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DAILY NEWSPAPER ANALYSIS

THE HINDU

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Topic: GS3 : Interim Budget 2019-20

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Daily News Paper

Distributing the rewards of reform

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Context:-

- In the Interim Budget 2019-20, past years painstaking fiscal consolidation, tax reform, more efficient delivery of subsidies, and a rise in the share of capital expenditure, have created the space **to reward tax-payers** as well as announce **a relief measure for farmers in distress** without substantially compromising fiscal consolidation.
- There is a **pension scheme for informal sector workers** earning up to ₹15,000 a month.

Pradhan Mantri Kisan Samman Nidhi (PM-KISAN):-

- Farmers owning up to two hectares of land will receive ₹6000 per year, transferred directly to their bank accounts in three instalments of ₹2000 each.
- More than 12 crore households across the country will benefit from this scheme that will be applicable from December 2018.
- The scheme will be fully funded by the Central government which has allocated ₹20,000 crore in the revised estimates for the current financial year, as well as ₹75,000 crore for 2019-20.
- **Criticism of Scheme-**
  - **Little Fund-** The amount to be transferred to farmers is lower than the income support being given by the two States which already implement similar schemes: Telengana's Rythu Bandhu scheme which gives farmers ₹10,000 per acre per year, and Odisha's KALIA scheme, which is giving ₹10,000 per household per year to small landholders as well as landless tenant farmers

- According to agricultural economist **Ashok Gulati,** "This is too little, too late, At ₹500 per m
  it will amount to less than 1/15th of an average household's income.
- <u>**Landless labour is not Included-**</u> Scheme did not included landless and tenants, moreover the Budget outlay for MGNREGA has been slashed to only Rs. 60000 cr from 61000 cr in 2018-19, where it is required Rs 85,000 cr.

<u>**Pradhan Mantri Shram-Yogi Maandhan:-**</u>

- The new scheme will benefit unorganised sector workers who have a monthly income up to ₹15,000. It will provide them a monthly pension of ₹3,000 from the age of 60.
- Workers will contribute an amount ranging from ₹55 to ₹100 each month, depending on their age, at the time of joining the scheme, while the government will deposit a matching contribution.
- The Centre expects 10 crore workers to get the benefit within the next five years.
- As almost half of India's GDP comes from the sweat and toil of 42 crore workers in the unorganised sector comprehensive social security coverage for their old age is the step in the right direction.
- However, the National Social Assistance Programme (NSAP), which already benefits more than 3 crore poor people who are senior citizens, disabled or widows, has had its allocation slashed. from ₹9,975 crore in the 2018-19 to ₹9,200 crore in the 2019-20, a drop of ₹775 crore.
- Moreover in the last year budget said under NSAP, beneficiary will be identified by SECC as opposed to the existing Below Poverty Line criteria
- It would have doubled the pension coverage to more than 6 crore people.

Changes in Income Tax:-

- **Tax Rates:-** The tax slab rates, surcharge and health and education cess remain the same. Howev resident taxpayers with income up to ₹5,00,000 will get a full tax rebate. The limit of standard deduction has been enhanced from ₹40,000 to ₹50,000.
- **House property income:** As per the current laws, if the taxpayer owns more than one house property for personal use the rest of the properties are considered as deemed let out and income tax levied on a notional rental value. It has been proposed to extend the exemption limit to two house properties owing to issues faced by the middle class having to maintain a family at two locations on account of job movements.
- Easing tax burden on salaried class and home-owners are welcome and will go a long way to help the small taxpayers as well as passive income earners such as senior citizens and by increased spending capacity with consumers would boost various sectors of the economy.

Others Announcements:-

- **Fiscal Consolidation-** As per revised estimates for 2018-19 the fiscal deficit is 3.4% and same for 2019-20 The government had set a fiscal deficit target of 3.3% for 2018-19 and 3.1% for 2019-20.
  - But 3.4% of GDP is not a large fiscal deficit, and market conditions are likely to be more supportive of government borrowing this year.
  - The international rate rise has peaked, with the U.S. Fed turning dovish and indicating that there will be no more rise; it is likely to maintain its balance sheet.

- When international demand is slowing, it is important to maintain domestic demand. Therefore, tax cuts, more income to farmers and various schemes to improve demand for housing, which has been under stress, are all appropriate.
- Moreover, this year, the revenue deficit has been maintained, the primary deficit been reduced, and expenditure on capital account been increased.

➢ While the budgetary contribution to capital expenditure remains at about 1.6% of GDP there is a rise in internal and extra-budgetary resources, which are now larger than gross budgetary support. But public enterprises must be able to raise and use internal resources.

- This is a healthy sign of efficiency, market viability and reduced dependency on the government. Even market borrowing by such enterprises used for investment when private investment remains low, is likely to crowd in (rather than crowd out) private investment. It will raise demand which will induce more private investment. The latter remains still constrained by low demand at present, except for a few sectors where capacity constraints are appearing.

Conclusion:-

➢ Well-targeted transfers can be made without destroying fiscal consolidation and creating macroeconomic vulnerabilities.

- The Budget continues the effort to reduce transaction costs and improve compliance incentives. Stamp duty amendments that seek to tax just one transaction, which will be shared across State governments, on the basis of the domicile of the buying client, will reduce a major market irritant, increase transactions and take the country further toward becoming one effective market.
- As income tax returns rise, a less than 0.05% will be selected for scrutiny in non-discretionary, machine-based ways without any interface between the tax-payer and the examining officers, thus reducing potential tax-payer harassment.
- India is a very difficult country to change. Problems remain, but the rewards are beginning to appear and should be greeted with cheers.