

Indian Union Budget 2019-20

Night watchman FM presents Election Ready Interim Budget

Its relief – rebates – benefits all the way –

The Hon. Finance Minister filling in the shoes of an elder cabinet colleague batted well on a sticky unpredictable wicket (of an election year) in an atmosphere surcharged with posturing claims and counter claims flying thick and fast from a clamouring opposition

The middle classes, especially the urban middle class had been totally skipped in the Union Budget 2018-19, and even to a great extent earlier. In those budgets the FM guided by the Hon PM had addressed key constituencies that made a difference, the poor, the unemployed, the youth, backward classes and the minorities.

The neglected middle class instigated by the opposition and smarting with the pain experienced in the trials and tribulations of demonetization and a GST legislation that had more than its share of teething troubles, was emitting voices of dissent. Electoral reverses and a belligerent opposition which appeared to join forces meant that something visible and substantial had to be done, especially for those whose numbers though not so significant, their voice and influence reached a large cross section of people through print and audio visual media and often equated with popular public perception and opinion.

The current state – context:

Indian economy despite the hiccups of demonetization and GST, leads the countries of the world both in terms of rate of growth as well as potential.

With the present government having a strong mandate of the people, with more than a clear majority, it is expected to be a 'decisive, stable and clean' Government, undertaking key 'transformational' reforms and changes.

The mindset of people is changing with a desire for sustainable growth, progress and better quality of life, yet the path, the road map towards realizing a 'New India' by 2022 is not settled. The government has promised and has worked and progressed a lot on Clean India, health for all, housing for all, universal access to basic necessities like toilets, water, electricity and infrastructure, on doubling farmers income and on achieving "Sabka Saath Sabka Vikas". The 'Sabka Vishwas' needed for this does not seem to be still there if one is to go by the conflicting news, stories and happenings, reported on our news channels and in print - news.

Achievements

Helped, inter alia, by the favourable oil prices for most part of the term, and the steady increasing inflows of FDI almost US Dollar 239 billion a massive amount, have fuelled a high rate of growth, taken India from the 11th to the 6th spot in terms of size of the economy, and helped curb inflation within limits to an average of under 5% as against the uncontrollable 10% inflation in the past. Fiscal deficit has also followed suit and dropped to less than 3% as against nearly 6% earlier.

The banking reforms, drive towards recoveries of large loans, recapitalizing state owned banks. M & A – reorganization of large banks, tighter legislation against corruption, which is work in progress are all making for a cleaner image of the Government.

The FM has taken the opportunity of this interim budget to show case the various schemes and initiatives taken by the Government and has presented a report card of sorts, highlighting achievements in major fields that have an impact on reducing the divide – between poor and rich, rural and urban, have nots (aspirational) and haves.

Notable is the 10% reservation based on income criteria for the poor which is over and above existing quotas/reservations, food security and employment guarantee, basic amenities including electricity, toilets, health care facilities of a higher/tertiary level, nutrition, education, financial inclusion and skill development.

A special mention of emphasis on doubling income of farmers through an aggressively higher minimum support price which is 50% above cost, support to animal husbandry and fisheries sector.

Social security and pension for unorganized workers toiling on streets in various other occupations and domestic workers is a welcome initiative.

Women have been centre stage but largely in urban areas, by expanding the LPG scheme Ujjwala, covering rural women and the 'Mudra' yojana the Government plans to focus on rural women enabling their empowerment.

This focus on empowerment has extended to MSMEs and small traders, domestic trade and services – The recent relaxation and easing of tax burden and compliance requirements in GST will make their life easier promoting growth

Infrastructure development improved connectivity by Air through UDAAN and upgradation of Rail services will boost economic activity and bring India closer making it more vibrant.

A higher sustained defense spend, thrust on digital India, reaching out to Indians overseas, unshackling entertainment and creativity and better protection to intellectual property complete the narrative.

Budget – A Reality check

A question that springs to mind is, if there is more expenditure all round on key areas, if there is relief, concessions and rebates in taxes both direct (in this interim budget) and indirect (announced a few days earlier), and a controlled deficit and a contained inflation is to be maintained at current levels, – where is the money coming from? Yes it is a Rs.2,10,07,439 crore question.

A look at the 'Budget at a Glance' brings out three major aspects of this Budget which is give, give, give all through.

The first is the aggressive estimates for Revenue Receipts – Primarily Tax Revenue – (projected increase in 2019-20 estimates over 2018-19 Revised estimates is 14.34%) and a 11% increase in capital receipts major part of which is borrowings – the increase in borrowings which includes draw down of Cash Balance (a kind of overdraft from RBI/Treasury) is a massive Rs.70,000 crores.

The second is the high level of interest payments on borrowings Rs.6,65,061 crores (BE 2019-20), which are 34% of the Revenue Receipts if capital account repayments of debt/loans is added that is a very tall order indeed to maintain serviceability of loans. With the woes of 7th pay commission and OROP and other payouts this could easily burgeon into a nightmare

The third is even more subtle, in reality deceptive and yet significant. GDP for BE 2019-2020 (current interim budget) has been projected at Rs.2,10,07,439 crore assuming 11.5% growth over the estimated GDP of Rs.1,88,40,731 crore for 2018-19 (Revised estimates). Estimates by experts both national and international point to a much lower figure of about 7% may be even an aggressive 7.5%. The 4.5% extra (11.5%-7.0%) on the base of Rs.1,88,40,731 crore of about Rs.8,47,833 crore (approx Rs.8.5 lakh crore) is the gap. If this is added to the fiscal deficit estimate of Rs.7,03,999 crore the actual fiscal deficit will mount to Rs.15,51,832 crore which on the GDP estimate of Rs.2,02,53,786 crore (assuming a 7% GDP growth over 2018-19 RE) will be a whopping 7.7% even higher than the high of almost 6% seven years ago. The magnitude of this gap of Rs.15,51,832 crore can be appreciated if we compare it with the total revenue receipts estimated of Rs.19,77,693 crore. Effectively meaning thereby that the estimated revenues are only 56% of the total outlay leaving 44% to be covered out of borrowings and drawing on capital.

Let me pause here and remind you of the oft quoted phrase of the British Prime Minister Benjamin Disraeli popularized in the United States by Mark Twain which described that there are three kinds of lies given in ascending order/degree

“Lies, Damn Lies and Statistics”

By the time this sleigh of hand is discovered, given the penchant of bureaucracies at using appropriate “Statistics” and given public memory which is notoriously short. “All will be well” as far as the people are concerned. But the impact of higher inflation, slipping growth and the resultant pain will not go away – statistics or no statistics.

Key dimensions

Hon Finance Minister has unveiled and emphasized the ten key dimensions of Vision 2030 and outlined them in this interim budget; representing the good of for and by the people in all the ten directions (Dasha Disha) – with the possible contrary issues given in brackets.

Ease of living

Build physical and social infrastructure for a ten trillion dollar economy – providing infrastructure, basic necessities and essentials to every family and a quality science oriented educational system (what about involvement of the people?)

Digital India

Digital transformation reaching the unreached and digitalization of government processes and private transactions (what about big brother watching? – Aadhaar episode is not forgotten)

Pollution free India

Renewable energy sources, electric vehicles, energy storage (what about people awareness and adoption?)

Rural industrialization

Using modern digital technologies to generate massive employment, strategies to spread in every nook and corner of India – (An Ambitious welcome initiative – will it get bogged down in a country of extreme divides and challenges/ sustaining and nourishing the springs of life?)

Safe drinking water

Sustaining rivers and water bodies, modern micro – irrigation (Far too much muck other than 'Sins' gets washed down daily in our springs, streams, rivers and oceans).

Blue Economy

Sagarmala development and exploitation of potential of India's long coastline, inland water ways, harvesting coastline and oceans, (what about self aggrandizement and usurping the coastline by privileged few? – the constant attack on no development zone along the coast is a case in point).

Reaching for the Outer Skies

Gaganyaan the launch pad of satellites for the world, placing an Indian astronaut in space by 2022 (By far a very ambitious but doable aspiration by current track records – can the other nine dimensions of Vision 2030 replicate this?)

Self sufficiency in Food

Organic farming, higher farm production & productivity. (what about contract farming, bane of genetically engineered and modified (GM) seeds and the bane of artificial chemical fertilizers?)

Ayushman Bharat

Health for all – a health society with an environment of health assurance and support of healthy infrastructure with emphasis on women participation rights safety and

empowerment (will there be gaps, leakages in health services and lip service to women's cause continue as in the past?)

Team India

Employees together with elected government, transforming into minimum government maximum governance nation with a proactive people friendly bureaucracy (Great, but where are the people in this? Will they be on-boarded?)

This comprehensive ten dimensional ambitious Vision 2030, is an extension on the key themes of the Budget 2018, which in turn were a grouping of the ten themes put forth in Budget 2017 which in turn are based on the agenda of 'Transform India' proposed in Budget 2016 that outlined nine thrust areas.

A continuity and course correction of sorts – the execution on the ground is what all of us wait for with hope and bated breath.

Tax Proposals

It's give, give and give while it has been mostly draw, take and collect all throughout the earlier tenure. Though expected in an election year interim budget, where the balancing is left to the newly elected government, it does give a pleasant feel to the budget and will surely bring a smile if not a chuckle to the face the harried middle class still recovering from the effects of demo and GST.

There is good news and cause of cheer for the middle class, the salaried, pensioners and senior citizens - though much awaited and always a bit lesser than expected – It is always a case of “Yeh dil maange more” is it not friends?

No tax upto 5,00,000 Income

Tax payers having annual income net of deductions of upto Rs. 5,00,000 get full rebate and hence pay no Income Tax. (A benefit of upto Rs. 12,500)

Salaried persons

Standard deduction hiked from Rs. 40,000 to Rs. 50,000. (A tax benefit of upto Rs. 3000 in maximum slab).

No notional rent for upto two houses

This will bring relief to those who own two houses both having been used/ retained for self occupation. (Benefit is that notional income of one more house will now not be taxed)

Capital Gains tax

For capital gains upto Rs. 2 crore, the gain can be reinvested in upto two residential houses as against only one in the past. (Beneficial, but available only once in a lifetime and not available where capital gain exceeds Rs. 2 crore).

TDS thresholds increased

Threshold for TDS on interest increased from Rs. 10,000 to Rs. 40,000 and for Rent increased from Rs. 1,80,000 to Rs. 2,40,000.

Affordable housing scheme time limit eligibility extended by one year from 31-3-2019 to 31-3-2020.

Parallely in tax administration there is a greater emphasis on e- assessment obviating the need for direct personal interface between tax administration and assesseees.

The Hon FM has gone above and beyond the role of a night watchman doing duty for an FM who is indisposed and recuperating. He has been bold to state that it is not merely an Interim Budget but a medium of the country's development journey.

Taken in the right direction it will create a grand edifice transforming India into a leading nation of the world. He has gone on to add that what has been created is the foundation. The superstructure will be built for sure because the governments intent is clear (Niyat Saaf Hai) the policy is transparent (Niti Spashta), integrity is resolute (Nishtha Atal Hai)

He quotes from a renowned Hindi Poet -

“Ek paav rakhte hum, hajar raahe fut padti hai)”

(Development and transformation will multiply in many ways)

“Kahin hajar raahon se bhatak na jaye”

One only hopes that this journey towards transformation and development does not wander in multiple paths only to be dissipated.

Vishnu Kanhere