

## CATKing GDPI Super 30

### BUDGET 2019 : From A political scenario

#### What is the state of the economy?

After he wished Arun Jaitley a speedy recovery, India's stand-in Finance Minister Piyush Goyal got down to business.

He set the philosophy clear at the outset, *"We are moving towards realising a 'New India' by 2022, when we celebrate 75 years of India's independence: an India which is clean and healthy, where everybody would have a house with universal access to toilets, water and electricity; where farmers' income would have doubled; youth and women would get ample opportunities to fulfil their dreams; an India free from terrorism, communalism, casteism, corruption and nepotism."*

#### Why is this a political budget?

Truth be told, every budget is political in nature. This one was more so, and may no government be blamed for trying to do its best to return to power through the power of state finance. The Budget is full of giveaways for rural citizens and tax benefits for the middle class, in a clear attempt to boost the ratings of Prime Minister Narendra Modi, who is facing anger over depressed farm incomes and unemployment with a general election just months away. These announcements capture the spirit of populism in the budget:

#### Middle class tax sops

"I propose to reduce the burden on taxpayers. Though as per convention, the main tax proposals will be presented in the main budget, small taxpayers, middle-class and pensioners need certainty in their minds in beginning of year." Individual taxpayers having a taxable income up to Rs 5 lakh will get a full tax rebate, Goyal said. This effectively means that people who earn up to Rs 6.5 lakh per year will not need to pay income tax, he said. He was referring to the Section 80C deduction that allows exemption on investment up to Rs 1.5 lakh.

Standard deduction has also been raised from the current Rs 40,000 to Rs 50,000. This translates to an additional tax benefit of Rs 4,000 crore to three crore salaried people and pensioners, Goyal said. Roughly, this means sacrificing tax collections worth Rs 18,500 crore to benefit three crore middle-class taxpayers.

After announcing this huge change, Goyal said he has made any big changes in tax proposals as it will be decided in the main budget. "In July 2019 when the second term budget comes then the main tax proposals will be presented before you," Goyal said.

#### When will the Railways benefit from the Budget?

The Indian Railways is a clear winner from the budget. This is one area where the government was bang on target. Just like it has been for the past four years.

Piyush Goyal announced a capital expenditure allocation of Rs. 1.58 lakh crore for the Railways, the highest ever for the national transporter, in an effort to put its flagging revenues back on track. Goyal, who is also the Railway minister, said that so far, 2018-2019 has been the safest for the Indian Railways and all unmanned level crossings on the broad gauge network have been completely eliminated

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### Where does the criticism come from?

For farmers, critics say, this is too little, too late, for too few

Goyal announced a direct income support for small and marginal farmers who own less than 2 hectares (5 acres) of land. Around 12 crore agricultural households, Goyal said, will be given an income support of Rs 6,000 per year. The scheme will be entirely funded by the Central government.

They will receive the money in three instalments over the year. The first instalment will be transferred in the current financial year, for which Goyal allocated Rs 20,000 crore. Subsequently, in the 2019-20 FY, the Pradhan Mantri Kisan Samman Nidhi scheme will cost the Centre Rs 75,000 crore. So far, so good

### Who are celebrating?

Sometimes it pays to be in the middle.

It was clear that there was nothing 'interim' for the middle class in this Union Budget. The salaried class and vast swathes of India with moderate salaries got major relief, particularly in the form of income tax breaks. Proposals include full rebate for income up to Rs 5 lakh, hike in standard deduction to Rs 50,000 from Rs 40,000 and effectively no tax for income up to Rs 6.5 lakh.

President Ram Nath Kovind on Jan. 31 had said in his address (which is effectively written by the government) to a joint session of Parliament that the effort of the government is focused on increasing the income of the hard-working middle class, and providing them investment opportunities.

### How does this Budget place Narendra Modi?

Modi is back and the opposition will now be on the back-foot, if the social media reactions are any indication. "How's the josh," the BJP supporters are now asking and mocking the Congress party.

Former finance minister P Chidambaram of the Congress criticized the interim Budget, saying it was just rip off of the Congress party's ideas for the poor and that no one believes its tall claims. "Thank you Interim FM for copying the Congress' declaration that the poor have the first right to the resources of the country," the senior Congress leader tweeted.