43. Budget 2020 - Sabka Saath, Sabka Vishwas, Sabka Vikas

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This is an Epoch-making budget 2020. Finance Minister Smt. Nirmala Sitharaman has kept in mind all the segments of the economy. It enforces Prime Minister Shri Narendra Modi's vision of achieving 5 trillion dollar economy by 2024, with Sab ka Saath Sab ka Vikas.

The Government has not bogged down by the resource constraints and has continued with its push of spending on infrastructure and asset creation. It has taken care that the social welfare schemes of the government have sufficient funds allocation and can continue on its path of benefit to the last person (Antyodaya). Though the fiscal deficit targets have been relaxed but the government gives a fiscal consolidation path and has also, for the first time, annexed a list of off-budget borrowing in the budget document and settled a very significant debate about transparency in government borrowing.

All previous governments had been resorting to off-budget borrowing like oil bonds etc. but were not disclosing it. FM has estimated a nominal GDP growth rate of 10 percent for the coming year, keeping inflation below 4 percent our real GDP growth will be above 6 percent.

The budget focuses on wealth creation, pro-business policy and minimal government intervention under the Economic Development Theme of the Budget. For resource generation, it has desisted from increasing direct or indirect taxes. The government has reiterated its commitment of recognizing and honoring honest taxpayers and is taking care of unwarranted harassment by tax authority by bringing accountability in the tax administration. The announcement of the Taxpayer's Rights Charter within the statute is an important step in this direction. Provision for statutory taxpayer's rights exists only in three other countries worldwide.

Direct personal tax slabs have been changed to benefit middle-income segment and taxpayers up to income level of Rs 15 lakh will be benefited if they opt for new regime of personal tax. FM has also promised that many tax concessions enjoyed currently by individual taxpayers will be incorporated in the new regime, depending upon the nature. The taxpayers, who do not have business income, can revise the option on yearly basis. Income accruing to NRI in zero tax countries like UAE will be taxed on income generated in India only, a logical step to fill the gap in taxation.

Deposit insurance for the scheduled banks has been increased to Rs 5 lakh from the current level of Rs 1 lakh only per depositor, about which there was very little awareness amongst the general public. This will help in building more confidence in the banking industry, bringing transparency. The government has also announced to bring law for resolution in the financial sector similar to Insolvency and Bankruptcy Code (IBC).

Cooperative sector gets the benefit of lowering of tax structure as in the case of reduced taxes for corporate sector, helping farmers producer organizations (FPO), milk cooperatives and other charitable institutions operating under cooperative structure. Even registration for charitable organizations under 80G and 12A has been made online provisionally, so that they face less harassment and can start their activities early.

Agriculture sector have been sufficiently provided for with the 16 new initiatives announced under Aspirational India theme for rural and agriculture sector. Budget also provides for gap funding for new hospitals in the aspirational districts for servicing Ayushman health care scheme and provision for drinking water. State government’s concerns about two months pending transfer under GST has been duly met through the consolidated fund and its commitment to compensate the states for increased 14 percent revenue every year in future has been provided through compensation.

This settles one of the contentious issues under GST. For the devolution of funds to the States, the FM has accepted the interim report of the 15th Finance Commission, which incorporates provisions of increased efficiency in State Finances for revenue transfer from the Centre.

Stressed assets under MSME has been given an extended one-year time period for resolution and limit to go to resolution mechanism under SARFASI Act has been reduced to 100 crore from earlier 500 crore. The requirement for Tax Audit has been increased to a turnover of Rs 5 crore from Rs 1 crore earlier. MSME also meets its demand for invoice financing under Trends. Startup ecosystem gets several hand holding supports like payment of taxes for ESOPs only at the point of sale. GIG economy, involving technological development, gets a big push from the government. Education sector has several reforms for connecting academics to industries, providing them with industrial internship and skilling etc.

Setting of online educational facilities and new Police and Cybercrime University are important development. Employment through National Recruitment Agency for non-gazette posts will smoothen employment process and make it completely transparent.

Under the theme of Economic Development, government provides for all the important sectors like Technological Textile Centers, power, renewable energy, connectivity like airports, seaports and railways. Finance minister works out a mechanism for the ambitious plan of investment of Rs 103 lakh crore under National Infrastructure Pipeline (NIP) identifying 6500 projects through Center, State, and foreign direct investments (FDI). Budget has announced 100% tax exemption to interest, dividend, and capital gains income in respect of investment made in infrastructure and other notified priority sectors before 31st march 2024 with a lock in period of three years. Government has also opened up its bond markets, in rupee denomination, for investment from foreign sovereign debt funds, securing against exchange fluctuations, a concern shown earlier for sovereign debt funds. Financial market’s long pending demand for abolition of dividend distribution tax (DDT) has been accepted.

Government has also taken care of inverted duty structure that has seeped in the domestic industry under the Free Trade Agreement (FTA) from ASEAN countries. It also protects domestic industries from dumping from countries like China, securing domestic industries through clauses like country of origin and safeguard duties.

Discrimination of civil acts under Company Law and removal fear in the corporate sector has been hailed across every section. Faceless appeal provision and Vivad se Vishwas scheme will help resolving long pending tax disputes in tax administration and will also release funds for the government. Disinvestment roadmap will help reduce government dependence of tax revenue and improvement of primary and secondary bond markets and increasing foreign debt investment limit commercial papers from 9 to 15 percent will help reduce dependence of corporate sector on bank finance alone.