Union Budget highlights 2019-20

6th July 2019

Macros

- The Finance Minister Mrs Nirmala Sitharaman has set the target for India to become a $3-trillion economy in current fiscal year and has set a vision for India to become a $ 5tn economy driven by FY2024.
- The revenue and capital receipts are expected to grow by 13% y-o-y to Rs 19.6 lakh cr and 8.2 lakh cr in FY20.
- The revenue and capital expenditure are expected to grow by 14% and 7% y-o-y to Rs 24.5 lakh cr and Rs 3.4 lakh cr in FY20.
- The nominal GDP is expected to grow by 12% in FY20.
- The fiscal deficit for FY20 is estimated to be 3.3% of GDP.
- The divestment target for FY20 is Rs 1.05 lakh cr. It has also been proposed to amend the policy stating that Government share holding in public sector entities should be above 51%.
- The total debt to GDP is expected to drop from 48.4% to 48% of GDP in FY20.
- The Government is planning to start borrowing in foreign currency, which led to fall in Indian 10yr bond yield.
- It has been proposed to increase minimum public share holding in listed company to 35% from 25% this will increase the supply of equity shares as promoters with more than 65% holding will look to bring down their shareholding.

Direct and Indirect tax

- Corporate Tax Rate of 25% on Companies with turnover of upto Rs.400crores (earlier it was upto Rs 250cr). This will cover 99.3 % companies.
- TDS of 2% will be levied on cash withdrawal of Rs 1cr in a financial year.
- Tax deduction is provided on loan taken for purchase of electric vehicle. Income tax deduction of Rs 1.5lakh of interest on loan taken for purchase of electric vehicle. Additional deduction of Rs 1.5lakh for interest on loans borrowed for housing valued upto Rs 45 lakh is also provided.
- Faceless E-assessment for Tax Scrutiny to be launched in phased manner.
- A surcharge has been levied on individuals earning between Rs2cr-5cr and surcharged has been increased on individuals earning more than Rs 5cr. This will increase their effective tax rate by 3-7%.

Sector Highlights

Financial services

- Regulatory road map to be implemented for making India a hub for aircraft financing and leasing activities.
- Action plan to deepen the market for long-term bonds, including deepening markets for corporate bond repos and credit default swaps, with specific focus on infrastructure sector.
- FPIs allowed to invest in Investments made by FPIs to be allowed in listed debt securities issued by ReITsand InvITs.

- NRI Portfolio Investment Scheme is proposed to be merged with the Foreign Portfolio Investment Route to boost investment in Indian equities.
- HFCs to be regulated by RBI instead of NHB which is a positive for Housing finance companies.
- 100% FDI to be permitted for insurance intermediaries and it has been suggested to examine further opening up of FDI in the insurance sector, which is a positive for the insurance companies.
- Onetime six month's partial credit guarantee is proposed to be provided to public sector banks for first loss of up to 10% arising on purchase of high-rated pooled assets of financially sound NBFCs, a huge positive for well run NBFCs.
- It is proposed to set up 1.95cr houses under Pradhan Mantari Awas Yojna (Rural) positive for NBFC and Banks focused on affordable housing lending
- Rs 70,000cr recapitalization plan has been provided for public sector banks which should help in credit growth in the economy.

Automotive

- Government has moved the GST council to lower the GST rate on electric vehicles from 12% to 5%.
- To make India the global hub for manufacturing electric vehicles schemes shall be announced for incentivizing the setup of mega manufacturing plants for lithium batteries and solar PV cells etc.
- Custom duty exemption on import of certain electric vehicle parts are proposed. Also to promote Make in India Initiative basic custom duty is proposed to be increased on certain auto parts.

Defence

- It has been proposed that import of defence equipment that are not being manufactured in India shall be exempted from the basic customs duty, a positive for defence equipment manufacturers.

Oil & gas

- It is proposed that the High Level Empowered Committee (HLEC) recommendation to be implemented on retirement of old & inefficient plants, and addressing low utilisation of gas plant capacity due to paucity of natural gas to be taken up for implementation now.
- Blueprint will be announced to develop gas grids and increasing infrastructure connectivity a positive of city gas distributors.
- Special additional excise duty and road and infrastructure cess has been increased by INR1 each on petrol and diesel is a negative for OMCs.

Consumer products and retail

- Government of India has decided to extend the pension benefit to about three crore retail traders & small shopkeepers whose annual turnover is less than Rs 1.5cr under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme.
- Government has introduced providing of loans upto Rs 1cr for MSMEs within 59 minutes through a dedicated online portal.
- Local sourcing norms are proposed to be eased for FDI in Single Brand Retail sector.
- Cigarette excise duty was re-introduced on a technical ground, the impact is expected to be negligible. Overall taxes on cigarettes has not been increased which is positive for the cigarette sector.
- The import duty on Palm Fatty Acid Distillate (PFAD) and other fatty acids increased from 0% to 7.5% which is a negative for soap manufacturers.
- Import duty on gold hiked from 10% to 12.5% which is mild positive for organized jewelers.
- Import duty on indoor and outdoor units of ACs increased from 10% to 20%, a negative for air conditioner manufacturers.

IT sector

- The buybacks have been proposed to be taxed at 20%, negative for IT companies.

Telecom

- Basic custom duty is proposed to be increase on optical fiber cable from 10% to 15%.

Infrastructure and Real Estate

- The Government plans to invest Rs 100 lakh cr in Infrastructure sector in next five years.
- It has been proposed to make available a blueprint this year for developing gas grids, water grids, i-ways, and regional airports.
- Through innovative instruments such as joint development and concession, public infrastructure and affordable housing will be taken up.

- It is estimated that Railway Infrastructure would need an investment of 50 lakh cr between 2018-2030.
- It is propose to enhance the metro railway initiatives by encouraging more PPP initiatives and ensuring completion of sanctioned works, while supporting Transit Oriented Development (TOD) to ensure commercial activity around transit hubs.
- Pradhan Mantri Gram Sadak Yojana (PMGSY) outlay has been increased by 23% y-o-y to Rs 19,000cr.
- PMGSY-III is envisaged to upgrade 1,25,000 kms of road length over the next five years, with an estimated cost of Rs 80,250cr.
- Pradhan Mantri Awas Yojana – Gramin (PMAY-G) aims to achieve the objective of "Housing for All" by 2022. Houses are also being provided with amenities like toilets, electricity and LPG connections.

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