THE MACRO

LIQUIDITY WOES CLOUD THE HORIZON

The Bandra-Kurla-Complex skyline in Mumbai dotted with some of the major banks and financial institutions. *Pradip Das*

LAST 12 MONTHS, starting with loan default by IL&FS last September, have been quite challenging for the financial sector institutions, especially non banking financial companies, public sector banks and certain private banks.

THIS HAS CREATED macro headwinds for the economy, putting pressure on the government and the Reserve Bank of India to pursue policies for revival economic growth. On the domestic front, slowing consumption and flat investment put a drag on the economy.

APART FROM STRENGTHENING financial sector institutions, the Central government will have to take into account rising geopolitical tensions, threat of trade wars and uncertainty in the international crude oil prices.

WHILE NPAs AT macro level have shown signs of reversal, defaults from a section of NBFCs can erase the gains achieved with enactment of Insolvency and Bankruptcy Code and recovery measures adopted by the banks in the last couple of years.

NBFCs WERE THE largest net fund borrowers from the system with gross payables of around Rs 8.44 lakh cr and gross receivables of around Rs 7.23 lakh cr as on end-March 2019. Liquidity for NBFCs with default ratings has dried up, creating challenges for policy makers.

Black money Act: NRIs included with retro effect

AANCHAL MAGAZINE
NEW DELHI, JULY 5

EXPANDING THE coverage of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, the government through the Union Budget 2019-20, has retrospectively included non-resident Indians under the Act.

The change in definition of the assessee is expected to provide power to tax authorities to take action against those who were residents at the time of acquisition of the undisclosed asset and then turned into non-residents.

The move is expected to aid the government in recovering undisclosed assets stashed away abroad in cases where high-profile tax evaders have left the country.

The black money law, apart from providing more stringent provisions for penalty and prosecution, also includes the offence of willful attempt to evade tax etc. in relation to undisclosed foreign income/assets as a scheduled offence under the Prevention of Money-laundering Act, 2002 (PMLA).

Tax experts said the amendment in the black money law to include non-residents may also have been necessitated after the amendments in PMLA Act last year brought in corporate frauds under its ambit.

"The amendments to PMLA, 2002, are aimed at enhancing the effectiveness of the Act, widen its scope and take care of certain legal structuring adopted by resident individuals to avoid application of the PMLA Act. Earlier in Budget 2018-2019, the government had amended the PMLA Act to cover corporate frauds under Section 447 of Companies Act within its ambit. However, the perpetrators of fraud were able to avoid application of PMLA by changing their residency status. The amendment proposed today is primarily to plug the loophole which somehow was not addressed in the earlier Budget," Amit Agarwal, partner, Nangia Advisors, said.

Tax experts, however, said that prosecution with retrospective effect might get questioned in courts, though the retrospective nature as well as the tax, penalty and impounding of assets may still hold.

"The legal view of the amendment could be questioned since criminal prosecution cannot be done retrospectively," Amit Maheshwari, partner, Ashok Maheshwary & Associates, said.

In another retrospective amendment in the Budget, the government said it will provide another opportunity to declarants under the already closed Income Declaration Scheme, 2016 to deposit tax, surcharge and penalty which has not been paid within the due date. Also, the government may notify the class of persons to whom the amount of tax, surcharge and penalty, paid in excess of the amount payable under the scheme shall be refundable.

The IDS, which came into effect from June 1, 2016 and was open till September 30, 2016, provided an opportunity to persons who had not paid full taxes in the past to declare their domestic undisclosed income and assets.

The government has also widened the scope of furnishing of Statement of Financial Transactions (SFTs) by removing the current threshold of Rs 50,000, implying reporting of smaller transactions as well. Budget documents said this has been done to ensure pre-filling of information in the income-tax returns relating to small amount of transactions as well. Section 285BA of the Income-tax Act, 1961 requires furnishing of a SFT for transactions prescribed under Rule 114E of the Income-tax Rules, 1962. Under the section, specified financial institutions are required to be report transactions such as cash deposits, buyback of shares, credit card payments, purchase or sale of immovable property to the tax authorities.

THE 1ST BUDGETS 2014 VS 2019

2014

- Budget kept the fiscal deficit target at 4.1 per cent while calling it daunting
- Fiscal consolidation plan to cut deficit to 3 per cent by 2016-17 and 3.6 per cent by 2015-16 was unveiled
- The Centre announced that debate on GST must end and this tax reform be introduced
- It proposed capital of PSU banks by selling shares with government continuing majority stake

2019

- Provides a strident commitment to fiscal discipline. Budget kept fiscal deficit target of 3.3 per cent
- Fiscal deficit projected at 3 per cent for 2020-21 and 2021-22
- Indirect taxes are budgeted at ₹11,22,015 crore in BE 2019-20 which is 5.3 per cent of GDP
- Proposes to infuse Rs 70,000 crore in PSBs to boost credit for a strong impetus to the economy

FY20 fiscal deficit target set at 3.3%; 'realistic', says govt

The Centre has tried to lower cost of capital through policy measures and steps aimed at attracting foreign funds to trigger investment cycle

SUNNY VERMA
NEW DELHI, JULY 5

AGAINST MARKET expectations of government boosting spending to push growth, the Centre not only stuck to the fiscal consolidation path but also lowered the deficit target compared to the Interim Budget.

Even as it pursued fiscal prudence, the government has tried to lower cost of capital through policy measures and steps aimed at attracting foreign funds to kick-start the investment cycle. Analysts note that it will be challenging for the government to meet the target as growth is expected to remain slow.

Fiscal deficit, which is the difference between government expenditure over revenues, is pegged to fall to 3.3 per cent of gross domestic product (GDP) in 2019-20 as against the Interim Budget aim of 3.4 per cent. Assumptions of stronger nominal GDP growth of 12 per cent, higher tax revenues, and extra resource raising through disinvestment and transfer of dividend from the RBI are seen as leading the improvement in the fiscal math. Changes in custom duties and excise are expected to yield additional revenue of Rs 25,000 crore while the net gain through direct taxes will be around Rs 6,000-7,000 crore.

The reduction in fiscal deficit target, along with government's plan to raise sovereign borrowings in international markets, led to rise bond prices and yield on benchmark bonds falling as much as 10 basis points Friday. A lower deficit is typically seen as freeing up resources for investment by the private sector, which can enhance growth. While keeping government spending under check, Finance Minister Nirmala Sitharaman announced steps to improve access to capital. "We recognize that investment-driven growth requires access to low cost capital. It is estimated that India requires investments averaging Rs 20 lakh crore every year ($300 billion a year). A number of measures are proposed to enhance the sources of capital…," she said.

In the backdrop of private sector investment remaining tepid, the Budget measures have focussed on attracting foreign capital to push investment and growth.

The proposed measures include greater funding access to companies through corporate bond market, permitting foreign portfolio investors (FPIs) to buy debt paper of infrastructure debt funds, opening up FDI in aviation, media and insurance sectors, 100 per cent FDI for insurance intermediaries, and increasing the statutory limit for FPI investment in a company from 24 per cent to sectoral foreign investment limit, improve access to NRIs to Indian equities.

Finance Secretary Subhash Chandra Garg said in a press briefing that the fiscal deficit target is realistic. "On the revenue side as compared to actual of 2018-19, direct taxes are expected to increase by 17.5 per cent, indirect taxes are going up by only 15 per cent. This is very realistic targets in our judgement. On non-tax side, there is also an increase as we are expecting better dividends," he said. The government has projected dividends from the RBI, nationalised banks and financial institutions to rise 40 per cent in 2019-20 to Rs 1.06 lakh crore while disinvestment receipts are pegged to increase by 31 per cent to Rs 1.05 lakh crore.

Among the expenditure heads, interest payments and subsidies are among the major items. The government's subsidy bill on food, fertiliser and fuel is estimated to go up by 13.32 per cent to Rs 3,01,694 crore in the current fiscal, while interest payments are projected to rise by more 12.40 per cent to Rs 6.60 lakh crore (or 33.7 per cent of revenue receipts.

INCREASING HEADWINDS

CHALLENGES

- Containing fiscal deficit without cutting expenditure
- Boosting economic growth by stimulating investment & consumption demand
- Addressing liquidity challenges faced by NBFC and banking sectors
- Encouraging job creation in the economy
- Enabling MSMEs to grow to better access to funding and markets
- Increasing protectionism by some countries could disrupt international trade

INTERVENTION

- Government cut fiscal deficit aim to 3.3% from 3.4% while raising resources other means
- Custom duty on gold was raised income tax surcharge on super rich hiked
- Govt provided partial credit guarantee on PSU banks buying rated assets of financially sound NBFCs

EXPLAINED E. Fisc in control, over to RBI now

THE GOVERNMENT has chosen fiscal prudence over expansionary policy to stimulate the economy. The conservative stance is good for bond markets and for private players, as lesser government borrowings opens up space for the private sector to raise funds domestically. At a time when the economy is on a slide, and private sector sentiments remain depressed, the government has chosen to depend on monetary tools such as repo rate cuts to boost growth.

Divestment target hiked to ₹1.05L cr for FY20

SANDEEP SINGH
NEW DELHI, JULY 5

BETTING ON strategic sale of public sector undertakings including that of Air India, the government has set a record target of Rs 105,000 crore from disinvestments for 2019-20. The target has been raised from Rs 90,000 crore that was set in the interim budget presented on February 1, 2019.

"Government is setting an enhanced target of Rs 1,05,000 crore of disinvestment receipts for the financial year 2019-20. The Government will undertake strategic sale of PSUs. The Government will also continue to do consolidation of PSUs in the non-financial space as well," said Finance Minister Nirmala Sitharaman. Adding that strategic disinvestment of select CPSEs would continue to remain a priority for the Government the minister said, "In view of current macro-economic parameters, government would not only reinitiate the process of strategic disinvestment of Air India, but would offer more CPSEs for strategic participation by the private sector." If the government manages to meet its target of Rs 105,000 crore it will add additional receipt of over Rs 20,000 crore, purely on account of higher disinvestment receipts.

The government had raised Rs 84,970 crore against a target of Rs 80,000 crore in the financial year 2018-19 and had raised a record of Rs 100,045 crore in 2017-18 against the target of Rs 75,000 crore. Even in the year 2016-17, the government raised Rs 10,778 crore through strategic sale out of the total disinvestment receipt of Rs 46,245 crore.

Govt expects ₹90K cr dividend from RBI this fiscal; 32% jump over FY19

PRANAV MUKUL & SUNNY VERMA
NEW DELHI, JULY 5

THE GOVERNMENT expects Rs 1,06,041.56 crore as dividend and surplus from the Reserve Bank of India, nationalised banks and financial institutions in 2019-20 — the highest ever. For the last financial year, the government had budgeted receipt of Rs 54,817.25 crore as dividend and surplus but the revised estimate pegged the amount at Rs 74,140.37 crore. The amount budgeted for 2019-20 is over 40 per cent higher than the revised estimate for 2018-19.

Finance Secretary Subhash Chandra Garg said that the government expects Rs 90,000 crore as dividend from the RBI in the current fiscal. This is 32 per cent jump from the previous fiscal, when the central bank paid Rs 68,000 crore to the government including Rs 28,000 crore as interim dividend.

As per Section 47 of the RBI Act, profits of the RBI are to be transferred to the government, after making various contingency provisions, public policy mandate of the RBI, including financial stability considerations.

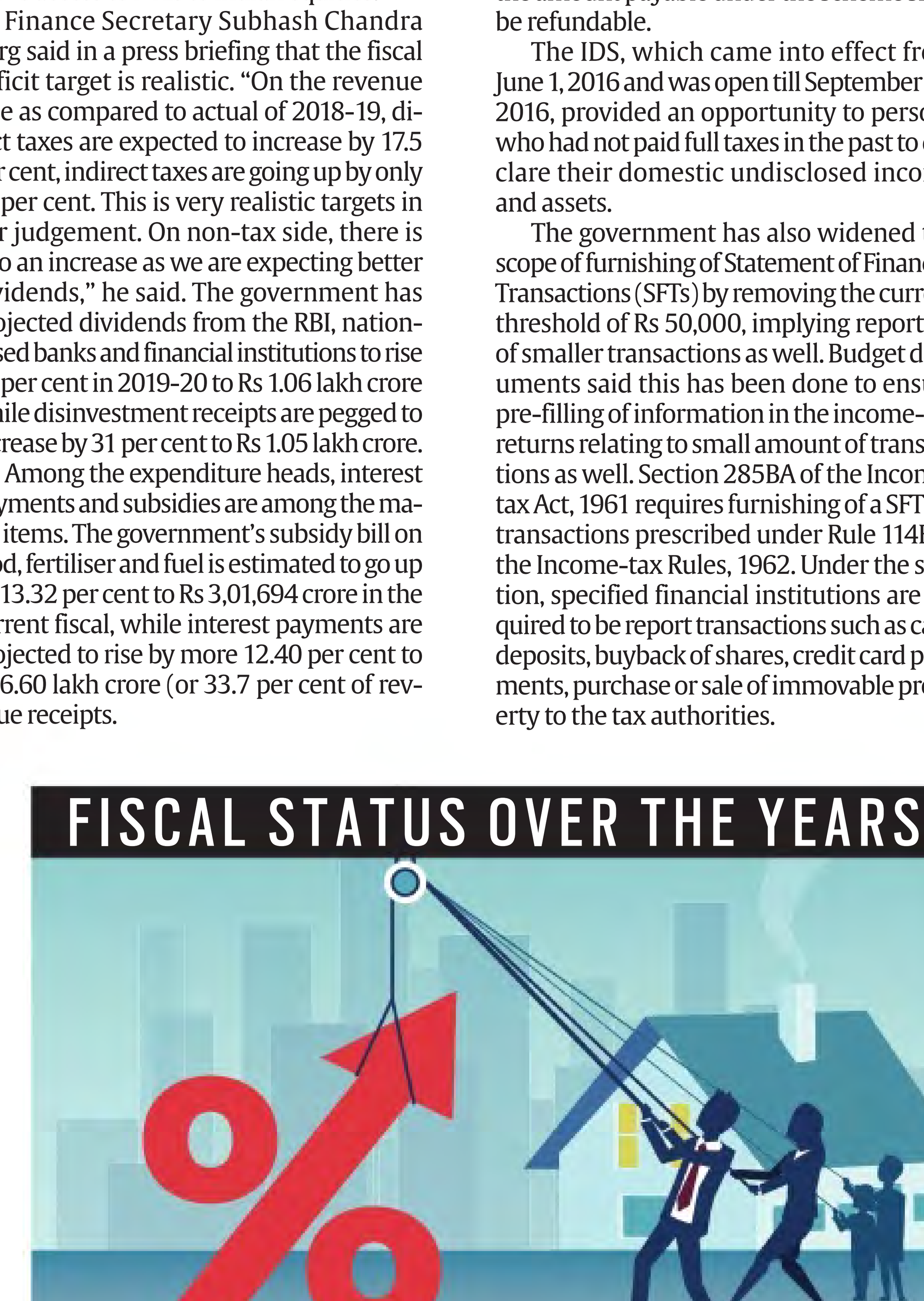
For the year ending June 2018, RBI had total reserves of Rs 9.59 lakh crore, comprising mainly currency and gold revaluation account (Rs 6.91 lakh crore) and contingency fund (Rs 2.32 lakh crore). Many economists and expert panels have in the past argued that the RBI is holding much higher capital that required to cover all its risks and contingencies.

The Committee on recommending the appropriate economic capital framework for the Reserve Bank of India (RBI) is divided over the issue of transferring past reserves including unrealised gains in gold and currency revaluation accounts. Sources said the most committee members are in favour of reducing the RBI's excess reserves in phased manner, without any substantial transfer to the government.

The majority view in the committee is that the past reserves of the RBI, especially unrealised gains, in gold and currency revaluation accounts, should not be touched while future transfers should be guided by the new policy.

These are key areas of differences between the government nominee on the panel, Finance Secretary Subhash Chandra Garg, and other members, sources said. The panel headed by former RBI Governor Bimal Jalan, which met Monday, sought more time to finalise its report owing to the differences on issues. Set up last December, the panel was expected to submit its report by April (within 90 days of its first meeting), but it is now likely in July.

FISCAL STATUS OVER THE YEARS



ALL DATA AS A PERCENTAGE OF GDP

	2015-16	2016-17	2017-18	2018-19	2019-20*
Fiscal Deficit	3.9	3.5	3.5	3.4	3.3
Revenue Deficit	2.5	2.1	2.6	2.2	2.3
Gross Tax Revenue	10.8	11.3	11.6	11.9	11.7
Current Account Deficit	-1.1	-0.6	-1.9	-2.1	—
GDP (%)	8.2	7.1	6.7	6.8	—

Source: Finance ministry, RBI

* *Budget Estimates*

Govt steps in to aid NBFCs hit by liquidity crunch, defaults

Post the Budget announcement, the RBI said it will provide required liquidity backstop to the banks

GEORGE MATHEW
MUMBAI, JULY 5

THE GOVERNMENT and the Reserve Bank of India on Friday stepped in with several proposals to support non-banking finance companies (NBFCs) hit by the default of IL&FS group and the subsequent liquidity crunch in the system. For purchase of high-rated pooled assets of financially-sound NBFCs, amounting to a total of Rs one lakh crore in the current fiscal, the government will provide a one-time six-month partial credit guarantee to public sector banks (PSBs) for first loss of up to 10 per cent, Finance Minister Nirmala Sitharaman said in her Budget speech.

However, NBFCs which were demanding special liquidity window sought more long-term measures to salvage the sector.

In order to enable the banks to implement this announcement and deal with the NBFCs/ HFCs issue effectively, the RBI on Friday said it will provide required liquidity backstop to the banks against their excess G-sec holdings. The partial credit guarantee from the government would help NBFCs raise funds from PSU banks, thus providing the funding support to NBFC/ HFCs. "However, with the guarantee being available for only six months, the preference could be for relatively shorter-term retail assets," said Karthik Srinivasan, group head—financial sector ratings, ICRA.

The RBI has also decided to frontload the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) scheduled to rise by 0.5 per cent each in August and December 2019, and permit banks to reckon with immediate effect the increase in FALLCR of 1 per cent of the bank's net demand and time liability (NDTL), to the extent of incremental outstanding credit to NBFCs and housing finance companies (HFCs) over and above the amount of credit to NBFCs/HFCs outstanding on their books as on date, which will enable banks to avail additional liquidity of Rs 1,34,000 crore.

RBI Governor Shaktikanta Das had recently said it would review the NBFC supervision norms, in the wake of the recent developments. KV Srinivasan, CEO, Profectus Capital and Co-Chairman, FIDC, said, "The measures announced are surely welcome at a stage when NBFCs have been facing liquidity headwinds, though the demand for a long term refinance mechanism has not yet been addressed. The first loss guarantee on Rs 1 trillion of pooled assets securitisation is a very good confidence building measure."

The Budget proposal for the removal of debenture redemption reserve on public bonds issued by NBFCs as well as removal of Section 43D related to taxation of income on NPA will bring down the cost of operations, NBFC officials said. "The opening up of TReDS to all NBFCs is a huge opportunity for the NBFCs which should channelise significant amount of working capital to the MSME sector. The interest subvention scheme for MSMEs will certainly boost additional loan disbursement to them, giving a further business opportunity to NBFCs," Srinivasan said.

Hardika Shah, Founder & CEO, Kinara Capital, said, "since the liquidity crisis surfaced, banks have become more conservative and were wary of lending to NBFCs or providing interest rate reductions. Enhancing credit guarantee for portfolio purchases will definitely improve the flow of funds to healthy NBFCs with a good quality asset pool ..."

The RBI has infused adequate liquidity in to the system through open market operations, currency swaps and phased increase in Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) over the past six months or so. "For more than a month now, there is surplus liquidity in the system. In the meantime, an Internal Working Group in RBI is reviewing the liquidity management framework and their recommendations are expected towards the middle of July 2019," the RBI said.

EXPLAINED E.

Expectations met half way

THE SIX-month partial credit guarantee for public sector banks for pooled assets totaling Rs 1 lakh crore is short. The government has come only half way in meeting the expectations of NBFCs which sought a special liquidity window. Further, the facility will be available only to "financially sound" companies, which leaves a lot to interpret. It is also not clear if this is available to housing finance companies some of which are already in default.

THE DEMAND STORY

The recent fall in production of some consumer durable items can be attributed to the very nature of such products, which are purchased with a gap of 3-7 years. Along with this, the drop in consumer demand owing to lesser purchasing power can be evidenced from the fall in outstanding loans growth for this segment, which reduced by Rs 13,400 crore year-on-year in FY19. Further, washing machines and refrigerators are considered to be more of necessities than TV sets and ACs which are considered to be 'comfort' goods

YEARLY PRODUCTION GROWTH OF CONSUMER DURABLES (%)

	Washing Machines	Refrigerators	TV sets	Air conditioners
FY19	10.3	15.7	(-)37.0	(-)7.5
FY18	5.3	3.4	(-)10.1	2.4
FY17	13.2	10.1	(-)6.9	10.9
FY16	10.3	(-)0.8	(-) 11.5	(-) 2.0
FY15	14.4	12.2	17.0	26.5

Source: CARE Ratings, MoSPI

IN NEED OF A CONSUMPTION DRIVER

Vehicles lined up in an automobile showroom in Noida, Uttar Pradesh, as demand eludes the sector. *Gajendra Yadav*

WHOLESALE DESPATCHES OF passenger vehicles in June were down by over 15 per cent year-on-year impacted by shutdowns at plants of some automobile majors. However, despite the shutdowns, the inventory levels have remained higher than normal.

THE AUTOMOBILE SECTOR has been struggling to stimulate demand indicating a slowdown in consumption. India's consumption story over past few years has been a layered with certain discretionary goods showing signs of a slowdown while consumer interest in necessity items continued to grow.

NBFCs HAVE A huge exposure to vehicle financing, in almost every category including commercial vehicles, passenger vehicles, 3- and 3-wheelers. The segment currently finances almost 70 per cent of new two-wheelers and 60 per cent of new commercial vehicles sold in India.

THE AUTO INDUSTRY has urged the government to take immediate measures to improve liquidity, especially in NBFC sector, to fuel growth in the sector which has seen sales drop month-on-month leading to closure of several dealerships.

Housing finance sector comes under RBI supervision

At present, National Housing Bank, besides being refinancer and lender, is also the sector regulator

GEORGE MATHEW
MUMBAI, JULY 5

THE GOVERNMENT has proposed to transfer the regulatory authority over housing finance sector to the Reserve Bank of India (RBI) from the National Housing Bank (NHB) in a bid to strengthen the sector which was hit by payment delays and liquidity crunch.

While presenting her first Union Budget, Finance Minister Nirmala Sitharaman said, "efficient and conducive regulation of the housing sector is extremely important in our context. The National Housing Bank, besides being the refinancer and lender, is also regulator of the housing finance sector. This gives a somewhat conflicting and difficult mandate to NHB."

"I am proposing to return the regulation authority over the housing finance sector from NHB to RBI," the minister said. Necessary proposals have been placed in the Finance Bill," she said.

The HFC segment was recently rocked by the payment delays by DHFL and some NBFCs. The housing finance sector has been facing challenges, which have led to a contraction in prospects, a rise in funding cost and an increased spotlight on their asset-liability mismatches. Such mismatches have resulted in constrained financing from both market-based sources (commercial papers and non-convertible debentures) and banks for many players.

Amit Wadhwani, Co-founder, SECCPL, said, "the government has empowered the RBI to regulate the housing finance companies which will help in quality assessment by the lender for fear of facing scrutiny if found indulging in improper practices." While there are 82 HFCs in India, more than 90 per cent of the housing finance business is controlled by the top five companies.

Karthik Srinivasan, Group Head - Financial Sector Ratings, ICRA, said, "with regulatory authority over HFCs moving to the RBI from NHB, it would lead to greater parity of regulations for NBFCs and HFCs."

According to an Indian Ratings report, the systemic rise in market borrowings rate has affected the housing loan business. "The borrowing cost for some large HFCs could be upwards of banks' marginal cost of funds-based lending rate (MCLR). This has led to the shrinking of margins in mid-to-large ticket housing loans, where banks are highly competitive. Furthermore, the ongoing challenges in the real estate and small and medium enterprise segments (loan against property customers) may lead to HFCs reassessing loan growth plans, thereby putting pressure on their margins," it said.

During FY17-19, to mitigate the margin risk, many HFC players expanded their non-housing books at a significantly higher rate than their pure housing loan books. The increase in the proportion of non-housing loan book could lead to asset quality pressure amid the current slowdown in disbursement to developers. The current liquidity tightness in the housing finance industry has led to a large number of non-bank entities (both HFCs and NBFCs) curtailing loan disbursements, thereby creating a significant funding crunch in the sector, the rating firm said.

Recapitalisation bonds of ₹70,000 crore for PSBs

SUNNY VERMA
NEW DELHI, JULY 5

THE GOVERNMENT plans to issues Rs 70,000 crore worth of recapitalisation bonds in the current fiscal year to inject an equivalent amount of equity in public sector banks. Capital infusion in banks will help them in meeting the regulatory requirement as well as provide funds for pushing credit growth in economy.

"Having addressed legacy issues, PSBs are now proposed to be further provided Rs 70,000 crore capital to boost credit for a strong impetus to the economy," Finance Minister Nirmala Sitharaman said.

She said the state of banks has improved significantly as non performing assets (NPAs) have fallen and banks have raised provisions against likely loan losses.

In October 2017, the government announced a Rs 2.11 lakh crore worth of capital infusion plan in public sector banks over two years including fund infusion of Rs 1.35 lakh crore. Despite record equity infusion, subsequent loan fraud at Punjab National Bank of over Rs 14,000 crore put the government in a precarious situation again. As banks struggled to raise resources from the market, the government has stepped up equity infusion through the route of recapitalisation bonds — which do not show up on fiscal deficit as the government accounts for only interest payments on these bonds. By the end of current fiscal, the total outstanding issuance of recapitalisation bonds is pegged at Rs 2.56 lakh crore, comprising Rs 70,000 crore to be issued this year and Rs 1.86 lakh crore worth of bonds issued in the last two years, according to budget documents.

She said banks have gained through clean up in the last few years and fresh equity infusion would strengthen them to support economy. "Financial gains from cleaning of the banking system are now amply visible. NPAs of commercial banks have reduced by over Rs 1 lakh crore over the last year, record recovery of over Rs 4 lakh crore due to IBC (Insolvency and Bankruptcy Code) and other measures has been effected over the last four years," she said.

She said the provision coverage ratio is now at its highest in seven years and domestic credit growth has risen to 13.8 per cent, even as the government smoothly carried out consolidation, reducing the number of PSBs by eight. To further improve ease of living, the Finance Minister said banks will leverage technology, offering online personal loans and doorstep banking, and enabling customers of one PSB to access services across all state-owned banks.

"In addition, government will initiate steps to empower account holders to remedy current situation in which they do not have control over deposit of cash by others in their accounts," she said.

THE 1ST BUDGETS 2014 VS 2019

2014

- 10-year tax holiday for power project developers was announced to rekindle investor sentiment in the sector
- Disposable income was raised via higher tax exemption to boost consumption and investment
- Excise duty concessions for consumer durables and automobile sectors were raised by another six months
- Excise duty was cut to 6 per cent from 12 per cent on footwear of retail price exceeding ₹500 per pair but not exceeding ₹1,000 per pair

2019

- CBDT to make special administrative arrangements for pending assessments of startups and redressal of their grievances
- Special additional excise duty and road and infrastructure cess each to be increased by one rupee a litre on petrol and diesel
- Export duty being rationalised on raw and semi-finished leather to provide relief

Tax-holiday for GIFT City extended to 10 years to attract investment

AVINASH NAIR
AHMEDABAD, JULY 5

FINANCE MINISTER Nirmala Sitharaman announced a series of sops for India's first International Finance Service Centre (IFSC) that is housed within GIFT City. Officials said the new budgetary provisions will help quadruple the business transactions happening in GIFT City. Tapan Ray, the new managing director and Group CEO of GIFT City, said "Today's Union Budget announcement has re-emphasised the importance of GIFT IFSC as an emerging Global financial services hub. The policy pronouncement regarding GIFT IFSC would give a tremendous boost to investor confidence both in India and abroad."

Key measures related to aircraft leasing business and improvements to profit-linked tax deductions is expected to the boost IFSC operations in a big way. "The announcements made in today's budget will increase business activities at IFSC by four to five times, said Dipesh Shah, head (GIFT IFSC), Gujarat International Finance Tec-City Company Ltd.

"The biggest announcement in today's budget according to me is the one related to profit-linked deduction under Section 80-LA where a unit that opens in IFSC was given a tax-holiday in form of allowing deduction of 100 percent of profits for first five consecutive years and 50 percent for the next five consecutive years from the year of commencement of operations.

"Today it has been proposed to provide this 100 percent deduction for 10 years and allow the unit to claim the said deduction for any 10 consecutive years out of the 15 years from the year of commencement. It gives a clear long-term map for people to come into GIFT City now. This will help attract a lot of firms who would now be keen to make long-term investments in the project. Secondly, this tax holiday will provide a competitive regime for IFSC here in comparison to Dubai and other places," Shah explained.

The incentives announced in the Budget for the IFSC have come as a breath of fresh air for Gujarat International Finance Tec-City (GIFT) in Gandhinagar, which is in the process of transition after crisis hit Infrastructure Leasing & Financing Services that has a fifty per cent stake in it.

A dream project of Prime Minister Narendra Modi, when he was Gujarat Chief Minister, GIFT city houses the first IFSC in the country. An independent valuation and transaction advisory firm based in Mumbai has been appointed to arrive at the right valuation of the 50 percent equity stake that IL&FS holds in GIFT City.

"RBSA Advisors (headed by chairman and founder RB Shah) has been selected just a few weeks back to determine the value of IL&FS stake. They are valuation experts. They were selected from five to six entities that were short-listed for the purpose. The appointment has been made jointly by IL&FS and Gujarat government," Ray told *The Indian Express*.

"Once they conduct the valuation, we will take the next step. The idea is quickly get the valuation. All options are open. We need to drive the GIFT City project hard," said Ray when asked if the equity owned by IL&FS would be bought by the state government as announced by Gujarat Chief Minister Vijay Rupani in November 2018 or invite a new private partner who could replace IL&FS.

Ray recently he took over from Ajay Pandey who had to step down in March 2019. GIFT City is a 50:50 joint venture between IL&FS and the state government owned Gujarat Urban Development Company Limited.

THE 1ST BUDGETS 2014 VS 2019

2014

- Income arising out of transactions in securities market to be treated as capital gains and not business income for taxation purpose
- To promote stainless steel industry, basic customs duty on imported flat-rolled products was raised from 5 per cent to 7.5 per cent
- Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector was announced
- Warehouse Development and Regulatory Authority was unveiled plan to improve post-harvest lending to farmers against negotiable warehouse receipts

2019

- Continuing phased reduction in corporate tax rates — proposal to widen coverage of lower tax rate of 25 per cent to include all companies having an annual turnover of up to ₹400 crore
- Proposed scheme to invite global companies to set up mega-manufacturing plants in sunrise and advanced technology areas and provide them investment-linked income tax exemptions
- No customs duty on parts for exclusive use in electric vehicles to promote electrical mobility
- Proposed rationalisation and streamlining of existing KYC norms for foreign portfolio investors (FPIs) to make it more investor friendly

SENSEX FALLS 395 POINTS

Passersby outside the BSE building in Mumbai watch the broadcast of Finance Minister Nirmala Sitharaman tabling the Budget in Parliament, Friday. *Prashant Nadkar*

SNAPPING THEIR FOUR-SESSION rising streak, benchmark equity indices — Sensex and Nifty — closed with sharp losses Friday after the Budget proposal to raise public shareholding threshold fanned fears of oversupply of new papers in an already overbought market.

AFTER TOUCHING THE 40,000-mark in morning trade, the BSE Sensex turned choppy after Finance Minster Nirmala Sitharaman rose to present her maiden Budget. The 30-share gauge finally finished 394.67 points, or 0.99 per cent, lower at 39,513.39.

DURING THE WEEK, the Sensex gained 118.75 points or 0.30 per cent, while Nifty rose 22.30 points or 0.18 per cent. Since the interim Budget on February 1, the Sensex has zoomed 3,043.96 points or 8.34 per cent, and the Nifty gained 917.50 points or 8.42 per cent.

YES BANK WAS the top loser in the Sensex pack Friday, crashing 8.36 per cent, followed by NTPC, M&M, Vedanta, Sun Pharma and TCS, which lost up to 4.81 per cent lower. On the other hand, IndusInd Bank, Kotak Bank, SBI, ITC, Bharti Airtel and ICICI Bank rose up to 2.16 per cent.

Corporate tax: Firms with ₹400 cr turnover to get benefit

SANDEEP SINGH
NEW DELHI, JULY 5

TAKING ONE more step towards its July 2014 Budget promise of bringing down the corporate tax rate at 25 per cent for all corporates in a phased manner, Finance Minister Nirmala Sitharaman on Friday announced to extend the benefit of lower corporate tax of 25 per cent to companies with annual turnover of up to Rs 400 crore.

By including companies with turnover of up to Rs 400 crore under 25 per cent corporate tax, Sitharaman said the government has covered additional 0.3 per cent of the India Inc into the lower corporate tax slab

"So far as corporate tax is concerned, we continue with phased reduction in rates. Currently, the lower rate of 25 per cent is only applicable to companies having annual turnover up to Rs 250 crore. I propose to widen this to include all companies having annual turnover up to Rs 400 crore," said the Finance Minister, adding that this will cover 99.3 per cent of the companies.

In his Budget announcement last year, the then Finance Minister Arun Jaitley had announced reduction in corporate tax rate from existing 30 per cent to 25 per cent, for all firms with turnover of up to Rs 250 crore, adding that by doing so almost 99 per cent of companies would receive the benefit. By extending the benefit to companies with turnover of up to Rs 400 crore, Sitharaman on Friday said that the government has covered additional 0.3 per cent of the India Inc into the lower corporate tax slab. While CII welcomed the move and its director general Chandrajit Banerjee called it an important policy signal towards government's commitment to reduce corporate taxes, there are some who felt a little let down.

Vivek jalan, co-founder, Tax Connect Advisory Services, said that while the move will give a boost to industry, "it was expected that such relief would be spread across all corporates which is a small dampener."

While Jaitley had last year said that extension of benefit to firms with turnover of up to Rs 250 crore would lead to an estimated revenue loss of Rs 7,000 crore, this year the government did not provide a break-up as to how much revenue loss it would suffer on account of extension of lower tax benefit to companies with turnover between Rs 250 crore and Rs 400 crore. While addressing a press conference later in the day with the Finance Minister, the Revenue Secretary said that the net of surcharge on high networth individuals and cut in corporate tax rates for companies of turnover up to Rs 400 crore will lead to net increase in revenue of Rs 6,000-7,000 crore. This means that the government is expecting a significant rise in revenue on account of additional surcharge on income tax for individuals with taxable income of over Rs 2 crore.

Proposal to raise public shareholding: 1,174 listed firms may have to sell stock

These companies may have to offload shares worth ₹3,87,000 crore — at current market prices — to reduce promoter shareholding

GEORGE MATHEW
MUMBAI, JULY 5

INDIA'S CAPITAL markets are expected to witness big action if the proposal by Finance Minister Nirmala Sitharaman for reduction in maximum promoter shareholding from the current level of 75 per cent to 65 per cent is implemented. As many as 1,174 companies out of over 4,700 listed companies will have to sell shares reduce the promoter shareholding to 65 per cent, analysts said.

At the current market prices, the total quantum of sale that needs to be done by these 1,174 companies works out to a whopping amount of Rs 3,87,000 crore. This will include the Indian arms of multinational companies (MNCs) and IT firms which will find the proposal cumbersome and unattractive.

In the Union Budget, Finance Minister Nirmala Sitharaman has asked market regulator Securities and Exchange Board of India (Sebi) to consider reduction in maximum promoter shareholding from current level of 75 per cent to 65 per cent. This means minimum public shareholding for listed companies has to be increased from current level of 25 per cent to 35 per cent.

"Based on the latest shareholding data available, our research shows 1,174 listed companies have promoter shareholding above 65 per cent. While we need to await Sebi regulations regarding how much time will be given to these companies to meet with this minimum public shareholding norms, the overhang of this requirement of offloading of promoter shareholding can have significant impact on the markets and the specific stocks," said Jagannadham Thunuguntla, head of research (Wealth), Centrum Broking.

Analysts said many MNCs listed on Indian bourses may consider delisting, if the proposal on increase in public shareholding is implemented. "The increase in public shareholding is potential negative for MNCs and companies with high promoters holding. In many mid and small caps, it is better to have more promoter skin in the game, since India's capital market is in the developing phase," said Amar Ambani, president and research head, YES Securities.

If the proposal is implemented, the market will be flooded with sale of equity shares, leading to oversupply. "The regulator needs to provide sufficient time to meet this requirement so as not to over-flood the markets with stake sales by promoters," Thunuguntla said.

The most affected by the proposal will be TCS (72 per cent promoter holding) and Wipro (74 per cent promoter holding), which are above the 65 per cent cutoff outlined in the budget speech. Promoters of L&T Technology Services (LTTS) and L&T Intotech (LTI) also hold about 75 per cent each would be also required to divest stakes. "The consequent pressure on these entities to meet the new promoter shareholding norm would keep the respective stocks under pressure. However, the proposal is currently with Sebi and we will keep close tabs on it," said an analyst with a leading brokerage.

TCS promoter Tata Sons will have to sell stakes worth Rs 59,600 crore), while Azim Premji of Wipro will have to offer shares worth Rs 15,000 crore and D-mart promoter Rs 14,000 crore.

According to Dhiraj Relli, MD & CEO, HDFC Securities, the increase in the minimum shareholding requirement, though required in a country with limited free float, could create supply in the markets limiting the upside. "If enough time is given for achieving this, then it may have limited impact. However, India's

EXPLAINED E. Look at PSUs instead

ASKING INDIA INC to increase public shareholding will necessitate a flood of offers from listed companies. However, there are many PSUs, including banks, with significantly higher promoter -- in this case government -- shareholding. Given the elevated levels at which stock markets are today, the finance ministry can prevail upon PSUs to sell government holding and help raise funds at a time when the government's purse strings are tied.

Firms to pay 20 % additional tax on share buy backs

PRABHA RAGHAVAN
NEW DELHI, JULY 5

THE GOVERNMENT has proposed measures to plug the abuse of India's tax mechanisms, including the practice of buying back shares to avoid taxes applicable on the money paid by a company from its profits to shareholders. Now, listed companies will be liable to pay an additional 20 per cent tax on such buy backs, said finance minister Nirmala Sitharaman Friday while presenting the budget.

"In order to discourage the practice of avoiding Dividend Distribution Tax (DDT) through buy back of shares by listed companies, it is proposed to provide that listed companies shall also be liable to pay additional tax at 20 per cent in case of buy back of share, as is the case currently for unlisted companies," she said.

"While buy-back tax has been introduced in listed companies to curb the tax arbitrage available vis-à-vis Dividend Distribution Tax, there is still some savings on buy-back as the 10 per cent tax on dividend received by individual shareholders (non-corporates) is still not applicable," said Dhruva Advisors partner Mehul Bheda. "However, the arbitrage is small and there are several other risks and costs associated with buy-back; hence the amendment should be effective in curbing the abuse of the buy-back provisions."

Companies buy back shares through either tender offers and by purchasing shares through the open market.

Startups get breather over angel tax scrutiny

KHUSHBOO NARAYAN
MUMBAI, JULY 5

IN A significant relief to startups, Finance Minister Nirmala Sitharaman, in her Budget speech, announced a series of measures to ease angel tax woes of startups that have been facing severe scrutiny by the tax department with respect to angel investment.

Sitharaman said startups and their investors who file requisite declaration and provide information in their returns will not be subjected to any kind of income tax scrutiny in respect of valuations of share premiums. She added the issue of establishing identity of investors and source of funds will soon be resolved as the taxman is putting in place a mechanism of e-verification.

"This is a welcome move and a departure from the earlier incremental tweaks in angel tax. However, it remains to be seen whether these declarations/information's would be onerous to comply," said Amit Maheshwari, partner, Ashok Maheshwary & Associates LLP. At least 2,000 startups have received notices from the Income Tax department under sections 56(2)(vii)(b) (classification of funding as income or investment) and 68 (deals with unexplained credit) of the Income-tax Act.

"Early stage funding is a critical requirement of startups. Angel tax has been a pain point for both investors and startups alike. In simple words, it gave the tax department the authority to question the share premium paid by investors and potentially tax the amount which was above the fair market value as other income at a marginal rate of tax of 25 per cent. With the new provisions, it seems that as long as investors declare their investment and the startups also file this in their returns, they will not be subject to scrutiny for the computation of share premium. While details are awaited, this would mean any startup registered with Startup India and has filed necessary documents will be exempt from angel tax," said Sushanto Mitra, founder and CEO of Lead Angels.

NASSCOM said the clarity on angel tax is a welcome step to further evangelise the startup community. Angel tax was introduced in 2012 as an anti-abuse measure. So far, about 54 start-ups have received exemption from angel tax. Tabby Bhatia, director, Voganow.com, said easing of angel tax woes of startups will "help the entire startup industry to accomplish the activities faster and will give a big relief to industry players".

The FM said the "I-T department should not conduct any enquiry without obtaining approval of a supervisory officer," adding that a "special administration arrangement" will be made by the Central Board of Direct Taxes for pending assessments of startups and redressal of their grievances.

Further, the need for startups to justify fair market value of their shares issued to category one Alternative Investment Funds (AIFs), which was quashed by the government earlier this year, has now also been extended to AIF category two funds.

NET DOMESTIC, FOREIGN INFLOWS

FUND FLOW IN TO MARKETS

	DOMESTIC INFLOW INTO EQUITY MFs	FPI EQUITY	FPI DEBT
APRIL 18	9,481	-5,552.21	-10,035.77
MAY 18	10,444	-10,060.03	-19,654.15
JUNE 18	8,794	-4,831.23	-10,968.62
JULY 18	8,512	2,263.92	42.79
AUGUST 18	7,734	1,775.41	3,414.07
SEPTEMBER 18	1,0237	-10,824.70	-10,198.47
OCTOBER 18	11,422	-28,921.17	-9,978.44
NOVEMBER 18	7,579	6,913.97	5,347.15
DECEMBER 18	5,765	1,900.04	3,577.09
JANUARY 19	4,914	-5,263.85	-97.12
FEBRUARY 19	3,948	17,219.62	-6,037.29
MARCH 19	9,014	33,980.56	12,001.63
APRIL 19	4,149	21,193.45	-5,099.47
MAY 19	4,891	7,919.73	1,111.42

Source: CDSL and AMFI; All figures in ₹ crore

More steps to deepen bond market; yields fall, rupee rises

GEORGE MATHEW
MUMBAI, JULY 5

FINANCE MINISTER Nirmala Sitharaman on Friday announced a number of measures, including an action plan to deepen the market for long term bonds including bond repos and credit default swaps with specific focus on infrastructure sector and a Credit Guarantee Enhancement Corporation.

The rupee rose and bond yields declined after the government announced plans for more foreign participation in the bond market and a lower fiscal deficit of 3.3 per cent. The yield on 10-year benchmark bonds fell by 5 basis points at 6.696 per cent and the rupee rose by 8 paise at 68.42 against the dollar.

The government has also proposed to permit investments made by foreign investors (FIIs) in debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) to be transferred or sold to any domestic investor within the specified lock-in period. The Finance Minister said in order to deepen the corporate tri-party repo market in corporate debt securities, the government will work with regulators RBI and the SEBI to enable stock exchanges to allow 'AA' rated bonds as collaterals. The government also said user-friendliness of trading platforms for corporate bonds will be reviewed, including issues arising-out of capping of ISINs.

"Corporate debt markets are crucial for the infrastructure sector. Though the number and value of bond issuances had gone up, there has been a dip in the last two years. The market is skewed in favour of private placement," Sitharaman said.

INFRASTRUCTURE

THE 1ST BUDGETS 2014 VS 2019

2014

- Corpus of Rural Infrastructure Development Fund raised by an additional ₹5,000 crore from target given in Interim Budget
- ₹500 crore was set aside for setting up 3P India to streamline Public Private Partnerships
- Infrastructure Investment Trusts (InvITs) announced in form of modified Real Estate Investment Trusts (REITs)
- Conducive tax regime for InvITs and REITs was proposed in accordance with Sebi regulations

2019

- Policy tweaks proposed for aircraft maintenance, repair and overhaul (MRO), and leasing and financing
- Government to carry out a comprehensive restructuring of National Highway Programme to ensure that the National Highway Grid of desirable length and capacity is created using financeable model

AT EXPRESS SPEED

The 96 km long controlled-access expressway — Delhi-Meerut Expressway — connecting Delhi with Meerut via Dasna in Uttar Pradesh. *Abhinav Saha*

THE FIRST PHASE of the Delhi-Meerut expressway was completed in June 2018, while the remaining three phases of the project are under progress. The second phase is 53 per cent complete and is expected to be completed by May 2020.

THE 3RD & 4th phases of the project are expected to be concluded in July 2019 and December 2019, respectively. The Ministry of Road Transport has also taken up construction of a total 24,800 km of national highways including 800 km expressways under first phase of the Bharatmala Project.

THE NATIONAL HIGHWAYS Authority of India (NHAI) has engaged design consultant and transaction advisor for invitation of bid for monetisation of the national highways under the Toll Operate and Transfer (TOT) programme.

OVER THE NEXT 3 months, a total of 74 national highway projects costing Rs 34,928 crore are expected to be completed. The total length of these highway projects is 3,916 km. Of these, the maximum projects on the verge of completion are in Maharashtra at 16, costing Rs 8,349 crore.

INDIA INC REACTS

FDI relaxation in aviation will boost the government's disinvestment programme. We look forward to support from the government for tax reform to incentivise airlines and to boost the Maintenance, Repair and Overhaul industry so that the cost of servicing aircraft in India is not only competitive but distinctly attractive"

ANAND E STANLEY
PRESIDENT & MD, AIRBUS INDIA AND SOUTH ASIA

The telecom industry would be extremely disappointed by the budget proposals. The industry was looking forward to substantive measures and fiscal stimulus aimed at increasing the viability of the sector which is under extreme distress given, falling ARPUs and cash flows resulting from extensive competition. At the minimum, the industry was hoping for a clarification that spectrum and license fee shall not be liable to GST since these are neither goods or services"

VISHAL MALHOTRA
TAX LEADER FOR TELECOM PRACTICE, EY INDIA

Govt push to make India aircraft leasing, financing hub

Centre will adopt suitable policy interventions to create a congenial atmosphere for development of MRO

PRANAV MUKUL
NEW DELHI, JULY 5

THE GOVERNMENT will tweak policies pertaining to the back-end of India's aviation industry that is expected to support the growth in the sector by building domestic self-reliance in aspects such as aircraft leasing and financing, and maintenance, repair and overhaul (MRO). In the Union Budget 2019-20, Minister of Finance Nirmala Sitharaman said that the Centre will adopt suitable policy interventions to create a congenial atmosphere for development of MRO in the country, in addition to implementing essential elements of the regulatory roadmap for making India a hub for aircraft leasing and financing.

India's domestic aviation industry, while witnessing double-digit passenger traffic growth for 24 consecutive months, has recently shown signs of slowdown following the collapse of Jet Airways that resulted in a capacity crunch. The episode also brought to light several cases aircraft repossession by lessors that were owed by the airline.

"As the world's third largest domestic aviation market, the time is ripe for India to enter into aircraft financing and leasing activities from Indian shores. This is critical to the development of a self-reliant aviation industry, creating aspirational jobs in aviation finance, besides leveraging the business opportunities available in India's financial Special Economic Zones (SEZs), namely, International Financial Services Centre (IFSC)," Sitharaman said in her Budget speech.

Currently, almost all airlines in India operate on leased aircraft and a majority of the lessors are based in countries such as the US and Ireland. "Aircraft financing and leasing is an important step towards making the Indian aviation market more self-reliant. A regulatory ecosystem in this area will help boost India's role in the segment and also have a positive impact on the air passenger growth which lost momentum this year due to capacity issues," said Aloke Bajpai, CEO & Co-founder of online travel portal ixigo.

The Economic Survey for 2018-19 pegged that high airport tariffs, royalty and other charges along with shortage in certain skilled manpower and recourse to overseas suppliers of MRO facilities, particularly for periodic engine, landing gears, propellers, and airframes, besides the intensive and multiple checks at the end of lease tenor of the aircraft, have contributed to engendering cut-throat competition among Indian airlines.

"For providing an enabling ecosystem for growth in India of Maintenance, Repair and Overhaul (MRO) industry, it is proposed to leverage India's engineering advantage and potential to achieve self-reliance in this vital aviation segment," the finance minister said.

It pointed out that currently, annual import of MRO services by Indian airlines is about Rs 9,700 crore and this is set to grow annually to Rs 21,600 crore in the next five years and to Rs 36,000 crore once the fleet size reaches 2,000 aircraft.

"We welcome the government's intent to adopt suitable policy interventions to stimulate the MRO industry in India. We look forward to much needed government support that will enable the local MROs to compete with foreign ones which enjoy a more favourable import tax regime. This will not only boost the local MRO industry but also contribute to the government's tax revenues," said Palash Roy Chowdhury, chairman, AMCHAM Civil Aviation Committee and MD–India, Pratt & Whitney.

In addition to supporting the back-end aviation infrastructure, the government is also pushing ahead with development of airport infrastructure, and has allotted Rs 480 crore during 2019-20 towards revival of 50 airports under the regional connectivity scheme and viability gap funding for the north-east connectivity.

EXPLAINED: Make in India push for MRO

INDIA has just three MRO facilities, and accounts for just 1 per cent of the total market estimated to be worth $45 billion. In contrast, the country is the third largest aviation market in the world. Given this, it only makes sense to incentivise development of the Maintenance, Repair and Overhaul services within the country. A Make in India push in this critical services space can not only create jobs, but also save costs for the airline industry.

Tax sops & proposed exemptions to push EV sales

PRABHA RAGHAVAN
NEW DELHI, JULY 5

The government in its second tenure has proposed a slew of incentives to promote the manufacturing and use of electric vehicles (EVs) in India, including income tax deductions aimed at making them cheaper for prospective buyers in the country.

"Considering our large consumer base, we aim to leapfrog and envision India as a global hub of manufacturing of electric vehicles," said finance minister Nirmala Sitharaman in her maiden budget speech at Parliament Friday. The government plans to include solar storage batteries and charging infrastructure in a scheme the minister announced during her speech to invite global companies, through a 'transparent' competitive bidding process, to set up 'mega-manufacturing' plants in sunrise and advanced technology areas.

It has already also moved the Goods and Services Tax (GST) Council to lower the GST rate on electric vehicles to five per cent from 12 per cent earlier, Sitharaman added.

To make electric vehicle affordable to consumers, the government will provide an additional income tax deduction of Rs 1.5 lakh on the interest they pay on loans taken to purchase electric vehicles, she said.

"This amounts to a benefit of around Rs 2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle," stated Sitharaman. However, buyers are required to take these loans on or before March 31, 2023. To further incentivise e-mobility, the government is also exempting customs duty on certain parts of electric vehicles. This includes e-drive assemblies, on board chargers, e-compressors and charging guns.

According to the Society of Manufacturers of Electric Vehicles (SMEV), representing over 60 EV and EV component manufacturers, two-wheeler EVs currently cost anywhere between Rs 70,000 and Rs 1.10 lakh after subsidies under the second phase of the government's Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME-II) scheme. EV cars cost between Rs 7 lakh and Rs 10 lakh after this subsidy, it added. The GST reduction would further bring down the cost of such vehicles by 7 per cent, according to it.

"Provision of additional income tax deduction...on purchase of EVs would encourage customers to opt for EVs. Additionally, bringing down custom duty on lithium-ion cells to nil would further cut down the cost of batteries and help local battery manufacturers to scale up the business," said Sohinder Gill, director general, SMEV.

According to him, the EV industry has witnessed 100 per cent growth in the 2018-2019 financial year.

The adoption rate of EVs in India has been 'slow' despite increasing demand for vehicles, stated the Economic Survey released Thursday.

Globally, sales of electric cars rose to over 10 lakh units sold in 2017 from just over 2,000 in 2008, with more than half the sales occurring in China, which had a 2 per cent market share of electric cars.

Compared to this, India's market share was a 'meagre' 0.06 per cent, stated the survey, calling for a "policy push" to devise universal charging standards and provide adequate charging infrastructure.

States to be funded to lay more roads under Bharatmala Phase 2

AVISHEK DASTIDAR
NEW DELHI, JULY 5

WITH LAND acquisition process as well as the rising costs turning out to be a huge challenge, the government will fund states to lay state roads under its flagship Bharatmala Phase 2, which envisaged around 48,000 km of road network across India by 2024.

The National Highways Development Project (NHDP) — to widen and upgrade existing highways — will be revamped to be developed as a national grid of connectivity.

Presenting these visions for the highways sector under the macro category of "connectivity" in India in the first Budget of the second term of the Modi government, Finance Minister Nirmala Sitharaman on Friday termed connectivity as the "lifeblood of the economy"— including railways, and waterways.

"Connectivity is the lifeblood of an economy. The government has given a massive push 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," she said during her maiden Budget speech in the Lok Sabha.

The allocation for the Ministry of Road Transport and Highways has been increased to Rs 83,016 crore in this Budget, as against Rs 71,000 crore in 2018-19 which was later revised to Rs 78,625.50 crore.

The ambitious programme of Bharatmala would help develop national road corridors and highways, the Finance Minister said. She added that these initiatives will improve logistics tremendously, reduce cost of transportation and increase the competitiveness of domestically produced goods.

Ministry officials said that under the new plan for executing the Bharatmala project in the second phase, states will be given requisite funds for acquiring the land and constructing the roads.

The Budget, while giving thrust for innovating mode of financing, mentioned that National Highways Authority of India carried out one ToT (toll operate and transfer) transaction as well. The cumulative resources garnered through these instruments and model exceed Rs 24,000 crore.

"The government will carry out a comprehensive restructuring of National Highway Development Programme to ensure that the National Highway Grid of desirable length and capacity is created using financeable model.

"After completing the Phase 1 of Bharatmala, in the second Phase, states will be helped to develop State road networks," the Finance Minister said.

Road Transport and Highways Minister Nitin Gadkari hailed the Budget and said his Ministry was planning dedicated electric lanes on highways.

Gadkari added that the rise in special additional excise duty and road and infrastructure cess each by one rupee a litre on petrol and diesel will ultimately be roped in for betterment of highways infrastructure. Meanwhile, during her Budget speech, Sitharaman said, "To accelerate the speed of achieving universal connectivity of eligible habitations, the target of connecting the eligible and feasible habitations was advanced from 2022 to 2019. I am happy to inform that all weather connectivity has now been provided to over 97 per cent of such habitations."

She further said that this has been possible by maintaining a high pace of road construction of 130 to 135 km per day in the last 1,000 days.

JUMP IN CREDIT TO INFRA

CREDIT FLOW TO INFRASTRUCTURE SECTOR (IN %)

Even as the gross bank credit to the economy has slowed over the last six months with marginal growth in credit to the industry, the infrastructure segment has witnessed a sharp jump in bank credit on account of rising activity in affordable housing, roads and other areas.

	GROSS CREDIT	INDUSTRY	INFRASTRUCTURE	OTHER INFRA
APRIL 2018	10.4	1.0	-1.3	2.8
MAY 2018	10.9	1.4	-0.7	2.9
JUNE 2018	11.1	0.7	0.0	8.7
JULY 2018	10.5	0.3	2.2	16.8
AUGUST 2018	12.2	1.9	4.3	18.9
SEPT 2018	11.3	2.3	4.7	26.0
OCTOBER 2018	13.1	3.7	8.0	32.9
NOV 2018	13.6	4.0	8.9	29.9
DEC 2018	12.8	4.4	9.2	28.7
JAN 2019	13.1	5.2	12.6	34.4
FEB 2019	13.1	5.6	11.9	34.0
MAR 2019	12.2	6.9	18.5	53.5
APRIL 19	11.7	6.9	19.9	49.8

Source: RBI

'One Nation, One Grid' to make power cost for states 'affordable'

PRABHA RAGHAVAN
NEW DELHI, JULY 5

IN A move to improve India's connectivity infrastructure, the government in its second term plans to build a model of 'One Nation, One Grid' to ensure availability of power to states at 'affordable' rates. "I propose to make available a blueprint this year for developing gas grids, water grids, i-ways, and regional airports," said finance minister Nirmala Sitharaman in her budget speech Friday.

The government is also examining the performance of its Ujjwal DISCOM Assurance Yojana (UDAY), aimed at financial and operational turnaround of power distribution companies. DISCOM losses increased 43 per cent to over Rs 21,500 crore at the end of the 2018-19 financial year. "We will work with the state governments to remove barriers like cross subsidy surcharges, undesirable duties on open access sales or captive generation for industrial and other bulk power consumers," said Sitharaman. "A package of power sector tariff and structural reforms would soon be announced." In its last tenure, the government pushed two 'mega' initiatives—Ujjwala Yojana and Saubhagya Yojana—to provide below poverty line households with access to LPG gas and electricity.

To boost growth, FPIs get more leeway

'Govt will examine suggestions to further open up FDI in animation, audio, video, graphics, comics and insurance intermediaries'

PRABHA RAGHAVAN
NEW DELHI, JULY 5

THE GOVERNMENT plans to further open up foreign investment in India's aviation, media and insurance sectors, with Finance Minister Nirmala Sitharaman announcing in her Budget speech on Friday that 100% Foreign Direct Investment (FDI) would be allowed for insurance intermediaries. She also proposed measures to attract more investment from Foreign Portfolio Investors (FPIs), including increasing the statutory limit for FPI investment in a company to match the FDI allowed in the sectors these FPIs are targeting.

This is part of the government's measures to make India a "more attractive" destination for foreign investors, with the focus on a "virtuous" cycle of domestic and foreign investments to help it achieve a $5 trillion economy in the coming years.

"FDI inflows into India have remained robust despite global headwinds... I propose to further consolidate the gains in order to make India a more attractive FDI destination," Sitharaman said.

The government will examine suggestions to further open up FDI in aviation, animation, audio, video, graphics, comics and insurance intermediaries in consultation with "all" stakeholders, she said.

The current FDI in India's civil aviation sector is limited at 49% through the automatic route, above which government approval is required.

Opening up investment in this sector may ease the process of finding investors for Air India — the government has tried unsuccessfully to divest its stake in the past — and Jet Airways, which has been grounded since April and is currently undergoing insolvency proceedings. The Union Cabinet last year approved changes in FDI norms to allow foreign carriers ownership of 49% of Air India along with an Indian partner under the approval route.

India's FDI inflows in 2018-19 remained "strong" at $64.375 billion, marking a 6% growth over the previous year despite a negative trend in global FDI flows between 2015 and 2018, according to Sitharaman. "An important determinant of attracting cross-border investments is availability of investible stock to the Foreign Portfolio Investors," said Sitharaman.

"Accordingly, I propose to increase the statutory limit for FPI investment in a company from 24% to sectoral foreign investment limit with option given to the concerned corporates to limit it to a lower threshold," she said, adding that FPIs will also be permitted to subscribe to listed debt securities issued by Real Estate Investment Trusts (ReITs) and Infrastructure Investment Trusts (InvITs).

Attracting FPI investment, a "key" source of capital for India's economy, assumes greater significance in view of a "gradual" shift towards passive investments from stock-targeted investments, said Sitharaman.

In order to ensure a "harmonised" and "hassle-free" investment experience for foreign portfolio investors, the minister also proposed rationalising and streamlining the existing Know Your Customer (KYC) norms for FPIs to make it more "investor friendly" without "compromising the integrity of cross-border capital flows."

As one of several measures to enhance sources of capital for infrastructure financing, Sitharaman also proposed to permit investments made by Foreign Institutional Investors (FIIs) or FPIs in debt securities by Infrastructure Debt Fund-Non-Bank Finance Companies (IDF-NBFCs) to be transferred or sold to "any domestic investor" within the specified lock-in period.

"We recognise that investment-driven growth requires access to low cost capital," she said, adding that India is estimated to require investments averaging Rs 20 lakh crore ($ 300 billion) every year.

EXPLAINED — E. Wooing foreign investors

THE MOVE to permit 100% FDI for insurance intermediaries and bring FPI limits on par with the permissible FDI caps is part of the government's pledge to make India a more attractive destination for foreign investors. For the aviation sector, the opening up of caps might ease the process of finding investors for both Air India and Jet Airways.

THE 1ST BUDGETS 2014 VS 2019

2014

- Relaxation of FDI norms for defence, insurance, housing and manufacturing sectors
- Skill India programme, a national multi-skill plan, to train the youth with an emphasis on employability and entrepreneur skills was launched
- ₹10,000-crore fund announced with an aim of creating "a conducive ecosystem" for venture capital in the MSME industry
- ₹100 crore allocated for turning employment exchanges into career centres

2019

- Proposal to relax FDI norms in aviation, media (animation, AVGC) and permitted 100 per cent FDI for insurance intermediaries
- Local sourcing norms are proposed to be eased for FDI in single brand retail sector
- For ease of access to credit for MSMEs, government has introduced providing of loans upto ₹1 crore

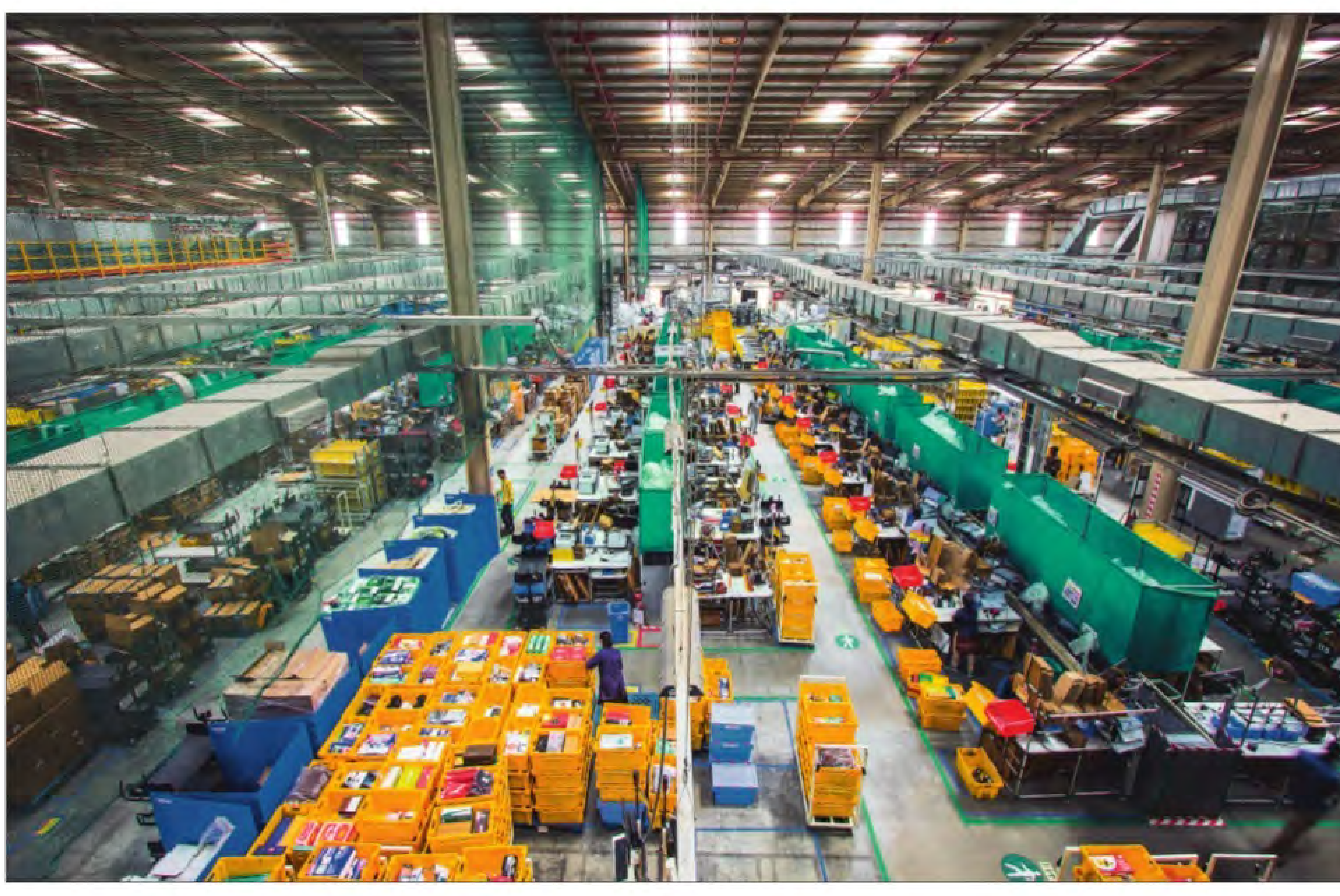
REACTIONS

"The kind of sops that have been announced for affordable housing (with valuation up to Rs 45 lakh) will provide a big boost to the housing sector. Not only will all these create huge number of jobs, both skilled and unskilled, but also create demand for other ancillary industries downstream."

HEMANT KANORIA
CHAIRMAN, SREI INFRASTRUCTURE FINANCE LIMITED

"Budget 2019 has touched upon all the focal points that will spur infrastructure growth, boost digital economy and job creation to make India a $3 trillion economy by the end of current fiscal year."

KRISH IYER
PRESIDENT & CEO AT WALMART INDIA



WORK IN HAND

A view of an Amazon Fulfilment Centre's packaging station. *Express Photo*

AS PER NITI Aayog statistics, of the total warehousing space of about 180 million sq ft in the country, industrial segment accounts for about 86 per cent, while agricultural sector accounts for the remaining 14 per cent. Two-thirds of warehousing capacity in food storage segment is owned by the public-sector.

THE GOVERNMENT HAS stated there is need to continue to invest heavily in infrastructure, digital economy and job creation in small and medium firms. India's MSME sector, pegged to be a big contributor to manufacturing sector, plays a crucial role in generating jobs.

EMPHASIS NEEDS TO be laid on expanding the growth of MSMEs to boost the country's economy and create more formal employment. The Economic Survey 2018-19 called for focus on incentives for infant firms, with appropriate grandfathering of the existing pattern of incentives to MSMEs.

TO ENHANCE JOB creation, the government will lay focus on new-age skills like artificial intelligence, internet of things, big data, 3D printing, virtual reality and robotics, which are valued highly within and outside the country, and offer much higher remuneration.

Labourers at a construction site on the outskirts of Kolkata, Friday. *Reuters*

Centre to streamline labour laws into set of 4 codes

ENS ECONOMIC BUREAU & PTI
NEW DELHI, JULY 5

THE NARENDRA Modi government in its second term would streamline several existing labour laws into a set of four labour codes in a move aimed at reducing disputes, Finance Minister Nirmala Sitharaman said while presenting the Budget on Friday.

"The government is proposing to streamline multiple labour laws into a set of four labour codes. This will ensure that process of registration and filing of returns will get standardised and streamlined," said Sitharaman. "With various labour-related definitions getting standardised, it is expected that there shall be less disputes," she said.

In its previous tenure, the Modi government tried pushing labour reforms. However, these amendments were opposed by trade unions.

The government wants to concise 44 labour laws into four broad codes on wages, social security, industrial safety and welfare, and industrial relations.

Earlier this week, the Cabinet approved the Code on Wages Bill to subsume existing laws related to workers' remuneration and enable the Centre to fix minimum wages for the entire country.

The government intends to push the Bill in the ongoing session of Parliament.

In its previous tenure, the Modi government had introduced the wages code Bill in the Lok Sabha on August 10, 2017. The Bill was referred to the Parliamentary Standing Committee, which submitted its report on December 18, 2018, but it lapsed after the 16th Lok Sabha was dissolved in May.

The Bill will replace the current Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965, and the Equal Remuneration Act, 1976. It provides that the Central government will fix minimum wages for certain sectors, including railways and mines, while the states would be free to set minimum wages for another category of employment.

The code also provides for setting up of a national minimum wage. The Central government can set a separate minimum wage for different regions or states.

The draft law also says that the minimum wage would be revised every five years.

The remaining codes are in a pre-legislative stage.

Local sourcing norms for single-brand retail trading to be relaxed

PRANAV MUKUL
NEW DELHI, JULY 5

FINANCE MINISTER Nirmala Sitharaman on Friday proposed relaxation of local sourcing norms in Foreign Direct Investment (FDI) for single-brand retail trading, which is expected to significantly benefit multinational companies operating or planning to begin operations of retail stores with items sold under a single brand.

These include US technology major Apple, Swedish firms Ikea and H&M, among others.

While Sitharaman said in her Budget speech that the local sourcing norms for single-brand retail will be relaxed, specifics of the proposal were not detailed.

The Department of Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry is the nodal body for implementing the proposal.

The prevalent laws allow 100 per cent FDI in single-brand retail trading under automatic route but has a rider that mandates the firm concerned to source 30 per cent of its goods from local sources, preferably from medium, small and micro enterprises, artisans, cottage industries, etc.

The sourcing requirement has to be met, in the first instance, as an average of five years' total value of goods purchased, starting April 1 of the year of opening of the first store. After that, it needs to be met on an annual basis. Single-brand retailers were not allowed to set off annual incremental procurement from India for their global operations against the domestic sourcing requirement after five years.

Companies offering high-end technology products had expressed reluctance, suggesting that it was difficult for them to procure goods from India to meet the 30-per cent condition. Earlier this year, a proposal was floated by DPIIT to relax the norms but no decision was finalised.

In 2016, Apple India had sought relaxation in the local sourcing norms to set up single-brand retail stores in India.

According to that proposal, FDI-linked relaxations were proposed by the department for foreign single-brand retailers by allowing them more time to comply with this regulation. It was also proposed to permit such firms to open online stores before setting up brick-and-mortar shops if they bring in over $200 million foreign direct investment.

However, such firms would have to set up brick-and-mortar shops within two years of starting online sales.

"While we don't see the details of the proposal currently, we are happy to see the intent of the government to ease sourcing norms for FDI in single-brand retail to drive ease of doing business in India," H&M India country manager Janne Einola said.

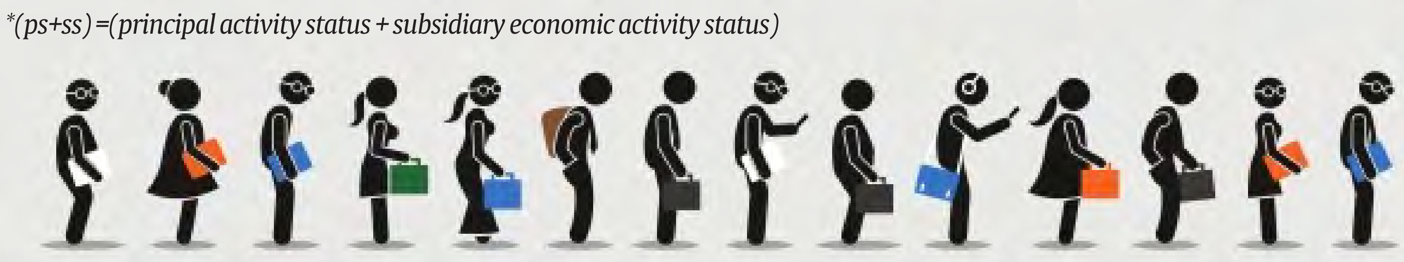
CREATING JOBS

Labour Force Participation Rate (LFPR), Worker Population Ratio (WPR) and Unemployment Rate (UR) (in %) in usual status (ps+ss)* during Periodic Labour Force Survey (2017-18) for persons of all ages

ALL-INDIA

RATES	RURAL			URBAN			RURAL+URBAN		
	male	female	person	male	female	person	male	female	person
PLFS (2017-18)									
LFPR	54.9	18.2	37	57	15.9	36.8	55.5	17.5	36.9
WPR	51.7	17.5	35	53	14.2	33.9	52.1	16.5	34.7
UR	5.8	3.8	5.3	7.1	10.8	7.8	6.2	5.7	6.1

*Note: *(ps+ss) =(principal activity status + subsidiary economic activity status)*



Govt proposes stock exchange for welfare organisations

ENS ECONOMIC BUREAU
NEW DELHI, JULY 5

FINANCE MINISTER Nirmala Sitharaman proposed setting up a stock exchange for enterprises running social welfare projects that would help them raise capital to realise their objectives, a move that is being touted by some analysts as a game changer for organisations focussed on such welfare work.

Under this mechanism, social welfare and volunteer organisations would be listed on a platform operating under the Securities and Exchange Board of India (SEBI), similar to how companies on stock exchanges like the Bombay Stock Exchange are listed. This would allow infusion of capital into these organisations from investors.

"It is time to take our capital markets closer to the masses and meet various social welfare objectives related to inclusive growth and financial inclusion," said Sitharaman.

"I propose to initiate steps towards creating an electronic fund raising platform — a social stock exchange — under the regulatory ambit of Securities and Exchange Board of India for listing social enterprises and voluntary organisations working for the realisation of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund," she said.

Similar social stock exchange models already exist in some countries. For instance, Canada has Social Venture Connexion (SVX), which connects investors with impact funds and ventures. Similarly, South Africa has the South African Social Investment Exchange (SASIX), which lists organisations that are achieving a "measurable social impact" and allows investment in their projects. Other countries with social stock exchanges include the UK and Singapore.

"This proposal seems to be an encouraging move, as it would help social enterprises/ NGOs to raise funds through equity, debt or as units like a MF (mutual fund) to meet social welfare objectives. This step would clearly stimulate governance in the social sector," said Religare Broking Ltd's retail distribution president, Jayant Manglik.

"It will serve as a platform for fund mobilisation for ventures which may have an overriding social purpose, which is sustainable and reflective of the changing social attitudes towards impact investing," said Emkay Wealth Management head of research Joseph Thomas. Social stock exchanges promote socially valuable objectives and a reasonable financial return, he said.

— WITH PTI INPUTS

Social welfare and volunteer organisations would be listed on a platform operating under the Securities and Exchange Board of India (SEBI).

Budget of hope, empowers poor: PM

Modi calls it 'green budget' with 'focus on clean energy and environment', Shah says provides 'coherent roadmap to drive growth, innovation'

EXPRESS NEWS SERVICE
NEW DELHI, JULY 5

HAILING THE Union Budget as being "full of hope" and boosting self-confidence, Prime Minister Narendra Modi on Friday said it is "citizen-friendly" and will empower the poor and provide the youth with a better future.

Calling it a "green budget", with the focus on environment and green and clean energy, Modi said the Budget underlines structural reforms in the agricultural sector with a roadmap to transform the sector and double farmers' income.

He said the Budget would accelerate the pace of development and benefit the middle class. "The Budget will simplify the tax process and help in modernising infrastructure in the country," Modi said. Saying that the Budget is "full of hope", he said it will boost India's development in the 21st century. "The country will get the energy to fulfil the dream of a $5 trillion economy from these empowered sections," he said.

'Budget will simplify tax process and help in modernising infrastructure'

BJP president and Home Minister Amit Shah said the Budget was for "new India", and laid the foundation for an inclusive and progressive nation. "The Budget gives wings to India's farmers, youngsters, women and poor to fulfil their dreams," he said in a series of tweets.

Terming it as "futuristic", he said "it provides a coherent roadmap for sectors that will drive growth and innovation... the emphasis on clean energy and cashless transactions are also steps in the right direction."

Shah said the Budget sets the stage for fulfilling the collective dreams for water, ensuring power connectivity across the country and boosting manufacturing, especially in the "sunrise" sectors. It will enable India to become a more vibrant start-up hub, he said.

"This Budget is a Gazette of New India with a commitment to inclusive growth & good governance," tweeted Union Minister Mukhtar Abbas Naqvi.

Information and Broadcasting Minister Prakash Javadekar said the Budget was "progressive" and would ensure fast-paced development. "It is a very good Budget for everyone," he said.

Meanwhile, RSS's trade union wing, Bharatiya Mazdoor Sangh, welcomed the proposals of one-nation-one grid, Study in India, Mudra credit support, fishing sector reforms and farmer support programmes. But BMS president C K Saji Narayanan said some of the proposals — like the FDI policy, PPP and disinvestment plans for public sector units, consolidation of PSU banks, recurrent increase in fuel prices — should be discussed with the trade unions.

Shiv Sena spokesperson Manisha Kayande called the Budget "all-inclusive and balanced". "It gives priority to the rural economy...Plus, a woman minister presented the Budget, which was a proud moment," said Kayande. The Sena leader, however, said the proposed increase in import duty on gold and precious metals from 10% to 12.5% should be reduced "as gold has emotional value attached to it in our country".

The first Budget, 5 yrs apart: from please-all to the $5-trillion dream

RAVISH TIWARI
NEW DELHI, JULY 5

THE SYMBOLISM of discarding the briefcase to carry documents apart, the first Budget of the second Modi government was in stark contrast to the Budget presented in 2014. And nothing underscored it more than Union Finance Minister Nirmala Sitharaman's speech Friday as she delivered her maiden Budget.

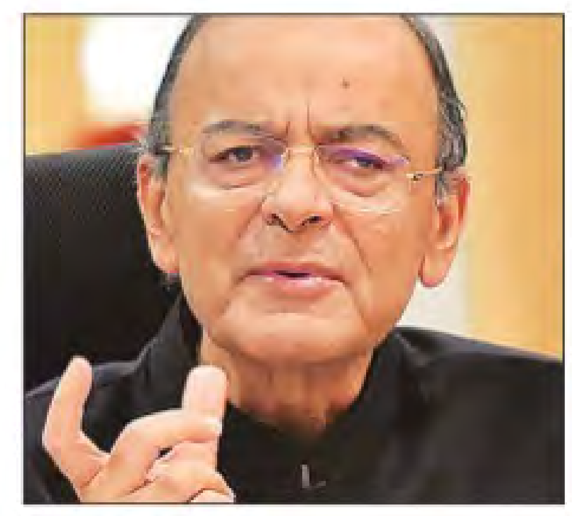
In 2014, then Finance Minister Arun Jaitley announced over two dozen schemes, many with a token allocation of around Rs 100 crore. Five years on, the confidence of a second term with an enhanced majority was apparent in Sitharaman's speech, in which she avoided new announcements with token budgetary allocations, choosing instead to focus on plans to achieve the Prime Minister's target of a $5 trillion economy in five years.

The 2014 Budget also launched initiatives — Digital India, Skill India, Jan Dhan Yojana, Pradhan Mantri Krishi Sinchayee Yojana, and Beti Bachao, Beti Padhao Yojana among others. It aimed to signal the new government's drive to live up to the electorate's hopes through these promises.

The first Modi government also included the Van Bandhu Kalyan Yojana, Kisan TV, a 24x7 channel for the North-East, Rejuvenation and Spiritual Augmentation Drive (PRASAD), National Heritage City Development and Augmentation Yojana (HRIDAY) — to seemingly address demands from the wider Sangh Parivar affiliates and their concerns.

And to honour icons of its larger cultural nationalist political ideology, the 2014 Budget launched the Dayal Upadhyaya Gram Jyoti Yojana, Shyama Prasad Mukherji Rurban Mission, Pandit Madan Mohan Malviya New Teachers Training Programme and the Statue of Unity.

In a way, through these small initiatives, the budget five years ago tried to acknowledge every section that lent its support to



Jaitley announced over two dozen schemes in 2014; Sitharaman avoided new announcements with token budgetary allocations on Friday

the BJP in the 2014 Lok Sabha elections.

Cut to the present, Sitharaman refrained from either launching a flurry of schemes or making token allocations to assuage a section of party's larger support groups across the country. Riding on the enhanced mandate that came on the back of the first Modi government's track record, Sitharaman seemed not weighed down by the demands from different sections.

This is also apparent from the structure of Sitharaman's Budget speech which started with the premise of an ambitious but achievable target of making India a $5 trillion economy by 2024. For this purpose, her speech comprised large visionary plans.

"The common man was served even as major transformational reforms were being rolled out...So, the scaling up that we talked about which marks the USP of this government is revealed in each one of these examples. We do it in that scale each time," said Sitharaman.

Her speech did not incorporate several elements which have by now become a traditional part of every finance minister's speech. She did not spell out spending on Scheduled Castes, Scheduled Tribes, Women or even agricultural credit or expenditure figures for defence in her speech. She did not indicate average revenue loss or additional revenue estimates of her proposals, leaving it to the members to read from the Budget documents provided.

Barring her proposal to tax high income earning individuals, the 2019 Budget appeared anchored on the same side as that of her predecessor Jaitley.

"We do not look down upon legitimate profit-earning," Sitharaman declared, suggesting that her moorings were definitely not on the side of Nehruvian socialism. Jaitley, too, in his speech had indicated his belief against wasteful socialism and emphasised his belief in fiscal prudence.

"The steps that I will announce in this Budget are only the beginning of a journey towards a sustained growth of 7-8 per cent or above within the next 3-4 years along with macro-economic stabilisation that includes lower levels of inflation, lesser fiscal deficit and a manageable current account deficit," Jaitley had said in 2014.

Sitharaman, in that way, stuck to the fiscal prudence and fiscal consolidation despite demands from a section of policy analysts to loosen the purse-strings for reviving the economy.

DELHI CONFIDENTIAL

FAMILY PRIDE

WHEN NIRMALA Sitharaman, India's first full-time woman Finance Minister, entered the Lok Sabha with a red cloth cover that had golden Ashok Chakra on it, seated above in the Speaker's gallery were her close family members, Lakshmi Narayan and Vidya, who had come along with the minister's daughter, Vangmayi. While Narayan said he liked Sitharaman's maiden Budget because it had "workable proposals", Vangmayi admitted that she wasn't well versed with economics. "I just felt so proud to see her..." she said.

SQUEEZED IN

IT'S NOT exactly a secret that MPs, including ministers, love to see themselves on the television screen. So there's always some jostling for the seat right behind the minister or member who speaks in the House. On Friday, multiple ministers were seen scrambling to take a seat in the second row, behind the Finance Minister's seat. By the time Giriraj Singh came in, the second row had nine members seated on it. Although it was pointed out that Parliamentary Affairs Minister Pralhad Joshi would have to sit there, Singh squeezed himself in. When Joshi came, he had to struggle to fit himself in that chair.

CLEAN SPEECH

NIRMALA SITHARAMAN'S unusually long Budget speech did not face any major disruption from the Opposition benches. She spoke for nearly 130 minutes, without even taking a sip of water, and Opposition members listened intently, barring a few interventions when the proposal for cess on petrol and diesel was announced.

Inflationary, no vision, bitter for poor: Oppn parties

EXPRESS NEWS SERVICE
NEW DELHI, JULY 5

LEADERS OF several opposition parties criticised the Budget and said it will lead to inflation and aggravate sufferings of the poor and the deprived.

Calling it "completely visionless", West Bengal Chief Minister and Trinamool Congress chief Mamata Banerjee tweeted, "...not only have they imposed cess but also special additional excise duty on petrol and diesel... price hike will hit from transport to market to kitchens. Commoners are suffering..."

Her party's Rajya Sabha leader Derek O'Brien said, "Far from a dream, it's a nightmare for common people.... FDI in media, aviation and more benefits to foreign insurance intermediaries means government has introduced concept of 'Sell India'. Jobs and job creation not addressed in policy terms."

DMK president M K Stalin said the Budget was "sweet" for corporates and "bitter" for the poor, according to PTI. He opposed levy of customs duty on newsprint and called it a "clever" attempt at "muzzling" the freedom of expression.

The Left parties called the Budget the BJP's "payback gift" to "corporate India and foreign financial interests" after the Lok Sabha polls, as it is silent on the problems of economic slowdown, agrarian distress, industrial stagnation and joblessness.

"The Budget and the (FM's) speech were full of several promises and commitments that would help big corporate capital and the wealthy to strengthen their grip on the Indian economy and foster greater integration of the Indian economy with international financial markets," the CPI(M) Politburo stated.

Arguing that the Budget fails to address "real issues of our economy and people," the CPI said, "Slowdown in growth, rising unemployment, rising NPA of banks, rural distress, increasing social and regional imbalances are some of the major issues before us. Mere rhetoric or slogans in speech will not help."

BSP chief Mayawati maintained that the emphasis on private sector will hurt social justice. She tweeted: "This Budget will benefit the private sector, some big capitalists and businessmen. This will further complicate the reservation road for Dalits and backwards and also increase inflation, poverty, unemployment, farmers and rural distress..."

In a statement, Samajwadi Party chief Akhilesh Yadav said, "There is nothing in it for the poor, the youth, the working class and women. The middle class will be hit severely by the Budget because it will give from one hand and take from the other."

Bereft of any reform, no meaningful relief to any section, says Congress

EXPRESS NEWS SERVICE
NEW DELHI, JULY 5

THE UNION Budget presented on Friday drew harsh criticism from opposition Congress, which called it "insipid", and as one prepared without listening to the voices of "either ordinary citizens or knowledgeable economists".

The party said the Budget was "bereft" of any reform and argued that Finance Minister Nirmala Sitharaman has given no "meaningful relief" to any section of the people.

Former Finance minister and senior Congress leader P Chidambaram said he cannot recall a Budget speech that was so "totally bereft of any reform, not to speak of structural reforms". He argued that the most disappointed person must be the Chief Economic Adviser (CEA), who had set a goal for India to become a $5-trillion economy and premised his entire argument in the Economic Survey on boosting private investment.

But, he maintained, "there was no indication in the Budget speech of any measures to attract greater private investment." He said the only investment related proposal was to increase the FPI (foreign portfolio investment) limit from 24 per cent to

Congress leader P Chidambaram at the AICC office in New Delhi. *Prem Nath Pandey*

the sectoral limit if the investee company opts for the higher limit. But, "FPI is not FDI, and we are sure thus is not the private investment that the CEA had in mind."

Maintaining that Prime Minister Narendra Modi is "happy to do incremental reforms", Chidambaram said, "Modi is not willing to bite the bullet and do structural reforms.... Modi is an incremental reformer, not a radical reformer in the mould of Dr Manmohan Singh."

Taking on the government for increasing taxes on petrol and diesel, the Congress leader said, "This kind of exploitative taxation on petroleum products is unacceptable."

Chidambaram said Sitharaman spent an hour unveiling programmes that were mostly expansion of current programmes and schemes.

Breaking 'British hangover', *bahi khaata* comes with baggage of feudal oppression

EKTAA MALIK
NEW DELHI, JULY 5

THE IMAGE of Nirmala Sitharaman carrying Budget documents in a red silk folder, embossed with the golden State emblem, has been one of the takeaways of Friday's Budget presentation.

Sitharaman, who ditched the leather briefcase for a traditional "bahi khaata" — or red, handmade ledger — said it was "high time we move on from the British hangover, to do something on our own". And, she told the media, it was easier for her to carry as well.

While this move has been hailed by many as an attempt to break free from a colonial hangover, historically, the bahi khaata has been a symbol of social oppression, if pop culture is anything to go by.

"Popular culture has always reflected the widespread practice, where the bahi khaata was the repository of all debts unfairly accumulated by money lenders and feudal lords through exploitative means. These debts kept the peasants enslaved," screenwriter Anjum Rajabali, who has films such as *Pukar* and *The Legend of Bhagat Singh* to his credit, said.

The image of Sitharaman carrying Budget documents in a red silk folder has been one of the takeaways of Friday's presentation. *Neeraj Priyadarshi*

"The bahi khaata is a commonly identified symbol, and any Hindi film-goer will identify it with a tool of oppression and exploitation. It's ironic that the Budget, which is meant to help the economically underprivileged and is supposed to bring them into the economic mainstream, is now using it," he said.

Rajabali gave examples of films such as *Mother India*, *Do Beegha Zameen*, *Ganga Jamuna* and *Gopi* as instances where the baahi khaata has been shown as an instrument of exploitation.

Bahi khaata is a traditional Indian method of bookkeeping which employed double entry. It is said to have predated 'The Pacioli's Summar' — written in 1494 and seen as the world's oldest audit book — and even Greek and Roman systems.

In J P Dutta-directed *Ghulami* (1985), rebel protagonist Dharamendra is shown setting fire to a pyre of bahi khaatas as an assertion against the dominant feudal and privileged caste in Rajasthan. In *Mother India*, Sukhilal Lala (played by Kanhaiya Lal), the evil moneylender, keeps Radha's (played by Nargis) family deeply in debt, the details in his bahi khaata.

Dutta said: "Setting the pyre of ledgers ablaze was a moment of revolution. In the film, (character played by) Dharmendra was deeply impressed by Maxim Gorky's *Mother* and he wanted to break free from chains of debt. The ledgers were an account of the entire life of a peasant and would even hold future generations accountable, almost making uneducated farmers bonded slaves."

INTERVIEW: RAVI SHANKAR PRASAD

'Dream budget... has every support for pushing India to be electronic hub'

WITH FINANCE Minister Nirmala Sitharaman announcing several sops — easing of "angel tax", assurance on freeing entrepreneurs from the scrutiny of income tax authorities and mechanism for e-verification of angel investors and their source of funds, among others — Union Minister Electronics and Information Technology **RAVI SHANKAR PRASAD** tells **LIZ MATHEW** that this is a "dream budget", and the proposals would boost job-creating sectors:

Being the minister for IT and Electronics, how do you look at the Budget?

It's a comprehensive and extraordinary Budget, designed to take India to a $5-trillion economy in five years. It addresses every sector and every section — from investment to infrastructure, from rural to urban, and farmers to young people. I am thrilled about this Budget because in a way it's my dream budget for my departments. It has every support for pushing India to be an electronic hub.

Is the focus of the Budget on digitisation?

This is a Budget which has many proposals for pushing digital literacy, electronic manufacturing and common service centres in small towns of India, which we have been doing in the last five years. Now, we have to push them beyond that. Retaining those things, we have to make in India something like i-Way Grid, along the lines of Gas Grid and Digital Grid and Road Grid...When we came into power in 2014, there were only two mobile (phone) factories. Now there are 268. Learning from that experience, we want to make India a hub of electronic manufacturing and for exports. That requires bigger vision and bigger policies, which started getting reflected today in the Budget.

How do you think the Budget has addressed the issue of joblessness?

The more digitisation you do, the better it is. Let me put it on record here, as per the report of NASSCOM (National Association of Software and Services Companies), 6 lakh new jobs were created in the IT sector in the last five years. Twelve lakh people are working at common service centres. I met a senior executive of Zomato (online food aggregator). He said they employ 2 lakh people in the country. The more digitisation you create, the more India becomes digital-innovative, more jobs you are creating.

FULL INTERVIEW ON
www.indianexpress.com

10% customs duty on newsprint

EXPRESS NEWS SERVICE
NEW DELHI, JULY 5

IN A move that can have an adverse impact on the newspaper industry, the government on Friday announced that it will impose a Customs duty of 10% on the import of newsprint. There was no Customs duty on newsprint till now.

Most large newspapers in India import newsprint. Both uncoated paper used for printing newspapers and lightweight coated paper used for magazines will now face a Customs duty of 10%. The government has said it wants "to provide a level playing field to the domestic industry".

As the cost of a primary raw material for almost all the market leaders in the country rises by 10%, the industry is bound to be impacted. A top industry source said the decision will "put a very heavy burden on the industry". Sources said the Customs duty will "impact the small and medium newspapers in a big way".

It will add to the cost as newsprint was also subjected to 5% GST last year, said sources. "This 10% Customs duty will put a big strain on the newspaper industry. It will affect the bottom line," said a source.

According to the latest Indian Readership Survey report (April), although readership has grown in terms of absolute numbers since 2017, the share of population reading newspapers remains stagnant at 39%. Meanwhile, Internet penetration in the country has seen significant growth.

SOCIAL SECTOR

THE 1ST BUDGETS 2014 VS 2019

2014

- Beti Bachao, Beti Padhao scheme launched with initial outlay of Rs 100 crore.
- Announced allocation of Rs 98,030 crore for women and Rs 81,075 crore for child welfare.
- Plans to set up 15 Model Rural Health Research centers in the states
- Allocated Rs 500 crore for setting up five IITs in the Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala. Five IIMs proposed to be set up in Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra.

2019

- Proposed expansion of the Women Self Help Group interest subvention programme to all districts and an overdraft of Rs 5,000 to every verified woman SHG member with a Jan Dhan Bank Account.
- One woman in every SHG to be made eligible for a loan up to Rs 1 lakh under the MUDRA scheme.
- New National Education Policy to transform India's higher education system.
- Proposed 'Study in India' programme to attract foreign students to higher educational institutions here.
- Increased focus on skill sets, like language training, to prepare Indian youth to take up jobs overseas.

WCD Ministry budget hiked 17%, social services get big boost

- ₹29,164.90 crore earmarked for Women and Child Development Ministry, a 17-per cent increase over ₹24,758.62 crore allocated in last Budget. A major chunk of it — ₹19,834.37 crore — meant for anganwadi services.
- Amount allocated for social services sector, which includes nutrition, social security and welfare, enhanced from ₹2,551 crore in 2018-19 to ₹4,178 crore.
- Allocation for PM Matru Vandana Yojana, a maternity benefit programme, more than doubled to ₹2,500 crore from ₹1,200 crore. Under this, ₹6,000 is given to pregnant women and lactating mothers for birth of first child.
- Allocation for Child Protection Services programme under Integrated Child Development Services increased from ₹925 crore to ₹1,500 crore.
- 'Beti Bachao, Beti Padhao' programme to get ₹280 crore in current fiscal.
- National Nutrition Mission, which strives to reduce level of stunting, anaemia and low-birth weight babies, and aims to benefit 10 crore people across the country, allocated ₹3,400 cr.

HEALTHCARE GETS A SHOT IN THE ARM

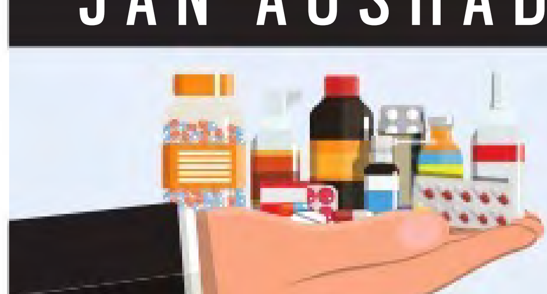
Two-and-half-year old Preetam, suffering from AES, at a community health centre near Muzaffarpur in Bihar. *Ritesh Shukla*

THE UNION BUDGET announced an 18-per cent hike for health — from Rs 52,800 crore in 2018-19 to Rs 62,659.12 crore in 2019-20 — while allocation for the National Health Mission has gone up from Rs 30,634 crore to Rs 33,651 crore. Union Health Minister Dr Harsh Vardhan called it a "landmark Budget" with the agenda of "putting the nation first".

THE GOVERNMENT'S FLAGSHIP Ayushman Bharat has seen an increase of 154.87 per cent, which covers Health and Wellness Centres and Pradhan Mantri Jan Arogya Yojna. There has been a hike of 92.44 per cent in ASHA Benefit package, whereas an additional Rs 450.01 crore has been allocated for immunisation, women and children health.

THERE HAS BEEN an increase of 154.24 per cent for Food Safety and Standards Authority of India (FSSAI) for strengthening the food testing system in the country, including provision of mobile food testing Labs. In addition, basic excise duty been imposed on tobacco and tobacco products in an effort to help tobacco control efforts.

JAN AUSHADHI STORES



The Ministry of Chemicals and Fertilisers plans to open 1,000 more Pradhan Mantri Bhartiya Janaushadhi Pariyojana Kendras (PMBJP stores) across the country by 2020 to bring down high out-of-pocket expenditure on medicines by providing 'high quality' generic medicines at affordable prices. Under this scheme, generic medicines in various therapeutic categories, including life-saving drugs for cancers and cardiovascular diseases, are supposed to be sold to the public at prices that are 5-50 per cent cheaper than their branded equivalent.

YEAR	TOTAL JAN AUSHADHI STORES	NUMBER OF MEDICINES OFFERED	TARGET OF TOTAL STORES
December 2014	172 (105 functional)	N/A	
March 2015	178 (98 functional)	N/A	3,000 by 2017
April 26, 2016	283	442 medicines	300 by March
March 6, 2017	861	600+ medicines and 154 surgicals and consumables	3,000 by March 31
March 8, 2018	3228	666 medicines and 81 surgicals and consumables	4,000 by FY18 end
February 12, 2019	5001	800+ medicines and 154 surgicals and consumables	5,000 by FY19 end
March 2020 *(estimated)*	N/A	N/A	6,000 by FY20 end

Source: PIB, Lok Sabha, Union Budget Speech 2016

Despite focus, dip in Jal Shakti ministry outlay

SHALINI NAIR
NEW DELHI, JULY 5

DESPITE THE emphasis on Jal Shakti Abhiyan in the second term of the Narendra Modi government and the BJP's manifesto promise of providing piped water connection to every household (*har ghar jal*) by 2024, the allocation for the Ministry of Jal Shakti has decreased by almost 10 per cent.

The total budget estimate for the Department of Drinking Water and Sanitation and the Department of Water Resources, River Development and Ganga Rejuvenation — the ministries that were brought under the umbrella of Jal Shakti Ministry this year — is Rs 28,261 crore. In 2018-19, the combined budget estimate for the two ministries was Rs 31,216 crore.

The decline came even as Finance Minister Nirmala Sitharaman spoke at length on how the ministry is a significant step in the direction of "ensuring India's water security, and providing access to safe and adequate drinking water to all Indians is a priority of the government". "The mission... will focus on integrated demand and supply side management of water at the local level, including creation of local infrastructure for source sustainability like rainwater harvesting, groundwater recharge and management of household wastewater for reuse in agriculture," said Sitharaman.

Many schemes of the two departments have seen a marked dip in budgetary allocation over the previous year, including Groundwater Monitoring and Regulation (from Rs 450 crore to Rs 250 crore), National Ganga Plan and Ghat Works (Rs 2,250 crore to Rs 700 crore), and the centrally sponsored component of Har Khet Ko Pani (2,600 crore to Rs 1,069 crore). The National Rural Drinking Water Mission has seen an increase to Rs 10,000 crore from last year's Rs 7,000 crore. The Rural Development Ministry's Mahatma Gandhi National Rural Employment Guarantee Act, under which 75 per cent of the permissible works come under the water conservation category, too has not seen any increase from its revised budget of last year.

While rolling out the water conservation efforts in 256 "water-stressed" districts under the Jal Shakti Abhiyan last week, Minister Gajendra Singh Shekhawat had indicated that the mission would largely rely on convergence of existing schemes and on jan andolan (people's movement), without saying much on the budgetary commitments.

In her speech on Friday, Sitharaman too spoke of convergence. "The Jal Jeevan Mission will converge with other central and state government schemes to achieve its objectives of sustainable water supply management across the country," she said. She added that "besides using funds available under various schemes, the government will also explore the possibility of using additional funds available under the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) for this purpose."

However, the CAMPA fund is meant to be utilised for greening activity to compensate for the forests that are lost to industrialisation and other development works. A Supreme Court order earlier this year directed that Rs 54,000 crore worth of CAMPA funds be transferred to a central government authority.

As per government figures, rural India has almost attained Open Defecation Free status under the Swachh Bharat Mission but the issue of solid waste management in villages remains to be dealt with. Acknowledging this, Sitharaman said, "More than 5.6 lakh villages have become Open Defecation Free (ODF). We have to build on this success. We must not only sustain the behavioural change seen in people but also harness the latest technologies available to transform waste into energy. I now propose to expand the Swachh Bharat Mission to undertake sustainable solid waste management in every village."

This time, the Swachh Bharat Mission has registered over 30 per cent drop in allocation — from Rs 15,343 crore in 2018-19 to Rs 9,994 crore in 2019-20.

EXPLAINED — Sanitation to conservation

THERE IS a visible priority shift from sanitation to provision of drinking water and water conservation as evident in Budget 2019-20. The convergence approach and emphasis on people's participation makes the success of the scheme contingent on the response of individual states.

Support for women SHGs, little for other rural sectors

SHALINI NAIR
NEW DELHI, JULY 5

WITH THE stated view to promote enterprise among rural women, the budgetary allocation for the National Rural Livelihood Mission (NRLM)- Ajeevika, meant to organise rural women into self-help groups (SHG) and extend financial support for their livelihoods, has been increased by almost 60 per cent.

In terms of budgetary provisions for the various schemes of the Ministry of Rural Development, the most notable boost has been to NRLM that impacts 52 lakh women SHGs — from Rs 5,750 crore in 2018-19 to Rs 9,024 crore in 2019-20.

Starting her segment on women with "naari tu narayani", Finance Minister Nirmala Sitharaman went on to quote Swami Vivekananda on how "there is no chance for the welfare of the world unless the condition of women is improved".

She added, "In India's growth story, particularly in the rural economy, the role of women is a very sweet story. This government wishes to encourage and facilitate this role of women."

Announcing that the women SHGs interest subvention programme would be extended to all districts of the country, Sitharaman also said that every woman SHG member who has a Jan Dhan bank account will be allowed an overdraft of Rs 5,000 and that one woman in every SHG will be eligible for a loan up to 1 lakh under the MUDRA Scheme.

"Many of the small enterprises of women SHGs are good enough to go to scale but they need credit support. Presently in 250 backward districts, women SHGs are eligible for interest subvention to avail the credit up to Rs 3 lakh at 7 per cent per annum. This would now be made applicable for all women SHGs in the country. Also, considering the Rs 1 lakh loan to one woman in each of the 52 lakh SHGs, it amounts to Rs 52,000 crore of lending," said an official from the Ministry of Rural Development.

Invoking Mahatma Gandhi's "The soul of India lives in its villages" and with a reference to his 150th birth anniversary this year, Sitharaman spoke of the Union government's thrust on "gaon, garib aur kisan".

However, other than NRLM, there is no visible increase in budget allocation to any of the major rural schemes. For the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA), which had a budget estimate (BE) of Rs 55,000 crore last year, the BE for 2019-20 is Rs 60,000 crore, Rs 1,000 crore less than the revised budget for 2018-19. "Since MGNREGA is a demand-based scheme, we will ask for more money if required later," said an official.

Stating that a total of 1.54 crore homes have been completed in the last five years in rural India under the Pradhan Mantri Awas Yojana-Gramin (PMAY-G), Sitharaman said, "With the use of technology, the DBT platform and technology inputs, average number of days for completion of houses has reduced from 314 days in 2015-16 to 114 days in 2017-18."

She added that to achieve the goal of "Housing for All" by 2022, 1.95 crore houses are proposed to be built in the second phase of PMAY-G over the next two years along with amenities such as toilets, electricity and LPG connections. The budgetary outlay for PMAY-G has dipped from Rs 21,000 crore last year to 19,000 crore in 2019-20. Officials said a substantial amount of money for the scheme would be raised through extra budgetary resources by leveraging loans from the National Bank for Agriculture and Rural Development.

MGNREGA: The budget allocation for 2019-20 is Rs 60,000 crore

More on HRD ministry slate, govt looks to create world-class institutes, promote research

KAUNAIN SHERIFF M
NEW DELHI, JULY 5

IN THE Union Budget, the government gave a push to two crucial aspects of higher education: a three-fold increase in funding for creation of world-class institutions, and creation of a separate National Research Foundation (NRF) to "fund, coordinate and promote research activity in the country".

In her Budget speech, Finance Minister Nirmala Sitharaman said that the NRF will be entrusted with an import function to assimilate research grants given by various ministries independent of each other.

Sitharaman said, "NRF will ensure that the overall research ecosystem in the country is strengthened with focus on identified thrust areas relevant to our national priorities and towards basic science without duplication of effort and expenditure. We would work out a very progressive and research oriented structure for NRF. The funds available with all Ministries will be integrated in NRF. This would be adequately supplemented with additional funds,".

The Budget has allocated Rs 400 crore, more than three times the revised estimates for the previous year, to create world-class institutions. "There was not a single Indian institution in the top-200 in the world university rankings five years back," the Finance Minister said. "Due to concerted efforts by our institutions to boost their standards, and also project their credentials better, we have three institutions now — two IITs and IISc, Bangalore — in the top-200 bracket. This window is open now thanks to our efforts. We will continue making concerted efforts to improve."

According to the expenditure budget estimates, the Department of Higher Education will be allocated Rs 38,317 crore — a 14.33-per cent increase over the previous year's revised estimates. Research and innovation has been allocated Rs 608.87 crore — a 150-per cent jump.

The Department of School Education and Literacy will be allocated Rs 56,536.63 crore — a 12.82-per cent increase over last year's revised estimates.

To address the issue related to lower international student ratio, which has resulted in fewer premier Indian universities featuring in the top-200 global rankings, the Budget proposes to start a programme — Study in India — aimed at attracting more foreign students. Sitharaman said, "...India has the potential to become a hub of higher education. I, therefore, propose to start a programme, 'Study in India', that will focus on bringing foreign students to study in our higher educational institutions."

The government also said that a draft legislation for setting up Higher Education Commission of India (HECI) will be presented in the year ahead. "The regulatory systems of higher education would be reformed comprehensively to promote greater autonomy and focus on better academic outcomes," she said.

Sitharaman said, "The government will bring in a New National Education Policy to transform India's higher education system to one of the global best education systems. The new policy proposes major changes in both school and higher education, better Governance systems and brings greater focus on research and innovation..."

Department of School Education and Literacy will be allocated Rs 56,536.63 cr

RAILWAYS & SECURITY

THE 1ST BUDGETS 2014 VS 2019

2014

- FDI cap in defence manufacturing raised to 49 per cent from 26 per cent with full Indian management and control through the FIPB route
- Capital outlay for defence was raised by Rs 5,000 crore over amount provided for in the interim Budget
- This included Rs 1,000 crore for accelerating railway development in border areas
- An extra Rs 1,000 crore was provided in budget to promote rail connectivity in North East region

2019

- Proposed to use Public-Private Partnership to unleash faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services
- Railways will be encouraged to invest more in suburban railways through Special Purpose Vehicle (SPV) structures
- Import of defence equipment that are not being manufactured in India are being exempted from the basic customs duty to meet modernisation and upgradation requirements

MODERNISATION ON TRACK

The redeveloped building and circulating area of the Valsad railway station in Gujarat. The station now looks new-age with modern amenities. *Javed Raja*

THE MINISTRY OF Railways is undertaking refurbishment/ upgradation of stations under various developmental schemes. Currently, upgradation of stations is being done under the 'Adarsh' station scheme, in which 1,253 stations have been identified so far.

OUT OF THESE, 1,103 stations have already been developed and remaining 150 are targeted to be developed in 2019-20. In financial year 2018-19, 68 stations have been upgraded through zonal railways under the work of "soft upgradation of stations".

VARIOUS AMENITIES LIKE improvement to façade of the station building and platform surface along with existing waiting halls & retiring rooms, toilet facilities, provision of foot over bridges, provision of lifts and escalators etc. have been provided.

THE GOVERNMENT HAS planned redevelopment of stations through leveraging commercial development of vacant land and air space in and around railway stations. Currently, work of redevelopment is in progress at Gandhinagar (Gujarat) and Habibganj (Madhya Pradesh) stations.

THE REVENUES REALISED from real estate development are deemed sufficient to cover the entire cost of station redevelopment after meeting the full expenditure on real estate development and maintenance obligations.

HOME AFFAIRS

Rs 1.19 lakh crore allotted; share of security council secretariat slashed

DEEPTIMAN TIWARY
NEW DELHI, JULY 5

THE 2019-20 Union Budget presented Friday has allocated the Ministry of Home Affairs (MHA) Rs 1,19,025 crore — an increase of over Rs 5,800 or 5 per cent in comparison to the last financial year.

The Budget figure for 2019-20 includes Rs 15,098 crore allocated for Union Territories, and Rs 7,496 crore for Delhi police. Central Armed Police Forces (CAPFs) such as the CRPF, BSF and ITBP have been allocated Rs 71,713.9 crore — nearly Rs 300 crore more than the last financial year.

Union Home Minister Amit Shah said the Budget was "truly a Budget of hope and empowerment". In a series of tweets, Shah said it "highlights the exemplary work in key sectors relating to the economy, housing, infrastructure and the social sectors over the last five years and on this basis, ignites a spirit of hope that India can become a 5 trillion dollar economy in the coming years".

The Budget has also reduced the allocation for National Security Council Secretariat from Rs 841.73 crore in the revised estimate of 2018-19 to Rs 152.63 crore this fiscal.

Shah said the Budget provides a coherent roadmap for sectors that will drive growth and innovation among Indians. The emphasis on clean energy and cashless transactions are also steps in the right direction, he added.

"It clearly reflects Prime Minister Shri Narendra Modi's vision for India's development, where the farmers prosper, poor lead a life of dignity, the middle class get the due for their hard work and Indian enterprise gets a boost," he said.

Some of the key expenditures in the allocation to MHA include Rs 3,462 crore for modernisation of police forces, Rs 825 crore for a border area development programme, Rs 953 crore for freedom fighters (pension and other benefits), Rs 2,129 crore for border infrastructure and management, Rs 4,757 crore for police infrastructure, Rs 842 crore for relief and rehabilitation for migrants and repatriates, and Rs 296 crore for national cyclone risk mitigation project.

While the allocation for police infrastructure and rehabilitation of migrants have seen a dip in spending in this budget compared to last year, the spending for national cyclone risk mitigation project has risen by almost 100 times.

Among the major capital expenditure for MHA is border infrastructure which has been allocated Rs 1,881.84 crore.

"The provision (capital outlay for border infrastructure) is for erection of flood lit barbed wire fencing, construction of roads, construction of OP Tower, installation of flood lighting, inclusion of Hi-tech Surveillance on Indo-Bangladesh and Indo-Pak borders, for various such construction activities at India's international borders with its neighbouring countries, for setting up of mobile check posts in coastal areas of the country for better surveillance to have a check on illegal activities. The provision also includes construction of Border Out Posts," the budget said.

Capital expenditure for Intelligence Bureau (IB) has more than doubled this FY. From Rs 47 crore in 2018-19, the expenditure has increased to Rs 108 crore in 2019-20. Total expenditure for IB, including revenue expenditure, stood at Rs 2,384.1 crore in this budget.

For Railways projects, govt turns to PPP model, SPV route

AVISHEK G DASTIDAR
NEW DELHI, JULY 5

FINANCE MINISTER Nirmala Sitharaman envisaged a Rs 50 lakh crore investment in the country's rail sector till 2030, and pinned her hopes on the Public Private Partnership (PPP) model for investments, especially for financing a part of the sanctioned projects. However, the sector has seen little success in this mode of investment in the past.

"Given that the capital expenditure outlays of Railways are around Rs 1.5 to 1.6 lakh crore per annum, completing even all sanctioned projects would take decades. It is therefore proposed to use Public Private Partnership to unleash faster development and completion of tracks, rolling stock manufacturing and delivery of passenger freight services," Sitharaman said in her Budget speech.

The PPP mode of executing works in Railways has not had the desired results in the past, despite several initiatives. Besides, a large number of sanctioned projects in the slow lane are fraught with unattractive rates of return and terms of engagement from a private investment point of view. Currently, Railways finances its capital expenditure largely through budgetary support and some loans in the form of extra budgetary resources. Officials said the Budget implies big-ticket projects and a new model of private engagement in the future.

In the first term of the Narendra Modi government, its maiden Rail Budget, too, had intended to open the doors to PPP, but that did not go as planned. "Railways, being a capital intensive sector, has not been successful so far in raising substantial resource through PPP route... it is my endeavour to pursue this in right earnestness. It is our target that bulk of our future projects will be financed through PPP mode, including the high-speed rail which requires huge investments," then Railway Minister D V Sadananda Gowda had said in the Rail Budget speech in 2014.

Sitharaman's Budget reinstates the government's confidence in the PPP route, possibly in a new avatar, officials said.

Sitharaman has also outlined more investment through the Special Purpose Vehicle (SPV) route in the loss-making suburban rail network in cities. "Indian Railways suburban and long-distance services do a phenomenal task in cities like Mumbai and smaller cities. Railways will be encouraged to invest more in suburban railways through Special Purpose Vehicle (SPV) structures like Rapid Regional Transport System (RRTS) proposed on the Delhi-Meerut route," Sitharaman said.

The RRTS is being implemented by the National Capital Region Transport Corporation — a joint venture SPV between the Centre and states like Delhi, Haryana, Rajasthan and Uttar Pradesh. "I 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," she said. Sitharaman also mentioned the launch of station development plan this year. Railways is already on course to engage private players to run passenger trains and station development plans in the future. Railways' staff cost is estimated to be Rs 86,327.34 crore, up from Rs 77,599.99 crore in the Revised Estimates (RE) of 2018-19. Pension outgo is estimated to increase from Rs 48,000 crore to Rs 51,000 crore end of this fiscal, as per the Budget Estimates (BE). It has pegged a slightly increased revenue of Rs 2.16 lakh crore this fiscal, from Rs 1.97 crore in the RE. In its capital expenditure target of Rs 65,837, there is new allocation of Rs 267.64 crore for Nirbhaya Fund, including provision of Rs 250 crore for Integrated Emergency Response Management System (IERM) (Video Surveillance System), and Rs 17.64 crore for Konkan Railway Corporation Ltd.

EXPLAINED: New model needed

WHETHER THE engagement of private players in big-ticket infra projects, especially in the rail sector, gets a new, successful model this time remains to be seen. Similarly, station modernisation is an ongoing idea that is still struggling to take off. The Budget speech said it will be launched in a "massive" way this year, but did not go into the specifics. The Budget seems to have stressed on "connectivity" as a whole, multi-modal proposition, wherein rural roads, highways, railways, metro, civil aviation and waterways together work as a big value proposition.

Fire power demonstration at Pokharan. *File*

No change in defence share, imports exempt from customs duty

SUSHANT SINGH
NEW DELHI, JULY 5

THE UNION Budget for the financial year 2019-20, presented by Finance Minister Nirmala Sitharaman in Parliament on Friday, kept the overall allocation for defence unchanged from the interim budget, with a total outlay of Rs 3,18,931.22 crore. This excludes defence pensions, for which an amount of Rs 1,12,079.57 crore has been provided in the budget.

Thus, the total defence allocation of Rs 4,31,010.79 crore accounts for 15.47 per cent of the total central government expenditure for the financial year 2019-20. But a big relief has been provided to the Defence Ministry by exemption of the customs duty on defence products, which means that the ministry will not have to pay customs duty on major items. This duty was imposed on the Defence Ministry in 2016 and it had subsequently raised the issue with the Finance Ministry for the exemption.

Sources in Defence Ministry told The Indian Express that the exemption means an additional availability of Rs 5000 crore annually for import of defence equipment. It would, sources said, make up for the lack of increase in capital allocation for defence.

Although the allocation has remained unchanged from the interim budget, the allocation of Rs 3,18,931.22 crore represents a growth of 7.93 per cent over Budget estimates (2,95,511.41 crore) and 6.87 per cent over revised estimates (Rs 2,98,418.72 crore) for the financial year 2018-19.

Out of Rs 3,18,931.22 crore allocated for the financial year 2019-20, Rs 2,10,682.42 crore is for Revenue (Net) expenditure and Rs 1,08,248.80 crore for capital expenditure for the defence services and Defence Ministry.

The amount of Rs 1,08,248.80 crore allocated for capital expenditure includes modernisation-related expenditure. Capital allocation under Budget estimates for 2019-20 is thus 31.97 per cent of the total central government capital expenditure, which is Rs 3,38,569.00 crore.

Focus on maritime strategy, govt hikes allocation to island neighbours

SHUBHAJIT ROY
NEW DELHI, JULY 5

IN TUNE with its focus on maritime strategy, the government has increased its financial commitment to Mauritius, Maldives, Sri Lanka — all island nations in the strategic Indian Ocean region where India is planning to expand its footprint. This comes against the backdrop of an assertive and a pro-active China in the Indian Ocean region.

The allocation for the Chabahar port was, however, cut down drastically.

The total budget for the Ministry of External Affairs was hiked by 19 per cent — from Rs 15,011 crore in 2018-19 to Rs 17,884.78 crore in 2019-2020.

India has moved towards building strategic assets in two Indian Ocean countries, Mauritius and Seychelles, as New Delhi signed agreements with them to develop "infrastructure" in two islands — one each in both nations.

The plans towards building strategic assets in Agalega island in Mauritius and Assumption island in Seychelles were announced in 2015 when Prime Minister Narendra Modi visited these countries.

In Mauritius, India signed an MoU for "improvement in sea and air transportation facilities" at Agalega island. This pact provides for "setting up and upgradation of infrastructure for improving sea and air connectivity at the Outer Island of Mauritius which will go a long way in ameliorating the condition of the inhabitants of this remote Island. These facilities will enhance the capabilities of the Mauritian Defence Forces in safeguarding their interests in the Outer Island," a note on the MoU said.

"Island development" is an internationally accepted euphemism for developing strategic assets. US and China are known to be developing infrastructure in islands all over the world.

The government increased its commitment to Mauritius from Rs 350 crore last year to Rs 1,100 crore. Mauritius PM Pravind Jugnauth visited India twice this year.

EXTERNAL AFFAIRS

For Maldives, the allocation has increased from Rs 125 crore last year to Rs 576 crore. The country has seen a friendly dispensation, with President Ibrahim Mohamed Solih in power, after the defeat of Abdulla Yameen. During Yameen's regime, Chinese influence had increased substantially, and now India is trying to develop several projects there.

For Sri Lanka, which goes to elections later this year, the government has increased its allocation from Rs 150 crore to Rs 250 crore - a significant increase as Delhi is working on several infrastructure and development projects. In the island nation, India is moving for reconstruction of Kankesanthurai Port. This deal strengthens India's interest in developing the Trincomalee Port project, a deepwater site about 300 nautical miles from Colombo. Among the other neighbours, Nepal is the biggest beneficiary, as India has increased its allocation from Rs 650 crore last year to Rs 1,050 crore this year. With the K P Sharma Oli government in power, Delhi is trying to mend its relationship with Kathmandu and working on several infrastructure projects. A lion's share of the MEA's budget has gone to Bhutan — from Rs 2,650 crore last year to Rs 2801.79 crore.

For the Chabahar port in Iran, the government has reduced allocation from Rs 150 crore to Rs 45 crore. Although the US has forced India to cut down on its oil imports, India has got a waiver on the Chabahar port development since it gives access to Afghanistan — bypassing Pakistan. But, private investors and firms are not making enough progress, and the allocation has dipped.

In 2018 as well, a quiet maritime strategic diplomacy emerged as the key theme of Union budget. The beneficiaries were Seychelles, Mauritius, Sri Lanka and Maldives — all island nations in the strategic Indian Ocean region where India is competing against China for influence.

PERSONAL FINANCE

No I-T relief, affordable housing gets a minor boost

SANDEEP SINGH
NEW DELHI, JULY 5

EVEN AS the government did not offer any relief to tax payers by way of tweaking the tax rates, Finance Minister Nirmala Sitharaman offered some relief to homebuyers in the affordable housing segment by allowing an additional deduction of Rs 1.5 lakh for interest paid on home loans with respect to affordable houses valued at up to Rs 45 lakh.

While the move will benefit homebuyers and help them save taxes of up to Rs 50,000 (for those falling in highest tax slab of 30 per cent), industry experts say that the move will also provide a fillip to the troubled real estate sector as it will draw homebuyers into the market and create demand for the sector.

"For realisation of the goal of 'Housing for All' and affordable housing, a tax holiday has already been provided on the profits earned by developers of affordable housing. Also, interest paid on housing loans is allowed as a deduction to the extent of Rs 2 lakh in respect of self-occupied property. In order to provide a further impetus, I propose to allow an additional deduction of up to Rs 1,50,000 for interest paid on loans borrowed up to 31st March, 2020 for purchase of an affordable house valued up to Rs 45 lakh," said Sitharaman.

She further added that while a person purchasing an affordable house will now get an enhanced interest deduction up to Rs 3.5 lakh, "This will translate into a benefit of around Rs 7 lakh to the middle-class homebuyers over their loan period of 15 years."

Experts, however, say that it may not be possible for homebuyers in the affordable housing category to fully utilise the benefits of the additional deduction of Rs 1.5 lakh made available by the Finance Minister in the budget.

A homebuyer buying a home costing Rs 45 lakh and taking a loan of 80 per cent of the value of the house will take a loan of up to Rs 36 lakh. As per rough estimates, at an interest rate of 9 per cent, his first year interest outgo will be around Rs 3.25 lakh, so he will be able to claim benefit on that amount. In the following years, that will go down further.

However, if a home buyer takes a loan of only Rs 30 lakh, his interest outgo for the first year will be around Rs 2.7 lakh and he can claim benefit only on that amount.

Parth Mehta, Managing Director, Paradigm Realty, said, "Deduction of interest hiked from Rs 2 lakh to Rs. 3.5 lakh for loans taken in FY'20 in case of affordable housing shall help the developers in extended suburbs of Mumbai Metropolitan Region (MMR) region but definition of it being still capped at Rs 45 lakh and not revised upwards from MMR point of view is disappointing."

However, Ramesh Nair, CEO & Country Head, JLL India, said that since majority of homebuyers fall in the lower and mid-income segments, "this tax benefit will boost demand substantially". He added that this will significantly benefit first-time homebuyers who will enjoy the benefits of interest subvention under the CLSS scheme and the announced tax benefits."

The government has further said that to claim such benefits, the loan has to be sanctioned by a financial institution between April 1, 2019 and March 31, 2020. Also, the assessee should not own any residential house property on the date of sanction of loan.

Further, the deduction will be available only in respect of a housing project if a residential unit in the housing project has a carpet area not exceeding 60 square meter in metropolitan cities or 90 square metre in cities or towns other than metropolitan cities of Bengaluru, Chennai, Delhi NCR, Hyderabad, Kolkata and Mumbai (whole of Mumbai Metropolitan Region).

While benefits have been offered for affordable housing segment the government has proposed to increase the scope of TDS payment on purchase of immovable property. The budget said that TDS of 1 per cent will be payable on "consideration for immovable property" including charges of club membership fee, car parking fee, electricity and water facility fees, maintenance fee, advance fee or any other charges of similar nature.

EXPLAINED E. Market says raise cap

WHILE THE move to provide additional deduction of Rs 1.5 lakh on purchase of affordable housing will help homebuyers save tax of up to Rs 50,000 and also push demand in the real estate sector, there is a sense in the market that the cap of Rs 45 lakh for affordable housing should be revised upwards for the sector to benefit meaningfully.

THE GOLD HIGH

After the budget proposal, the most active August gold futures in MCX platform increased by more than two per cent to Rs 34,968 per ten gm. *Pradip Das*

Hike in gold duty riles jewellery traders

Analysts, industry term decision disappointing: may boost illicit gold imports and distort gold markets

GEORGE MATHEW
MUMBAI, JULY 5

THE PROPOSAL by Finance Minister Nirmala Sitharaman to increase custom duty on gold and other precious metals from 10 per cent to 12.5 per cent on Friday came under faced all-round criticism with analysts and jewellery industry terming it a "disappointing" decision that may "augur well for illicit gold imports and further distort gold markets significantly".

"The increase in customs duty for gold coupled with GST will make gold more expensive and encourage smuggling. This is not in tune with Make in India principles," GJC Chairman Anantha Padmanaban said in a statement, asking for a rollback in the hike.

Chirag Mehta, Senior Fund Manager, Quantum Mutual Fund, said, "Customs duty has become a major revenue-earner for the country and the dream of making India the gold-trading capital has been sacrificed for the sole purpose of filling the government coffers in a bid to reduce the deficit. Further increase in customs duty will only distort markets further as the current differential between the Indian gold prices and International gold price will widen by 2.5-15.5 per cent in total. This is a significant differential and may augur well for illicit gold imports and further distort gold markets significantly."

World Gold Council said the hike in duty will negatively impact India's gold industry. "It will impede efforts to make gold as an asset class particularly when gold prices are already rising globally. In addition, the grey market will thrive which will dilute efforts to reduce cash transactions," said Somasundaram PR, Managing Director, India.

"Such interventionist policy making ensures that India will never be at the centre of the global gold markets despite being the largest consumer and will continue to remain a price taker. Such distortions make it difficult to channelise the hoard of India's gold savings into circulation and thereby integrate the gold market with other financial markets," Mehta said.

According to Abhishek Bansal, Chairman, ABans Group of Companies, the hike in gold Import duty indicates the government's move to discourage imports of physical gold and promote digital gold in the form of ETFs and Gold Bonds. "Gold demand in India may drop further, as gold prices are already at multi-year highs and jewellery will become unaffordable to small pocket households," Bansal said.

Hareesh V, Head - Commodity Research, Geojit Financial Services, said the proposal to increase the custom duty on gold and precious metals will certainly lift gold prices in the country. "Since the domestic prices are already at multi-year highs due to a weak rupee and higher international prices, the new decision would cause an additional burden on buyers. The existing import duty on gold is 10 per cent which is now revised to 12.5 per cent. In addition, gold prices attract GST of 3 per cent. Hence the present total tax incidence on gold would be about 15.5 per cent this will lead to higher prices for gold in the country," he said.

After the budget proposal, the most active August gold futures in MCX platform increased by more than two per cent to Rs 34,968 per ten grams. It made an intraday high of Rs 35,100. Meanwhile, gold prices in the international market held steady at $1417 an ounce.

WGC said millions of Indians invest in gold as part of their household savings, not simply as discretionary spending for consumption. "People buy gold as a long-term investment to protect their wealth and gold also has huge significance socially, emotionally and economically in India.

"An increase in duty will be counterproductive to the objectives stated in the previous year's budget and encapsulated in NITI Aayog's recommendations for transforming the gold market. We believe that gold can play a positive role in the Indian economy, but to enable this there needs to be a reduction in overall taxes, a stable policy environment and a transparent trading market," Somasundaram said.

THE 1ST BUDGETS 2014 VS 2019

2014

- Income tax exemption limit raised by Rs 50,000 to Rs 2.5 lakh for taxpayers below 60 years.
- Income tax exemption limit raised by Rs 50,000 to Rs 3 lakh for senior citizens.
- Investment limit under Section 80C of the Income-tax Act was raised from Rs 1 lakh to Rs 1.5 lakh.
- Deduction limit on account of interest on loan for self occupied house property was raised from from Rs 1.5 lakh to Rs 2 lakh.

2019

- Tax rates for individuals with taxable income between Rs 2 crore-5 crore and Rs 5 crore and above to increase by 3 per cent and 7 per cent, respectively.
- GST rate on electric vehicles might drop to 5 per cent from 12 per cent. Government to provide additional income tax deduction of Rs 1.5 lakh on interest paid on loans taken to purchase electric vehicles.
- No charges or Merchant Discount Rate imposed on customers of business establishments with annual turnover of over Rs 50 crore, and low-cost, digital modes of payment to be provided to these customers.
- Aadhaar card can be used to file Income Tax returns for those who do not have PAN card.

Spent ₹2 lakh on foreign travel or paid electricity bill of ₹1 lakh, file your return

SANDEEP SINGH
NEW DELHI, JULY 5

IF AN individual has deposited over 1 crore in one or more current accounts or incurred foreign travel of expenditure of over Rs 2 lakh for self or others or spent more than Rs 1 lakh towards electricity consumption, he will have to mandatorily file his return of income even though his total income does not exceed the maximum amount not chargeable to tax.

In its budget proposal 2019-20, the government proposed to amend section 139 of the Act so as to provide that a person shall be mandatorily required to file his return of income, if during the previous year has entered into certain high value transactions as mentioned above.

As of now, a person is required to file income tax return only if the total income exceeds the maximum amount not chargeable to tax and therefore, a person entering into certain high value transactions is not necessarily required to furnish his return of income. "In order to ensure that persons who enter into certain high value transactions do furnish their return of income, it is proposed to amend section 139 of the Act so as to provide that a person shall be mandatorily required to file his return of income," said the budget document. It also proposed to make it mandatory for individuals to file return if they claim rollover benefit of exemption from capital gains tax on investment in specified assets.

Boost for e-payments, TDS for cash withdrawals over ₹1 crore in a year

PRANAV MUKUL
NEW DELHI, JULY 5

WITH AN aim to promote cashless transactions, the government on Friday proposed to waive off merchant discount rate (MDR) for businesses with annual turnover of over Rs 50 crore to encourage them to offer low-cost digital modes of payments. In addition to this, the government has also decided to levy a 2 per cent tax deducted at source on cash withdrawals exceeding Rs 1 crore in a year from a bank account to discourage the practice of making business payments in cash.

"There are low-cost digital modes of payment such as BHIM UPI, UPI-QR Code, Aadhaar Pay, certain Debit cards, NEFT, RTGS etc. which can be used to promote less cash economy. I, therefore, propose that the business establishments with annual turnover more than Rs 50 crore shall offer such low cost digital modes of payment to their customers and no charges or merchant discount rate shall be imposed on customers as well as merchants," Minister of Finance Nirmala Sitharaman said while presenting the Union Budget for 2019-20.

Move big push to cashless transactions

MDR is levied by the acquirer bank or the bank which facilitates the payment from the issuer bank or the bank from which the transactions takes place. An issuer bank sometimes transfers a portion of the levy to merchants as processing fee for the payments. While the move to waive off MDR is expected to benefit certain larger businesses, the levy acts as a deterrent for smaller merchants such as petrol pumps and smaller retail stores that are discouraged to offer modes of digital payments.

"RBI and banks will absorb these costs from the savings that will accrue to them on account of handling less cash as people move to these digital modes of payment. Necessary amendments are being made in the Income Tax Act and the Payments and Settlement Systems Act, 2007 to give effect to these provisions," she added.

The Economic Survey for 2018-19 that was released on Thursday suggested that government can harness rich data on citizens, including transactions data on an individual's transactions such as those executed on Unified Payments Interface, BHIM or Aadhaar Pay. "This is a nascent category of data but is likely to grow as more people transition to cashless payment services," the survey said.

Govt proposes 100% FDI in insurance broking, further opening up soon

NPS to be separated from pension regulator PFRDA

GEORGE MATHEW
MUMBAI, JULY 5

THE GOVERNMENT on Friday proposed a 100 per cent foreign direct investment (FDI) in the insurance intermediaries — broking firms — from the current level of 49 per cent in the Budget. In another significant move, the government has decided to separate the National Pension System (NPS) — which has a corpus of over Rs 3 lakh crore — from pension regulator Pension Fund Regulatory and Development Authority (PFRDA) in order to address issues over conflict of interest.

Announcing the FDI hike in the Budget on Friday, Finance Minister Nirmala Sitharaman also said that the government was also looking into the possibility of hiking the FDI limit in the insurance companies from the current level of 49 per cent. While the Finance Minister did not indicate the new cap that the government was considering, insurance sources said the FDI cap is likely to be increased to 74 per cent soon.

Sumit Rai, MD & CEO, Edelweiss Tokio Life Insurance, said the proposed 100 per cent FDI in insurance intermediaries will have a positive impact on customers, intermediaries and the sector. "Insurance distribution is an upfront-capital intensive business with a long gestation period, and given low insurance penetration in India, there is a significant need to strengthen existent distribution networks. The proposed 100 per cent FDI, coupled with a strong India growth story, will enable intermediaries to expand faster in non-urban markets, deepening insurance penetration in the country," Rai said.

A section of the insurance sector is, however, adopting cautious approach. "When it comes to opening up of 100 per cent FDI in intermediation in insurance, we will have to wait and watch on how this develops further," said Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance. If the FDI in the entire sector is hiked to 74 per cent, there could be a big inflow of FDI as several foreign companies are keen to hike their stakes in their Indian joint ventures, said an insurance official.

On the pension regulator, the government said the matter of conflict of interest arises as PFRDA is the regulator of the pension sector in India and it also runs pension schemes such as NPS and APY (Atal Pension Yojana). "Keeping in view the wider interest of the subscribers and to maintain arm's length relationship of the NPS Trust with PFRDA, steps will be taken to separate the NPS Trust from PFRDA with appropriate organisational structure," Sitharaman said. PFRDA implements and regulates the NPS and Atal Pension Yojana through various intermediaries including, the NPS Trust.

The Budget has also proposed to make lump sum withdrawal of 60 per cent from NPS totally tax free at the time of maturity. A subscriber on maturity at the age of 60 would be able to withdraw up to 60 per cent of the corpus without paying any tax. The balance 40 per cent of the corpus would have to be compulsorily used to buy an annuity plan. The annuity received is taxable.

Sandip Shrikhande, CEO, Kotak Mahindra Pension Fund, said, "From a NPS point of view, the budget has proved to be a bit of a dampener. 14 per cent limit is applicable only to the Central government's contributions to its employee's account. Similarly, 80C exemption on Tier II contributions is available only to Central government employees. The good thing is that the withdrawal is now completely tax-free."