

# Budget Flash



# Key policy announcements



- Focus on agriculture sector – INR 75,000 crore outlay to assure income support for small and marginal farmers, INR 60,000 crore outlay for Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) and scheme for interest subvention on specified loans
- Focus on infrastructure – INR 19,000 crore for Pradhan Mantri Gram Sadak Yojana, INR 64,587 crore capital support for railways and INR 58,166 crore for Northeastern areas
- Pension scheme announced for the unorganised sector under the Pradhan Mantri Shram Yogi Maandhan scheme covering about 10 crore labourers and workers
- Allocation towards the defence sector at a record INR 3 lakh crore
- National Artificial Intelligence Portal to be launched soon to reap the benefits of artificial intelligence and related technologies
- Digital initiative to be launched to convert 1 lakh villages into digital villages
- Government has estimated the fiscal deficit for FY 2019-20 at 3.4% vis-à-vis 3.1% targeted last year, due to additional allocation of income support to farmers



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# Key tax announcements



- No change in existing tax rates
- Tax rebate for individual taxpayers with annual taxable income up to INR 5,00,000
- Standard deduction for salaried individuals increased from INR 40,000 to INR 50,000
- Exemption from tax on notional rent extended to second self-occupied house property
- Capital gains exemption by way of investment in residential property in India extended to two residential houses, where capital gain does not exceed INR 2 crore; benefit available to taxpayers once in their lifetime
- Threshold for applicability of withholding tax on interest received from post office and savings account increased from INR 10,000 to INR 40,000
- Threshold for tax deduction on rent increased from INR 1,80,000 to INR 2,40,000
- Exemption for notional income from unsold inventory extended from 1 year to 2 years
- Proposal to process tax returns within 24 hours and simultaneously issue refund



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## Healthcare



### Expert take

The Budget lays down the vision for the Indian economy, with affordable healthcare for all. The thrust on flagship schemes such as Ayushman Bharat and Jan Aushadhi shall benefit the healthcare sector through more inclusions. The impetus on the manufacturing of medical devices under the Make in India initiative is also a positive step. Having said that, incentives for promoting research and development for the pharmaceutical sub-industry were expected, given that India has the potential to become the drug manufacturing hub of the world.

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## Food and agriculture



### Expert take

This Budget is a judicious mix of pragmatism and populism. In the backdrop of reducing returns from farming, the initiative of providing annual income support of INR 6,000 to 12 crore small and marginalised farmers with holdings of 2 hectares under the new Pradhan Mantri Kisan Samman Nidhi (PM-KISAN) programme, along with various recent initiatives such as increasing the minimum support price, strengthening FPOs, improving farm credit and providing crop insurance and pension for farm labour would go a long way in providing the required boost to the rural economy.

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FMCG and retail



## Expert take

After the impact of demonetisation and GST, the FMCG and retail industries would welcome the Budget as consumption-oriented due to the announcements of the mega pension scheme and tax-related reforms.

The retail industry would hope to capitalise on the increased disposable income in the hands of the middle class and rural population, and inclusion of more items under the 0-5% GST slab to drive growth for the sector in the coming year. This growth would be supported by increased participation from the rural sector due to the Digital India initiative.

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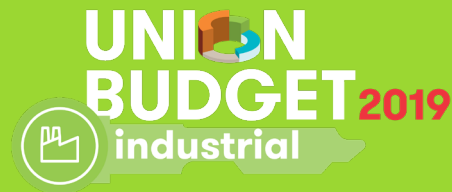
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Real estate



## Expert take

The Budget highlights the government's intention of boosting demand in the sector by creating a positive mood for both consumers and developers. Announcements in the form of tax rebates, capital gains exemption on rollover provisions on residential properties (selling one house and purchasing a new one) enabling retail buyers to purchase two residential properties, and no notional rent for second self-occupied house property should boost the disposable income of individual taxpayers. The proposal to not tax notional income on unsold inventory of developers for two years instead of the current one year and extension of the tax deduction for affordable housing projects by another year should also boost developers' sentiments.

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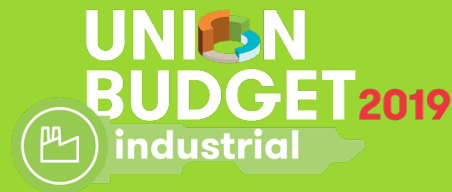
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## Auto and manufacturing



### Expert take

The rural push through direct income credit should boost the demand for tractors, two-wheelers and three-wheelers, with a potential to generate more employment. Though the industry's long-drawn expectations of a uniform 18% GST, National Green Cess on internal combustion engines, weighted R&D deduction, etc. have not been met, the increased allocation for rural roads and highways under the Pradhan Mantri Gram Sadak Yojana (PMGSY), along with the stress on cleaner fuel technology, exhibit intentions to foster growth in the sector.

The announcements, including setting-up of the National Centre for Artificial Intelligence (AI), should increase investments and FDI inflows in the sector.

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Infrastructure



## Expert take

The Budget will consolidate rural and urban spends to push growth. The 10 dimensions of the government's Vision 2030 laid down in this Budget include focus on physical and social infrastructure comprising world-class roads, railways, seaports, gas and electricity transmission. Growth in these areas would increase the spends in these sectors and enable job creation apart from aiding economic growth, giving further impetus to the existing growth in the sector.

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## Technology, media and telecom



### Expert take

Overall, the government did well in presenting its scorecard of reforms, progress achieved under the current regime, as well as laying out an aspirational roadmap for 2030. Digital India continues to be high on the development agenda, and announcements regarding the national programme on AI, enhanced mobile infrastructure and digital villages are steps in that direction.

The entertainment industry has also been infused with some 'josh' through proposals of single-window clearance for Indian filmmakers and anti-camcording provisions to control piracy. The real test would be to implement these initiatives effectively and adopt an inclusive approach in policymaking to drive growth in TMT sectors.

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Financial services



## Expert take

The Finance Bill 2019 has proposed to amend the Indian Stamp Act, 1899, for levy and administration of stamp duty on securities including listed and unlisted instruments, debentures etc. only at one place through one agency (i.e. through stock exchanges or their clearing corporation, or depositories) on one instrument, and for appropriately sharing it with respective state governments based on the state of domicile of the ultimate buying client. The proposed amendment would usher in a consistent rate of levy with a streamlined system of collection and distribution of stamp duty on securities, thereby enabling ease of doing business in India. However, the impact of the levy needs to be fully ascertained.

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