

# Union Budget 2019-20 Analysis

## Budget Highlights

- **Expenditure:** The government proposes to spend Rs 27,86,349 crore in 2019-20, which is 13.4% above the revised estimate of 2018-19.
- **Receipts:** The receipts (other than net borrowings) are expected to increase by 14.2% to Rs 20,82,589 crore, owing to higher estimated revenue from corporation tax and dividends.
- **GDP growth:** The government has assumed a nominal GDP growth rate of 12% (i.e., real growth plus inflation) in 2019-20. The nominal growth estimate for 2018-19 was 11.5%.
- **Deficits:** Revenue deficit is targeted at 2.3% of GDP, which is higher than the revised estimate of 2.2% in 2018-19. Fiscal deficit is targeted at 3.3% of GDP, lower than the revised estimate of 3.4% in 2018-19. Note that the government is estimated to breach its budgeted target for fiscal deficit (3.3%) in 2018-19 and the medium term fiscal target of 3.1% in 2019-20.
- **Ministry allocations:** Among the top 13 ministries with the highest allocations, the highest percentage increase is observed in the Ministry of Agriculture and Farmers' Welfare (82.9%), followed by Ministry of Petroleum and Natural Gas (32.1%) and Ministry of Railways (23.4%).

## Tax proposals in the Finance Bill

In addition to changes in tax laws, the Finance Bill, 2019 proposes changes in several other laws such as the SEBI Act, The RBI Act, the CGST Act, and the PMLA Act. These are detailed on **Page 9**.

- **Surcharge on income tax:** Currently, a surcharge of 15% is levied on the income of individuals earning over one crore rupees, and 10% on income of individuals earning between Rs 50 lakh and one crore rupees. In the Union Budget 2019-20, the surcharge on income tax for individuals earning between two crore rupees and five crore rupees has been increased to 25% and for persons earning over five crore rupees has been increased to 37%.
- **Corporation tax:** Currently, companies with annual turnover of less than Rs 250 crore pay corporate income tax at the rate of 25%. This threshold has been increased to Rs 400 crore.
- **Tax on cash withdrawals:** A TDS of 2% will be levied by financial companies and post offices on individuals for cash withdrawals exceeding one crore rupees in a year from a bank account.
- **Tax exemption for affordable housing:** An additional tax deduction of up to Rs 1,50,000 will be provided on interest paid on loans for self-occupied house owners. The conditions for availing this deduction are: (i) the loan must be sanctioned in FY 2019-20, (ii) the stamp duty on the house should not exceed Rs 45 lakh rupees, and (iii) the individual should not own another residential house property as of the date of the home loan.
- **Tax exemptions for electric vehicles:** A tax deduction of up to Rs 1,50,000 will be provided on interest paid on loans to purchase an electric vehicle. This deduction will be applicable for loans sanctioned between FY 2019-20 and FY 2022-23.
- **Road and infrastructure cess:** The Road and Infrastructure Cess on petrol and high-speed diesel has been increased by one rupee per litre. Excise duty has also been increased by one rupee per litre for these products.
- **Customs duty:** The customs duty on gold and precious metals will be increased from 10% to 12.5%.

## Policy Highlights

- **Banking and Finance:** The government plans to partially guarantee (for first 10% of loss) Public Sector Banks for funds provided in a pooled manner to NBFCs. Further, Rs 70,000 crore will be provided for recapitalisation of Public Sector Banks.
- **Government borrowings:** Currently, the gross borrowing programme of the government is funded entirely through domestic borrowings. The government plans to raise a part of its borrowings abroad in foreign currency.
- **Infrastructure:** The central government will invest Rs 100 lakh crore in infrastructure over the next five years. Phase II of the Bharatmala project will be launched under which state highways will be developed. Public private partnerships will be leveraged for railways to attract an investment of Rs 50 lakh crore during the period 2018-30. A blue print will be made for developing gas-grids, water-grids, i-ways (communication networks) and regional airports on the lines of the One Nation–One Grid for power. Structural reforms in the power sector (including tariff) will be announced.

- **Industry:** The minimum public shareholding in listed companies will be increased from 25% to 35%. A new electronic fund raising platform will be created for listing social enterprises and voluntary organisations. The present policy of 51% stake of government in non-financial PSUs will be modified to include stake of government controlled institutions.
- **Investments:** 100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries. Local sourcing norms will be eased for FDI in the single brand retail sector. Further, relaxing of the FDI norms in aviation, media and insurance sectors will be examined. Statutory limit for Foreign Portfolio Investment will be increased from the current 24% to sectoral limits. Foreign shareholding limits in PSUs will be increased to the maximum permissible sectoral limit.
- **Agriculture and allied activities:** Pradhan Mantri Matsya Sampada Yojana has been proposed to address infrastructure gaps in the fisheries sector. 10,000 new Farmer Producer Organisations will be setup over the next five years. The central government will work towards adoption of zero-budget farming.
- **Rural Development:** Under the Pradhan Mantri Gram Sadak Yojana, 1.25 lakh km of road will be upgraded at an estimated cost of Rs 80,250 crore in the next five years. 100 new clusters will be setup under the Scheme of Fund for Upgradation and Regeneration of Traditional Industries (SFURTI). All rural households will be provided with piped water supply by 2024 under the Jal Jeevan Mission. Swachh Bharat Mission will be expanded to undertake solid waste management in every village.
- **Social Justice:** An overdraft of Rs 5,000 will be provided to women self-help group (SHG) members who hold Jan-Dhan accounts. Further, a loan up to one lakh rupees will be provided under the MUDRA scheme to one woman in every SHG.
- **Social Security:** A new pension benefit scheme, namely Pradhan Mantri Karam Yogi Maandhan Scheme, has been announced for traders and small shopkeepers with annual turnover of less than Rs 1.5 crore.
- **Education:** The new National Education Policy will be introduced. The National Research Foundation will be setup to promote funding and coordinate research in the country. A Study in India programme will be launched to encourage foreign students in higher education.
- **Legislative Framework:** To promote rental housing, a model tenancy law will be finalised and circulated. The Higher Education Commission of India Bill will be introduced. Different multiple labour laws will be streamlined into a set of four labour codes.

## Budget estimates of 2019-20 as compared to revised estimates of 2018-19

- **Total Expenditure:** The government is estimated to spend Rs 27,86,349 crore during 2019-20. This is 13.4% more the revised estimate of 2018-19. Out of the total expenditure, revenue expenditure is estimated to be Rs 24,47,780 crore (14.3% growth) and capital expenditure is estimated to be Rs 3,38,569 crore (6.9% growth).
- **Total Receipts:** The government receipts (excluding borrowings) are estimated to be Rs 20,82,589 crore, an increase of 14.2% over the revised estimates of 2018-19. The gap between these receipts and the expenditure will be plugged by borrowings, budgeted to be Rs 7,03,760 crore, an increase of 10.9% over the revised estimate of 2018-19.
- **Transfer to states:** The central government will transfer Rs 13,29,428 crore to states and union territories in 2019-20. This is an increase of 6.6% over the revised estimates of 2018-19 and includes devolution of (i) Rs 8,09,133 crore to states, out of the centre's share of taxes, and (ii) Rs 5,20,295 crore in the form of grants and loans.
- **Deficits:** Revenue deficit is targeted at 2.3% of GDP, and fiscal deficit is targeted at 3.3% of GDP in 2019-20. The target for primary deficit (which is fiscal deficit excluding interest payments) is 0.2% of GDP.
- **GDP growth estimate:** The nominal GDP is estimated to grow at a rate of 12% in 2019-20. The estimated nominal GDP growth rate for 2018-19 is 11.5%.

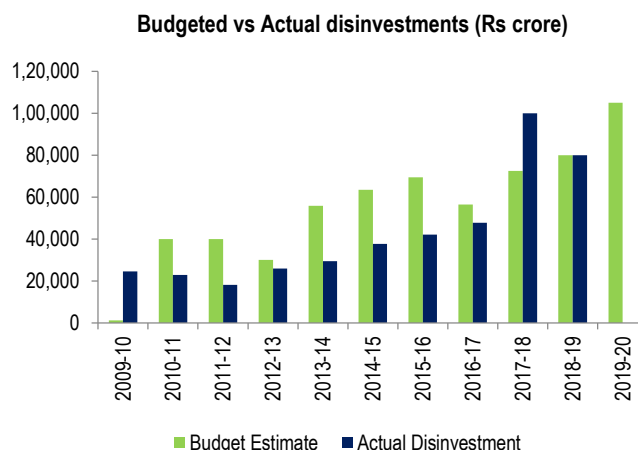
**Table 1: Budget at a Glance 2019-20 (Rs crore)**

	Actuals 2017-18	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
Revenue Expenditure	18,78,833	21,41,772	21,40,612	24,47,780	14.3%
Capital Expenditure	2,63,140	3,00,441	3,16,623	3,38,569	6.9%
<b>Total Expenditure</b>	<b>21,41,973</b>	<b>24,42,213</b>	<b>24,57,235</b>	<b>27,86,349</b>	<b>13.4%</b>
Revenue Receipts	14,35,233	17,25,738	17,29,682	19,62,761	13.5%
Capital Receipts	1,15,678	92,199	93,155	1,19,828	28.6%
<i>of which:</i>					
Recoveries of Loans	15,633	12,199	13,155	14,828	12.7%
Other receipts (including disinvestments)	1,00,045	80,000	80,000	1,05,000	31.3%
<b>Total Receipts (without borrowings)</b>	<b>15,50,911</b>	<b>18,17,937</b>	<b>18,22,837</b>	<b>20,82,589</b>	<b>14.2%</b>
Revenue Deficit	4,43,600	4,16,034	4,10,930	4,85,019	18.0%
<b>% of GDP</b>	<b>2.6</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>	
Fiscal Deficit	5,91,062	6,24,276	6,34,398	7,03,760	10.9%
<b>% of GDP</b>	<b>3.5</b>	<b>3.3</b>	<b>3.4</b>	<b>3.3</b>	
Primary Deficit	62,110	48,481	46,828	43,289	-7.6%
<b>% of GDP</b>	<b>0.4</b>	<b>0.3</b>	<b>0.2</b>	<b>0.2</b>	

Note: Budgeted estimates (BE) are budget allocations announced at the beginning of each financial year. Revised Estimates (RE) are estimates of projected amounts of receipts and expenditure until the end of the financial year. Actual amounts are audited accounts of expenditure and receipts in a year.

Sources: Budget at a Glance, Union Budget Documents 2019-20; PRS.

- Expenses which bring a change to the government's assets or liabilities (such as construction of roads or recovery of loans) are capital expenses, and all other expenses are revenue expenses (such as payment of salaries or interest payments).
- In 2019-20, **capital expenditure** is expected to increase by 6.9% over the revised estimates of 2018-19, to Rs 3,38,569 crore. On the other hand, **revenue expenditure** is expected to increase by 14.3% over the revised estimates of 2018-19 to Rs 24,47,780 crore.
- From 2009-10 to 2019-20, capital expenditure had an annual average growth of 11.6%, while revenue expenditure had an annual average growth of 10.4%.
- **Disinvestment** is the government selling its stakes in Public Sector Undertakings (PSUs). In 2018-19, the government is estimated to meet its disinvestment target. The disinvestment target for 2019-20 has been set at Rs 1,05,000 crore.



Note: Figures for 2018-19 are revised estimates.

## Receipts Highlights for 2019-20

- **Total receipts (including borrowings)** in 2019-20 are estimated to be Rs 27,86,349 crore and net receipts (excluding borrowings) to be Rs 20,82,589 crore. Receipts (without borrowings) are estimated to increase by 14.2% over the revised estimates of 2018-19.
- **Gross tax revenue** is budgeted to increase by 9.5% over the revised estimates of 2018-19, which is lower than the estimated nominal GDP growth of 12% in 2019-20. The net tax revenue of the central government (excluding state's share in taxes) is estimated to be Rs 16,49,582 crore.
- **Non-tax revenue** is expected to be Rs 3,13,179 crore in 2019-20. This is 27.7% higher than the revised estimate of 2018-19.
- **Capital receipts** (without borrowings) are budgeted to increase by 28.6% over the revised estimates of 2018-19. This is on account of disinvestments, which are expected to be Rs 1,05,000 crore in 2019-20, as compared to Rs 80,000 crore as per the revised estimates of 2018-19.

**Table 2: Break up of central government receipts in 2019-20 (Rs crore)**

	Actuals 2017-18	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
Gross Tax Revenue	19,19,009	22,71,242	22,48,175	24,61,195	9.5%
<i>of which:</i>					
Corporation Tax	5,71,202	6,21,000	6,71,000	7,66,000	14.2%
Taxes on Income	4,30,772	5,29,000	5,29,000	5,69,000	7.6%
Goods and Services Tax	4,42,562	7,43,900	6,43,900	6,63,343	3.0%
Customs	1,29,030	1,12,500	1,30,038	1,55,904	19.9%
Union Excise Duties	2,59,431	2,59,600	2,59,612	3,00,000	15.6%
Service Tax	81,228	-	9,283	-	-
<b>A. Centre's Net Tax Revenue</b>	<b>12,42,488</b>	<b>14,80,649</b>	<b>14,84,406</b>	<b>16,49,582</b>	<b>11.4%</b>
<b>B. Non Tax Revenue</b>	<b>1,92,745</b>	<b>2,45,089</b>	<b>2,45,276</b>	<b>3,13,179</b>	<b>27.7%</b>
<i>of which:</i>					
Interest Receipts	13,574	15,162	12,047	13,711	13.8%
Dividend and Profits	91,361	1,07,312	1,19,264	1,63,528	37.1%
Other Non-Tax Revenue	87,810	1,22,615	1,13,965	1,35,940	19.3%
<b>C. Capital Receipts (without borrowings)</b>	<b>1,15,678</b>	<b>92,199</b>	<b>93,155</b>	<b>1,19,828</b>	<b>28.6%</b>
<i>of which:</i>					
Disinvestment	1,00,045	80,000	80,000	1,05,000	31.3%
<b>Receipts (without borrowings) (A+B+C)</b>	<b>15,50,911</b>	<b>18,17,937</b>	<b>18,22,837</b>	<b>20,82,589</b>	<b>14.2%</b>
<b>Borrowings</b>	<b>5,91,062</b>	<b>6,24,276</b>	<b>6,34,398</b>	<b>7,03,760</b>	<b>10.9%</b>
<b>Total Receipts (including borrowings)</b>	<b>21,41,973</b>	<b>24,42,213</b>	<b>24,57,235</b>	<b>27,86,349</b>	<b>13.4%</b>

Note: Centre's net tax revenue is gross tax revenue less share of states in central taxes (Rs 8,09,133 crore in 2019-20). Figures for GST include receipts from the GST compensation cess. Note that GST was levied for a nine-month period during the year 2017-18, starting July 2017. Service tax in 2018-19 RE relates to residual and arrear payments.

Sources: Receipts Budget, Union Budget Documents 2019-20; PRS.

- **Indirect tax:** The total indirect tax collections are estimated to be Rs 11,19,247 crore in 2019-20. Of this, the government has estimated to raise Rs 6,63,343 crore from GST. Out of the total tax collections under GST, 79% is expected to come from central GST (Rs 5,26,000 crore), 4% from the integrated GST (Rs 28,000 crore), and 16% (Rs 1,09,343 crore) from the GST compensation cess. Note that, in the interim budget 2019-20, the tax collections under GST for 2019-20 were estimated to be Rs 7,61,200 crore.
- **Direct tax:** The collections from taxes on companies is expected to increase by 14.2% in 2019-20 over the revised estimate of the previous year, and those on individuals by 7.6%. These collections are estimated to be Rs 7,66,000 crore and Rs 5,69,000 crore respectively. The revised estimates of 2018-19 indicate a 23% increase in collections from personal income tax over 2017-18.
- **Growth in non-tax receipts:** Non-tax revenue consists of interest receipts on loans given by the centre, dividends and profits, external grants, and receipts from general, economic, and social services, among others. Non-tax revenue is expected to increase by 27.7% over the revised estimates of 2018-19 to Rs 3,13,179 crore.
- **Disinvestment target:** The disinvestment target for 2019-20 is Rs 1,05,000 crore. This target is 31.3% higher than the revised estimate of 2018-19 (Rs 80,000 crore). Note that, the government had set a disinvestment target of Rs 90,000 crore for the year 2019-20 in the interim budget of 2019-20.

## Expenditure Highlights for 2019-20

- **Total expenditure** in 2019-20 is expected to be Rs 27,86,349 crore, which is 13.4% higher than the revised estimate of 2018-19. Out of this, (i) Rs 8,70,794 crore is proposed to be spent on central sector schemes (18.2% increase over the revised estimate of 2018-19), and (ii) Rs 3,31,610 crore is proposed to be spent on centrally sponsored schemes (8.8% increase over the revised estimate of 2018-19).
- The government is expected to spend Rs 1,74,300 crore on pensions in 2019-20, which is 4.6% higher than the revised estimate of 2018-19. In addition, expenditure on interest payments in 2019-20 is expected to be Rs 6,60,471 crore.

**Table 3: Break up of central government expenditure in 2019-20 (Rs crore)**

	Actuals 2017-18	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
<b>Central Expenditure</b>					
Establishment Expenditure of Centre	4,73,031	5,08,400	5,17,025	5,46,296	5.7%
Central Sector Schemes	5,87,785	7,08,934	7,36,796	8,70,794	18.2%
Other expenditure	6,22,898	6,78,017	6,95,609	7,72,129	11.0%
<b>Centrally Sponsored Schemes and other transfers</b>					
Centrally Sponsored Schemes	2,85,448	3,05,517	3,04,849	3,31,610	8.8%
Finance Commission Grants	92,244	1,09,374	1,06,129	1,20,466	13.5%
<i>of which:</i>					
Rural Local Bodies	34,448	45,069	42,815	52,558	22.8%
Urban Local Bodies	12,594	19,870	18,879	23,359	23.7%
Grants-in-aid	9,383	9,852	9,852	10,344	5.0%
Post Devolution Revenue Deficit Grants	35,819	34,582	34,582	34,206	-1.1%
Other grants	80,567	1,31,973	96,827	1,45,054	49.8%
<b>Total Expenditure</b>	<b>21,41,973</b>	<b>24,42,213</b>	<b>24,57,235</b>	<b>27,86,349</b>	<b>13.4%</b>

Sources: Budget at a Glance, Union Budget Documents 2019-20; PRS.

### Expenditure on Subsidies

In 2019-20, the total expenditure on subsidies is estimated to increase to Rs 3,38,949 crore (13.3%) over the revised estimate of 2018-19. This is owing to an increase in expenditure on petroleum, fertiliser, food, and other interest subsidies. Details are given below:

- **Food subsidy:** Allocation for food subsidy is estimated at Rs 1,84,220 crore in 2019-20, a 7.5% increase as compared to the revised estimate of 2018-19. In 2018-19 budget, Rs 1,69,323 crore was allocated for food subsidy, however, the revised estimate is higher than the budgeted estimate by Rs 1,975 crore. The revised estimate for 2018-19 is 71% higher than the expenditure on food subsidy in 2017-18.
- **Fertiliser subsidy:** Expenditure on fertiliser subsidy is estimated at Rs 79,996 crore in 2019-20. This is estimated to increase by Rs 9,910 crore (14.1%) over revised estimate of 2018-19. Allocation to the subsidy in 2019-20 budget is Rs 5,010 crore higher than the allocation made in 2019-20 interim budget.
- **Petroleum subsidy:** Expenditure on petroleum subsidy is estimated to increase by Rs 12,645 crore (50.9%) in 2019-20. Petroleum subsidy consists of subsidy on LPG (Rs 32,989 crore) and kerosene subsidy (Rs 4,489 crore). The increase in allocation in 2019-20 is owing to an increase in LPG subsidy of Rs 12,706 crore (62.6%) from 2018-19 revised estimates.
- **Other subsidies:** Expenditure on other subsidies includes interest subsidies for various government schemes, subsidies for the price support scheme for agricultural produce, import of pulses, and assistance to state agencies for procurement, among others. In 2019-20, the expenditure on these other subsidies has increased by Rs 4,251 crore (12.9%) over the revised estimate of 2018-19. Table 4 provides details of subsidies in 2019-20.

**Table 4: Subsidies in 2019-20 (Rs crore)**

	Actuals 2017-18	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
Food subsidy	1,00,282	1,69,323	1,71,298	1,84,220	7.5%
Fertiliser subsidy	66,468	70,090	70,086	79,996	14.1%
Petroleum subsidy	24,460	24,933	24,833	37,478	50.9%
Other subsidies	33,245	31,161	33,004	37,255	12.9%
<b>Total</b>	<b>2,24,455</b>	<b>2,95,507</b>	<b>2,99,221</b>	<b>3,38,949</b>	<b>13.3%</b>

Sources: Expenditure Profile, Union Budget 2019-20; PRS.

## Expenditure by Ministries

The ministries with the 13 highest allocations account for 55% of the estimated total expenditure in 2019-20. Of these, the Ministry of Defence has the highest allocation in 2019-20, at Rs 4,31,011 crore (including pensions). It accounts for 15% of the total budgeted expenditure of the central government. Other Ministries with high allocations include: (i) Ministry of Consumer Affairs, Food and Public Distribution, (ii) Agriculture and Farmers' Welfare, (iii) Rural Development, (iv) Home Affairs, and (v) Human Resource Development. Table 5 shows the expenditure on Ministries with the 13 highest allocations for 2019-20 and the changes in allocation as compared to the revised estimate of 2018-19.

**Table 5: Ministry-wise expenditure in 2019-20 (Rs crore)**

	Actuals 2017-18	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
Defence	3,79,702	4,04,365	4,05,194	4,31,011	6.4%
Consumer Affairs, Food and Public Distribution	1,09,578	1,75,944	1,79,655	1,94,513	8.3%
Agriculture and Farmers' Welfare	44,340	54,500	75,753	1,38,564	82.9%
Rural Development	1,10,333	1,14,915	1,14,400	1,19,874	4.8%
Home Affairs	1,01,763	1,07,573	1,13,167	1,19,025	5.2%
Human Resource Development	80,215	85,010	83,626	94,854	13.4%
Road Transport and Highways	61,015	71,000	78,626	83,016	5.6%
Chemicals and Fertilisers	67,158	70,587	70,684	80,534	13.9%
Railways	45,231	55,088	55,135	68,019	23.4%
Health and Family Welfare	53,114	54,600	56,045	64,559	15.2%
Housing and Urban Affairs	40,061	41,765	42,965	48,032	11.8%
Petroleum and Natural Gas	33,192	31,101	32,465	42,901	32.1%
Communications	36,979	39,551	32,654	38,637	18.3%
Other Ministries	9,79,292	11,36,214	11,16,867	12,62,810	13.1%
<b>Total Expenditure</b>	<b>21,41,973</b>	<b>24,42,213</b>	<b>24,57,235</b>	<b>27,86,349</b>	<b>13.4%</b>

Note: Expenditure is net of recoveries such as fines, and ticket sales.

Sources: Expenditure Budget, Union Budget 2019-20; PRS.

- **Ministry of Agriculture and Farmers' Welfare:** The Ministry of Agriculture and Farmers' Welfare has seen the highest increase in allocation for 2019-20 over the revised estimate of 2018-19. Its allocation is set to increase from Rs 75,753 crore as per the revised estimate of 2018-19, to Rs 1,38,564 crore in 2019-20 (82.9% increase). This is primarily on account of the Income Support Scheme (PM-KISAN) which was announced in the 2019-20 interim budget. Rs 75,000 crore has been allocated towards the scheme in 2019-20 and Rs 20,000 crore in the revised estimate of 2018-19.
- **Ministry of Consumer Affairs, Food and Public Distribution:** The allocation for the Ministry of Consumer Affairs, Food and Public Distribution increased by Rs 14,857 crore (8.3%) over the revised estimate of 2018-19 to Rs 1,94,513 crore in 2019-20. This is primarily on account of an increase in the expenditure on food subsidy by Rs 12,922 crore.
- **Ministry of Railways:** Allocation to the Ministry of Railways has increased by Rs 12,884 crore (23.4%) in 2019-20, over the revised estimate of 2018-19. This is mainly on account of an increase in the expenditure on railways' staff and fuel cost.

## Expenditure on Major Schemes

**Table 6: Scheme wise allocation in 2019-20 (Rs crore)**

	Actuals 2017-18	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
PM-KISAN	-	-	20,000	75,000	275.0%
MGNREGS	55,166	55,000	61,084	60,000	-1.8%
National Education Mission	29,455	32,613	32,334	38,547	19.2%
National Health Mission	32,000	30,634	31,187	33,651	7.9%
Integrated Child Development Services	19,234	23,088	23,357	27,584	18.1%
Pradhan Mantri Awas Yojana (rural + urban)	31,164	27,505	26,405	25,853	-2.1%
Pradhan Mantri Gram Sadak Yojana	16,862	19,000	15,500	19,000	22.6%
Pradhan Mantri Fasal Bima Yojana	9,419	13,000	12,976	14,000	7.9%
AMRUT and Smart Cities Mission	9,463	12,169	12,569	13,750	9.4%
Swachh Bharat Mission (rural + urban)	19,427	17,843	16,978	12,644	-25.5%
Green Revolution	11,057	13,909	11,802	12,561	6.4%
Mid-Day Meal Programme	9,092	10,500	9,949	11,000	10.6%
National Rural Drinking Water Mission	7,038	7,000	5,500	10,001	81.8%
National Livelihood Mission	4,926	6,060	6,294	9,774	55.3%
Pradhan Mantri Krishi Sinchai Yojana	6,613	9,429	8,251	9,682	17.3%

Sources: Expenditure Profile, Union Budget 2019-20; PRS.

- Among schemes, PM-KISAN (income support to farmers) has the highest allocation in 2019-20 of Rs 75,000 crore.
- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has the second highest allocation in 2019-20 of Rs 60,000 crore. This is a decrease of Rs 1,084 crore (1.8%) from the revised estimate of 2018-19.
- Other schemes with high allocations for 2019-20 include National Education Mission (an increase of 19.2%), National Health Mission (an increase of 7.9%), and Integrated Child Development Services (an increase of 18.1%).
- Allocation to the National Rural Drinking Water Mission has increased by 81.8% over the revised estimate of 2018-19. The allocation for this year is Rs 10,001 crore, as compared to Rs 5,500 crore in 2018-19 (revised estimate). Allocation to National Livelihood Mission has increased by Rs 3,481 crore (55.3%) over the revised estimates of 2018-19.
- Allocation to the Swachh Bharat Mission has decreased by 25.5% over the revised estimate of 2018-19. The allocation for this year is Rs 12,644 crore, as compared to Rs 16,978 crore in 2018-19 (revised estimate). The rural and urban components of Swachh Bharat Mission have been allocated Rs 9,994 crore and Rs 2,650 crore in 2019-20, respectively. Allocation to Swachh Bharat Mission (Rural) has decreased by 31% in 2019-20 over the revised estimate of 2018-19.

#### Expenditure on Scheduled Caste and Scheduled Tribe sub-plans and schemes for welfare of women, children and NER

- Programmes for the welfare of women and children have been allocated Rs 2,28,578 crore in 2019-20, an increase of 10.5% over the revised estimate of 2019-20. These allocations include programmes under all the ministries.
- The sub-plans for Scheduled Castes and Scheduled Tribes have been allocated a total of Rs 1,34,226 crore in 2019-20, a 29.6% increase over the revised estimate of 2018-19.

**Table 7: Allocations for women, children, SCs, STs and NER (Rs crore)**

	Budgeted 2018-19	Revised 2018-19	Budgeted 2019-20	% change (RE 2018-19 to BE 2019-20)
Welfare of Women	1,24,429	1,25,532	1,36,934	9.1%
Welfare of Children	79,090	81,236	91,644	12.8%
Scheduled Castes	56,619	62,474	81,341	30.2%
Scheduled Tribes	39,135	41,093	52,885	28.7%
North Eastern Region (NER)	47,995	47,088	59,370	26.1%

Sources: Expenditure Profile, Union Budget 2019-20; PRS.

## Fiscal Responsibility and Budget Management targets

The Fiscal Responsibility and Budget Management (FRBM) Act, 2003 requires the central government to progressively reduce its outstanding debt, revenue deficit and fiscal deficit. The central government gives three year rolling targets for these indicators when it presents the Union Budget each year. Table 8 shows the targets for revenue deficit and fiscal deficits as given in the Medium Term Fiscal Deficit Policy Statement.

**Fiscal deficit** is an indicator of borrowings by the government for financing its expenditures. The estimated fiscal deficit for 2019-20 is 3.3% of GDP.

**Revenue deficit** is the excess of revenue expenditure over revenue receipts. Such a deficit implies the government’s need to borrow funds to meet expenses which may not provide future returns. The estimated revenue deficit for 2019-20 is 2.3% of GDP.

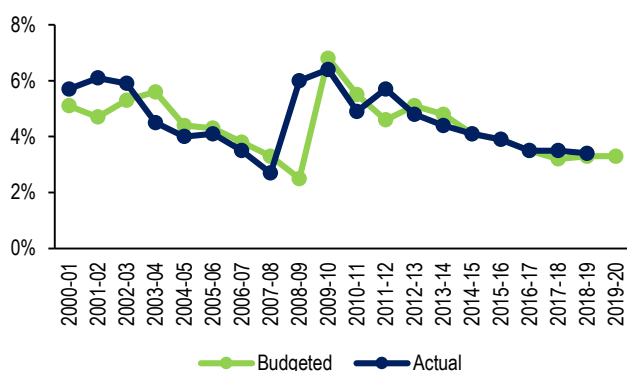
**Primary deficit** is the difference between the fiscal deficit and interest payments. The estimated primary deficit for 2019-20 is 0.2% of GDP.

**Table 8: FRBM targets for deficits (as % of GDP)**

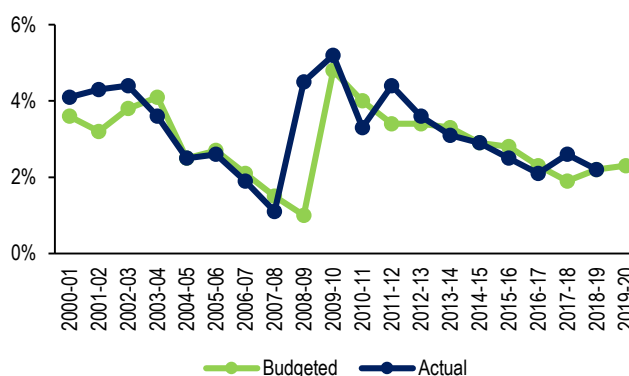
	Actuals 2017-18	Revised 2018-19	Budgeted 2019-20	Target 2020-21	Target 2021-22
<b>Fiscal Deficit</b>	3.5%	3.4%	3.3%	3.0%	3.0%
<b>Revenue Deficit</b>	2.6%	2.2%	2.3%	1.9%	1.7%

Sources: Medium Term Fiscal Policy Statement, Union Budget 2019-20; PRS.

**Fiscal Deficit: Budgeted vs Actual (% of GDP)**



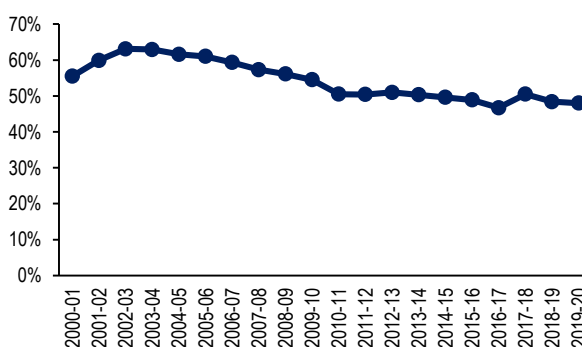
**Revenue Deficit: Budgeted vs Actual (% of GDP)**



Sources: Medium Term Fiscal Policy Statement, Union Budget (multiple years); PRS.

- Over the past 15 years, the government has largely been able to keep the deficits below budgeted levels. In 2018-19, the government is expected to breach its budgeted target of fiscal deficit of 3.3% of GDP, as the fiscal deficit is expected to be 3.4%. Under the FRBM Act, 2003, the three-year target (2021-22) for fiscal and revenue deficits have been set at 3% and 1.5%, respectively.
- In 2018-19, the government had set a budget estimate of 3.3% for fiscal deficit, and 2.2% for revenue deficit. As per revised estimates, fiscal deficit has slightly exceeded the 2018-19 budget target.
- Outstanding debt is the accumulation of borrowings over the years. A higher debt implies that the government has a higher loan repayment obligation over the years.
- Total outstanding liabilities of the government have decreased from 55.5% of the GDP in 2000-01 to 48.4% in 2018-19 (revised estimates). In 2019-20, the outstanding debt is expected to be at 48% of GDP. The FRBM Act sets a target of 40% debt to GDP to be met by 2024-25.

**Total outstanding liability (% of GDP)**



Note: Figures for 2018-19 are revised estimates and for 2019-20 are budget estimates. Sources: Economic Surveys 2003-04 to 2017-18; Union Budget 2019-20; PRS.



## Major Legislative changes proposed in the Finance Bill

- **Dispute resolution scheme:** A dispute resolution cum amnesty scheme called the Sabka Vishwas Legacy Dispute Resolution Scheme is being introduced for resolution and settlement of legacy cases pending under various Acts, including the Central Excise Tax, 1944, and the Sugar Cess Act, 1982.
- **Central Goods and Services Tax Act, 2017:** Under the Act, an applicant can apply for an advance ruling from an Authority constituted under various GST laws of various state or union territories. An advance ruling can be sought to clarify certain matters, such as the determination of GST liability. The National Authority may decide appeals against conflicting advance rulings on the same question by Authorities of two or more states or union territories. The Bill provides for the qualification, term, and conditions of services of the National Authority.
- **Reserve Bank of India Act, 1934:** Under the Act, RBI may set a minimum net worth requirement for NBFCs between Rs 25 lakh and two crore rupees. The amendment allows RBI to set the minimum requirement up to Rs 100 crore.
- The Act is being amended to enable the RBI to take several measures in relation to the management of NBFCs. These include:
  - **Framing schemes for resolution:** The Act is being amended to allow the RBI to frame schemes for the resolution of NBFCs. These include schemes for: (i) amalgamation of two NBFCs, (ii) reconstruction of the NBFC, or (iii) splitting the NBFC to preserve the continuity of those activities of the NBFC which are critical to the functioning of the financial system. As a part of these schemes, the RBI may reduce the pay or cancel the shares of the senior management of the NBFC, without any compensation for the loss.
  - **Scrutiny of group companies:** The Act is being amended to enable RBI to: (i) direct the NBFC to attach to its financial statements, any information on the business of its group companies, or (ii) direct an inspection or audit of the group company. Group companies of the NBFC will include its subsidiaries, associates, and joint venture companies.
  - **Supersession of Board of Directors:** The Act is being amended to provide for supersession of the Board of Directors of the NBFC for a period of five years. In the interim period, the central government may appoint an administrator to carry out the functions of the Board of Directors.
  - **Removal of directors:** The RBI may remove any director of a non-government NBFC and replace him with a temporary director for a period of three years.
  - **Penalties:** Penalties for certain offences has been increased. For example, failure to furnish information under the Act is punishable with Rs 2,000. This has been increased to Rs 1,00,000. Further, the penalty for an auditor for failing to comply with the directions of the RBI has been increased from Rs 5,000 to Rs 10,00,000.
- **National Housing Bank Act, 1987:** The Act regulates the functioning of housing finance institutions through the National Housing Board. The amendments being made include:
  - To register as a housing finance institution, a company must have a net-owned fund of 25 lakh rupees, or higher notified amount. This threshold is being increases to 10 crores or more.
  - An application for registration as a household finance institution is to be made to the National Housing Bank. This is being amended to state that all applications will be made to the RBI. Further, all pending applications with National Housing Board are to be transferred to RBI.
  - Under the Act, processes relating to registration, including consideration, grant, and cancellation of applications are to be carried out by the National Housing Board. The Act is being amended to transfer these to the RBI.
  - The Act provides the National Housing Bank with various powers such as: (i) specifying the percentage of assets a housing finance institution must invest in securities in India, (ii) require housing finance institutions to maintain an account with a Scheduled Bank or the National Housing Board, and (iii) requiring them to file returns. This is being amended to transfer these powers to the RBI.
- **Insurance Act, 1938:** The Act is being amended to require net owned funds of at least Rs 1,000 crore for registration of foreign insurers engaged in re-insurance business and operating in an International Financial Services Centre (set up in Special Economic Zones).
- **Securities Contract (Regulation) Act, Securities, 1956 (SCRA):** The Act imposes penalties on entities who fail to furnish information required under law to a stock exchange or furnish incorrect information to the stock exchange. These penalties range from one lakh rupees to one crore rupees. The Act is being amended to extend the penalty for failure to furnish this information to the SEBI in addition to the stock exchange.
- **Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970; Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970:** The Act nationalised banks such as the Central Bank of India, Punjab National Bank, and Corporation Bank. Under the Act, the Board of Directors of the bank will include four whole time directors, appointed by the central government in consultation with the RBI. The Act is being amended to increase the number of directors from four to five.

- **General Insurance Business (Nationalisation) Act, 1972:** The Act nationalised Indian insurance companies and reorganised them into four insurance companies (excluding the General Insurance Corporation). The Act is being amended to enable reduction in the number of such companies.
- **Prohibition of Benami Property Transactions Act, 1988:** The Act is being amended to increase penalties under the Act. In addition to existing penalties, any person who fails to comply with summons or furnishes false information will be liable to pay Rs 25,000 for each such failure. Further, under the Act, prior sanction is required for prosecution of certain offences under the Act from the CBDT. The sanctioning authority has been changed to Commissioner, Director, Principle Commissioner, or Principle Director of Income Tax.
- **Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015:** The Finance Bill changes the definition of 'assessee' in the 2015 Act. Currently, the Act applies to a resident of India. The Bill amends this to make the Act applicable to both Indian residents and non-residents as defined under the Income Tax Act.
- **Payment and Settlement Systems Act, 2007:** The Bill is being amended to prohibit any bank or payments system provider from charging customers for the use of electric modes of payment (prescribed under Income-tax Act, 1961).
- **Prevention of Money Laundering Act, 2002:** The Bill is being amended to increase the responsibilities of reporting entities (such as, banks and other financial institutions). These entities will be additionally required to authenticate identities of their clients, the source of their funds, and the nature of relationship between the transacting parties. Data obtained while verifying transactions must be kept for five years. Further, the amendments seek to allow the government to notify an Inter-Ministerial Coordination Committee for inter-departmental and inter-agency co-ordination. The purpose of this committee will include the development and implementation of policies on anti-money laundering or countering the financing of terrorism.
- **Central Road and Infrastructure Fund Act, 2000:** Currently, the central government is responsible for formulating criteria on the basis of which specific projects of state roads are financed out of states' share of funds. The central government will now be responsible for formulating criteria for any state road projects.
- **Securities and Exchange Board of India Act, 1992:** The Act is being amended to add capital expenditure to the list of expenses incurred by the General Fund maintained by SEBI. Additionally, the Bill amends the Act to constitute a Reserve Fund which will be credited with 25% of the annual surplus of the General Fund. Further, the amendment adds penalties for concealment, destruction, or falsification of records, or access to unauthorised information. The penalties may range from one lakh rupees to up to ten crore rupees or three times the amount of profits made from the act, whichever is higher.

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