

- **Dwells on 5-Year Achievements**
- **Provides direction to future growth of India**
- **Financial Inclusion**
- **Adherence to Fiscal Discipline**
- **Stimulus to Marginal Farmers**
- **Stress on JAM, DBT, IBC & GST**
- **Sops to Middle Class**



Provides Direction to the Changing Face of India

- Provided direction to the road ahead for the changing face of India in terms of Governance, Mindset, Transparency, Formalization & Tax Compliance
- Well Packaged & Well Presented Interim Budget in the true spirit of Cooperative Federalism elicited achievements during the past five years.
- Aims to improve Consumption to GDP ratio by providing tangible relief to marginal farmers and middle class citizens.
- Stressed on JAM, DBT , IBC & GST with emphasis on Recognition, Resolution, Re-Capitalization & Reforms to ensure clean banking.
- Adhering to fiscal discipline by pegging Fiscal Deficit to 3.4% of GDP despite a large income support stimulus offered to marginal farmers.

Fiscal Math

- The nominal growth of the economy is expected to be 11.5% in the financial year 2019-20 where the inflation target is pegged at 4%
- Market borrowings is pegged at Rs7.1 trillion for FY20 vs. Rs5.7 trillion in FY19 (RE) – which is 25% higher on yoy basis. Higher market borrowings is likely to push up the g-sec yields which could be negative for the entire banking sector in general
- Tax revenue is estimated to grow by 14.4% yoy which looks reasonable to achieve, in our view
- Fiscal deficit target for BE FY20 is retained at 3.4% similar to FY19 levels of 3.3% (RE)
- Divestment target pegged at Rs900 bn in FY20 (BE) – which in our view looks reasonable

Stress Alleviation in Rural India

- Rs 600bn allocated for MNREGA in BE 2019-20. Additional amount will be released if required
- Under the rural road development scheme of PGMSY, an amount of Rs 190bn allocated in BE 2019-20 as against Rs 155bn in RE 2018-19.
- For the first time GOI has fixed the minimum support price (MSP) of 22 crops at minimum 50% more than cost. Positive for tractor companies, fertilizers sector, FMCG companies etc.
- Rs 750bn allocated under the upcoming launch of PM-KiJAN program
- 2% interest subvention to farmers pursuing the activities of animal husbandry and fisheries who avail loan through Kisan Credit Card scheme.
- Launched Mega Pension Scheme – PMSYM with initial allocation of Rs 5bn
- Capital support from the current budget for the Railways is Rs646 bn. The Railways overall capital expenditure program is of Rs 1586bn
- Infrastructure development in North East India is increased by 21% yoy to Rs581 bn in 2019-20 BE.
- Government to convert 1 lakh villages into Digital Villages over the next five years.

Personal Tax

- Under Section 87A of Income Tax Act, tax rebate has been enhanced from Rs2500 to Rs12500. Also, the tax rebate shall now be admissible to taxpayers having total income up to Rs5 lacs, instead of existing Rs3 lakh
- For salaried persons, standard deduction is raised from current Rs40,000 to Rs50,000
- TDS for deduction of tax on rent is increased from Rs1.8 lakh to Rs2.4 lakh
- TDS threshold on interest earned on bank/post office deposits from Rs10,000 to Rs40,000
- Capital gains of upto Rs20 mn (which can be availed once in a lifetime) under Section 54 is now increased from one residential house to two residential houses
- Exempt of income tax on notional rent on second self-occupied house
- Extension of period of exemption from tax on notional rent on unsold inventories from one year to two years, from the end of the year in which the project is completed
- Section 80-IBA of the Income Tax Act is being extended for one more year i.e. to the housing projects under affordable housing approved till 31st March, 2020

Corporate Tax

- Exemptions from GST for small businesses have been doubled from Rs20 lakh to Rs40 lakh.
- Small businesses having turnover up to Rs15 mn will now pay only 1% flat rate and have to file one annual return only.
- Small service providers with turnover upto Rs0.5 mn can pay GST at 6% instead of 18%.

Financial Sector Reforms

- Increase in the gratuity limit from Rs10 lakh to Rs20 lakh. This is negative for the banks as it will push their opex cost
- Market borrowings is pegged at Rs7.1 trillion for FY20 vs. Rs5.7 trillion in FY19 (RE) – which is 25% higher on yoy basis. Higher market borrowings are likely to push up the g-sec yields which could be negative for the entire banking sector in general.
- Also, minimum support price (MSP) of all 22 crops is fixed at minimum 50% more than the cost – this could result in considerable rise in inflation, again resulting in higher g-sec yields.

Additional measures

- Government contribution in the New Pension Scheme (NPS) has been increased from 10% to 14%.
- Maximum ceiling of the bonus given to labourers has been increased from Rs3500 to Rs7000 pm while the maximum ceiling for pay is increased from Rs10000 pm to Rs21000 pm.
- Gratuity limit has been enhanced from Rs10 lakh to Rs20 lakh
- The ceiling of ESI's (Employee State Insurance) cover has been increased from Rs15000 pm to Rs21000 pm
- EPFO amount is increased from Rs2.5 lakh to Rs6 lakh in the event of death of labourer
- Defense budget to cross Rs3 tn in 2019-20

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