

YK GIST

AUGUST 2019

WWW.IASBABABA.COM

**BUDGET: AT YOUR
FINGERTIPS**



**UNION
BUDGET
2019-20**

INTEGRATED LEARNING PROGRAMME (ILP) - 2020

(FRESHERS/WORKING
PROFESSIONALS & VETERANS)

MAINSPEDIA- (GS1,2,3,4 & Essay)

BABAPEDIA- Prelims Oriented Current Affairs

50+ General Studies & 10 CSAT Tests

Value Added Notes (Prelims + Mains)

Mind Maps for GS Mains

GS Mains Synopsis & Model Essays

All India Ranking

Self Assessment System

Doubt Clearance Portal

Preface

This is our 53rd edition of Yojana Gist and 44th edition of Kurukshetra Gist, released for the month of August 2019. It is increasingly finding a place in the questions of both UPSC Prelims and Mains and therefore, we've come up with this initiative to equip you with knowledge that'll help you in your preparation for the CSE.

Every issue deals with a single topic comprehensively sharing views from a wide spectrum ranging from academicians to policy makers to scholars. The magazine is essential to build an in-depth understanding of various socio-economic issues.

From the exam point of view, however, not all articles are important. Some go into scholarly depths and others discuss agendas that are not relevant for your preparation. Added to this is the difficulty of going through a large volume of information, facts and analysis to finally extract their essence that may be useful for the exam.

We are not discouraging from reading the magazine itself. So, do not take this as a document which you take read, remember and reproduce in the examination. Its only purpose is to equip you with the right understanding. But, if you do not have enough time to go through the magazines, you can rely on the content provided here for it sums up the most essential points from all the articles.

You need not put hours and hours in reading and making its notes in pages. We believe, a smart study, rather than hard study, can improve your preparation levels.

Think, learn, practice and keep improving! You know that's your success mantra 😊



I Highly Recommend IASbaba's
TLP MAINS Answer Writing
Programme for its Quality



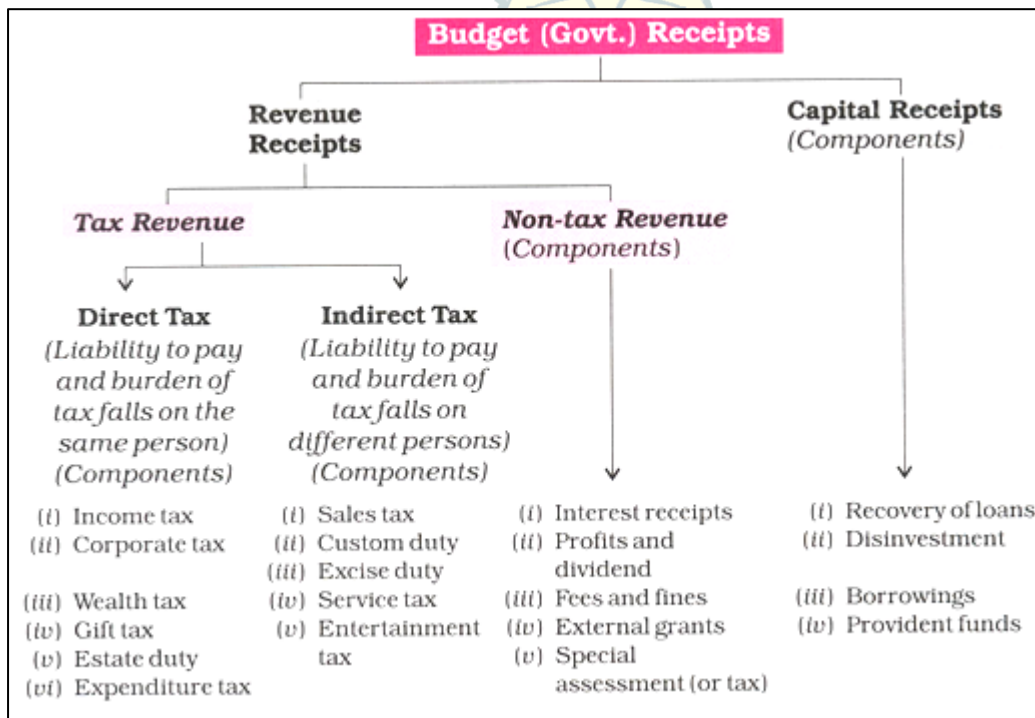
**KANISHAK KATARIA -
AIR 1 (UPSC 2018)**

UNION BUDGET 2019

According to Article 112 of the Indian Constitution, the Union Budget of a year, also referred to as the annual financial statement, is a statement of the estimated receipts and expenditure of the government for that particular year.

Revenue budget includes the government's revenue receipts and expenditure. There are two kinds of revenue receipts - tax and non-tax revenue. Revenue expenditure is the expenditure incurred on day to day functioning of the government and on various services offered to citizens. If revenue expenditure exceeds revenue receipts, the government incurs a revenue deficit.

Capital Budget includes capital receipts and payments of the government. Loans from public, foreign governments and RBI form a major part of the government's capital receipts. Capital expenditure is the expenditure on development of machinery, equipment, building, health facilities, education etc. Fiscal deficit is incurred when the government's total expenditure exceeds its total revenue.



Interim Budget: The budget for the year approved by Parliament gives the government spending rights only till the end of the financial year ending March 31. Through the interim Budget, Parliament passes a vote-on-account that allows the government to meet the expenses of the administration until the new Parliament considers and passes the Budget for the whole year.

Vote on Account: Through the interim Budget, Parliament passes a vote-on-account that allows the government to meet the expenses of the administration until the new Parliament is elected. It is a grant in advance to enable the government to carry on until the voting of demands for grants and the passing of the Appropriation Bill and Finance Bill. This enables the government to fund its expenses for a short period of time or until a full-budget is passed.

- Normally, the Vote on Account is taken for two months only.
- The sum of the grant would be equivalent to one sixth of the estimated expenditure for the entire year under various demands for grants.
- As a convention, a vote-on-account is treated as a formal matter and passed by Lok Sabha without discussion.

How does the interim budget differ from a regular budget?

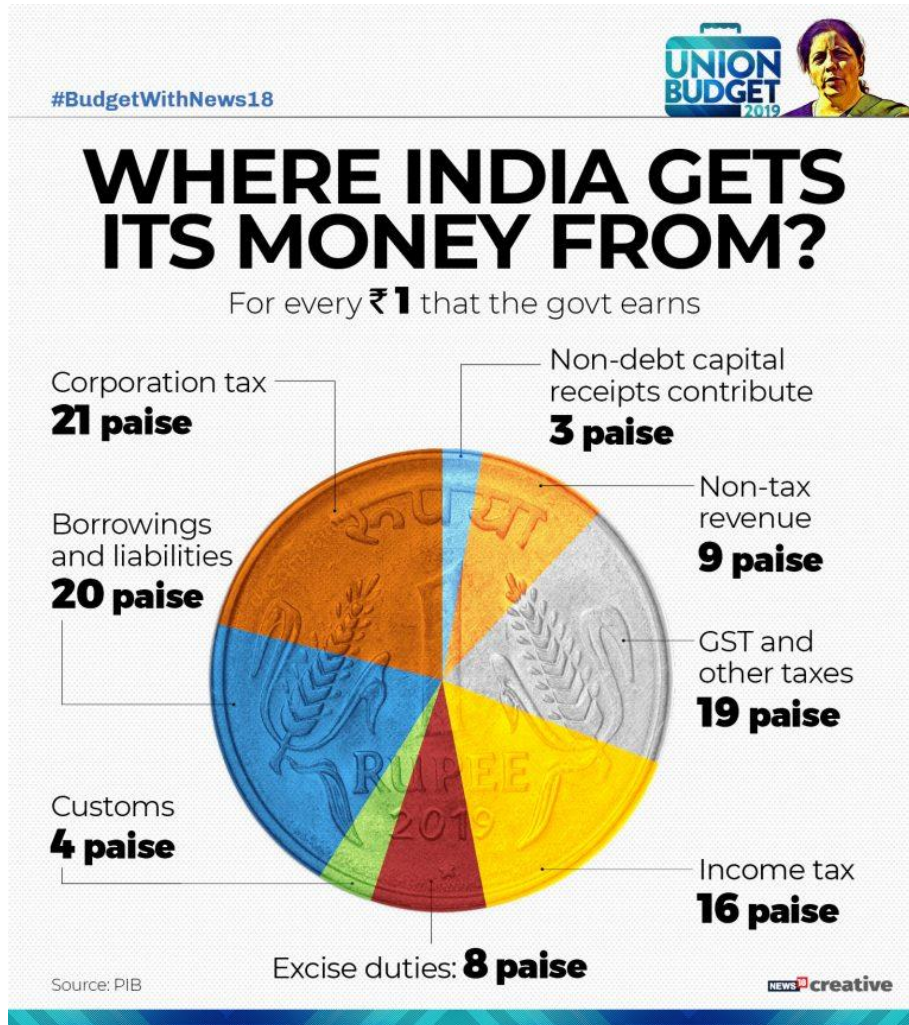
In an interim Budget, the vote-on-account seeks parliament's nod for incurring expenditure for part of a fiscal year. However, the estimates are presented for the entire year, as is the case with the regular Budget.

The incoming government has **full freedom** to change the estimates completely when the final Budget is presented.

TIMES NOW ACTION BEGINS HERE
TIMESNOWNEWS.COM

3 UNIQUE FACTS ABOUT INDIA'S **UNION BUDGET 2019**

- 1**
RK Sanmukham Chetty, the first Finance Minister of Independent India, presented the first Budget on November 26, 1947.
- 2**
Former Finance Minister **Morarji Desai** holds the record of presenting the budget most number of times. He tabled it 10 times in the Lok Sabha. P Chidambaram has presented the Union budget for eight times.
- 3**
Indira Gandhi was the first woman to present the Union Budget of India, followed by Nirmala Sitharaman.

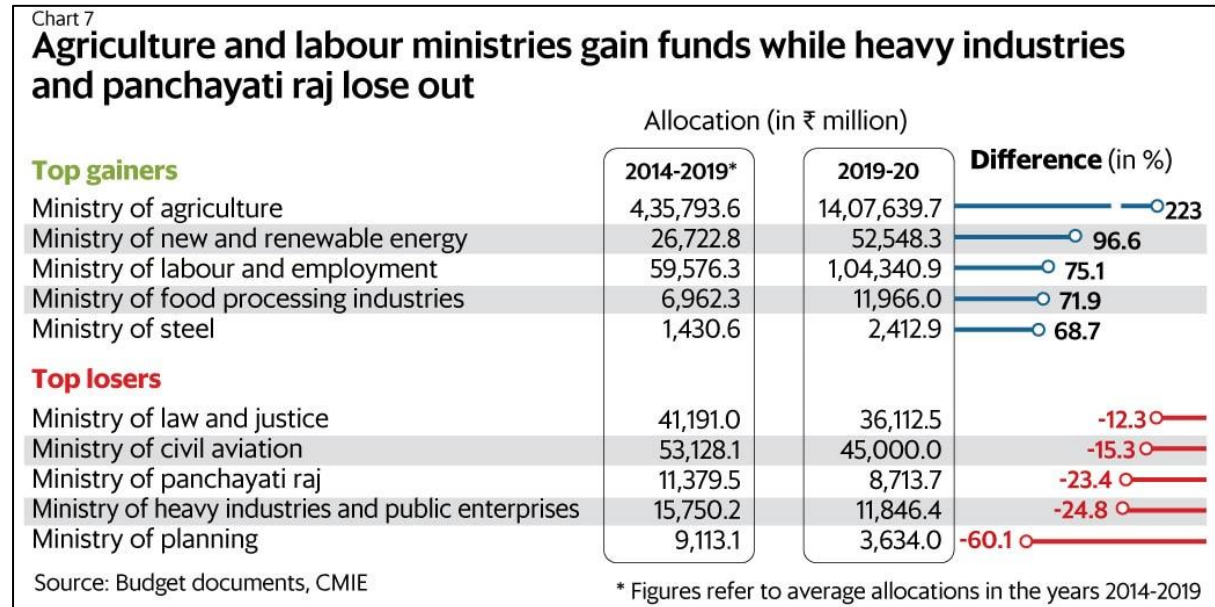


Vision for the Decade



- Building physical and social infrastructure;
- Digital India reaching every sector of the economy;
- Pollution free India with green Mother Earth and Blue Skies;
- Make in India with particular emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices;
- Water, water management, clean Rivers;
- Blue Economy;
- Space programmes, Gaganyaan, Chandrayan and Satellite programmes;
- Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables;
- Healthy society – Ayushman Bharat, well-nourished women & children. Safety of citizens;
- Team India with Jan Bhagidari. Minimum Government Maximum Governance

A. Agriculture has seen the biggest increase in sector-wise budget allocation as the Modi govt. has increased allocation for agriculture and allied activities by 75% in Budget 2019-20.



The sharp rise in allocation for agriculture is partly because of the Pradhan Mantri Kisan Samman Nidhi scheme worth ₹75,000 crore, announced in the interim budget itself. The rise over the previous five-year average is also on account of the interest subsidy for short term credit to farmers, which was included under the department of financial services earlier but has been included under the agriculture head since fiscal 2017.

Stress on zero-budget farming, which is a form of gardening as a self-sustainable practice, with minimum external intervention.

- Zero Budget Natural Farming (ZBNF) is a set of farming methods, and also a grassroots peasant movement, which has spread to various states in India. It has attained wide success in southern India.
- Zero Budget Natural Farming (ZBNF) is a farming practice that believes in natural growth of crops without adding any fertilizers and pesticides or any other foreign elements.
- The word Zero Budget refers to the zero net cost of production of all crops (inter crops, border crops, multi crops).
- The inputs used for seed treatments and other inoculations are locally available in the form of cowdung and cow urine.
- A ZBNF practicing farmer has lower cost of inputs and thus has better capacity to increase the incomes. At the same time, ZBNF crops helps in retaining soil fertilizing and is climate change resilient.

#BudgetForNewIndia
“GAON, GAREEB AUR KISAN”



Pradhan Mantri Matsya Sampada Yojana to establish robust fisheries management framework to address critical gaps in value chain

Dairying through Co-operatives to be encouraged by creating infrastructure for, milk procurement, processing and marketing

Creation of **10000 new Farmer Producer Organizations** to ensure economies of scale for farmers over next 5 years

Innovative pilots of **"Zero Budget Farming"** to be replicated across the country for doubling farmers income

B. Defence sector: Budget 2019-20 has allocated Rs 3,05,296 crore to the defence sector (maximum for any sector). This is 9 per cent of Budget 2019.

- The allocation made in the Union Budget is an increase of 6.87 per cent over revised estimates of Rs 2.98 lakh crore given in 2018-19.
- This is the first time the defence budget of the country has crossed the ₹3 lakh crore mark, which is only a logical progression.
- Capital allocations, which funds the purchase of new weapons and equipment for modernisation, remains at Rs 1.08 trillion, or just one quarter of the total Defence budget.

Must Read: [Link 1](#)

C. Health: 2.3 per cent

D. Education: 3.4 per cent; New national educational policy hopes to transform Indian education into one of the best in the world, with focus on bringing in foreign students.

#BudgetForNewIndia
YOUNG INDIA

New Education Policy to transform India's Higher Education System to one of the best global education systems

Creation of **National Research Foundation** to fund, co-ordinate and promote research

'**Study in India**' Program to help India attract foreign students to make India a global Higher Education Hub

Setting up '**Higher Education Commission of India**' to promote greater autonomy and focus on academic outcomes

Setting up of **National Sports Education Board** for development of sportspersons under Khelo India Scheme

National Education Policy to be brought which proposes

- Major changes in both school and higher education
- Better Governance systems
- Greater focus on research and innovation.

National Research Foundation (NRF) proposed

- To fund, coordinate and promote research in the country.
- To assimilate independent research grants given by various Ministries.
- To strengthen overall research eco-system in the country
- This would be adequately supplemented with additional funds.

Rs. 400 crore provided for "**World Class Institutions**", for FY 2019-20, more than three times the revised estimates for the previous year.

Study in India" proposed to bring foreign students to study in Indian higher educational institutions.

Regulatory systems of higher education to be reformed comprehensively:

- To promote greater autonomy
- To focus on better academic outcomes

Draft legislation to set up **Higher Education Commission of India (HECI)**, to be presented.

Khelo India Scheme to be expanded with all necessary financial support.

E. Schemes


The budget has seen a 396 per cent increase in the allocation for North East Special Infrastructure Development Scheme. Besides this, the government has increased allocation for Rashtriya Swasthya Bima Yojna (143 per cent hike), National Rural Drinking Water Mission (82 per cent hike), among others.

It has also cut funding of its pet schemes like the Swachh Bharat Scheme (by 25 per cent), National River Conservation Programme (by 24.6 per cent), LPG Connection to Poor Households (nearly 15 per cent).


Private funds needed for Swachh Bharat

- 99.2% of rural India is now open defecation-free & therefore the next goal of the Swachh Bharat should be to have 100% safe and scientific disposal of solid and liquid waste.
- The safe and scientific disposal of solid and liquid waste would include improvement in working conditions for sanitation workers and manual scavengers, sewer construction and water availability, treatment of industrial effluence, drain bio-remediation, river surface cleaning, apart from other measures.
- Government must also allocate adequate resources to undertake such measures and apart from this, private partnerships such as through corporate social responsibility, crowd funding aligned with local government financing, among other measures can be undertaken to finance scientific disposal of waste.

FOR ARTISANS



In 2019-20
100 new clusters
to be set up
under SFURTI



50,000 artisans
to be enabled to
join the economic
value chain

F. Infrastructure & Mobility

BUILDING A NEW INDIA

**Budget For
New India
2019**





-  Upgradation of 1,25,000 km of road length over the next five years under the Pradhan Mantri Gram Sadak Yojana- III
-  1.95 Cr houses to be provided to eligible beneficiaries during 2019-20 to 2021-22, under the phase two of Pradhan Mantri Awas Yojana- Gramin.
-  Higher investment in suburban railways through Special Purpose Vehicle (SPV) like Rapid Regional Transport System (RRTS).
-  Launch of a massive programme for modernization of railway stations.

Massive push given to all forms of physical connectivity through:

- Pradhan Mantri Gram Sadak Yojana
- Industrial Corridors, Dedicated Freight Corridors
- Bhartamala and Sagarmala projects, Jal Marg Vikas and UDAN Schemes

State road networks to be developed in second phase of Bharatmala project.

Navigational capacity of Ganga to be enhanced via multi modal terminals at Sahibganj and Haldia and a navigational lock at Farakka by 2019-20, under Jal Marg Vikas Project.

A BUDGET FOR GREEN VEHICLES

UNION BUDGET 2019

Additional income tax deduction of **₹1.5 lakh** on interest paid on electric vehicle loans

E-vehicles to be incentivized under **FAME*** Scheme

Customs duty **exempted** on certain parts of electric vehicles

Reduction of GST on electric vehicles from **12% to 5%**

Electric Vehicles

- The government has allocated Rs 10,000 crore for faster adoption of electric vehicles and has announced upfront incentives for electric vehicles. This will help attract investment for manufacture and ensure clean energy over time.
- An interesting 'nudge' is towards electric vehicles where GST rate on electric vehicles proposed to be lowered to 5%. Also, those taking loans to buy one will get a tax deduction of up to ₹1.5 lakh on the interest paid by them.
- But there are not too many electric vehicles in the market now and even for those that are there, the waiting period to deliver one is long. Besides, there is no ecosystem, such as charging points, even in the major cities. The government's hope seems to be that this incentive will create a market for e-vehicles that will then lead to the development of the ecosystem.
- **Way ahead**
 - Affordable charging will make these vehicles and commercial three-wheelers attractive because operating costs are a fraction of petrol and diesel equivalents.

- Swapping the battery at convenient locations with one that is pre-charged, especially for commercial vehicles that run longer and need a quick turnaround, is worth considering.
- A longer-term policy priority has to be the setting up of lithium battery production and solar charging infrastructure of a scale that matches the ambition.

PPP model in railways

Union Finance Minister has proposed a capital expenditure of more than Rs. 1,60,000 crore for the Railway Ministry for 2019-20. This is the highest ever allocation for Indian Railways.

Railways network will require an investment of Rs. 50 lakh crore till 2030. Thus, to ensure such big investment in modernising Indian railways and its network, the route of public-private partnership (PPP) model has been pitched to achieve faster development.

The money required for Indian Railways will be provided from different sources such as

1. Budgetary support
2. Nirbhaya Fund
3. Internal resources
4. Extra budgetary resources

Ways to improve Indian Railways

To modernise and ease congestion of Indian railways, there is a need for **constructing new railway lines**, gauge conversions (mostly from meter gauge to broad gauge), doubling the present single line, maintain rolling stock and improving signalling and telecommunication along the railway tracks.

There is also need to **improve passenger amenities**, modernise railway stations and completion of existing dedicated freight corridor projects. Such freight corridor will free up some of the existing railway network for passenger trains. FM highlighted that completing all sanctioned projects will take decades considering its capital nature of investment.

Thus, in such projects **PPP model** will help in unleashing faster development for completion of work on tracks, rolling stock manufacturing and delivery of passenger freight services.

The government expects that its earnings from Indian Railways will improve primarily from

- Growth in number of passengers
- Growth in freight volume

Suburban Railways: For growth of Indian Railways in suburban India, Finance Minister has encouraged to invest more in Suburban railways through Special Purpose Vehicles (SPV) structures like Rapid Regional Transport System (RRTS) which is presently proposed on Delhi- Meerut Route.

Metro Railways: Enhancement of metro railways initiatives was also proposed by encouraging more PPP initiatives and ensuring completion of sanctioned works. While supporting the growth of metro railways network, the minister also supported transit oriented development to ensure commercial activity around such transit hubs.

G. Grameen Bharat/Rural India

Budget For New India 2019

STRENGTHENING RURAL ECONOMY

- Setting up of 100 new clusters for traditional industries to enable 50,000 artisans to join the economic value chain.
- Setting up of 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) to develop 75000 skilled entrepreneurs in agro-rural industry sectors.
- Formation of 10,000 new Farmer Producer Organizations to ensure economies of scale for farmers over the next five years.
- Expansion of the Swachh Bharat Mission to undertake sustainable solid waste management in every village.

- a) **Ujjwala** Yojana and **Saubhagya** Yojana have transformed the lives of every rural family, dramatically improving ease of their living.
- b) Electricity and clean cooking facility to all willing rural families by 2022.
- c) **Pradhan Mantri Awas Yojana – Gramin** (PMAY-G) aims to achieve "Housing for All" by 2022: Eligible beneficiaries to be provided 1.95 crore houses with amenities like toilets, electricity and LPG connections during its second phase (2019-20 to 2021-22).

d) Pradhan Mantri Matsya Sampada Yojana (PMMSY)

- A robust fisheries management framework through PMMSY to be established by the Department of Fisheries.
- To address critical gaps in the value chain including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.



e) Pradhan Mantri Gram Sadak Yojana (PMGSY)

- Target of connecting the eligible and feasible habitations advanced from 2022 to 2019 with 97% of such habitations already being provided with all weather connectivity.
- 30,000 kilometers of PMGSY roads have been built using Green Technology, Waste Plastic and Cold Mix Technology, thereby reducing carbon footprint.
- 1,25,000 kilometers of road length to be upgraded over the next five years under PMGSY III with an estimated cost of Rs. 80,250 crore.

f) Scheme of Fund for Upgradation and Regeneration of Traditional Industries" (SFURTI)

- Common Facility Centres (CFCs) to be setup to facilitate cluster based development for making traditional industries more productive, profitable and capable for generating sustained employment opportunities.
- 100 new clusters to be setup during 2019-20 with special focus on Bamboo, Honey and Khadi, enabling 50,000 artisans to join the economic value chain.

- g) **Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship“ (ASPIRE)** consolidated.
- 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) to be setup in 2019-20.
 - 75,000 entrepreneurs to be skilled in agro-rural industry sectors.
- h) **Pradhan Mantri Gramin Digital Saksharta Abhiyan**
- Over two crore rural Indians made digitally literate.
 - Internet connectivity in local bodies in every Panchayat under Bharat-Net to bridge rural-urban divide.
 - Universal Obligation Fund under a PPP arrangement to be utilized for speeding up Bharat-Net.

H. India’s water security

“HAR GHAR JAL”

Budget For New India 2019

- Ensuring water security and access to safe and adequate drinking water to all Indians
- The new Jal Shakti Mantralaya shall look at the management of water resources and water supply in an integrated and holistic manner
- Jal Jeevan Mission to ensure **Har Ghar Jal** (piped water supply) to all rural households by **2024**
- This mission will focus on creating local infrastructure for rainwater harvesting, groundwater recharge and management of household wastewater for reuse in agriculture
- The Government has identified 1592 Blocks which are critical and over exploited, spread across 256 District for the Jal Shakti Abhiyan

- New Jal Shakti Mantralaya to look at the management of our water resources and water supply in an integrated and holistic manner

- Jal Jeevan Mission to achieve Har Ghar Jal (piped water supply) to all rural households by 2024
- To focus on integrated demand and supply side management of water at the local level.
- Convergence with other Central and State Government Schemes to achieve its objectives.

I. Economy & Finances

INVESTMENT FOR \$5 TRILLION ECONOMY

Budget For New India 2019

- Enhancing the sources of capital for infrastructure financing
- Credit Guarantee Enhancement Corporation to be set up in 2019-20
- Action plan to deepen the market for long term bonds
- 100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries.
- Local sourcing norms will be eased for FDI in Single Brand Retail sector.
- Increase in the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit
- Merger of the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route to provide NRIs seamless access to Indian equities

INFRASTRUCTURE FOR \$5 TRILLION ECONOMY

**Budget For
New India
2019**





-  Comprehensive restructuring of National Highway Programme to ensure that the National Highway Grid of desirable length and capacity is created using financeable model
-  Public-Private Partnership to unleash faster development and completion of railway tracks, rolling stock manufacturing and delivery of passenger freight services
-  Blueprint for developing gas grids, water grids, i-ways, and regional airports

Banking and Regulatory Reforms

**Budget For
New India
2019**





-  Public Sector Banks are to be further provided Rs 70,000 crore capital to boost credit for a strong impetus to the economy.
-  Government to initiate steps to empower account holders to have control over deposit of cash by others in their accounts
-  Return the regulation authority over the housing finance sector from NHB to RBI to ensure efficient and conducive regulation of the housing sector
-  Strengthening the regulatory authority of RBI over NBFCs to ensure robust regulation

FINANCIAL SECTOR REFORMS

**Budget For
New India
2019**





-  Enhanced target of Rs 1.05 lakh Cr of disinvestment receipts for the financial year 2019-20
-  Meet public shareholding norms of 25% of all listed PSUs and raise foreign shareholding to max permissible limit for better public ownership and greater market orientation of listed PSUs
-  Reduce Net owned Fund Requirement from Rs 5000 Cr to 1000 Cr in IFSC to facilitate on-shoring of international insurance transactions by foreign reinsurance
-  Steps will be taken to separate NPS trust from PFRDA to prevent conflict of interest, keeping in mind the wider interest of subscribers

Income Tax:

- ₹5 lakh minimum limit announced for taxpayers. In view of rising income levels, those in the ₹2-5 crore and ₹5 crore-and-above brackets will see increase in effective tax rate by 3% and 7%, respectively.
- Income tax slabs and rates have not been changed but there is enhanced interest deduction up to Rs 3.5 lakh for purchase of an affordable house.
- The budget proposes a surcharge on personal income tax for individuals earning more than Rs 2 crore a year.
- A three per cent surcharge on income between Rs 2 crore and Rs 5 crore, and seven per cent on income above Rs 5 crore.
- Promised to launch a scheme of faceless electronic assessment involving no human interface to be launched this year. There will be a central cell with a phone number that will be the single-point contact between the Income Tax Department and assesseees.
- Proposed interchangeability of Aadhaar and Permanent Account Number (PAN)



Budget For New India 2019

TAX REFORMS FOR NEW INDIA

- 
 Special administrative arrangements to be made by CBDT for pending assessments of start-ups and redressal of their grievances.
- 
 No inquiry or verification in such cases of startups to be carried out by the Assessing Officer without obtaining approval of the supervisory officer.
- 
 Pre-filled tax returns to be made available to taxpayers, containing details of salary income, capital gains from securities, tax deductions, etc.
- 
 A scheme of faceless assessment in electronic mode involving no human interface to be launched this year in a phased manner.
- 
 Cases selected for scrutiny to be allocated to assessment units in a random manner and notices to be issued electronically by a Central Cell, without disclosing the details of the Assessing Officer.

Corporate Tax

- Brought 99.3 per cent companies under 25 per cent corporate tax slab – available to companies with annual turnover of up to Rs 250 crore -- to all companies with turnover up to Rs 400 crore. This move will bring 99.3 per cent companies under this tax bracket.
- Only 0.7 per cent companies will pay more corporate tax now. This tax rate is 30 per cent.
- **Why?** - The idea behind this move is obviously to generate private investment which is now at a low ebb, and also be to attract foreign investors looking for alternative sites for their global value chains disrupted now by the tariff war between China and the U.S. With these cuts, the government has delivered on a long-standing demand of Corporate India.
- **Positive impacts:**
 - Tax concessions will bring investments in Make in India, boost employment and economic activity, leading to more revenue

- The new corporate tax cuts are expected to boost economic growth, which slipped to a six-year low of 5% in the April-June quarter.
- Vehicle prices may come down significantly following cut in corporate tax
- **Negative impacts:**
 - Revenue foregone on reduction in corporate tax and other relief measures will be Rs 1.45 lakh crore annually.
 - This is very significant, especially in the context of the over-estimation of revenues in the Budget and the under-performance in terms of tax collections so far this year
 - The deficit target of 3.3% for this fiscal is unattainable, as things stand
- **Minimum alternative tax (MAT):**
 - Companies try to minimise giving taxes by taking advantage of depreciation, deductions, exemptions, etc from the government. So the government imposes a Minimum Alternate Tax or MAT as an advance tax on these companies. This makes the companies give at least a minimum amount of tax.
 - In India MAT is levied under Section 115JB of the Income Tax Act, 1961

Budget For New India 2019

TAX

INCREASE IN THRESHOLD TURNOVER FOR LOWER RATE OF CORPORATE TAX

- Currently, the lower tax rate of 25 % is only applicable to companies having annual turnover of up to Rs 250 Crore.
- This has now been expanded to include all companies with annual turnover of up to Rs 400 Crore
- Now only 0.7% of companies will remain outside this rate

Start-up Ecosystem

- No tax scrutiny on valuation and e-verification for startups: Now, the start-ups who file requisite declarations will not be subject to any kind of scrutiny in respect of valuations of share premiums. This should help remove uncertainty and ease burden and boost startups.
- Additionally, 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.

#BudgetForNewIndia
STARTUP INDIA

- Startups not to be subject to any scrutiny in respect of valuations of share premiums to resolve 'angel tax' issue
- E-verification to resolve the issue of establishing identity of the investor and source of his funds
- Startups are no more required to justify FMV of their shares issued to **Category-II AIFs** to protect them from unnecessary income tax scrutiny
- Relaxation in conditions** for carry forward and set off of losses
- Exemption of capital gains arising from sale of residential house for investment in start-ups, extended up to 31.3.2021

Angel Tax

- Angel tax is applicable to unlisted companies that have raised capital through sale of shares at a value above their fair market value.
- This excess capital is treated as income and taxed accordingly. This tax predominantly affects start-ups and the angel investments they attract.

Channel for start-ups

- The Finance Minister has also proposed to start a television programme within the DD bouquet of channels exclusively for start-ups.
- The proposed programme on start-ups will serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning, etc.
- The channel will be designed and executed by start-ups themselves.

Measures related to MSMEs

- Pradhan Mantri Karam Yogi Maandhan Scheme
 - Pension benefits to about three crore retail traders & small shopkeepers with annual turnover less than Rs. 1.5 crore.
 - Enrolment to be kept simple, requiring only Aadhaar, bank account and a self-declaration.
- Rs. 350 crore allocated for FY 2019-20 for 2% interest subvention (on fresh or incremental loans) to all GST-registered MSMEs, under the Interest Subvention Scheme for MSMEs.
- Payment platform for MSMEs to be created to enable filing of bills and payment thereof, to eliminate delays in government payments.

#BudgetForNewIndia
MSMEs

Under the Interest Subvention Scheme, Rs 350 crore has been allocated for 2% interest subvention for all GST registered MSMEs on fresh or incremental loans.

Creation of payment platform for MSMEs to enable filing of bills and payment thereof, to eliminate delay in payment.

Pension benefit extended to three crore retail traders & shopkeepers with annual turnover up to Rs 1.5 cr, under Pradhan Mantri Karam Yogi Maandhan Scheme

Digital Push

- Budget 2019 proposes a tax deduction at source (TDS) of 2 per cent on cash withdrawal exceeding Rs 1 crore.

- Objective: To discourage the practice of making business transaction in cash and push cashless economy
- No charges or MDR on specified digital mode of payments will be levied. These modes are to be compulsorily provided by large businesses

FDI

- Norms for foreign direct investment (FDI) has been relaxed in Budget 2019 for sectors such as aviation, media, insurance, and single brand retail with a view to attract more overseas investment.
- 100 per cent FDI will be permitted for insurance intermediaries, and local sourcing norms will be eased for FDI in single brand retail sector. Currently, 49 per cent foreign investment is allowed in the insurance sector including insurance broking, insurance companies, third party administrators, surveyors and loss assessors.

Disinvestment

- Budget 2019 proposes to increase disinvestment target to Rs 1.05 lakh crore for the current financial year. It was Rs 90,000 crore in the interim budget presented in February.
- Strategic disinvestment of select public sector undertakings will remain a priority area. Privatisation of Air India will be re-initiated.
- Government is considering going below 51 per cent stake to an appropriate level on case to case basis for PSUs.

Investment in govt. bonds for foreign portfolio

Higher investment in government bonds for foreign portfolio investors should see more flows into the domestic market, ease pressure on interest rates and on bond yields and help the Rupee strengthen. But, the downside risk is outflows in a crisis and the resultant pressure on Rupee and the current account deficit.

NBFC Sector

- The big problem faced by NBFC financing infrastructure is the lack of long-term funding sources to match their lending tenure. This pushed them into borrowing short-term funds to lend to long-term projects, leading to asset-liability mismatches.
- The proposal to set up a committee to study the issue, including the experience with development finance institutions, is welcome.
- The government has proposed to provide one-time credit enhancement to PSU banks for six months for the purchase of highly pooled assets of sound NBFCs. This will ease liquidity burden of NBFCs with flow of funds from banks and help them lend again.
- RBI to get regulation authority of housing finance sector. Regulatory oversight over NBFCs and housing finance companies for the RBI should see more financial discipline in this sector and perhaps a shakeout.



NBFC Reforms

Budget For New India 2019

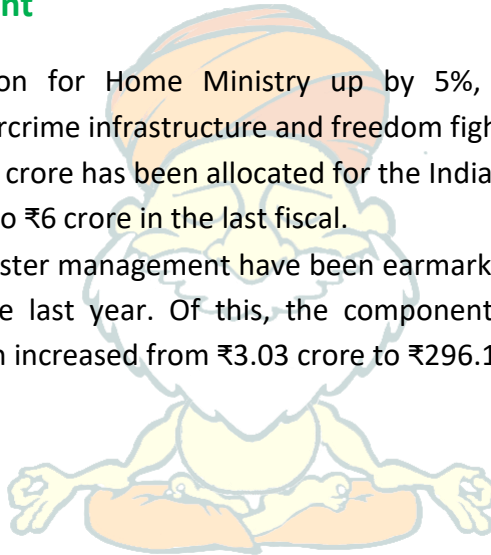
- Ensuring that NBFCs that are fundamentally sound continue to get funding from banks and mutual funds without being unduly risk averse.
- For purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of Rs 1 lakh cr, Govt to provide one time six months' partial credit guarantee to PSBs for first loss of up to 10%.
- Government to take necessary steps to allow all NBFCs to directly participate on the TReDS platform.
- The requirement of creating a DRR, for NBFCs to raise funds in public issues, will be done away with

Petrol, diesel, Gold costlier

- The government has hiked tax on petrol and diesel and raised import duty on gold – raised special additional excise duty and road cess on petrol and diesel by Re 1 per litre each.
- Customs duty on gold and precious metals was raised from 10 per cent to 12.5 per cent to mobilise resources. Basic customs duty was raised on an array of products including tiles, cashew kernels, vinyl flooring, auto parts, some synthetic rubber, digital and video recorder and CCTV camera.
- An excise duty of Rs 5 per 1,000 will be imposed on cigarettes of length exceeding 65 mm. And, an excise duty of 0.5 per cent duty has been levied on chewing tobacco, zarda and tobacco extracts and essence.

H. Disaster management

- Budgetary allocation for Home Ministry up by 5%, special focus on disaster management, cybercrime infrastructure and freedom fighters' pension.
- An amount of ₹100 crore has been allocated for the Indian Cyber Crime Coordination Centre, compared to ₹6 crore in the last fiscal.
- Total funds for disaster management have been earmarked at ₹577.93 crore, a jump from ₹284.82 crore last year. Of this, the component for National Cyclone Risk Mitigation has been increased from ₹3.03 crore to ₹296.19 crore.





Pradhan Mantri Karam Yogi Maandhan Scheme



**Budget For
New India
2019**



-  Pension benefit to **three crore** retail traders & small shopkeepers with annual turnover less than Rs 1.5 crore.
-  Enrolment in the scheme would only require Aadhaar and a bank account. Rest will be on **self-declaration**.

#BudgetForNewIndia

MIDDLE CLASS



Additional deduction of up to Rs 1.5 Lakh for interest paid on loans for purchase of house of value up to Rs 45 lakh.



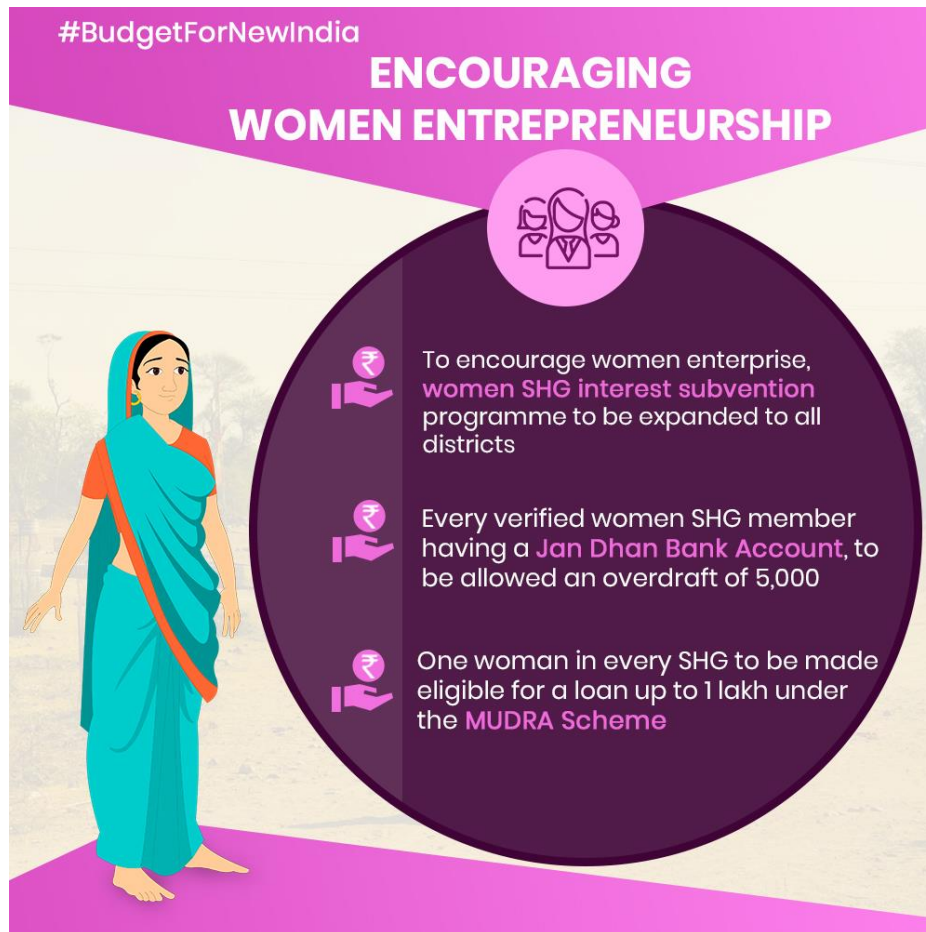
PAN and Aadhaar will become interchangeable and those who do not have PAN will be allowed to file ITR using their Aadhaar.



Additional income tax deduction of Rs 1.5 Lakh on interest paid on loans taken to purchase electric vehicles.

#BudgetForNewIndia

ENCOURAGING WOMEN ENTREPRENEURSHIP



₹ To encourage women enterprise, **women SHG interest subvention** programme to be expanded to all districts

₹ Every verified women SHG member having a **Jan Dhan Bank Account**, to be allowed an overdraft of 5,000

₹ One woman in every SHG to be made eligible for a loan up to 1 lakh under the **MUDRA Scheme**

Parliamentary Budget Office: Need of the Hour

Parliamentary Budget Office:

- A PBO is an independent and impartial body linked directly to Parliament.
- It provides technical and objective analysis of Budgets and public finance to the House and its committees.
- It can generate quality public debate on Budget policy and public finance, enabling parliamentarians to engage meaningfully in the Budget process.
- Traditionally, independent budgetary units are more common in developed countries.

Need for PBO:

- Executive-led budgetary governance has not been successful in India.

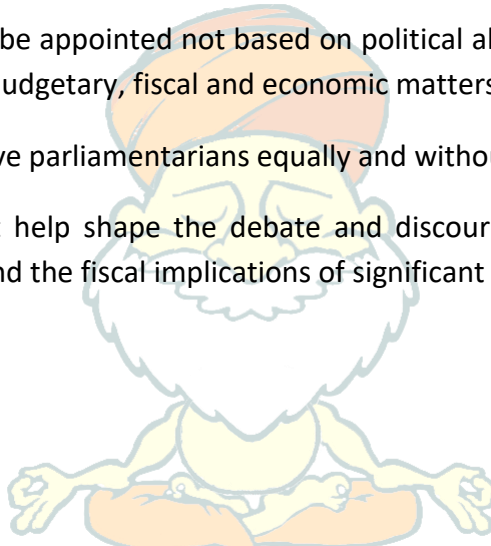
- To carry out the functions effectively, Parliament requires institutional, analytical and technical competence.
- There is a growing trend among legislatures, particularly within the OECD countries to establish specialised Budget research units.

Function of PBOs across the world:

- Independent and objective economic forecast.
- Baseline estimate survey.
- Analysing the executive's Budget proposal.
- Providing medium- to long-term analysis

What is to be done?

- The body needs to be appointed not based on political allegiance or expediency, but on its expertise in budgetary, fiscal and economic matters.
- This body must serve parliamentarians equally and without prejudice.
- These bodies must help shape the debate and discourse around the state of the nation's finances and the fiscal implications of significant proposals.



Crux:

- What is gravely in danger is evidence-based discussion around important policies that affect the trajectory of our Republic, discussions which can quickly blur the line between fact and fiction.

Example: The Rafale deal with Dassault Aviation. Part of the controversy resulted from uncertainty regarding the true lifecycle costs of the aircraft bought. In 2011, the Canadian PBO released a cost estimate for Canada's purchase of F-35 jets. This estimate far exceeded the one presented by the Department of National Defence.

Working of PBOs:

- It is often the case that economic and fiscal projections of a PBO and the Ministry of Finance are similar. This is unsurprising as data sources and economic methodologies for such projections are well established and uniform.

- without the existence of another data point I generated by an independent, non-partisan office, (PBO) it is difficult for parliamentarians to ensure that these projections and estimates continue to be reliable enough for them to make decisions on.
- When these projections come into question, the Cabinet can tap the civil service for further research and analysis.
- Most parliamentarians do not have this luxury and may have to rely on poor quality third-party data and analysis, done without relevant expertise. This is a situation that must be avoided

AG vs PBO :

- Auditor general performs, which is to provide retrospective audits and analysis of the financial accounts and performance of government operations.
- A PBO provides prospective, forward-looking economic and fiscal projections, as well as policy costings.

International examples:

- Congressional Budget Office in the United States ,Offices in the Netherlands, Korea, Australia and the United Kingdom.
- In some of these countries PBOs provide independent cost estimates of electoral platform measures to political parties.



Conclusion:

- The amount of information parliamentarians need to scrutinise in Budget documents has exponentially increased and a PBO would assist parliamentarians in this process of scrutiny.
- India's Parliament and government need to work quickly and energetically to establish such an office; it is in everyone's interests to do so.
- As the process toward the Union Budget 2020 has already kicked off, it would be prudent for parliamentarians to examine the case for a PBO more deeply.

Connecting the Dots

Prelims

1. Consider the following statements regarding The Union Budget 2019-20

1. It has proposed to make Aadhaar interchangeable with PAN, thereby allowing people without PAN to file income tax returns using only their Aadhaar.
2. It has proposed to replace PAN with Aadhaar as the primary identity proof when it comes to income tax.

Select the *correct* statements

- a. Only 1
- b. Only 2
- c. Both 1 and 2
- d. Neither 1 nor 2

2. Consider the following statements about total fertility rate in India,

1. Health-related financial allocation in budget 2019-20 as a share of the child health budget has shown a decline.
2. The Anganwadi services and the Poshan Abhiyan (Nutrition Mission) are among the most important government programmes aimed at reducing stunting, anaemia, low weight and low birth weight.

Select the *incorrect* statements

- a. Only 1
- b. Only 2
- c. Both 1 and 2
- d. Neither 1 nor 2

3. What is the difference between “vote-on-account” and “interim budget”? (2011)

1. The provision of a “vote-on-account” is used by a regular Government, while an “interim budget” is a provision used by a caretaker Government.
2. A “vote-on-account” only deals with the expenditure in Government’s budget, while an “interim budget” includes both expenditure and receipts.

Which of the statements; given above is/are correct?

- a. 1 only
- b. 2 only**
- c. Both 1 and 2
- d. Neither 1 nor 2

4. The authorization for the withdrawal of funds from the- Consolidated Fund of India must come from: (2011)

- a. The President of India
- b. The Parliament of India**
- c. The Prime. Minister of India
- d. The Union Finance Minister

5. All revenues received by the Union. Government by way of taxes and other receipts for the conduct of Government business are credited to the: (2011)

- a. Contingency Fund of India
- b. Public Account
- c. Consolidated Fund of India**
- d. Deposits and Advances Fund

6. When the annual Union Budget is not passed by the LokSabha (2011)

- a. The Budget is modified and presented again
- b. The Budget is referred to the RajyaSabha for suggestions

c. The Union Finance Minister is asked to resign,

d. The Prime Minister submits the resignation of Council of Ministers

7. Which of the following are the methods of Parliamentary control over public finance in India? (2012)

1. Placing Annual Financial Statement before the Parliament
2. Withdrawal of moneys from Consolidated Fund of India only after passing the Appropriation Bill
3. Provisions of supplementary grants and vote-on-account
4. A periodic or at least a mid-year review of programme of the Government against macroeconomic forecasts and expenditure by a Parliamentary Budget Office
5. Introducing Finance Bill in the Parliament

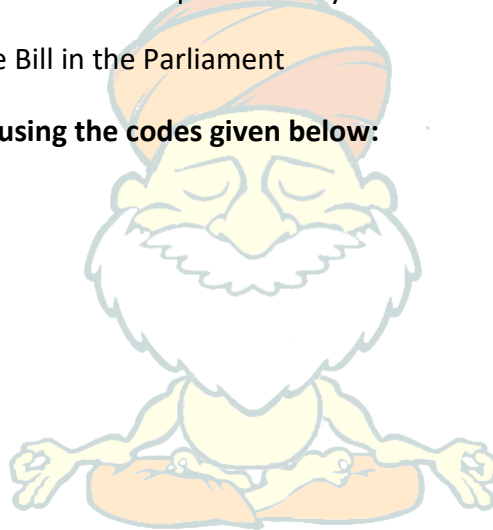
Select the correct answer using the codes given below:

a. 1, 2, 3 and 5 only

b. 1, 2 and 4 only

c. 3, 4 and 5 only

d. 1, 2, 3, 4 and 5



8. What will follow if a Money Bill is substantially amended by the RajyaSabha? (2013)

a. The Lok Sabha may still proceed with the Bill, accepting or not accepting the recommendations of the RajyaSabha

b. The LokSabha cannot consider the Bill further

c. The LokSabha may send the Bill to the RajyaSabha for reconsideration

d. The President may call a joint sitting for passing the Bill

9. Which one of the following is the largest Committee of the Parliament?

a. The Committee on Public Accounts

b. The Committee on Estimates

c. The Committee on Public Undertakings

d. The Committee on Petitions

Mains

1. What do you mean by 'Nudge Theory'? How has Budget 2019-20 put to use the Nudge Theory? Examine.
2. Analyse the Union Budget and determine whether it would be able to propel the Indian Economy in the direction to become 5 Trillion economy or not.
3. What steps has the Government proposed to make India a 5 trillion dollar economy? Discuss.
4. The Union Budget 2019-20 is hoping to spur the economy by revitalising the financial sector. Analyse.
5. Legislatures across the world have witnessed an increasingly stronger executive try to wrest away its rightful power of the purse. A PBO would help resuscitate these powers that have fallen into disuse.
6. Tax cuts have enthused Corporate India, but there is the fiscal problem to deal with. Elucidate.
7. The size of the Defence Budget also reflects the country's ability to fund military activities. Comment.
8. India is moving ahead to become a world leader in electric vehicles industry. Critically analyse the issues and challenges in front of Indian automobile industry to shift to electric vehicles.

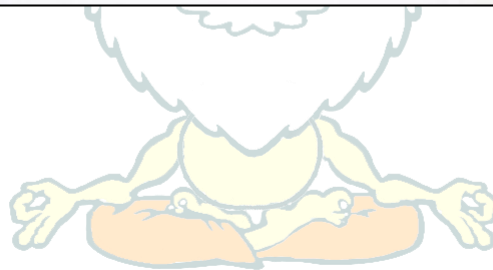
MUST DO RESEARCH ON THE FOLLOWING TOPICS


1. P J Nayak Committee Report
2. Nudge Theory

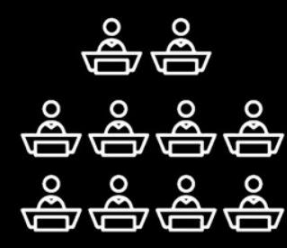
TID-BITS



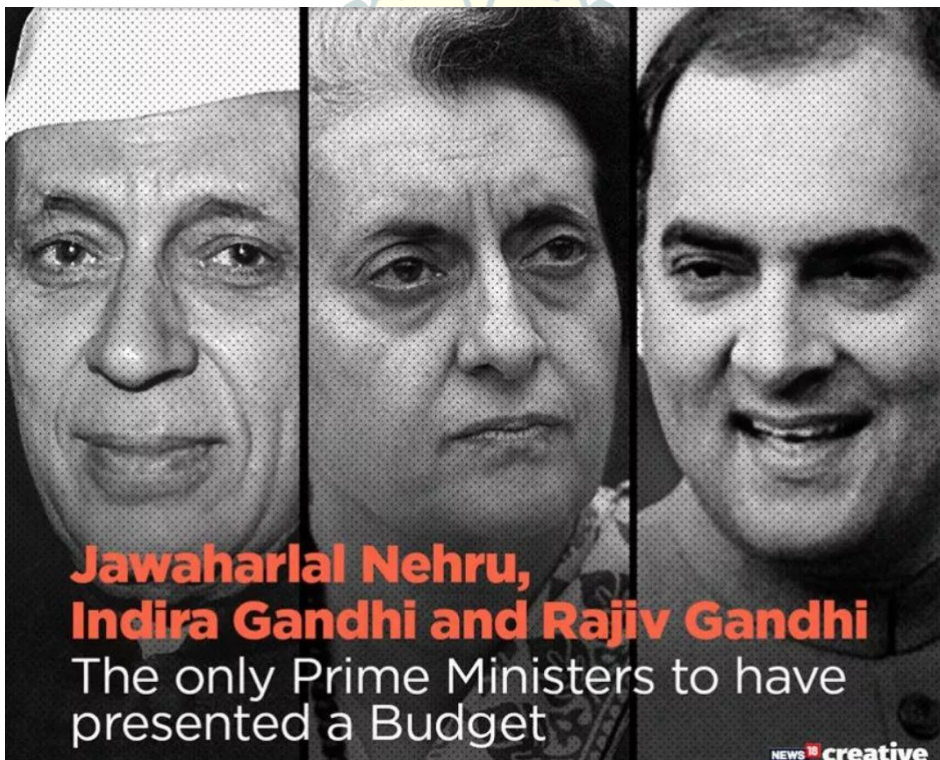
The tradition of carrying the Budget briefcase has been handed over to us by the British. India's Budget briefcase is a copy of the **'Gladstone box'** that is used in British budget.





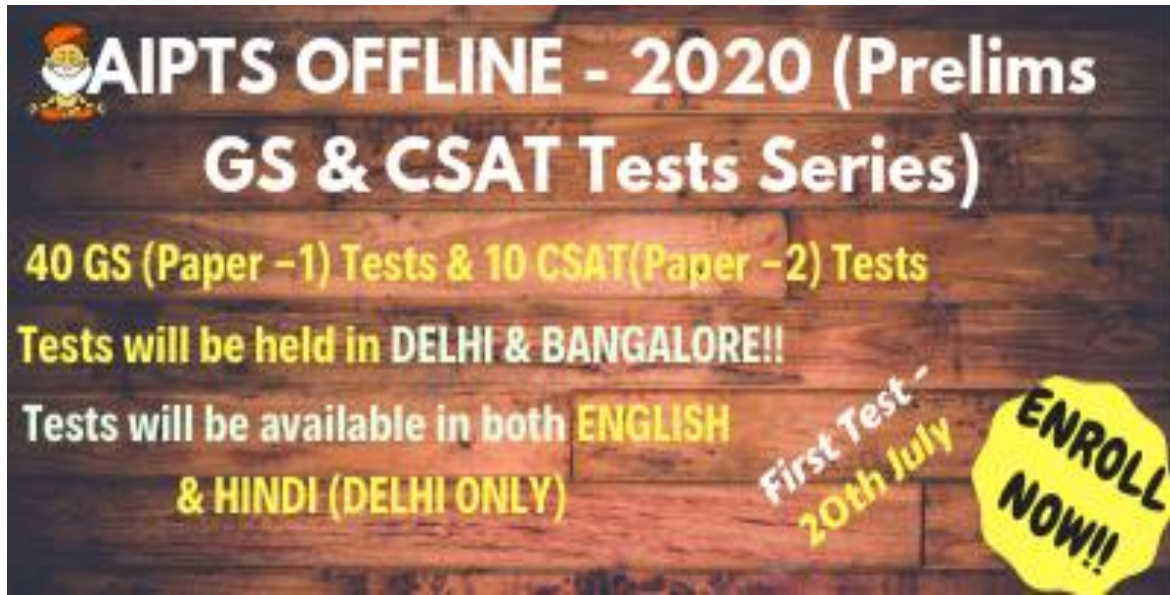


10 no. of union budgets presented by Morarji Desai, the highest by one person



Jawaharlal Nehru, Indira Gandhi and Rajiv Gandhi
The only Prime Ministers to have presented a Budget

NEWS creative



AIPTS OFFLINE - 2020 (Prelims GS & CSAT Tests Series)

40 GS (Paper -1) Tests & 10 CSAT(Paper -2) Tests

Tests will be held in DELHI & BANGALORE!!

Tests will be available in both **ENGLISH & HINDI (DELHI ONLY)**

First Test - 20th July

ENROLL NOW!!



TLP CONNECT 2020 - Prelims + Mains + Interview Mentorship Programme (Offline & Online)

TLP PLUS 2020 - Mains Exclusive Mentorship Programme (Offline & Online)

ENROLL NOW!!

Best Wishes

IASbaba