax

Concession by the government earlier

At present, start-ups are not required to justify fair market value of their shares issued to certain investors mainly if the investors are Category-I Alternative Investment Funds (AIF).

What are Alternative Investment Funds?

Alternative Investment Funds are a class of investment entities that are not covered under the usual SEBI regulatory framework for investment institutions.

AIFs refers to any privately pooled investment fund – a trust or a company or a body corporate or an LLP (Limited Liability Partnership) which are not presently covered by any Regulation of RBI, SEBI, IRDA and PFRDA.

The Category-I AIFs are the ones who can produce positive spillovers in the economy and for that they get incentives from the government, SEBI or other regulators.

They include Social Venture Funds, Infrastructure Funds, Venture Capital Funds including Angel Investors, SME Funds etc.

The Category-II

These are funds who avail no specific incentives and concessions from the government or any regulator.

The institutions under this category are: Private Equity Funds, Debt Funds, Fund of Funds etc.

What the budget 2019 promises to start-ups on angel tax?

The budget proposes to extend this benefit of non-scrutiny of Angel tax to Category-II Alternative Investment Funds also.

This means that more investors are eligible for the non-scrutiny from fair value assessment by the tax officials.

Valuations of such investment will be outside the income tax (angle tax) scrutiny.

2. Declarations for resolving the angel tax issue

The start-ups and their investors have to file requisite declarations and provide information in their returns for not to be scrutinized on their valuations of share premiums.

3. Administrative arrangements with CBDT for pending assessments

Special administrative arrangements shall be made by Central Board of Direct Taxes (CBDT) for pending assessments of start-ups and redressal of their grievances.

No inquiry or verification in such cases can be carried out by the Assessing Officer without obtaining approval of his supervisory officer.

The issue of establishing identity of the investor and source of his funds will be resolved by putting in place a mechanism of e-verification.

With this, funds raised by start-ups will not require any kind of scrutiny from the Income Tax Department.

4. Exemption from capital gains

Additional exemptions for capital gains from the sale of residential houses etc will be provided to start-ups.

5. Extension of the Stand-up India scheme

The Stand-up India scheme delivered considerable benefits to entrepreneurs from the SC/ST communities.

Given the positive results of the Scheme and strong demand for its continuance by the SC and ST communities, the Scheme would be continued for the entire period coinciding with the 15th Finance Commission period of 2020-25.

6. DD Programme for start-ups

A TV programme exclusively for start-ups will be launched with the DD. This shall serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning.

N. Social Sector

1. Pradhan Mantri Shram Yogi Maandhan

Launched by the PM on 5th March 2019 at Ahmedabad the Scheme aims at providing Rs 3,000 per month as pension on attaining the age of 60 to crores of workers in unorganized and informal sectors.

2. Women Empowerment (Naari Tu Narayani)

Gender budgeting is a part of India's budget making. Gender analysis of the budget is aimed at examining the budgetary allocation through a gender lens. The government will create a broad-based Committee with Government and private stakeholders to evaluate and suggest action for moving forward.

3. Support for Women SHGs

The interest subvention scheme for Women SHGs will be expanded to all districts.

Every verified women SHG member having a Jan Dhan Bank Account will be allowed to get an overdraft of Rs 5,000.

One woman in every SHG will also be made eligible for a loan up to Rs 1 lakh under the MUDRA Scheme.

Already several mass financial empowerment schemes promote women participation.

Women entrepreneurship is encouraged through various schemes such as MUDRA, Stand UP India and the Self-Help Group (SHG) movement.

4.Pension Sector: **NPS Trust and PFRDA will be separated**

The Pension Fund Regulatory and Development Authority (PFRDA) implements and regulates the National Pension System (NPS) and Atal Pension Yojana through various intermediaries including, *inter-alia*, the NPS Trust.

But considering the wider interest of the subscribers and to maintain arm's length relationship of the NPS Trust with PFRDA, steps will be taken to separate the NPS Trust from PFRDA with appropriate organizational structure.

5. Digital repository of tribal cultural heritage

With the objective of preserving rich tribal cultural heritage, a digital repository is developed where documents, folk songs, photos & videos regarding their evolution, place of origin, lifestyle, architecture, education level, traditional art, folk dances and other anthropological details of the tribes in India are stored. The repository will further be enriched and strengthened.

6.UJALA Yojana

Cleaner environment and ensuring sustainable energy - the UJALA Yojana: The programme aims at mass scaling up of LED bulbs by replacing incandescent bulbs. Widespread distribution of the bulbs at household is expected to produce Rs 18,341 crores annually.

India is going to be free of incandescent bulbs and CFL use has already become miniscule.

O. Banking Sector

Budget is said to be a response to the current economic environment. There are two important financial sector problems in our economy.

1. NPAs with the banking sector

2. Liquidity problems of the NBFC sector

The FM comes out with some measures on these two fronts.

1. NPA situation is improving

NPAs of commercial banks were reduced by Rs 1 lakh crore over the last year, record recovery of over.

Another Rs 4 lakh crore is under the IBC procedure.

Provision coverage ratio is now at its highest in seven years.

Domestic credit growth is rebounded to 13.8%.

For PSBs, the government has made consolidation by reducing the number of Public Sector Banks by eight.

Six Public Sector Banks have been enabled to come out of Prompt Corrective Action framework.

2. Capitalisation of PSBs

Public Sector Banks will be provided with Rs 70,000 crore capital to boost credit delivery.

Reforms will be undertaken to strengthen governance in Public Sector Banks.

Customer support: PSBs will use technology, offering online personal loans and doorstep banking, and enabling customers of one Public Sector Bank to access services across all Public Sector Banks.

3. RBI will fully regulate the housing sector

RBI will take over the regulatory function of the NHB regarding the housing sector.

The regulation power over the housing finance sector will be transferred from NHB to RBI.

P. NBFCs

Non-Banking Financial Companies (NBFCs) are playing an extremely important role in sustaining consumption demand as well as capital formation in small and medium industrial segment.

NBFCs that are fundamentally sound should continue to get funding from banks and mutual funds without being unduly risk averse.

1. Partial Credit Guarantee to PSBs for purchasing pooled NBFC assets

For purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of Rupees one lakh crore during the current financial year, Government will provide one time six months' partial credit guarantee to Public Sector Banks for first loss of up to 10%.

2. RBI will be more empowered to regulate NBFCs

Appropriate statutory steps are incorporated in the Finance Bill to strengthen the regulatory power of RBI over NBFCs.

3. Requirement of DRR for fund raising by NBFCs will be removed

At present, the NBFCs should maintain a Debenture Redemption Reserve (DRR) for raising fund from the public through debt. In addition, a special reserve as required by RBI, has also to be maintained.

To allow NBFCs to raise funds in public issues, the requirement of creating a DRR will be removed.

4. Encouraging NBFCs to take part in TReDS platform

To bring more participants, especially NBFCs, not registered as NBFCs-Factor, on the TReDS platform, amendment in the Factoring Regulation Act, will be made to allow all NBFCs to directly participate on the TReDS platform.

Trade Receivable Discounting System (TreDS) is an online bill discounting platform for MSMEs. Its purpose is to facilitate the financing of trade receivables of MSMEs and it was introduced by the Reserve Bank of India (RBI) in 2014.

5. Incentives to certain Non-banking Financial Companies (NBFCs):

Presently, interest income on bad or doubtful debts made by NBFCs is charged to tax on *accrual basis*.

However, in cases of scheduled banks, public financial institutions, state financial corporations, state industrial investment corporations, cooperative banks and certain public companies like housing finance companies, interest on bad or doubtful debts is charged to tax on *receipt basis*.

To provide a level playing field, it is proposed that interest on bad or doubtful debts in the case of deposit-taking NBFC and systemically important non deposit-taking NBFC shall be charged to tax on *receipt basis*.

Q. Disinvestment

Disinvestment approach of the government in this budget has two vital features:

1. Aggressive revenue mobilisation
2. Privatisation element

1. Disinvestment Target

There is a higher disinvestment target of Rs 1,05,000 crore for 2019-20.

The Government will undertake strategic sale of PSUs.

The Government will also continue consolidation of PSUs in the non-financial sector.

2. Strategic disinvestment

Strategic disinvestment of select CPSEs would continue to remain a priority. For this, the Government would restart the process of strategic disinvestment of Air India. Besides more CPSEs will be offered for strategic participation by the private sector.

Government stake holding of 51% in selected PSUs may go

Government is following a disinvestment policy in non-financial public sector undertakings so that the government share -holding should not to go below 51%.

Government is considering, PSUs by maintaining government control, to go below 51% to an appropriate level on case to case basis.

Government has also decided to modify present policy of retaining 51%.

Including the shares held by government owned institutions (like the LIC) while calculating the government shareholding: Modification of the policy of retaining 51% Government stake will be examined by considering the shares held by Government controlled institutions.

3. Encouraging ETF route

Exchange Traded Funds is an important mode to collect money from disinvestment. Bharat and CPSE ETFs got money to the government and made disinvestment successful.

To attract, investor participation in ETFs, an investment option in ETFs on the lines of Equity Linked Savings Scheme (ELSS) will be given.

This will make ETFs to avail Section 80C deduction under the income tax and hence will encourage long term investment in CPSEs.

ELSS are equity-oriented mutual funds with a lock-in period of three years and are eligible for 80C benefit.

4. Concessional capital gains tax for fund of funds created for disinvestment of PSEs

It is proposed to provide that concessional rate of short-term capital gains tax shall also apply to fund of funds set up for disinvestment of Central Public Sector

Enterprises (CPSEs), to which concessional rate of long-term capital gains tax has already been extended.

5. Public shareholding of PSUs will be encouraged

For bringing better public ownership of the PSUs and to bring greater commercial and market orientation of the listed PSUs, the Government will make steps to meet public shareholding norms of 25% for all listed PSUs.

6. Increased foreign shareholding in PSUs

Similarly, measures will be made to raise foreign shareholding to maximum permissible sector limits for all PSU companies that are part of Emerging Market Index.

R. Sovereign Borrowing

Sovereign borrowings: Government plans to borrow from abroad

Government like to use overseas markets as sovereign borrowing is very low:

India's sovereign external debt as a percentage of GDP is among the lowest globally at less than 5%.

Given this low external official debt, the Government would start borrowing programme from external markets in external currencies.

This will also have beneficial impact on demand situation for the government securities in domestic market (yield will or interest rate on G-Secs may come down).

S. Digital Payments

Several initiatives were taken in the recent past for the promotion of digital payments and less cash economy.

The budget comes out with new measures.

1. TDS on cash withdrawal exceeding Rs 1 crores

A TDS levy of 2% will be made on cash withdrawal exceeding Rs 1 crore per year from a bank account.

This is to discourage large amount of cash withdrawal from bank accounts.

Some business models, where large cash withdrawal is a necessity, are proposed to be exempted.

The Government may notify the persons to whom these provisions shall not be applicable in consultation with the Reserve Bank of India.

Table: Financing of the fiscal deficit or sources of government borrowings

Table: Debt receipts or financing of the fiscal deficit (2019)	
Debt receipts	**In Rs crores**
Market borrowings	448122
Securities against small savings	130000
State PF	18000
Other Receipts	59532
External Debt	-2592
Drawn down of cash balance	51059
Grand total	**703760**

2. No Merchant Discount Rate for Businesses using Digital Payment platforms

The budget gives exemption from Merchant Discount Rate for the promotion of low-cost digital modes of payment such as BHIM UPI, UPI-QR Code, Aadhaar Pay, certain Debit cards, NEFT, RTGS etc.

Here, no Merchant Discount Rate shall be imposed on customers as well as merchants for business entities with a turnover of more than Rs 50 crore.

The business entities shall provide facility for prescribed low-cost electronic modes of payment.

RBI and Banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payment.

3. Digital Support for rural areas

a. Pradhan Mantri Gramin Digital Saksharta Abhiyan

The digital literacy programme for the rural people has provided digital literacy to over 2 crore rural people.

b. Bharat -Net

To bridge rural-urban digital divide, Bharat-Net is targeting internet connectivity in local bodies in every Panchayat in the country by using Universal Service Obligation Fund and tapping PPP funding.

T. Electric Vehicles

Why electric vehicles are critical for India?

- Big market
- Manufacturing prospects
- Climate adaptive

India has a large consumer base that is fine for the development of the automobile sector.

At the same time, India should leapfrog and graduate as a global hub of manufacturing of Electric Vehicles.

Besides, solar storage batteries to be manufactured and charging infrastructure has to be developed.

In the developed markets and China, governments are providing subsidies and tax breaks for promoting electric vehicles.

In India, the NITI-Aayog is planning to ban all internal combustion engine two-wheelers under 150cc by 2025 and three-wheelers by 2023.

1. Income tax deduction for availing electric vehicle loans

To make electric vehicle affordable to consumers, the government will provide additional income tax deduction of Rs 1.5 lakh on the interest paid on loans taken to purchase electric vehicles.

This will give a total benefit of around Rs 2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle.

2. Customs duty exemption for facilitating electric mobility

To incentivise e-mobility, customs duty is being exempted on certain parts of electric vehicles.

3. GST on electric vehicles to be reduced:

For the promotion of electric vehicle manufacturing, the government has already moved GST council to lower the GST rate on electric vehicles from 12% to 5%.

4. Income Tax incentives for electric vehicle component makers

Electric vehicle component makers of solar electric charging infrastructure and lithium storage batteries and other components will be offered investment linked income tax exemptions under Section 35 AD of the Income Tax Act, and other indirect tax benefits.

5. FAME 2

The second phase of the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME 2) scheme was launched from April 2019 onwards with an outlay of Rs 10,000 crore.

U. Affordable housing

1. More tax incentives for affordable home buyers

Interest paid on buying affordable houses can be deducted from income while estimating tax.

The budget allows an additional deduction of up to Rs 1,50,000/- for interest paid on loans borrowed up to 31st March 2020 for purchase of an affordable house valued up to Rs 45 lakh.

At present, interest paid up to Rs 2 lakh on housing loans is allowed as a deduction in respect of self-occupied property.

Altogether,a person purchasing an affordable house will now get an enhanced interest deduction up to Rs 3.5 (Rs 2.5 +Rs 1.5) lakh.

This will translate into a benefit of around Rs 7 lakh to the middle-class homebuyers over their loan period of 15 years.

2. Alignment of definition of affordable housing with GST Acts

To align the definition of affordable housing in the Income-tax Act with the GST Acts, it is proposed to increase the limit of carpet area:

1. From 30 square meters to 60 square meters in Metropolitan regions and
2. from 60 square meters to 90 square meters in non-metropolitan regions.

It is also proposed to provide the limit on cost of the house at Rs. 45 lakhs in line with the definition in the GST Acts.

V. Make in India

1. Increase in basic customs duty

To help the domestic industry compete with overseas firms, basic customs duty is being increased on items metal fittings, mountings for furniture, auto parts, certain kinds of synthetic rubbers, marble slabs, optical fibre cable, CCTV camera, IP camera, digital and network video recorders etc.

2. Exemptions from customs duty removed

Exemptions from custom duty on certain electronic items which are now being manufactured in India are being withdrawn.

Further, end use-based exemptions on palm stearin, fatty oils, and exemptions to various kinds of papers are also being withdrawn.

3. Customs duty reduction to promote domestic manufacturing

Customs duty reductions are proposed on certain raw materials and capital goods: these include certain inputs of CRGO sheets, amorphous alloy ribbon, ethylene di-chloride, propylene oxide, cobalt matte, naphtha, wool fibres, and inputs for manufacture of artificial kidney and disposable sterilised dialyser, and fuels for nuclear power plants.

4. Customs duty exemption for facilitating electric mobility

To incentivise e-mobility, customs duty is being exempted on certain parts of electric vehicles. Customs duty is also being exempted on capital goods required for manufacture of specified electronic goods.

5. Duty on imported books

To encourage domestic publishing and printing industry, 5 % custom duty is being imposed on imported books.

6. Export duty on leather

Export duty is being rationalised on raw and semi-finished leather to provide relief to the sector.

7. Income Tax incentives for electric vehicle component makers

Electric vehicle component makers of solar electric charging infrastructure and lithium storage batteries and other components will be offered investment linked income tax exemptions under Section 35 AD of the Income Tax Act, and other indirect tax benefits.

8. Mega Investment in Sunrise and Advanced Technology Areas to attract foreign investment

To boost growth and Make in India, the government will launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas.

The areas industries are: Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc.

Companies will be incentivised with investment linked income tax exemptions under section 35 AD of the Income Tax Act, and other indirect tax benefits.

II. Tax Proposals- Direct Taxes

1. Higher revenue growth in direct taxes

Direct taxes having a double-digit growth over the last few years and reached Rs11.37 lakh crore in Financial Year 2018-19.

Government was able to reduce the tax burden on small and medium income-earners including self-employed, small traders, salary earners, and senior citizens.

2. Rising Direct Tax Collection

Direct tax collection (2013-14 to 2018-19)		
Financial year	**Total tax collection (lakh cr)**	**Direct tax Growth (%)**
2013-14	6.38	14.24%
2014-15	6.95	8.96 %
2015-16	7.41	6.63%
2016-17	8.41	13.45%
2017-18	10. 02	19.13%
2018-19	11.37	13.46%

3. Increase in number of taxpayers

Efforts from various initiatives and taxpayer outreach programmes undertaken by the Government has increased the number of taxpayers.

The number of taxpayers increased by approximately 48% over the period 2013-14 to 2017-18, from 5.71 crore taxpayers to 8.44 crore taxpayers.

The details of the number of taxpayers over the period 2013-14 to 2017-18 are given in the table below.

As per the definition, a taxpayer is a person who either has filed a return of income or in whose case tax has been deducted but the person has not filed return of income.

Table: Increasing number of taxpayers

Number of taxpayers for the period (2013-14 to 2018-19)		
Financial Year	No of taxpayers (in crores)	Growth rate of taxpayers (%)
2013-14	5.71	8.27%
2014-15	6.15	7.64%
2015-16	6.92	12.60%
2016-17	7.41	7.01%
2017-18	8.44	13.92%

4. PIT-relief to low income groups

For individuals, they have to pay tax only if the annual taxable income exceeds Rs 5 lakh.

The tax policy has been designed to realise multiple objectives including to stimulate growth, incentivise affordable housing, encourage start-ups by releasing entrepreneurial spirits and to promote digital economy.

5. Lower Corporate Income Tax rate

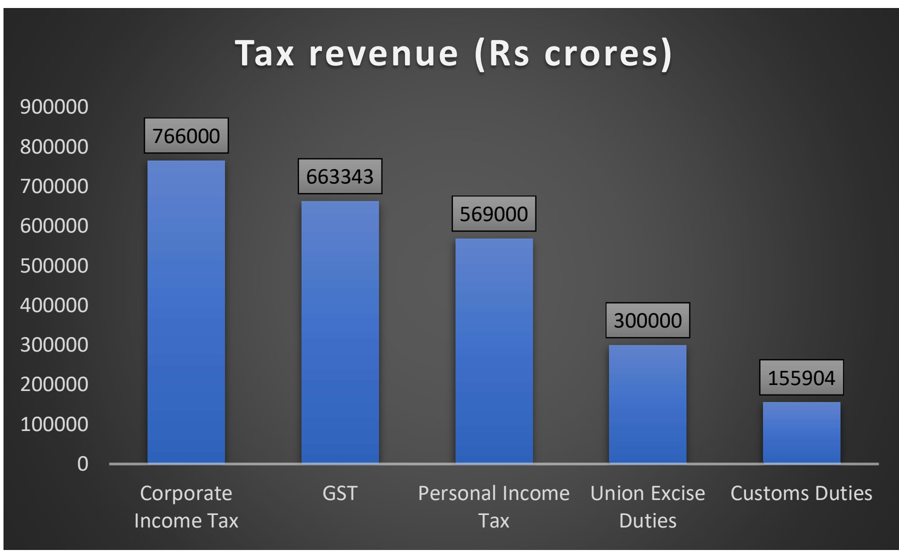
On Corporate Income tax, a phased reduction in rates to 25% is under implementation.

The lower corporate income tax rate of 25% is to be extended to all companies that have annual turnover of upto Rs 400 core from the current limit of Rs 250 crore.

This means that cover 99.3% of the companies are paying this rate and only 0.7% of companies remain outside this rate.

Table: Major tax revenues of the centre – Budget 2019 (July)

Tax	Amount (Rs crores)	Percentage share in total tax revenue
Corporate Income Tax	766000	30
GST	663343	26
Personal Income Tax	569000	22.3
Union Excise Duties	300000	11.75
Customs Duties	155904	6.1
Gross Tax revenue of the centre	2552131	100



7. PAN and Aadhaar interchangeability

For the ease and convenience of taxpayers, PAN and Aadhaar interchangeable.

Interchangeability of PAN and Aadhaar to enable a person who does not have PAN but has Aadhaar to use Aadhaar in place of PAN under the Act.

This means that those who do not have PAN to file Income Tax returns can do it by simply quoting their Aadhaar number and can use it wherever they are required to quote PAN.

A person who has already linked his Aadhaar with his PAN may at his option use Aadhaar in place of PAN under the Act

8. Quoting of PAN/Aadhaar for high value transactions

To track high value transactions, it is proposed that the quoting and authentication of PAN/Aadhaar shall be mandatory for certain prescribed transactions.

Non- tax revenues – 2019 Budget		
Sl No.	**Non-tax revenue item**	**(Rs crores)**
1	Interest Dividends and Profits	177239
2	Fiscal Services	425
3	General Services	23449
4	Social and Community services	4180
5	Economic Services	104729
6	Grants in aid and contribution	1006
7	Non-tax revenue from UTs	2149
	Total	**313179**

9. Pre-filling of Income-tax Returns

Pre-filled tax returns that contain details of salary income, capital gains from securities, bank interests, dividends etc. and tax deductions will be made available to taxpayers.

Information regarding these incomes will be collected from the concerned sources such as Banks, Stock exchanges, mutual funds, EPFO, State Registration Departments etc.

This will significantly reduce the time taken to file a tax return, besides ensuring the accuracy of reporting of income and taxes.

10. Faceless e-assessment

Personal interaction with the taxpayer leads to certain undesirable practices on the part of tax officials.

To avoid such interaction between the taxpayer and tax officials, faceless e-assessment will be launched.

The scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner.

Initially, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies.

Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the Assessing Officer.

The Central Cell shall be the single point of contact between the taxpayer and the Department.

11. Personal Income Tax structure

Personal Income tax slab for 2019-20	
Tax Slab	**Tax Rate**
Upto Rs 250000*	Nil
Rs 250001 to Rs 5 lakh	5 per cent
Rs 500001 to Rs 10 lakh	20 per cent
Above Rs 10 lakh	30 per cent
*Rebate of Rs 5 lakh is applicable	

The budget 2019 (July)retains the tax rates of PIT provided by the interim budget.

a. There is a tax rebate up to Rs 5 lakh

A tax rebate will be provided to people with income upto Rs 5 lakh.

Effectively, even persons having gross income up to Rs 6.50 lakhs may not be required to pay any income tax if they make investments in provident funds, specified savings, insurance etc.

b. Standard deduction increased: Standard Deduction is being raised from the current Rs 40,000 to Rs 50,000.

c. Increase in surcharges for higher income groups

The budget proposes to enhance surcharge on individuals having taxable income from Rs 2 crore to Rs 5 crore and Rs 5 crore and above so that effective tax rates for these two categories will increase.

12. Deduction of tax by certain individuals or HUFs:

At present there is no requirement for an individual or HUF to deduct tax at source on payments made to a resident contractors or professionals.

The budget brings a new provision making it obligatory for such individual or HUF to deduct tax at source at the rate of five per cent.

This is mandatory if the annual payment made to a contractor or professional exceeds Rs. 50 lakhs.

A person deducting tax under this section shall be able to deposit TDS on the basis of the Permanent Account Number (PAN) only.

Table: Budget 2019: New surcharge structure for PIT

Income group	New surcharge rate	Old surcharge	Marginal tax rate (30%+health and educational cess +surcharge)
Rs 50 lakh to Rs 1 cr	10%	10%	34.21%
Rs 1 cr to 2 cr	15%	15%	35.88%
Rs 2 cr to 5 cr	25%	15%	39%
Above Rs 5 cr	37%	15%	42.7%

The main feature of the budget's tax proposal is the high marginal tax rate of 42.7% on high income group of above Rs 5 crore.

13. TDS on immovable property

When TDS is to be made on the acquisition of immovable property, other charges like nature of club membership fee, car parking fee, electricity and water facility fee, maintenance fee, advance fee or any other charges of similar nature are also to be added into the cost of buying property while estimating the tax to be deducted.

Currently, these charges were excluded while calculating the amount of tax to be deducted at the time of making payment for property.

Only amount paid for buying a house is considered to determine the amount of tax to be deducted.

As per the current norm, a buyer is required to deduct TDS at the rate of one per cent of purchase price while purchasing an immovable property of more than Rs 50 lakhs.

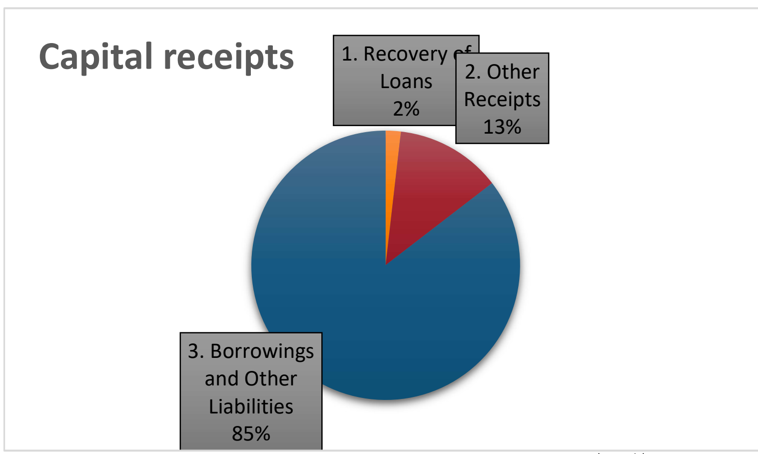
13. 1. Capital receipts of the government:

Capital receipts are three:

1. Borrowings
2. Disinvestment (Other receipts) and
3. Recoveries of loans.

Table: Capital receipts under budget 2019

Capital receipt item	Rs crores
1. Recovery of Loans	14828
2. Other Receipts	105000
3. Borrowings and Other Liabilities	703760
Total Capital Receipts	**823588**



14. Gifts made to non-residents

Currently gifts given by Indian residents to non-resident Indians – including to the specified list of relatives was non-taxable.

This has created round tripping of money as several residents gifted money overseas and bring back to make investment in India.

Budget 2019 has plugged this loophole and brought such gifts under the gamut of income-tax.

The budget proposes that gift of any sum of money, or property situated in India, by a person resident in India to a person outside India (not being a gift otherwise exempt), on or after 5th day of July 2019, shall be deemed to accrue or arise in India.

This means that the said income behind the gift has its origin in India and should be taxed.

The value of these gifts is added to the income and taxed as per the normal slab rates applicable to resident Indians.

Gifts of any kind – viz shares, property, vouchers, cash etc exceeding Rs 50,000 made to anyone apart from the specified relatives or blood relations would be taxed in the hands of the NRI.

Table: GST and its components

GST and its components: Budget 2019 July (BE) (Rs crores)	
CGST	52600
IGST	28000
GST Compensation Cess	109343
Total GST	**663343**

15. Compulsory filing of return

Tax return filing is compulsory if the person has carried out any of the following transactions:

1. Persons who have deposited more than Rs. 1 crore in a current account in a year.

2. Persons who spent more than Rs. 2 lakh on foreign travel or

3. Persons with more than Rs. 1 lakh on electricity consumption in a year. Persons who enter into high value transactions also furnish return of income. Person whose income becomes lower due to rollover benefit of capital gains.

16. Other tax proposals

1. Hike in Special excise duty on petrol and diesel

Special Additional Excise duty and Road and Infrastructure Cess will be increased by one rupee a litre on petrol and diesel.

The excise duty hike is expected to give an additional Rs 29000 crores to the government.

2. Hike in import duty on gold

It is also proposed to increase custom duty on gold and other precious metals from 10% to 12.5%.

Import duty on silver dore bar increased to 11 per cent.

Table: Debt receipts or financing of the fiscal deficit (Budget July 2019)	
Debt receipts	**In Rs crores**
Market borrowings	448122
Securities against small savings	130000
State PF	18000
Other Receipts	59532
External Debt	-2592
Drawn down of cash balance	51059
Grand total	**703760**

3. Action on bogus entities exploiting export incentives

Certain bogus entities are resorting to unfair practices to avail undue concessions and export incentives.

Already, provisions are incorporated in the Customs Act for enhanced penalty and prosecution for such offences.

Adding to these existing measures, misuse of duty-free scrips and drawback facility involving more than fifty lakh rupees will be a cognizable and non-bailable offence.

4. Creation of Legacy Dispute Resolution Scheme for settling GST disputes

There is large volume of pending litigations from pre-GST regime. More than Rs 3.75 lakh crore is blocked in litigations in service tax and excise. For the quick closure of such disputes Legacy Dispute Resolution Scheme will be launched.

17. Other Budgetary Features

Other budgetary features including the deficit indicators, subsidies etc., are following the pattern of February 2019 budget, with some marginal changes in figures.

The important budgetary trends covered in this part are:

1. Deficit indicators,

2. Subsidy trends,

3. Rupee Goes to and Rupee comes from statements,

4. Major Revenue Expenditures of the government and

5. Budget at a Glance Statement.

1. Deficit indicators

Fiscal Indicator	2017-2018 Actuals	2018-2019 (BE)	2018-2019 (RE)	2019-2020 (BE)
1. Fiscal Deficit	591062 (3.5)	624276 (3.3)	634398 (3.4)	703760 (3.3)
2. Revenue Deficit	443600 (2.6)	416034 (2.2)	410930 (2.2)	485019 (2.3)
3. Effective Revenue Deficit	252566 (1.5)	220689 (1.2)	210630 (1.1)	277686 (1.3)
4. Primary Deficit	62110 (0.4)	48481 (0.3)	46828 (0.2)	43289 (0.2)

As per budget 2019, the total fiscal deficit is set at 3.3% of GDP and it is marginally lower than the previous budget estimates.

2. Subsidy trends

Table: Subsidy- 2019 budget

Subsidy Scheme Name	2019-20 (BE)
1. Food	**184220**
2. Fertiliser	**79996**
a. Urea Subsidy	53629
b. Nutrient Based Subsidy	26367
3. Petroleum	**37478**
a. LPG Subsidy	32989
b. Kerosene Subsidy	4489
4. Interest Subsidies	**25056.01**
Grand Total	**338949.47**

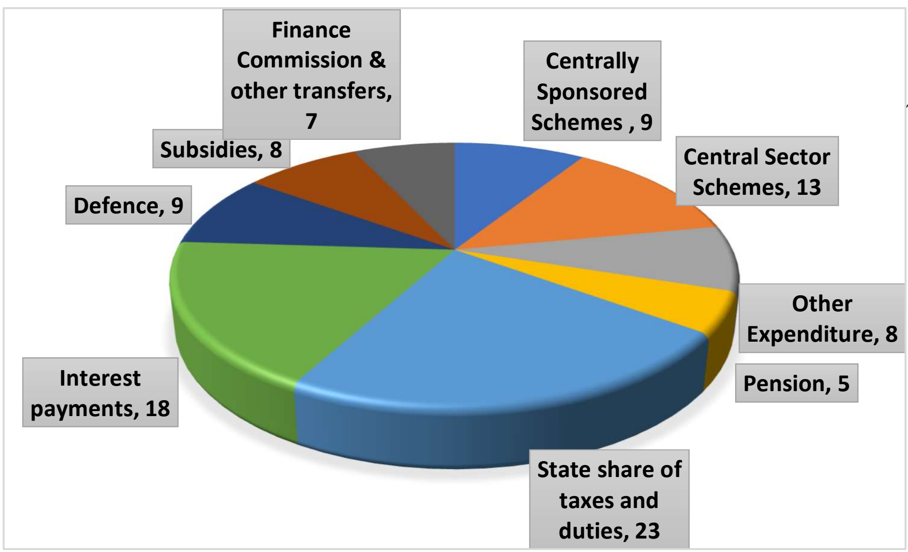
The Food subsidy is the highest subsidy with an allocation of Rs 184220 crores as per the budget estimates. Fertiliser subsidy is the next biggest, followed by petroleum and interest subsidies.

3. Rupee Goes to: Statement of Expenditure of the government

The Rupee goes to statement indicate the expenditure of the government including the transfers to the states as per the recommendations of the finance commission.

As per the rupee goes to statement, the largest expenditure item for the government is state shares in central taxes. Next one is interest payments. Here, remember, the state share is not shown in the budget at a glance statement.

Budget 2019 July: Rupee Goes to	
Item	%
Centrally Sponsored Schemes	9
Central Sector Schemes	13
Other Expenditure	8
Pension	5
State share of taxes and duties	23
Interest payments	18
Defence	9
Subsidies	8
Finance Commission & other transfers	7



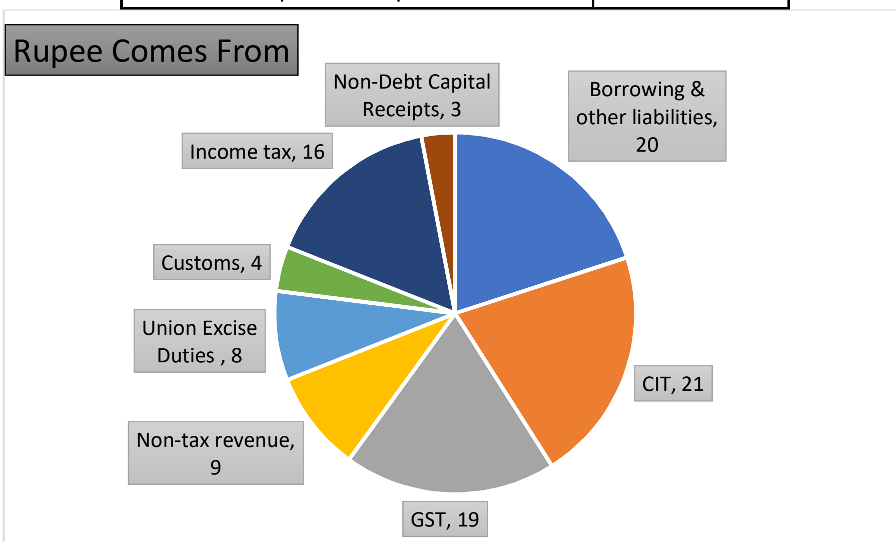
Rupee comes from: expenditure items of the government

The rupee comes from statement shows the sources of receipts for the central government. Major revenue sources are taxes including corporate income tax, personal income tax, non-tax revenues, borrowings etc.

As per the 2019 budget estimates, the most important receipt item for the central government is corporate income tax followed by borrowings, GST, Personal Income Tax etc.

Table: Rupee comes from – sources of receipts

Rupee comes from	
Item	**Percentage**
Borrowing & other liabilities	20
CIT	21
GST	19
Non-tax revenue	9
Union Excise Duties	8
Customs	4
Income tax	16
Non-Debt Capital Receipts	3



4. Major Revenue expenditure items of the government – Budget 2019

Table: Major Revenue expenditure items of the government

Revenue Expenditure items	Rs lakh crores	As a % of total expenditure
Interest Payments	6.6	23.7
Subsidies	3.38	12.2
Defence	3.05	11
Pension	1.68	7
Total Revenue Expenditure	**24.4**	87.5

Interest payments is the largest expenditure item in the revenue budget, followed by subsidies and defence.

Revenue expenditure as a percentage of the total expenditure is nearly 87.5% of the total expenditure and the remaining is capital expenditure.

5. Budget at a Glance 2019 (July)

	2017-18 Actuals	2018-19 Revised Estimates	2019-20 Budget Estimates
1. Revenue Receipts	**1435233**	**1729682**	**1962761**
2. Tax Revenue (Net to Centre)	1242488	1484406	1649582
3. Non-Tax Revenue	192745	245276	313179
4. Capital Receipts	**706740**	**727553**	**823588**
5. Recovery of Loans	15633	13155	14828
6. Other Receipts	100045	80000	105000
7. Borrowings and Other Liabilities	591062	634398	703760
8. Total Receipts (1+4)	**2141973**	**2457235**	**2786349**
9. Total Expenditure (10+13)	**2141973**	**2457235**	**2786349**
10. On Revenue Account	**1878833**	**2140612**	**2447780**
of which			
11. Interest Payments	528952	587570	660471
12. Grants in Aid for creation	191034	200300	207333
of capital assets			
13. On Capital Account	**263140**	**316623**	**338569**
14. Revenue Deficit (10-1)	**443600 (2.6)**	**410930 (2.2)**	**485019 (2.3)**
15. Effective Revenue Deficit (14-12)	252566 (1.5)	210630 (1.1)	277686 (1.3)
16. Fiscal Deficit [9-(1+5+6)]	**591062 (3.5)**	**634398 (3.4)**	**703760 (3.3)**
17. Primary Deficit (16-11)	62110 (0.4)	46828 (0.2)	43289 (0.2)

Source: Budget, July 2019, figures are shown in Rs crore, bracketed figures are expressed as per cent of GDP.