

## **Budget 2019-2020**

### **Speech of Nirmala Sitharaman *Minister of Finance***

**July 5, 2019**

**Mr. Speaker Sir,**

I rise to present the Budget for the year 2019-20.

#### **PART A**

**2.** The recent election which brought us to this august House today, was charged with brimming hope and desire for a bright and stable New India. Like never before, India celebrated its democracy by coming out to vote in large numbers, like never before. Voter turnout was the highest at 67.9%. Every section – young, old, first time voters, voters since the first General Election, women – all turned up to stamp their approval of a performing Government. Through their unambiguous and firm mandate they have reaffirmed “putting the nation first”. The people of India have validated the two goals for our country’s future: that of national society and economic growth.

**3.** The first term of Hon'ble PM Narendra Modi-led-NDA-Government stood out as a performing Government, a Government whose signature was in the last mile delivery. Between 2014-19, we provided a rejuvenated Centre-State dynamic, cooperative federalism, GST Council, and a strident commitment to fiscal discipline. We had set the ball rolling for a New India, planned and assisted by the NITI Aayog, a broad based think tank. We have showed by our deeds that the principle “Reform, Perform, Transform” can succeed.

**4.** On many programmes and initiatives we had worked on unprecedented scale. Average amount spent on food security per year approximately doubled during 2014-19 compared to the preceding five

years. Number of patents issued more than trebled in 2017-18 as against the number of patents issued in 2014. Our last mile delivery stood out and the unknown citizen in every nook and corner of our country felt the difference. Our objective was, and continues to be, मजबूत देश के लिए मजबूत नागरिक।

5. Mega programmes and services which we initiated and delivered during those 5 years will now be further accelerated. We shall further simplify procedures, incentivize performance, reduce red-tape and make the best use of technology just as we did earlier. I am confident we will achieve our goals. Chankaya Niti Sutra too says: “Karya purusha karena lakshyam sampadyate.” Meaning “with determined human efforts, the task will surely be completed.” An Urdu couplet reads: “यक्रीन हो तो कोई रास्ता निकलता है, हवा की ओट भी लेकर चराग जलता है”।

#### **Vision for the decade**

6. Our economy was at approximately US\$ 1.85 trillion when we formed the Government in 2014. Within 5 years it has reached US\$ 2.7 trillion. Hence, it is well within our capacity to reach the US\$ 5 trillion in the next few years. In the interim Budget of 2019-20 presented in February 2019, we gave ourselves a Vision for the Decade. I flag here the ten points of our Vision laid before us:

- a. Building physical and social infrastructure;
- b. Digital India reaching every sector of the economy;
- c. Pollution free India with green Mother Earth and Blue Skies;
- d. Make in India with particular emphasis on MSMEs, Start-ups, defence manufacturing, automobiles, electronics, fabs and batteries, and medical devices;
- e. Water, water management, clean Rivers;
- f. Blue Economy;
- g. Space programmes, Gaganyaan, Chandrayan and Satellite programmes;
- h. Self-sufficiency and export of food-grains, pulses, oilseeds, fruits and vegetables;
- i. Healthy society – Ayushman Bharat, well-nourished women & children. Safety of citizens;
- j. Team India with Jan Bhagidari. Minimum Government Maximum Governance.

7. With this Vision set before us and with the mandate given by its people, we are determined to take India to that height that it richly deserves. I strongly believe that with the clear headed leadership of Hon'ble Prime Minister we can achieve our goal.

### **5 Trillion Dollar Economy**

8. The Indian economy will grow to become a 3 trillion dollar economy in the current year. It is now the sixth largest in the world. Five years ago, it was at the 11th position. In Purchasing Power Parity terms, we are in fact, the 3rd largest economy already, only next to China and the USA.

9. To attain this and more we need to continue undertaking many structural reforms. In the last five years, we saw many big reforms in particular, in indirect taxation, bankruptcy and real estate. While these reforms were happening here in the Parliament, the common man's life was being changed through MUDRA loans to help him do his business, and through several programmes it was being ensured that his/her kitchen had become smokeless, his/her house got electricity connection and women's dignity was respected with the provision of toilets in homes. The common man was served even as major transformational reforms were being rolled out. And for this to continue we need to invest heavily in infrastructure, in digital economy and on job creation in small and medium firms.

10. **Respected Speaker Sir**, it took over 55 years for the Indian economy to reach 1 trillion dollar but when the country and her people's hearts are filled with aasha, vishwas and aakansha that is, when hearts are filled with hope, trust and aspirations, we, in 5 years, added 1 trillion dollar. Today we are nearing a 3 trillion dollar level. So when we aspire to reach a 5 trillion dollar level, many wonder if it is possible. If we can appreciate our citizens' "purusharth" or their "goals of human pursuit" filled with their inherent desire to progress led by the dedicated leadership present in this House, the target is eminently achievable.

11. All of India's private sector industries – small, medium or large – have played a substantial role in growing our economy. I recall the words of an eminent industry leader, who said that his company's growth has always aligned itself with India's growth, before and post-independence. So if before-independence, India Inc. understood '*Swadeshi*', today they understand 'Make in India'. We do not look down upon legitimate profit-earning. Gone are the days of policy paralysis and license-quota-control

regimes. India Inc. are India's job-creators. They are the nation's wealth-creators. Together, with mutual trust, we can gain, catalyze fast and attain sustained national growth. I wish to propose a number of initiatives as part of a framework for kick-starting the virtuous cycle of domestic and foreign investments.

**12.** 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, Bharatmala and Sagarmala projects, Jal Marg Vikas and UDAN Schemes. While the industrial corridors would improve infrastructure availability for greater industrial investment in the catchment regions, the dedicated freight corridors would mitigate the congestion of our railway network benefitting the common man. The ambitious programme of Bharatmala would help develop national road corridors and highways, while Sagarmala would enhance port connectivity, modernization and port-linked industrialization. If Sagarmala is aimed at improving the infrastructure for external trade, equally it is the poor man's transport too. Waterways are proven as a cheap mode of transport. The Jal Marg Vikas project for capacity augmentation of navigation on National Waterways is aimed at smoothening internal trade carried through inland water transport. These initiatives will improve logistics tremendously, reducing the cost of transportation and increasing the competitiveness of domestically produced goods.

**13.** The UDAN Scheme is providing air connectivity to smaller cities and enabling the common citizens of our country to avail air travel. All these programmes are also helping bridge the rural-urban divide.

**14.** 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). Government will implement the essential elements of the regulatory roadmap for making India a hub for such activities.

**15.** 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. Government will adopt suitable

policy interventions to create a congenial atmosphere for the development of MRO in the country.

**16.** The New Metro Rail Projects for a total route length of 300 kilometers have been approved during 2018-19. Also, during 2019, about 210 kms metro lines have been operationalized. With this, 657 kms of Metro Rail network has become operational across the country.

**17.** India's first indigenously developed payment ecosystem for transport, based on National Common Mobility Card (NCMC) standards, was launched by Hon'ble Prime Minister in March, 2019. This will enable people to pay multiple kinds of transport charges, including metro services and toll tax, across the country. This inter-operable transport card runs on RuPay card and would allow the holders to pay for their bus travel, toll taxes, parking charges, retail shopping and even withdraw money.

**18.** Phase-II of FAME Scheme, following approval of the Cabinet with an outlay of ₹10,000 crore for a period of 3 years, has commenced from 1st April, 2019. The main objective of the Scheme is to encourage faster adoption of Electric vehicles by way of offering upfront incentive on purchase of Electric vehicles and also by establishing the necessary charging infrastructure for electric vehicles. Only advanced battery and registered e-vehicles will be incentivized under the Scheme with greater emphasis on providing affordable & environment friendly public transportation options for the common man.

**19.** The Government will 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. After completing the Phase 1 of Bharatmala, in the second Phase, States will be helped to develop State road networks.

**20.** We need to develop our inland waterways to shift a significant portion of inland cargo movement from road and rail. This Government envisions using the rivers for cargo transportation, which will also help to decongest roads and railways. As part of the Jal Marg Vikas Project for enhancing the navigational capacity of Ganga, a multi modal terminal at Varanasi has become functional in November 2018 and two more such terminals at Sahibganj and Haldia and a navigational lock at Farakka would be completed in 2019-20. The movement of cargo volume on Ganga is estimated to increase by nearly four times in the next four years. This will make movement of freight, passenger cheaper and reduce our import bill.

**21.** It is estimated that Railway Infrastructure would need an investment of ₹ 50 lakh crores between 2018-2030. Given that the capital expenditure outlays of Railways are around 1.5 to 1.6 lakh crores 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.

**22.** To take connectivity infrastructure to the next level, we will build on the successful model in ensuring power connectivity – One Nation, One Grid – that has ensured power availability 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.

**23.** The recommendations of the High Level Empowered Committee (HLEC) on retirement of old & inefficient plants, and addressing low utilisation of Gas plant capacity due to paucity of Natural Gas, will also be taken up for implementation now.

**24.** Our Government launched Ujjwal DISCOM Assurance Yojana (UDAY) in 2015 aimed at financial and operational turnaround of DISCOMs. Government is examining the performance of the Scheme and it will be further improved. 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. Besides these structural reforms, considerable reforms are needed in tariff policy. A package of power sector tariff and structural reforms would soon be announced.

**25.** It is proposed that several reform measures would be taken up to promote rental housing. Current Rental Laws are archaic as they do not address the relationship between the Lessor and the Lessee realistically and fairly. A Model Tenancy Law will also be finalized and circulated to the States.

**26.** Large public infrastructure can be built on land parcels held by Central Ministries and Central Public Sector Enterprises all across the country. Through innovative instruments such as joint development and concession, public infrastructure and affordable housing will be taken up.

**27.** For ease of access to credit for MSMEs, Government has introduced providing of loans upto ₹1 crore for MSMEs within 59 minutes through a dedicated online portal. Under the Interest Subvention Scheme for MSMEs, ₹ 350 crore has been allocated for FY 2019-20 for 2% interest subvention for all GST registered MSMEs, on fresh or incremental loans.

**28.** Government payments to suppliers and contractors are a major source of cash flow, especially to SMEs and MSMEs. Investment in MSMEs will receive a big boost if these delays in payment are eliminated. Government will create a payment platform for MSMEs to enable filing of bills and payment thereof on the platform itself.

**29.** Encouraged by the overwhelming response, the Government of India has decided to extend the pension benefit to about three crore retail traders & small shopkeepers whose annual turnover is less than ₹1.5 crore under a new Scheme namely Pradhan Mantri Karam Yogi Maandhan Scheme. Enrolment into the Scheme will be kept simple requiring only Aadhaar and a bank account and rest will be on self-declaration.

**30.** We recognize that investment-driven growth requires access to low cost capital. It is estimated that India requires investments averaging ₹ 20 lakh crores every year (USD 300 billion a year). A number of measures are proposed to enhance the sources of capital for infrastructure financing:

- A Credit Guarantee Enhancement Corporation for which regulations have been notified by the RBI, will be set up in 2019-20.
- An action plan to deepen the market for long term bonds including for deepening markets for corporate bond repos, credit default swaps etc., with specific focus on infrastructure sector, will be put in place.
- It is proposed to permit investments made by FIIs/FPIs in debt securities issued by Infrastructure Debt Fund – Non-Bank Finance Companies (IDF-NBFCs) to be transferred/sold to any domestic investor within the specified lock-in period.

**31.** Corporate Debt markets are crucial for the infrastructure sector. Given the need to further deepen bond markets, a number of measures are proposed to be taken up:-

- To deepen the Corporate tri-party repo market in Corporate Debt securities, Government will work with regulators RBI/SEBI to enable stock exchanges to allow AA rated bonds as collaterals.
- User-friendliness of trading platforms for corporate bonds will be reviewed, including issues arising out of capping of International Securities Identification Number (ISIN).

**32.** It is right time to consider increasing minimum public shareholding in the listed companies. I have asked SEBI to consider raising the current threshold of 25% to 35%.

**33.** As a key source of capital to the Indian economy, it is important to ensure a harmonized and hassle free investment experience for Foreign Portfolio Investors. Hence, it is proposed to rationalize and streamline the existing Know Your Customer (KYC) norms for FPIs to make it more investor friendly without compromising the integrity of cross-border capital flows.

**34.** 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. 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 (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.

**35.** It is important to get retail investors to invest in treasury bills and securities issued by the Government. Efforts made by the Reserve Bank will need to be supplemented with further institutional development using stock exchanges. For this purpose, inter-operability of RBI depositories and SEBI depositories would be necessary to bring about seamless transfer of treasury bills and government securities between RBI and Depository ledgers and for enabling this. The Government will take up necessary measures in this regard in consultation with RBI and SEBI.

**36.** FDI inflows into India have remained robust despite global headwinds. Global Foreign Direct Investment (FDI) flows slid by 13% in 2018, to US\$ 1.3 trillion from US\$ 1.5 trillion the previous year – the third consecutive annual decline, according to UNCTAD's World Investment Report 2019. India's FDI inflows in 2018-19 remained strong at US\$ 64.375 billion marking a 6% growth over the previous year. I propose to



further consolidate the gains in order to make India a more attractive FDI destination:

- a. The Government will examine suggestions of further opening up of FDI in aviation, media (animation, AVGC) and insurance sectors in consultation with all stakeholders.
- b. 100% Foreign Direct Investment (FDI) will be permitted for insurance intermediaries.
- c. Local sourcing norms will be eased for FDI in Single Brand Retail sector.

**37.** It is high time India not only gets integrated into global value chain of production of goods and services, but also become part of the global financial system to mobilise global savings, mostly institutionalized in pension, insurance and sovereign wealth funds. The Government is contemplating organizing an annual Global Investors Meet in India, using National Infrastructure Investment Fund (NIIF) as the anchor, to get all three sets of global players-top industrialists/corporate honchos, top pension/insurance/sovereignwealth funds and top digital technology/venture funds.

**38.** An important determinant of attracting cross-border investments is availability of investible stock to the Foreign Portfolio Investors (FPIs). This issue assumes greater significance in view of the gradual shift, from stock targeted investments, towards passive investment whereby funds track global indices composition of which depends upon available floating stock. 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. FPIs will be permitted to subscribe to listed debt securities issued by REITs and InvITs.

**39.** Even though India is the world's top remittance recipient, NRI investment in Indian capital markets is comparatively less. With a view to provide NRIs with seamless access to Indian equities, I propose to merge the NRI-Portfolio Investment Scheme Route with the Foreign Portfolio Investment Route.

**40.** New and innovative financial instruments have been launched in the last five years like Infrastructure Investment Trusts (InvITs), Real Estate Investment Trusts (REITs) as well as models like Toll-Operate-Transfer (ToT) as part of the brownfield asset modernization strategy for augmenting infrastructure investment. India has had a reasonable success in brownfield asset monetization and several InvITs and one REIT transaction have already been completed. Additionally, NHAI carried out one ToT transaction as well. The cumulative resources garnered through these instruments and model exceed ₹ 24,000 crore.

**41.** India has emerged as a major space power with the technology and ability to launch satellites and other space products at globally low cost. Time has come to harness this ability commercially. A Public Sector Enterprise viz. New Space India Limited (NSIL) has been incorporated as a new commercial arm of Department of Space to tap the benefits of the Research & Development carried out by ISRO. The Company will spearhead commercialization of various space products including production of launch vehicles, transfer to technologies and marketing of space products.

#### **Grameen Bharat/Rural India**

**42.** Mahatma Gandhi said, “The soul of India lives in its villages”. This year even as we are marking the 150<sup>th</sup> birth anniversary of Mahatma Gandhi, I submit that our Government keeps Antyodaya at the core of all its efforts. At the Centre of everything that we do, we keep “gaon, garib, aur kisan”.

**43.** Hon'ble Prime Minister's two mega initiatives of **Ujjwala Yojana and Saubhagya Yojana** - have transformed the lives of every rural family, dramatically improving ease of their living. Household access to clean cooking gas has seen an unprecedented expansion, through provision of more than 7 crore LPG connections. All villages, and almost 100% households across the country have been provided with electricity. A combination of efficient implementation and enthusiastic adoption has significantly improved access to energy for rural households. By 2022, the 75<sup>th</sup> year of India's independence, I would like to assure the nation that every single rural family, except those who are unwilling to take the connection will have an electricity and a clean cooking facility.

**44.** Pradhan Mantri Awas Yojana – Gramin (PMAY-G) aims to achieve the objective of “Housing for All” by 2022. A total of 1.54 crore rural homes have been completed in the last five years. In the second phase of PMAY-G, during 2019-20 to 2021-22, 1.95 crore houses are proposed to be provided to the eligible beneficiaries. These houses are also being provided with amenities like toilets, electricity and LPG connections. 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.

**45.** Fishing and fishermen communities are closely aligned with farming and are crucial to rural India. Through a focused Scheme – the **Pradhan Mantri Matsya Sampada Yojana (PMMSY)** – the Department of Fisheries will establish a robust fisheries management framework. This will address critical gaps in the value chain, including infrastructure, modernization, traceability, production, productivity, post-harvest management, and quality control.

**46.** Pradhan Mantri Gram Sadak Yojana (PMGSY) has brought many socio economic gains in the rural areas. 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% of such habitations. 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. Committed to the agenda of sustainable development, 30,000 kms of PMGSY roads have been built using Green Technology, Waste Plastic and Cold Mix Technology, thereby reducing carbon footprint. With the changing economic scenario, it is important to upgrade roads connecting villages to rural markets. For this PMGSY-III is envisaged to upgrade 1,25,000kms of road length over the next five years, with an estimated cost of ₹ 80,250 crore.

**47.** Considering the fact that majority of people still live in villages and depend on agriculture and traditional industries, the ‘Scheme of Fund for Upgradation and Regeneration of Traditional Industries’ (SFURTI) aims to set up more Common Facility Centres (CFCs) to facilitate cluster based development to make the traditional industries more productive, profitable and capable for generating sustained employment opportunities. The focused sectors are Bamboo, Honey and Khadi clusters. The SFURTI envisions setting up 100 new clusters during 2019-20 which

should enable 50,000 artisans to join the economic value chain. Further, to improve the technology of such industries, the Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship' (ASPIRE) has been consolidated for setting up of Livelihood Business Incubators (LBIs) and Technology Business Incubators (TBIs). The Scheme contemplates to set up 80 Livelihood Business Incubators (LBIs) and 20 Technology Business Incubators (TBIs) in 2019-20 to develop 75,000 skilled entrepreneurs in agro-rural industry sectors.

**48.** We will invest widely in agricultural infrastructure. We will support private entrepreneurs in driving value-addition to farmers' produce from the field and for those from allied activities, like Bamboo and timber from the hedges and for generating renewable energy. Annadata can also be Urjadata. Dairying through cooperatives shall also be encouraged by creating infrastructure for cattle feed manufacturing, milk procurement, processing & marketing. I place my appreciation for our farmers who have made India self-sufficient in pulses. I am sure they will repeat such a success even in the production of oilseeds. Our import bill shall be reduced by their Seva.

**49.** We also hope to form 10,000 new Farmer Producer Organizations, to ensure economies of scale for farmers over the next five years.

**50.** This Government will work with State Governments to allow farmers to benefit from e-NAM. The Agriculture Produce Marketing Cooperatives (APMC) Act should not hamper farmers from getting a fair price for their produce. Ease of doing business and ease of living both should apply to farmers too. We shall go back to basics on one count: Zero Budget Farming. We need to replicate this innovative model through which in a few States farmers are already being trained in this practice. Steps such as this can help in doubling our farmers' income in time for our 75<sup>th</sup> year of Independence.

**51.** Ensuring India's water security and providing access to safe and adequate drinking water to all Indians is a priority of the Government. A major step in this direction has been the constitution of the Jal Shakti Mantralaya, integrating the Ministry of Water Resources, River Development and Ganga Rejuvenation and Ministry of Drinking Water and Sanitation. This new Mantralaya will look at the management of our water resources and water supply in an integrated and holistic manner, and will work with States to ensure Har Ghar Jal (piped water supply) to all rural households by 2024 under the Jal Jeevan Mission. This Mission, under the

Department of Drinking Water and Sanitation, 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. 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.

**52.** The Government has identified 1592 Blocks which are critical and over exploited, spread across 256 District for the Jal Shakti Abhiyan. Besides using funds available under various Schemes, the Government will also explore possibility of using additional funds available under the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) for this purpose.

**53.** Swachh Bharat Abhiyan has touched the very conscience of the nation besides bringing enormous health and environmental benefits. This noble Scheme, initiated in 2014, has achieved a resounding success. 9.6 crore toilets have been constructed since Oct 2, 2014. 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.

**54.** Under the Pradhan Mantri Gramin Digital Saksharta Abhiyan, over two crore rural Indians have so far been made digitally literate. To bridge rural-urban digital divide, Bharat-Net is targeting internet connectivity in local bodies in every Panchayat in the country. This will be speeded up with assistance from Universal Service Obligation Fund and under a Public Private Partnership arrangement.

#### **Shahree Bharat/Urban India**

**55.** This Government sees the rapid urbanization of India as an opportunity rather than a challenge. We have to make both our cities and villages better using technology. This way we can help people live closer to their home, stop migration into cities, provide essential services to all.

**56.** Under Pradhan Mantri Awas Yojana – Urban (PMAY-Urban), over 81 lakh houses with an investment of about ₹4.83 lakh crores have been sanctioned of which construction has started in about 47 lakh houses. Over 26 lakh houses have been completed of which nearly 24 lakh houses have been delivered to the beneficiaries. There is large scale adoption of

new technologies for construction of these houses. Over 13 lakh houses have so far been constructed using these new technologies.

**57.** More than 95% of cities also have been declared ODF. More than 45,000 public and community toilets across 1700 cities have been uploaded on Google maps, covering more than 53% of India's urban population. Almost 1 crore citizens have downloaded Swachhata App.

**58.** The 150th birth anniversary of Mahatma Gandhi is an apt occasion for us to re-dedicate ourselves to the ideals of Mahatma Gandhi. Hon'ble Prime Minister took the Sankalp of achieving Gandhiji's resolve of Swachh Bharat to make India Open Defecation Free by 2nd October 2019. I am very satisfied and happy to report that this would be achieved by the 2nd October. To mark this occasion, the Rashtriya Swachhta Kendra will be inaugurated at Gandhi Darshan, Rajghat on 2nd October, 2019. A Gandhipedia is also being developed by National Council for Science Museums to sensitize youth and society at large about positive Gandhian values.

**59.** 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. 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. We are in the process of completing the dedicated freight corridor project that will free up some of the existing railway network for passenger trains.

## **Youth**

**60.** 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 among others, better Governance systems and brings greater focus on research and innovation.

**61.** We propose to establish a National Research Foundation (NRF) to fund, coordinate and promote research in the country. NRF will assimilate the research grants being given by various Ministries independent of each other. NRF will ensure that the overall research eco-system 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.

**62.** Massive online open courses through the SWAYAM initiative have helped bridge the digital divide for disadvantaged section of the student community. To up-grade the quality of teaching, the Global Initiative of Academic Networks (GIAN) programme in higher education was started, aimed at tapping the global pool of scientists and researchers. The IMPRINT or IMPacting Research INnovation and Technology scheme began as a Pan-IIT and IISc joint initiative to develop a roadmap for research to solve major engineering and technology challenges in selected domains needed by the country. Higher educational institutions are becoming the centres of innovation.

**63.** These initiatives have up-graded the quality of education. There was not a single Indian institution in the top 200 in the world university rankings five years back. 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. An amount of ₹ 400 crore has been provided under the head, “World Class Institutions”, for FY 2019-20, more than three times the revised estimates for the previous year. 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.

**64.** The regulatory systems of higher education would be reformed comprehensively to promote greater autonomy and focus on better academic outcomes. A draft legislation for setting up Higher Education Commission of India (HECI), would be presented in the year ahead.

**65.** Khelo India Scheme, launched in October, 2017, has created awareness of sports as an integral part of wellness throughout the country. The Government is committed to expand Khelo India Scheme and to provide all necessary financial support. To popularize sports at all levels, a National Sports Education Board for Development of Sportspersons would be set up under Khelo India Scheme.

**66.** This Government recognizes and follows the teachings of Lord Basवेश्वरा, in particular the principles of Kayaka and Dasoha.

Implementing 'Kayakave Kailasa', the Government enables about 10 million youth to take up industry-relevant skill training through the Pradhan Mantri Kaushal Vikas Yojana (PMKVY). This is helping to create a large pool of skilled manpower with speed and high standards. Demographic trends worldwide show that major economies will face severe labour shortages in the future. To prepare our youth to also take up jobs overseas, we will increase focus on skill sets needed abroad including language training. We will also lay focus on new-age skills like Artificial Intelligence (AI), Internet of Things, Big Data, 3D Printing, Virtual Reality and Robotics, which are valued highly both within and outside the country, and offer much higher remuneration.

**67.** Drawing again on Lord Basveshwara, his principle of Dasoha underlines most things this Government does. 'Give It Up' for giving up LPG subsidy or the various pension schemes are on the principle of sharing through distribution, for the wellness of the society.

**68.** 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 standardized and streamlined. With various labour related definitions getting standardized, it is expected that there shall be less disputes.

**69.** We propose to start a television programme within the DD bouquet of channels exclusively for start-ups. This shall serve as a platform for promoting start-ups, discussing issues affecting their growth, matchmaking with venture capitalists and for funding and tax planning. This channel shall be designed and executed by start-ups themselves. Later in this speech, I shall deal with taxation matters of the start-ups.

**70.** Stand-Up India Scheme has delivered enormous benefits. The country is witnessing emergence of thousands of entrepreneurs from women and also from the Scheduled Castes and Scheduled Tribes, most of them assisted to set up their businesses and industry with capital provided under the Stand-Up India Scheme. Considering the beneficial results of the Scheme and strong demand for its continuance by the SC and ST communities, the Scheme would be continued for the entire period coinciding with the 15th Finance Commission period of 2020-25. The Banks will provide financial assistance for demand based businesses, including for example for acquisition of scavenging machines and robots.

**71.** The Stand Up India Scheme has made human dignity and self-esteem go up. "Kayakave Kailasa". The Ministry of Petroleum & Natural



Gas has enabled SC/ST entrepreneurs in providing Bulk LPG Transportation. In a matter of two years over 300 entrepreneurs have emerged. Machines and robots have been deployed to do scavenging which also saved the manual scavengers their dignity. The synthesis between stand up and start up with commercial banks playing the catalyst has brought this transformational change.

### **Ease of Living**

**72.** This Government aims to bring greater ease of living in the lives of its citizens. Digital payments are gaining acceptance everywhere including by the Government. Use of technology is an effective way to ensure this.

**73.** Pradhan Mantri Shram Yogi Maandhan was launched on 5<sup>th</sup> March, 2019 by Hon'ble PM at Ahmedabad. The Scheme aims at providing ₹3,000 per month as pension on attaining the age of 60 to crores of workers in unorganized and informal sectors. About 30 lakh workers have joined the Scheme.

**74.** For good quality of life and ease of living, maintaining a cleaner environment and ensuring sustainable energy use is vital. A programme of mass scaling up of LED bulbs for widespread distribution at household level was taken up resulting into massive replacement of incandescent bulbs and CFLs in the country. Approximately 35 crore LED bulbs have been distributed under UJALA Yojana leading to cost saving of ₹ 18,341 crores annually. India is going to be free of incandescent bulbs and CFL use has already become miniscule. We will use the approach of mission LED bulb method to promote the use of solar stoves and battery chargers in the country.

**75.** To make railway travel a pleasant and satisfying experience for the common citizen, we will launch a massive programme of railway station modernization this year.

### **Naari Tu Narayani/Women**

**76.** Swami Vivekananda in a letter to Swami Ramakrishnanda had said: "There is no chance for the welfare of the world unless the condition of women is improved. It is not possible for a bird to fly on one wing". This Government believes that we can make progress with greater women's participation.

**77.** In India's growth story, particularly in the rural economy, "grameen arth vyavastha" the role of women is a very sweet story. This Government wishes to encourage and facilitate this role of women.

**78.** Gender analysis of the budget aimed at examining the budgetary allocation through a gender lens has been in place for over a decade. I propose to form a broad-based Committee with Government and private stakeholders to evaluate and suggest action for moving forward.

**79.** There is no segment of human life where the contribution of women is not significant. This Government firmly believes that the socio-economic transformation that is taking place particularly in the last decade, Indian women's role and leadership is distinct. The recent elections have shown record turnout of women voters at par with men. We also have a record 78 women MPs here. This reinforces our approach of going beyond just women-centric-policy making to building women-led initiatives and movements.

**80.** This Government has supported and encouraged women entrepreneurship through various schemes such as MUDRA, Stand UP India and the Self Help Group (SHG) movement. In order to further encourage women enterprise, I propose to expand the Women SHG interest subvention programme to all districts. Furthermore, for every verified women SHG member having a Jan Dhan Bank Account, an overdraft of ₹5,000 shall be allowed. One woman in every SHG will also be made eligible for a loan up to ₹ 1 lakh under the MUDRA Scheme.

### **India's Soft Power**

**81.** India's soft power is appreciated in so many different ways. Some simple examples: In the last three years on International Yoga Day, Yoga has been practiced in large numbers in 192 countries around the world. Yoga has been practiced in large numbers. Mahatma Gandhi's favourite bhajan "Vaishnav Jana To Tene Kahiye" was sung by the respective lead artists in 40 countries. The annual "Bharat Ko Jaano" quiz competition is sought after as an event to participate by not only NRIs but also several foreigners.

**82.** I propose to consider issuing Aadhaar Card for Non-Resident Indians with Indian Passports after their arrival in India without waiting for 180 days.

**83.** I propose to launch a Mission which will integrate our traditional artisans and their creative products with global markets. Wherever necessary we shall obtain patents and geographical indicators for them. With this aim, for the first time in this August House, I declare that we will launch a mission of linking creative industry with the economy and wherever it requires protecting Intellectual Property rights taking it to the National and International Market front.

**84.** To give further impetus to India's growing influence and leadership in the international community, Government decided to open Indian Embassies and High Commissions abroad in countries where India does not have a Resident Diplomatic Mission as yet. Accordingly, in March 2018, Government approved opening of 18 new Indian Diplomatic Missions in Africa. Five Embassies have already been opened in Rwanda, Djibouti, Equatorial Guinea, Republic of Guinea, and Burkina Faso in the year 2018-19. Government intends to open another four new Embassies in the year 2019-20. This will not only increase the footprint of India's overseas presence, but also enable us to provide better and more accessible public services, especially to the local Indian community in these countries.

**85.** In line with our ancient wisdom, India has always pursued a policy of economic cooperation with countries through bilateral and regional coordination. Indian Development Assistance Scheme (IDEAS) provides concessional financing for projects and contributes to infrastructure development and capacity building in the recipient developing countries. Mindful of our position as the sixth largest economy, we will look at alternative development models which include private sector equity, multilateral financing, contributions from corporates, non-residents etc. I propose to revamp the IDEAS scheme during the current financial year.

**86.** The Government is developing 17 iconic Tourism Sites into world class tourist destinations and to serve as a model for other tourism sites. The Iconic Tourism Sites would enhance visitor experience which would lead to increase visits of both domestic and international tourists at these destinations.

**87.** With the objective of preserving rich tribal cultural heritage, a digital repository is developed where documents, folk songs, photos & videos regarding their evolution, place of origin, lifestyle, architecture, education level, traditional art, folk dances and other anthropological details of the tribes in India are stored. The repository will further be enriched and strengthened.

### **Banking and Financial Sector**

**88.** Financial gains from cleaning of the banking system are now amply visible. NPAs of commercial banks have reduced by over ₹ 1 lakh crore over the last year, record recovery of over ₹ 4 lakh crore due to IBC and other measures has been effected over the last four years, provision coverage ratio is now at its highest in seven years, and domestic credit growth has risen to 13.8%. Government has smoothly carried out consolidation, reducing the number of Public Sector Banks by eight. At the same time, as many as six Public Sector Banks have been enabled to come out of Prompt Corrective Action framework.

**89.** Having addressed legacy issues, Public Sector Banks are now proposed to be further provided ₹ 70,000 crore capital to boost credit for a strong impetus to the economy. To further improve ease of living, they will leverage technology, offering online personal loans and doorstep banking, and enabling customers of one Public Sector Bank to access services across all Public Sector Banks. In addition, Government will initiate steps to empower accountholders to remedy the current situation in which they do not have control over deposit of cash by others in their accounts. Reforms will also be undertaken to strengthen governance in Public Sector Banks.

**90.** Non-Banking Financial Companies (NBFCs) are playing an extremely important role in sustaining consumption demand as well as capital formation in small and medium industrial segment. NBFCs that are fundamentally sound should continue to get funding from banks and mutual funds without being unduly risk averse. For purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of Rupees one lakh crore during the current financial year, Government will provide

one time six months' partial credit guarantee to Public Sector Banks for first loss of up to 10%. Further, Reserve Bank of India (RBI) is the regulator for NBFCs. However, RBI has limited regulatory authority over NBFCs. Appropriate proposals for strengthening the regulatory authority of RBI over NBFCs are being placed in the Finance Bill.

**91.** NBFCs which do public placement of debt have to maintain a Debenture Redemption Reserve (DRR) and in addition, a special reserve as required by RBI, has also to be maintained. To allow NBFCs to raise funds in public issues, the requirement of creating a DRR, which is currently applicable for only public issues as private placements are exempt, will be done away with.

**92.** To bring more participants, especially NBFCs, not registered as NBFCs-Factor, on the TReDS platform, amendment in the Factoring Regulation Act, 2011 is necessary and steps will be taken to allow all NBFCs to directly participate on the TReDS platform.

**93.** Efficient and conducive regulation of the housing sector is extremely important in our context. The National Housing Bank (NHB), 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. Necessary proposals have been placed in the Finance Bill.

**94.** Government has announced its intention to invest ₹ 100 lakh crore in infrastructure over the next five years. To this end, it is proposed to set up an expert committee to study the current situation relating to long-term finance and our past experience with development finance institutions, and recommend the structure and required flow of funds through development finance institutions.

**95.** Pension Fund Regulatory and Development Authority (PFRDA) implements and regulates the National Pension System (NPS) and Atal Pension Yojana through various intermediaries including, *inter-alia*, the NPS Trust. 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 organizational structure.

**96.** To facilitate on-shoring of international insurance transactions and to enable opening of branches by foreign reinsurers in the International

Financial Services Centre, it is proposed to reduce Net Owned Fund requirement from ₹ 5,000 crore to ₹ 1,000 crore.

**97.** Government has been following the policy of disinvestment in non-financial public sector undertakings maintaining Government stake not to go below 51%. Government is considering, in case where the Undertaking is still to be retained in Government control, to go below 51% to an appropriate level on case to case basis. Government has also decided to modify present policy of retaining 51% Government stake to retaining 51% stake inclusive of the stake of Government controlled institutions.

**98.** In order to improve the capital flows into the Indian economy, it is important to align domestic corporate systems and practices with global ones. It is also appreciated that global finance movement in equity uses certain parameters to evaluate the stocks in which they choose to invest. Government intends to further encourage retail participation in CPSEs which, of late has shown very encouraging upward trend. In order to provide additional investment space, the Government would realign its holding in CPSEs, including Banks to permit greater availability of its shares and to improve depth of its market.

**99.** Strategic disinvestment of select CPSEs would continue to remain a priority of this Government. 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.

**100.** Government is setting an enhanced target of ₹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.

**101.** ETFs have proved to be an important investment opportunity for retail investors and has turned out to be a good instrument for Government of India's divestment programme. To expand this further, Government will offer an investment option in ETFs on the lines of Equity Linked Savings Scheme (ELSS). This would also encourage long term investment in CPSEs.

**102.** For bringing better public ownership of the PSUs and also bring greater commercial and market orientation of the listed PSUs, the Government will take all necessary steps to meet public shareholding norms of 25% for all listed PSUs and raise the foreign shareholding limits

to maximum permissible sector limits for all PSU companies which are part of Emerging Market Index.

**103.** India's sovereign external debt to GDP is among the lowest globally at less than 5%. The Government would start raising a part of its gross borrowing programme in external markets in external currencies. This will also have beneficial impact on demand situation for the government securities in domestic market.

**104.** New series of coins of One Rupee, Two Rupees, Five Rupees, Ten Rupees and Twenty Rupees, easily identifiable to the visually impaired, were released by the Hon'ble Prime Minister on 7th March, 2019. These new coins will be made available for public use shortly.

**105.** In the first 50 years after Independence we emphasized on Rights. Marking 75 years of our Independence, we should place emphasis on our Duty towards India, without undermining Rights. Thinkers, all over the world, have supported the argument that in performing one's duty protection of one's rights is inherent. For the bright future of India, when again in 2022, we will remember our freedom fighters, we should dedicate ourselves to serve our nation.

## PART B

**106.** Mr. Speaker, Sir, I begin by thanking our taxpayers who, as responsible citizens, perform their duty by paying their taxes. It is because of their valuable contribution that our Government is able to work for our collective dream of inclusive and all round development of our nation. At this juncture, I find wisdom in a line from Pura Nanooru, a Tamil Sangam Era work by Pisirandaiyaar. The verse ,” Yannai pugundha nilam” was sung as an advice to the King Pandian Arivudai Nambi :

“காய் நெல் அறுத்துக் கவளங் கொளினே,

... ..  
... ..  
... ..

அறிவுடை வேந்தன் நெறியறிந்துகொளினே,

பரிவுதப எடுக்கும் பிண்டம் நச்சின்,

... ..  
... ..  
... ..

யானை புக்க புலம் போல,

தானும் உண்ணான், உலகமும் கெடுமே.”

Meaning, a few mounds of rice from paddy that is harvested from a small piece of land would suffice for an elephant. But what if the elephant itself enters the field and starts eating? What it eats would be far lesser than what it would trample over !

### Direct Tax

**107.** Mr. Speaker, Sir, due to slew of efforts taken by our Government, the direct tax revenue has significantly increased over the past couple of years. It has increased by over 78% from ₹ 6.38 lakh crore in Financial Year 2013-14 to around ₹ 11.37 lakh crore in Financial Year 2018-19. It is now growing at double digit rate every year.

**108.** Let me recall and reiterate this Government’s effort over the past five years to alleviate the tax burden on small and medium income-earners. This includes self-employed as well as small traders, salary earners, and senior citizens. Only when their annual taxable income exceeds ₹ 5 lakh, they are required to pay any income tax. The details of



our efforts and achievements on this front during the past few years are given in the Annexure.

**109.** Mr Speaker, Sir, my tax proposals will aim to stimulate growth, incentivise affordable housing, and encourage start-ups by releasing entrepreneurial spirits. It will also be geared towards promoting digital economy. I aim to simplify tax administration and bring greater transparency.

**110.** So far as corporate tax is concerned, we continue with phased reduction in rates. Currently, the lower rate of 25 % is only applicable to companies having annual turnover up to ₹ 250 Crore. I propose to widen this to include all companies having annual turnover up to ₹ 400 crore. This will cover 99.3% of the companies. Now only 0.7% of companies will remain outside this rate.

### **Mega Investment in Sunrise and Advanced Technology Areas**

**111.** In order to boost economic growth and Make in India, the government will launch a scheme to invite global companies through a transparent competitive bidding to set up mega-manufacturing plants in sunrise and advanced technology areas such as Semi-conductor Fabrication (FAB), Solar Photo Voltaic cells, Lithium storage batteries, Solar electric charging infrastructure, Computer Servers, Laptops, etc. and provide them investment linked income tax exemptions under section 35 AD of the Income Tax Act, and other indirect tax benefits.

### **Electric Vehicles**

**112.** Considering our large consumer base, we aim to leapfrog and envision India as a global hub of manufacturing of Electric Vehicles. Inclusion of Solar storage batteries and charging infrastructure in the above scheme will boost our efforts. Government has already moved GST council to lower the GST rate on electric vehicles from 12% to 5%. Also to make electric vehicle affordable to consumers, our government will provide additional income tax deduction of ₹1.5 lakh on the interest paid on loans taken to purchase electric vehicles. This amounts to a benefit of around ₹2.5 lakh over the loan period to the taxpayers who take loans to purchase electric vehicle.

### **Start-ups**

**113.** Start-ups in India are taking firm roots and their continued growth needs to be encouraged. To resolve the so-called 'angel tax' issue, the start-ups and their investors who file requisite declarations and provide information in their returns will not be subjected to any kind of scrutiny in respect of valuations of share premiums. The issue of establishing identity of the investor and source of his funds will be resolved by

putting in place a mechanism of e-verification. With this, funds raised by start-ups will not require any kind of scrutiny from the Income Tax Department.

**114.** In addition, special administrative arrangements shall be made by Central Board of Direct Taxes (CBDT) for pending assessments of start-ups and redressal of their grievances. It will be ensured that no inquiry or verification in such cases can be carried out by the Assessing Officer without obtaining approval of his supervisory officer.

**115.** At present, start-ups are not required to justify fair market value of their shares issued to certain investors including Category-I Alternative Investment Funds (AIF). I propose to extend this benefit to Category-II Alternative Investment Funds also. Therefore, valuation of shares issued to these funds shall be beyond the scope of income tax scrutiny.

**116.** I also propose to relax some of the conditions for carry forward and set off of losses in the case of start-ups. I also propose to extend the period of exemption of capital gains arising from sale of residential house for investment in start-ups up to 31.3.2021 and relax certain conditions of this exemption.

### **Affordable housing**

**117.** 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 ₹ 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 ₹ 1,50,000/- for interest paid on loans borrowed up to 31<sup>st</sup> March, 2020 for purchase of an affordable house valued up to ₹ 45 lakh. Therefore, a person purchasing an affordable house will now get an enhanced interest deduction up to ₹ 3.5 lakh. This will translate into a benefit of around ₹ 7 lakh to the middle class home-buyers over their loan period of 15 years.

### **NBFCs**

**118.** Non-banking financial companies play an increasingly important role in India's financial system. With the enhanced levels of regulation they are subjected to by the Reserve Bank of India, there is a need to provide greater parity in their tax treatment vis-à-vis scheduled banks. Currently, interest on certain bad or doubtful debts made by scheduled banks and other financial institutions is allowed to be offered to tax in the year in which this interest is actually received. I propose to extend

this facility to deposit taking as well as systemically important non-deposit taking NBFCs also.

### **IFSC**

**119.** To promote the International Financial Services Centre(IFSC) in GIFT City, series of measures have already been taken in the past by this Government. With a view to further incentivising the IFSC, I propose to further provide several direct tax incentives to an IFSC including 100 % profit-linked deduction under section 80-LA in any ten-year block within a fifteen-year period, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gain to Category-III AIF and interest payment on loan taken from non-residents.

### **Securities Transaction Tax (STT)**

**120.** I propose to give relief in levy of Securities Transaction Tax (STT) by restricting it only to the difference between settlement and strike price in case of exercise of options.

### **Simplification and Ease of living**

**121.** India's Ease of Doing Business ranking under the category of 'paying taxes' showed a significant jump from 172 in 2017 to 121 in the 2019. I now propose to implement series of measures that will leverage technology to make compliance easier for the taxpayers.

### **Interchangeability of PAN and Aadhaar**

**122.** Mr Speaker, Sir, more than 120 Crore Indians now have Aadhaar. Therefore, for ease and convenience of tax payers, I propose to make PAN and Aadhaar interchangeable and allow those who do not have PAN to file Income Tax returns by simply quoting their Aadhaar number and also use it wherever they are required to quote PAN.

### **Pre-filing of Income-tax Returns**

**123.** Pre-filled tax returns will be made available to taxpayers which will contain details of salary income, capital gains from securities, bank interests, and dividends etc. and tax deductions. Information regarding these incomes will be collected from the concerned sources such as Banks, Stock exchanges, mutual funds, EPFO, State Registration Departments etc. This will not only significantly reduce the time taken to file a tax return, but will also ensure accuracy of reporting of income and taxes.

### **Faceless e-assessment**

**124.** The existing system of scrutiny assessments in the Income-tax Department involves a high level of personal interaction between the taxpayer and the Department, which leads to certain undesirable practices on the part of tax officials. To eliminate such instances, and to give shape to the vision of the Hon'ble Prime Minister, a scheme of faceless assessment in electronic mode involving no human interface is being launched this year in a phased manner. To start with, such e-assessments shall be carried out in cases requiring verification of certain specified transactions or discrepancies.

**125.** Cases selected for scrutiny shall be allocated to assessment units in a random manner and notices shall be issued electronically by a Central Cell, without disclosing the name, designation or location of the Assessing Officer. The Central Cell shall be the single point of contact between the taxpayer and the Department. This new scheme of assessment will represent a paradigm shift in the functioning of the Income Tax Department.

### **Digital Payments**

**126.** Mr. Speaker, Sir, our Government has taken a number of initiatives in the recent past for the promotion of digital payments and less cash economy. To promote digital payments further, I propose to take a slew of measures. To discourage the practice of making business payments in cash, I propose to levy TDS of 2% on cash withdrawal exceeding ₹ 1 crore in a year from a bank account. Further, 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 ₹ 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. 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.

### **Revenue Mobilization**

**127.** Mr Speaker Sir, as I have stated earlier, we have taken several measures in the past to alleviate the tax burden on small and medium income-earners as those having annual income up to ₹ 5 lakh are not required to pay any income-tax. We are thankful to the taxpayers who play a major role in nation building by paying their taxes. However, in view of rising income levels, those in the highest income brackets, need to contribute more to the Nation's development. I, therefore, propose to enhance surcharge on individuals having taxable income from ₹ 2 crore to ₹ 5 crore and ₹ 5 crore and above so that effective tax rates for these two categories will increase by around 3 % and 7 % respectively.

### **Other measures**

**128.** I also propose to simplify the tax law to reduce genuine hardships being caused to taxpayers which include enhancing threshold of tax for launching prosecution for non-filing of returns and exempting appropriate class of persons from the anti-abuse provisions of section 50CA and section 56 of the Income Tax Act.

### **Indirect Taxes**

**129.** Now coming to Indirect Tax, we are aware that the landscape has changed significantly with implementation of GST. In every sense, this has been a monumental reform. Centre and States coming together and agreeing to pool in their sovereign power of taxation for common good of the country was unprecedented. 17 taxes and 13 cesses became one tax. Multitude of rates instantly became four. Almost all commodities saw rate reduction. Tens of returns were replaced by one. Taxpayer's interface with tax departments got reduced. Border checks got eliminated. Goods started moving freely across states, which saved time and energy. A truck started doing two trips in the same time in which it was doing one. Thus, dream of **one nation, one tax, one market** was realised. The GST Council deserves all the credit for this.

**130.** In the initial phase GST witnessed certain teething problems. This was natural considering the scale of the reform. However, the Council, Centre and States proactively worked to resolve these issues. GST rates have also been reduced significantly, where relief of about ₹92,000 crore per year has been given. We should not lose sight of this fact while judging the performance of GST. The details are given in the annexure.

**131.** We are further simplifying the GST processes. A simplified single monthly return is being rolled out. Taxpayer having annual turnover of less than ₹5 crore shall file quarterly return. Free accounting software for return preparation has been made available to small businesses. A fully automated GST refund module shall be implemented. Multiple tax ledgers for a taxpayer shall be replaced by one.

**132.** It is also proposed to move to an electronic invoice system wherein invoice details will be captured in a central system at the time of issuance. This will eventually be used to prefill the taxpayer's returns. There will be no need for a separate e-way bill. Its roll out would begin from January, 2020. Electronic invoice system will significantly reduce the compliance burden.

**133.** On the Customs side my proposals are driven with the objectives of securing our borders, achieving higher domestic value addition through make in India, reducing import dependence, protection to MSME sector, promoting clean energy, curbing non-essential imports, and correcting inversions.

**134.** Defence has an immediate requirement of modernisation and upgradation. This is a national priority. For this purpose, import of defence equipment that are not being manufactured in India are being exempted from the basic customs duty.

**135.** Make in India is a cherished goal. In order to provide domestic industry a level playing field, basic customs duty is being increased on items such as cashew kernels, PVC, Vinyl flooring, tiles, metal fittings, mountings for furniture, auto parts, certain kinds of synthetic rubbers, marble slabs, optical fibre cable, CCTV camera, IP camera, digital and network video recorders etc. Also, exemptions from custom duty on certain electronic items which are now being manufactured in India are

being withdrawn. Further, end use based exemptions on palm stearin, fatty oils, and exemptions to various kinds of papers are also being withdrawn. To encourage domestic publishing and printing industry, 5 % custom duty is being imposed on imported books.

**136.** To further promote domestic manufacturing, customs duty reductions are being proposed on certain raw materials and capital goods. These include certain inputs of CRGO sheets, amorphous alloy ribbon, ethylene di-chloride, propylene oxide, cobalt matte, naphtha, wool fibres, inputs for manufacture of artificial kidney and disposable sterilised dialyser, and fuels for nuclear power plants. To further incentivise e-mobility, customs duty is being exempted on certain parts of electric vehicles. Customs duty is also being exempted on capital goods required for manufacture of specified electronic goods.

**137.** Export duty is being rationalised on raw and semi-finished leather to provide relief to this sector.

**138.** Crude prices have softened from their highs. This gives me a room to review excise duty and cess on petrol and diesel. I propose to increase Special Additional Excise duty and Road and Infrastructure Cess each by one rupee a litre on petrol and diesel. It is also proposed to increase custom duty on gold and other precious metals from 10% to 12.5%.

**139.** Tobacco products and crude attract National Calamity and Contingent duty. In certain cases this levy has been contested on the ground that there is no basic excise duty on these items. To address this issue, a nominal basic excise duty is being imposed.

**140.** I am also proposing few amendments to the Customs Act. Recent trends reveal that certain bogus entities are resorting to unfair practices to avail undue concessions and export incentives. While we have intensified our efforts against such nefarious activities, provisions are being incorporated in the Act for enhanced penalty and prosecution for such offences. Further, misuse of duty free scrips and drawback facility involving more than fifty lakh rupees will be a cognizable and non-bailable offence.

**141.** GST has just completed two years. An area that concerns me is that we have huge pending litigations from pre-GST regime. More than ₹ 3.75 lakh crore is blocked in litigations in service tax and excise. There is a need to unload this baggage and allow business to move on. I, therefore, propose, a Legacy Dispute Resolution Scheme that will allow quick closure of these litigations. I would urge the trade and business to avail this opportunity and be free from legacy litigations.

**142.** The details of my tax proposals are given in the Annexure.

**143.** Mr. Speaker Sir, with these words I commend the Budget to this august House.



## Annex to Part B of Budget Speech

### Direct Tax Proposals:

#### 1. Widening and deepening of tax base

- 1.1 Deduction of tax by certain individuals or HUF: Presently, there is no requirement for an individual or HUF to deduct tax at source on payments made to a resident contractor or professional when it is for personal use, or if the individual or HUF is not subjected to audit for his business or profession. It is proposed to insert a new provision making it obligatory for such individual or HUF to deduct tax at source at the rate of five per cent. if the annual payment made to a contractor or professional exceeds Rs. 50 lakh. It is also proposed that a person deducting tax under this section shall be able to deposit TDS on the basis of the Permanent Account Number (PAN) only. It is also proposed to enable filing of application for issue of certificate for nil or lower rate of TDS.
- 1.2 Consideration for TDS on immovable property: It is proposed to provide that for the purpose of tax deduction at source from payment made for acquisition of immovable property, consideration shall include other charges in the nature of club membership fee, car parking fee, electricity and water facility fee, maintenance fee, advance fee or any other charges of similar nature which are incidental to the purchase of immovable property.
- 1.3 Gifts made to non-residents: Presently, gifts made by a resident to another resident are liable for income tax subject to some exemptions. It is proposed to provide that gift of any sum of money, or property situated in India, by a person resident in India to a person outside India (not being a gift otherwise exempt), on or after 5th day of July 2019, shall be deemed to accrue or arise in India.
- 1.4 Compulsory filing of return: It is proposed to make return filing compulsory for persons, who have deposited more than Rs. 1 crore in a current account in a year, or who have expended more than Rs. 2 lakh on foreign travel or more than Rs. 1 lakh on electricity consumption in a year or who fulfils the prescribed conditions, in order to ensure that persons who enter into high value transactions also furnish return of income. It is also proposed to provide that a

person whose income becomes lower than maximum amount not chargeable to tax due to claim of rollover benefit of capital gains shall also be required to furnish the return.

- 1.5 Interchangeability of PAN and Aadhaar: It is proposed to provide interchangeability of PAN and Aadhaar to enable a person who does not have PAN but has Aadhaar to use Aadhaar in place of PAN under the Act. The Income Tax Department shall allot PAN to such person on the basis of Aadhaar after obtaining demographic data from the Unique Identification Authority of India (UIDAI). It is also proposed to provide that a person who has already linked his Aadhaar with his PAN may at his option use Aadhaar in place of PAN under the Act.
- 1.6 Quoting of PAN/Aadhaar: In order to track high value transactions, it is proposed to provide that the quoting and authentication of PAN/Aadhaar shall be mandatory for certain prescribed transactions. It is also proposed to provide that the person receiving relevant documents shall ensure correct quoting and authentication of PAN/Aadhaar for the prescribed transactions. To ensure compliance of these provisions it is also proposed to amend the relevant penalty provisions.
- 1.7 Consequences of not linking Aadhaar with PAN: Presently, the Act provides for making PAN invalid if it is not linked with Aadhaar within a notified date. In order to protect past transactions carried out through such PAN, it is proposed to provide that if a person fails to intimate the Aadhaar number, the PAN allotted to such person shall be made inoperative in the prescribed manner after the date notified for the said linking.
- 1.8 Widening the scope of SFT: In order to obtain more information to enable pre-filling of returns of income, it is proposed to widen the scope of furnishing of statement of financial transactions (SFT) by mandating furnishing of statement by the prescribed persons other than those who are currently furnishing the same. It is also proposed to remove the current threshold of Rs. 50,000 for application of the provisions requiring furnishing of information, in order to ensure pre-filling of smaller amounts of transactions also. Further, for ensuring the accuracy of the information furnished, a suitable amendment to the relevant penalty provisions is also proposed.

## **2. Measures for promoting less cash economy**

- 2.1 Payment by other electronic modes: There are various provisions in the Act which prohibit cash transactions and allow or encourage payment or receipt only through account payee cheque, account payee draft or electronic clearing system through a bank account. To promote other electronic modes of payment, it is proposed to amend these provisions to also allow payment or receipt through other prescribed electronic modes.
- 2.2 TDS on cash withdrawal from banks: In order to discourage large amount of cash withdrawal from bank accounts, it is proposed to provide for tax deduction at source at the rate of 2% on cash withdrawal by a person in excess of Rs. 1 crore in a year from his bank account. Some business models, where large cash withdrawal is a necessity, are proposed to be exempted. It is also proposed that the Central Government may notify the persons to whom these provisions shall not be applicable in consultation with the Reserve Bank of India.
- 2.3 Facilities for low-cost electronic payments: For ensuring that business enterprises provide facility for making payment through low-cost electronic mode, it is proposed to insert a new section so as to provide that a business enterprise whose annual turnover exceeds Rs. 50 crore shall provide facility for prescribed low cost electronic modes of payment. For ensuring compliance, a suitable penalty provision is also proposed to be inserted in the Act.

## **3. Tax Incentives**

- 3.1 International Financial Services Centre (IFSC): In order to promote the development of world class financial infrastructure in India, some tax concessions have already been provided in respect of businesses carried on from an IFSC. To further promote such developments and bring the IFSC at par with similar IFSCs in other countries, following additional tax benefits are proposed:
- (i) Currently, a unit in the IFSC is allowed deduction of 100% of profits for first five consecutive years and 50% for next five consecutive years from the year of commencement. It is proposed to provide for 100% deduction for 10 consecutive

years and also to provide that the unit may claim the said deduction, at its option, for any 10 consecutive years out of 15 years from the year of commencement.

- (ii) It is proposed to provide tax exemptions for interest received by a non-resident in respect of monies lent to a unit located in IFSC.
- (iii) A non-resident is currently not required to pay capital gains tax on the transfer of specified securities made on a recognised stock exchange in the IFSC. This benefit is proposed to be extended to a Category-III Alternative Investment Fund (AIF) in IFSC of which all the unit holders are non-residents, subject to certain other conditions.
- (iv) It is also proposed to notify other securities which shall be eligible for capital gains exemptions if traded on a recognised stock exchange in IFSC by a specified person.
- (v) Presently, dividend distribution tax (DDT) is not levied on the distribution of dividend by a company located in IFSC if the same is distributed out of current income. It is proposed to extend this benefit of exemption to distribution out of accumulated profit which has been accumulated by the unit after 1st April, 2017 from operations in IFSC.
- (vi) In order to facilitate setting up of mutual funds in the IFSC, it is proposed that there would be no additional tax on distribution of any amount, on or after 1st September, 2019, by a specified Mutual Fund out of its income derived from transactions made on a recognised stock exchange located in any IFSC.
- (vii) It is proposed to allow deduction under section 80LA to a non-resident for the purpose of computing tax liability in respect of income of the nature of interest, dividend etc. referred to in section 115A.

3.2 Incentives to certain Non-banking Financial Companies (NBFCs): Presently, interest income on bad or doubtful debts made by NBFCs is charged to tax on accrual basis. However, in cases of scheduled banks, public financial institutions, state financial corporations, state industrial investment corporations, cooperative banks and

certain public companies like housing finance companies, interest on bad or doubtful debts is charged to tax on receipt basis. To provide a level playing field, it is proposed that interest on bad or doubtful debts in the case of deposit-taking NBFC and systemically important non deposit-taking NBFC shall be charged to tax on receipt basis. It is also proposed to provide that deduction of such interest shall be allowed to the payer on actual payment.

- 3.3 Incentives for start-ups: The condition for carry forward and set off of losses in cases of eligible start-ups is proposed to be relaxed enabling them to carry forward their losses on satisfaction of any one of the two conditions, i.e. continuity of 51% shareholding/voting power or continuity of 100% of original shareholders. Further, the provision which allows exemption of capital gains from sale of residential property on investment of net consideration in equity shares of eligible start-up shall be extended by 2 years. Thus the benefit shall be available for sale of residential property on or before 31st March, 2021. The condition of minimum holding of 50% of share capital or voting rights in the start-up is proposed to be relaxed to 25%. The condition restricting transfer of new asset being computer or computer software is also proposed to be relaxed from the current 5 years to 3 years.
- 3.4 Incentives for resolution of distressed companies: In order to encourage resolution for companies whose board of directors have been suspended by National Company Law Tribunal (NCLT) and new Directors have been appointed by NCLT on the recommendation of the Central Government, it is proposed that the conditions of continuity of shareholding for carry forward and set off of losses shall not apply to such companies. It is also proposed to provide that for the purposes of computation of Minimum Alternate Tax (MAT) liability of such companies, the aggregate of brought forward losses and unabsorbed depreciation shall also be allowed as deduction.
- 3.5 Exemption from deeming of fair market value of shares: In order to facilitate resolution through the approved schemes, where the parties to the transactions do not have control over the determination of price, it is proposed to empower the Board to prescribe transactions for which the provisions relating to deeming of fair market value of shares shall not be applied for computation of capital gains and deemed gift under section 50CA and section 56(2)(x).

- 3.6 Incentive in respect of Rupee-denominated Bond (RDB): In order to contain the current account deficit and augment the foreign exchange inflow, the Government had issued a press release on 17th September, 2018 exempting interest income of non-resident from RDB issued by a company or a business trust, outside India, during the period 17th September, 2018 to 31st March, 2019. It is proposed to incorporate this tax incentive in the Income-tax Act.
- 3.7 Incentives to encourage offshore funds: In 2015, the Government had enacted a specific concessional regime to facilitate location of fund managers of offshore funds in India. This was subjected to some conditions. Two of these conditions, relating to the remuneration of fund manager and the time limit for building up of corpus, are proposed to be rationalised so as to facilitate setting up of fund management activity in India with respect to such offshore funds.
- 3.8 Incentives to Category-II AIF: Presently, the investment made by Category-I AIF is exempted from the applicability of the provisions of section 56(2)(viib) of the Income-tax Act. It is proposed to extend this exemption to Category-II AIF as well.
- 3.9 Incentive to purchase electric vehicle: In order to incentivise purchase of electric vehicle by an individual, it is proposed to provide deduction of an amount upto Rs. 1,50,000 for interest paid on loan taken for purchase of electric vehicle. The loan is required to be taken on or before 31st March, 2023.

#### **4. Incentives for real estate**

- 4.1 Deduction of interest for affordable housing: In order to incentivise purchase of affordable house, it is proposed to provide a deduction upto Rs. 1,50,000 for interest paid on loan taken for purchase of residential house having value upto Rs. 45 lakh. This shall be in addition to the existing interest deduction of Rs. 2 lakh.
- 4.2 Alignment of definition of affordable housing with GST Acts: In order to align the definition of affordable housing in the Income-tax Act with the GST Acts, it is proposed to increase the limit of carpet area from 30 square meters to 60 square meters in Metropolitan regions and from 60 square meters to 90 square meters in non-metropolitan regions. It is also proposed to provide the limit on cost of the house at Rs. 45 lakh in line with the definition in the GST Acts.

**5. Incentives to National Pension System (NPS) subscribers**

In order to give effect to the cabinet decision already taken to incentivise NPS, it is proposed to,-

- (i) increase the limit of exemption from current 40% to 60% of payment on final withdrawal from NPS;
- (ii) allow deduction for employer's contribution upto 14% of salary from current 10%, in case of Central Government employee;
- (iii) allow deduction under section 80C for contribution made to Tier II NPS account by Central Government employees.

**6. Preventing tax abuse**

6.1 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% in case of buy back of share, as is the case currently for unlisted companies.

6.2 In order to ensure that a trust or institution complies with local laws that are material for the purposes of achieving its objects, it is proposed to provide for cancellation of registration of the trust or institution under the Act for violation of such provision of any other law, where an order holding that such violation has occurred is either not contested or has become final. It is proposed to provide that at the time of registration it shall also be examined whether there has been any such violation by the trust or institution seeking registration.

**7. Rationalisation measures**

7.1 It is proposed to relax the definition of 'demerger' to allow the resulting company to record the value of the property and liabilities at a value different from the book value in compliance with the Indian Accounting Standards.

7.2 It is proposed to provide that where there is a failure to deduct tax at source on payments made to a non-resident and such non-resident has filed its tax return, paid taxes on such income and has furnished a prescribed certificate from an accountant, the deductor

shall not be held as assessee in default. It is also proposed to provide that in such cases, there would not be any corresponding disallowance of expenditure in the hand of deductor.

- 7.3 It is proposed to clarify that once an Advance Pricing Agreement (APA) has been signed and modified return is filed by the assessee, the Assessing Officer needs to only modify the total income in accordance with the APA.
- 7.4 It is proposed to simplify the provisions of secondary adjustment (in case of transfer pricing) by providing that instead of interest payment every year, the assessee shall have option of a one-time payment of tax of specified amount.
- 7.5 It is proposed to clarify that master file needs to be filed even when there is no international transaction and that the Assessing Officer and Commissioner (Appeals) do not have power to call for master file from the assessee.
- 7.6 It is proposed to provide that concessional rate of short term capital gains tax shall also apply to fund of funds set up for disinvestment of Central Public Sector Enterprises (CPSEs), to which concessional rate of long term capital gains tax has already been extended.
- 7.7 It is proposed to allow pass through of losses in cases of Category I and II AIF similar to pass through of income which is allowed at present.
- 7.8 It is proposed to provide that relief for taxes paid in respect of arrears or advance of salary etc. shall be taken into consideration while calculating the amount of self-assessment tax and for computing of interest payable by the assessee.
- 7.9 It is proposed to provide that tax shall be withheld on taxable payout of life insurance companies on net basis at 5%, instead of 1% on gross as at present.
- 7.10 It is proposed to provide for determination and computation of under-reported income for penalty purposes in a case where return is furnished for the first time under section 148 of the Act.
- 7.11 It is proposed to amend the prosecution provision for non-filing of return of income so as to provide reference of self-assessment tax paid before the expiry of the assessment year, and tax collected at source, in the said provision and to increase the threshold of tax



payable from Rs. 3,000 to Rs. 10,000, for proceeding against a person.

- 7.12 To enable fulfilment of our treaty obligations for providing assistance in collection of taxes, it is proposed to provide for recovery of tax in cases where details of property of a specified person is not available but the said person is a resident in India. Correspondingly, India will also be able to request similar assistance from other countries.
- 7.13 It is proposed to provide that every claim for refund under Chapter XIX of the Act shall be made by furnishing return in accordance with the provisions of section 139 of the Act.
- 7.14 It is proposed to provide for mechanism for taxation upon violation of conditions, subject to which exemption from applicability of the provisions of section 56(2)(viib) of the Act has been granted to notified persons.
- 7.15 It is proposed to amend section 56(2)(viii) of the Act consequent to the substitution of section 145A vide Finance Act, 2018.
- 7.16 Rule 68B of the Second Schedule to the Income Tax Act, 1961 relating to time limit for sale of attached immovable property is proposed to be amended so as to extend the period of limitation from three years to seven years. It is also proposed to empower the Board to extend this period by further period of three years in appropriate cases.
- 7.17 To prevent fraud, it is proposed to provide for extra time for passing an order under section 201 of the Act for treating a person as assessee in default, when correction statement is filed.
- 7.18 It is proposed to enable e-filing of statement in respect of transactions from which tax has not been deducted and also to increase the limit of interest payment in consequence to the amendment made in section 194A.
- 7.19 It is proposed to provide for rationalisation of the definition of “accounting year” for alternate reporting entity which is required to file Country-by-Country report.
- 7.20 It is proposed to provide for online filing of application by a person making a payment to a non-resident seeking determination of tax to be deducted at source.
- 7.21 The provisions of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 are proposed to be amended to redefine the term “assessee”, so that it may be

clarified that the residential status of the assessee, in the previous year in which the income is earned or the asset is acquired, shall be the determinative factor for charging under the said Act. A clarificatory amendment is also proposed in section 10 of the said Act in respect of reassessment. It is also proposed to provide that the Commissioner (Appeals) shall have the power to enhance a penalty and the Joint Commissioner may issue direction to the assessing officer.

- 7.22 Section 187 and 191 of the Finance Act, 2016 are proposed to be amended to enable payment of unpaid dues with interest and refund of excess amount paid under the Income Declaration Scheme, 2016.
- 7.23 Section 99 of the Finance (No.2) Act, 2004, is proposed to be amended to provide that value of taxable securities transaction in respect of sale of an option in securities, where option is exercised, shall be the difference between the settlement price and the strike price.
- 7.24 It is proposed to extend the tax exemption available to the Special Undertaking of the Unit Trust of India (SUUTI) for a further period of two years till 31st March, 2021.

### Recent Direct Tax Initiatives:

1. Growth in direct tax collections and number of taxpayers: Direct tax revenue has increased significantly over the past couple of years due to the efforts taken by the Government.
  - 1.1 From Rs. 6.38 lakh crore in FY 2013-14 to around Rs. 11.37 lakh crore in FY 2018-19, the growth in direct tax collections is more than 78%. It is now growing at double digit rates every year. The details of annual direct tax collections over the period 2013-14 to 2018-19 are given in the table below.

<b>DIRECT TAX COLLECTION FOR THE PERIOD FY 2013-14 TO FY 2018-19</b>		
<b>FINANCIAL YEAR</b>	<b>TOTAL COLLECTION (Rs. in crore)</b>	<b>Growth (%)</b>
2013-14	6,38,596	14.24%
2014-15	6,95,792	8.96 %
2015-16	7,41,945	6.63%
2016-17	8,41,713	13.45%
2017-18	10,02,741	19.13%
2018-19 (Provisional)	11,37,686	13.46%

- 1.2 Moreover, due to various initiatives and taxpayer outreach programmes undertaken by the Government, the number of taxpayers has also increased by approximately 48% over the period 2013-14 to 2017-18, from 5.71 crore taxpayers to 8.44 crore taxpayers. The details of the number of taxpayers over the period 2013-14 to 2017-18 are given in the table below.

<b>NO. OF TAXPAYERS*</b> <b>FOR THE PERIOD FY 2013-14 TO FY 2018-19</b>		
<b>FINANCIAL YEAR</b>	<b>NO. OF TAXPAYERS</b>	<b>Growth (%)</b>
2013-14	5,71,58,811	8.27%
2014-15	6,15,23,699	7.64%
2015-16	6,92,73,834	12.60%
2016-17	7,41,27,250	7.01%
2017-18	8,44,46,376	13.92%

\* A taxpayer is a person who either has filed a return of income or in whose case tax has been deducted but the person has not filed return of income.

Some of the major direct tax policy initiatives taken by the Government are discussed below.

2. Moderation of tax rates: It is an ongoing endeavour of the Government to moderate the tax rate in order to reduce the tax burden and increase compliance. In this direction, following major steps have been taken:

- (i) 100% tax rebate was provided to individuals having taxable income up to Rs. 5 lakh. Thus, no income-tax is payable by an individual having taxable income up to Rs. 5 lakh.
- (ii) The tax rate for corporate assesseees was gradually reduced to 25% and currently, only large corporates (with turnover above Rs. 250 crore) are required to pay tax at the rate of 30%. Moreover, even a large new manufacturing company having turnover above Rs. 250 crore is taxed at 25%.
- (iii) Basic exemption limit was increased from Rs. 2 lakh to Rs. 2.5 lakh.
- (iv) Exemption limit for senior citizens was increased from Rs. 2.5 lakhs to Rs. 3 lakh.
- (v) Tax rate for the slab Rs. 2.5 to 5 lakh was reduced from 10% to 5%.
- (vi) Standard deduction of Rs. 40,000 was introduced for salaried taxpayers and pensioners and was further increased to Rs. 50,000.
- (vii) Levy of wealth tax was abolished.

3. Benefits to middle class and senior citizen taxpayers: With a view to increase savings and promote healthcare among individuals including senior citizens, several measures have been taken by this Government. Some of them are as under:

- (i) Deduction limit for savings under section 80C was increased from Rs. 1 lakh to Rs. 1.5 lakh.
- (ii) The deduction limit for medical insurance was increased from Rs. 15,000 to Rs. 25,000. For senior citizens, the deduction limit was increased from Rs. 20,000 to Rs. 50,000.
- (iii) Deduction limit for individuals with disability was increased by Rs. 25,000.

- (iv) Deduction of Rs. 50,000 was provided on interest income from deposits for senior citizens.
  - (v) Deduction limit for senior citizens for medical expenditure for critical illnesses was increased from Rs. 60,000 to Rs. 1,00,000.
4. Ease of compliance for small businesses: Small businesses constitute the backbone of our economy. In order to reduce the compliance burden of small businesses and professionals, following measures have been taken by this Government:
- (i) Threshold for presumptive taxation of businesses was raised from Rs. 1 crore to Rs. 2 crore.
  - (ii) For maintenance of books of accounts by individuals and HUFs,
    - (a) income threshold was raised from Rs. 1.20 lakh to Rs. 2.5 lakh; and
    - (b) turnover threshold was raised from Rs. 10 Lakh to Rs. 25 Lakh.
  - (iii) Presumptive taxation was introduced for professionals having receipts up to Rs. 50 lakh.
5. Measures to incentivise affordable housing and real estate: Housing has been an area of concern for middle and lower-middle class. Further, real estate sector plays a significant role in generating employment in the economy. Considering the importance of housing sector, this Government has taken the following measures to promote this sector:
- (i) Deduction of interest on loan taken to purchase self-occupied house property was increased from Rs. 1.5 lakh to Rs. 2 lakh.
  - (ii) 100% deduction was provided for the income of affordable housing projects.
  - (iii) The base year for computation of long term capital gains was shifted from 1981 to 2001.
  - (iv) Holding period for long-term gain on immovable property was reduced from 36 months to 24 months.
  - (v) Safe harbour of 5% on stamp duty value was provided for the purpose of computation of capital gains on immovable property.

6. Measures to promote growth and employment generation: Tax policy plays an important role in promoting the growth and creation of employment. A number of measures have been taken by this Government in this direction, some of which are as under:

- (i) Profit-linked deduction was introduced for start-ups.
- (ii) The scope of investment-linked deduction was broadened by including certain new sectors, including infrastructure, which are critical to growth.
- (iii) Investment allowance and higher additional depreciation was provided for undertakings set up in backward regions of states of Andhra Pradesh, Bihar, Telangana and West Bengal.
- (iv) Incentive for employment generation was broadened and the conditions for eligibility to claim the incentive were relaxed.
- (v) Benefit was provided for computation of MAT liability and carry forward of loss for companies under Insolvency and Bankruptcy Code (IBC).
- (v) Safe Harbour provisions were further liberalised to align with industry standards.
- (vi) Scope of domestic transfer pricing provisions was restricted only for transactions between enterprises having profit-linked deductions.
- (vii) Pass through status was provided to Category I & II Alternative Investment Funds (AIFs).
- (viii) The time period for carry forward of MAT credit was increased from 10 to 15 years.

7. Measures to curb black money and promote a less-cash economy: Black money eats into the vitals of our economy. It is the conviction of the Government that elimination of poverty and inequity in our society cannot be achieved unless the problem of generation and concealment of black money is dealt with forcefully and effectively.

7.1 To this end, the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was introduced to address the problem of concealed foreign assets. To target domestic black money, the Benami law was comprehensively amended to enable confiscation of benami property and provide for prosecution, thus blocking a major avenue for generation and holding of black money in the form of Benami property, especially in real estate.

7.2 One of the most effective ways to deal with the generation of black money is to reduce the level of cash transactions in the economy. In furtherance of this objective of ushering in a less cash economy, the government took a slew of measures, the major ones being as under:

- (i) Acceptance of cash payment of Rs. 20,000 or more for immovable property transaction was prohibited.
- (ii) Cash transaction limit for business transactions was reduced.
- (iii) The threshold for cash donation to charitable trusts was reduced from Rs. 10,000 to Rs. 2,000.
- (iv) Threshold of Rs. 2,000 was introduced for acceptance of cash donation by political parties.
- (v) Profit rate for non-cash transactions in presumptive regime for businesses was reduced from 8% to 6%.
- (vi) Any cash transaction of Rs. 2,00,000 or more was prohibited.

**INDIRECT TAXES**

**1. PROPOSALS RELATING TO CHANGE IN CUSTOM DUTY RATES:**

	Chapter/ heading/ sub- heading / Tariff Item	Commodity	Rate of Duty	
			From	To
I.	<b>Incentivizing domestic value addition, 'Make in India'</b>			
A	<b>Reduction in Customs duty on inputs and raw materials to reduce costs</b>			
		<b>Chemicals</b>		
1	2710	Naphtha	5%	4%
2	2910 20 00	Methyloxirane (Propylene Oxide)	7.5%	5%
3	2903 15 00	Ethylene dichloride (EDC)	2%	Nil
4	28, 70	Raw materials used in manufacture of Preform of Silica: - a) Silicon Tetra Chloride b) Germanium Tetra Chloride c) Refrigerated Helium Liquid d) Silica Rods e) Silica Tubes	Applicable rate	Nil
		<b>Textile</b>		
5	5101, 5105	Wool fibre, Wool Tops	5%	2.5%
		<b>Steel and other base metals</b>		
6	7225, 7225 19 90	Inputs for the manufacture of CRGO steel: - a) MgO coated cold rolled steel coils b) Hot rolled coils c) Cold-rolled MgO coated and annealed steel d) Hot rolled annealed and pickled coils e) Cold rolled full hard	5%	2.5%
7	7226 99	Amorphous alloy ribbon	10%	5%



		30			
	8	8105 20 10	Cobalt mattes and other intermediate products of cobalt metallurgy	5%	2.5%
			<b>Capital goods</b>		
	9	82, 84, 85 or 90	Capital goods used for manufacturing of following electronic items, namely- (i) Populated PCBA (ii) Camera module of cellular mobile phones (iii) Charger/Adapter of cellular mobile phone (iv) Lithium Ion Cell (v) Display Module (vi) Set Top Box (vii) Compact Camera Module	Applicable rate	Nil
	<b>B</b>	<b>Changes in Customs duty to provide level playing field to domestic industry</b>			
			<b>Food processing</b>		
	10	0801 32 10	Cashew kernels, broken	Rs. 60 per kg or 45% whichever is higher	70%
	11	0801 32 20, 0801 32 90	Cashew kernels	Rs. 75 per kg or 45% whichever is higher	70%
			<b>Chemicals, Plastics and Rubber</b>		
	12	15, 2915 70, 3823 11 00, 3823 12 00, 3823 13 00, 3823 19 00	Palm stearin and other oils having 20% or more free fatty acid, Palm fatty acid distillate and other industrial monocarboxylic fatty acids. acid oils from refining for use in manufacture of	Nil	7.5%

			oleochemicals and soap		
	13	3904	Poly Vinyl Chloride	7.5%	10%
	14	3918	Floor cover of plastics, Wall or ceiling coverings of plastics	10%	15%
	15	3926 90 91, 3926 90 99	Articles of plastic	10%	15%
	16	4002 31 00	Butyl Rubber	5%	10%
	17	4002 39 00	Chlorobutyl rubber or bromobutyl rubber	5%	10%
			<b>Paper Industry</b>		
	18	48	a. Newsprint b. Uncoated paper used for printing of newspapers c. Lightweight coated paper used for magazines	Nil	10%
	19	4901 1010, 4901 91 00, 4901 99 00	Printed books (including covers for printed books) and printed manuals	Nil	5%
			<b>Textile</b>		
	20	5603 94 00	Water blocking tapes for manufacture of optical fiber cables	Nil	20%
			<b>Ceramic products</b>		
	21	6905, 6907	Ceramic roofing tiles and ceramic flags and pavings, hearth or wall tiles etc.	10%	15%
			<b>Steel and base metal products</b>		
	22	7218	Stainless steel products	5%	7.5%
	23	7224	Other alloy steel	5%	7.5%
	24	7229	Wire of other alloy steel (other than INVAR)	5%	7.5%
	25	8302	Base metal fittings, mountings and similar articles suitable for furniture, doors, staircases, windows, blinds, hinge for auto mobiles	10%	15%
			<b>Electronic goods and</b>		

			<b>machine</b>		
	26	8415 90 00	Indoor and outdoor unit of split system air conditioner	10%	20%
	27	8474 20 10	Stone crushing (cone type) plants for the construction of roads	Nil	7.5%
	28	8504 40	Charger/ power adapter of CCTV camera/ IP camera and DVR / NVR	Nil	15%
	29	8518 21 00, 8518 22 00	Loudspeaker	10%	15%
	30	8521 90 90	Digital Video Recorder (DVR) and Network Video Recorder (NVR)	15%	20%
	31	8525 80	CCTV camera and IP camera	15%	20%
	32	9001 10 00	Optical Fibres, optical fibre bundles and cables	10%	15%
			<b>Automobile and automobile parts</b>		
	33	6813	Friction material and articles thereof etc.	10%	15%
	34	7009	Glass mirrors, whether or not framed, including rear-view mirrors	10%	15%
	35	8301 20 00	Locks of a kind used in motor vehicles	10%	15%
	36	8421 39 20 8421 39 90	Catalytic Converter	5%	10%
	37	8421 23 00	Oil or petrol filters for internal combustion engines	7.5%	10%
	38	8421 31 00	Intake air filters for internal combustion engines	7.5%	10%
	39	8512 10 00, 8512 20 10, 8512 20 20	Lighting or visual signaling equipment of a kind used in bicycles or motor vehicles	10 %	15%
	40	8512 30 10	Vehicle Horns	10%	15%
	41	8512 20 90, 8512 30 90,	Other visual or sound signalling equipment for bicycle and motor vehicle	7.5%	15%
	42	8512 90 00	Parts of visual or sound	7.5%	10%

			signaling equipment, windscreen wipers, defrosters and demisters of a kind used in cycles or motor vehicles		
	43	8512 40 00, 8539 10 00, 8539 21 20, 8539 29 40	Windscreen wipers, defrosters and demisters, Sealed beam lamp units, Other lamps for automobiles.	10%	15%
	44	8702, 8704	Completely Built Unit (CBU) of vehicles	25%	30%
	45	8706	Chassis fitted with engines, for the motor vehicles of headings 8701 to 8705	10%	15%
	46	8707	Bodies (including cabs), for the motor vehicles of headings 8701 to 8705	10%	15%
	<b>C</b>	<b>Reducing customs duty to promote electrical mobility</b>			
	47	Any Chapter	Parts for exclusive use Electric vehicles - a. E-drive assembly b. On board charger c. E compressor d. Charging Gun	Applicable rate	Nil
	<b>D</b>	<b>Changes in Customs duty to address the problem of duty inversion in certain sectors</b>			
	48	2515 12 20, 6802 10 00, 6802 21 10, 6802 21 20, 6802 21 90, 6802 91 00, 6802 92 00	Marble Slabs	20%	40%
	49	Any Chapter	Raw material, parts or accessories for use manufacture of artificial kidneys, disposable sterilized dialyzer and micro-barrier of artificial kidney	Applicable rate	Nil
<b>II</b>		<b>Reduction in customs duty to promote renewable energy</b>			
	50	2612 10 00	All forms of Uranium ores and concentrates, for	2.5%	Nil

			generation of nuclear power		
	51	2844 20 00	Uranium enriched in U-235 or its compounds, plutonium and its compounds, mixtures etc. for generation of nuclear power	7.5%	Nil
	52	9801	All goods required for setting up of Nuclear power plant under project imports: - a) MahiBanswara Atomic Power project- 1 to 4, b) Kaiga Atomic Power project – 5 & 6, c) Gorakhpur Atomic Power project- 3 & 4, d) Chutka Atomic Power project- 1 & 2)	Applicable rate	Nil
<b>III Duty rationalization/ withdrawal</b>					
	53	2709 20 00	Petroleum crude	Nil	Re. 1 per tonne
	54	84, 85 or 90	Specified electronic goods such as switches, sockets, plugs, connectors, relays etc.	Nil	Applicable rate
	55	84, 85 or 90	Capital goods used for manufacturing of specified electronic items, namely-  (i) Cathode Ray tubes; (ii) CD/CD-R/DVD/DVD-R; (iii) Deflection components, CRT monitors/CTVs; (iv) Plasma Display Panel	Nil	Applicable rate
<b>IV Export Promotion for sports goods</b>					
	56	39, 44	Foam/ EVA foam and pine wood are being included in the list of item allowed duty free import upto 3% of FOB value of sports goods	Applicable rate	Nil

			exported in the preceding financial year		
<b>V</b>	<b>Reduction in customs duty for Defence sector</b>				
	57	Any Chapter	Specified Military equipment and their parts imported by Ministry of Defence or Armed forces	Applicable rate	Nil
<b>VI</b>	<b>Additional revenue measures</b>				
	58	7106	Silver (including silver plated with gold or platinum) unwrought or in semi-manufactured forms, or in powder form	10%	12.50%
	59	7106	Silver dore bar, having silver content not exceeding 95%	8.50%	11%
	60	7107 00 00	Base metals clad with silver, not further worked than semi-manufactured	10%	12.50%
	61	7108	Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form	10%	12.50%
	62	7108	Gold dore bar, having gold content not exceeding 95%	9.35%	11.85%
	63	7109 00 00	Base metals or silver, clad with gold, not further worked than semi-manufactured	10%	12.50%
	64	7110	Platinum, unwrought or in semi-manufactured forms, or in powder form [ other than Rhodium]	10%	12.50%
	65	7111 00 00	Base metals, silver or gold, clad with platinum, not further worked than semi-manufactured	10%	12.50%
	66	7112	Waste and scrap of precious metals or of metal clad with precious metals; other waste and scrap containing	10%	12.50%

			precious metal compounds, of a kind used principally for the recovery of precious metal.		
	67	71 or 98	Gold and Silver imported by an eligible passenger as baggage	10%	12.50%
<b>Road and infrastructure cess (customs)</b>					
	68	2710	Motor spirit commonly known as petrol, High speed diesel oil	Rs 8 per litre	Rs 9 per litre

## **2. PROPOSALS INVOLVING CHANGE IN EXPORT DUTY RATES:**

	Chapter/heading/sub-heading/ Tariff Item	Commodity	Rate of Duty	
			From (%)	To (%)
<b>Reduction in Export Duty</b>				
1	41	El tanned Leather	15	Nil
2	41	Hides, skins and leathers tanned and untanned, all sorts	60	40

## **3. AMENDMENTS TO THE CUSTOMS TARIFF ACT, 1975**

S. No.	Amendment
<b>A</b>	<b>Amendment in the Customs Tariff Act, 1975</b>
1	Amendment to the section 9 so as to insert sub-section (1A) to provide for anti-circumvention measure in respect of countervailing duty.
2	Amendment to section 9C of the Customs Tariff Act, 1975 so as to provide appeal provisions against determination of safeguard duties to allow appeal against determination of safeguard duty by designated authority with CESTAT.
<b>B</b>	<b>Amendment in the First Schedule of the Customs Tariff Act, 1975</b>
1	First Schedule to the Customs Tariff Act, 1975 is amended to: <ul style="list-style-type: none"> <li>(i) Create specific tariff lines for specific products, presently classified as "others";</li> <li>(ii) Rectify the errors to align it with HSN.</li> </ul>

2	Amendment in Chapter Notes to Chapter 98, so as to exclude Printed books imported for personal use from the purview of Chapter 98. Printed books imported for personal use will now attract applicable duty.
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#### 4. MAJOR AMENDMENTS IN THE CUSTOMS ACT, 1962

S. No.	Amendment
<b>A</b>	<b>For facilitating trade</b>
1	Allowing furnishing of departure manifest by a person notified by the Central Government [ section 41].
<b>B</b>	<b>For improving compliance</b>
2	Introducing provisions for verification of Aadhar or any other identity and other compliance by a person for protecting the interests of revenue or to prevent smuggling [New section 99B]
3	Provision to enable the proper officer to scan or screen, with the prior approval, any person who has any goods liable to confiscation secreted inside his body and to enable the magistrate to take action upon the report of scanning by the proper officer [Section 103].
4	Empowering proper officer of customs to arrest a person who has committed an offence outside India or Indian Customs waters and to make certain offences as cognizable and non-bailable [section 104]
5	(a) Empowering the proper officer to provisionally attach any bank account for safeguarding the government revenue and prevention of smuggling [section 110]. (b) Providing powers to release bank account provisionally attached under section 110 on fulfilment of certain conditions [ section 110A].
6	Provide for penalty on any person who has obtained any instrument by fraud, collusion , wilful misstatement or suppression of facts which is utilised for payment of duty [New section 114 AB]
<b>7</b>	Provide for making the offence punishable if the instrument obtained by fraud, collusion, wilful misstatement or suppression of facts, is used for making payment of duty exceeding 50 lakh rupees [section 135]
8	Enhancing maximum penalty to (a) Rs 4 lakh for violation of provisions of the Act; (b) Rs 2 lakh for violation of Rules or Regulation [section 158]



<b>C</b>	<b>For reducing litigation</b>
9	Providing for that in respect of cases covered under deemed closure proceedings under section 28, no fine in lieu of confiscation shall be imposed on the infringing goods [section 125].

**5. PROPOSALS INVOLVING CHANGE IN EXCISE DUTY RATES:**

		Tariff Item	Commodity	Rate of Duty	
				From	To
<b>A</b>	<b>Basic Excise Duty</b>				
	1	2402 20 10	Other than filter cigarettes, of length not exceeding 65 millimetres	Nil	Rs. 5 per thousand
	2	2402 20 20	Other than filter cigarettes, of length exceeding 65 millimetres but not exceeding 70 millimetres	Nil	Rs. 5 per thousand
	3	2402 20 30	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) not exceeding 65 millimetres	Nil	Rs. 5 per thousand
	4	2402 20 40	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 65 millimetres but not exceeding 70 millimetres	Nil	Rs. 5 per thousand
	5	2402 20 50	Filter cigarettes of length (including the length of the filter, the length of filter being 11 millimetres or its actual length, whichever is more) exceeding 70 millimetres but not exceeding 75 millimetres	Nil	Rs. 5 per thousand
	6	2402 20 90	Other Cigarettes	Nil	Rs. 10 per

					thousand
7	2402 90 10	Cigarettes of tobacco substitutes	Nil		Rs. 5 per thousand
8	2403 11 10	Hookah or gudaku tobacco	Nil		0.5%
9	2403 19 10	Smoking mixtures for pipes and cigarettes	Nil		1%
10	2403 19 21	Other than paper rolled biris, manufactured without the aid of machine	Nil		5 paisa per thousand
11	2403 19 29	Other (biris)	Nil		10 paisa per thousand
12	2403 19 90	Other <i>smoking tobacco</i>	Nil		0.5%
13	2403 91 00	"Homogenised" or "reconstituted" tobacco	Nil		0.5%
14	2403 99 10	Chewing tobacco	Nil		0.5%
15	2403 99 20	Preparations containing chewing tobacco	Nil		0.5%
16	2403 99 30	Jarda scented tobacco	Nil		0.5%
17	2403 99 40	Snuff	Nil		0.5%
18	2403 99 50	Preparations containing snuff	Nil		0.5%
19	2403 99 60	Tobacco extracts and essence	Nil		0.5%
20	2403 99 90	Other ( <i>manufactured tobacco and substitutes</i> )	Nil		0.5%
21	2709 20 00	Petroleum crude	Nil		Re.1 per tonne
		<b>Special additional excise duty</b>			
22	2710	Motor spirit commonly known as petrol	Rs 7 per litre		Rs 8 per litre
23	2710	High speed diesel oil	Re 1 per litre		Rs 2 per litre

Road and infrastructure cess					
	24	2710	Motor spirit commonly known as petrol, High speed diesel oil	Rs 8 per litre	Rs 9 per litre

**Note:** “Basic Excise Duty” means the excise duty set forth in the Fourth Schedule to the Central Excise Act, 1944.

“NCCD” means National Calamity Contingency Duty set forth in seventh schedule to Finance Act, 2001

#### **6. Sabka Vishwas Legacy Dispute Resolution Scheme**

S. No.	Details of the proposal
1	<p>A dispute resolution cum amnesty scheme called “the Sabka Vishwas Legacy Dispute Resolution Scheme, 2019” is being introduced for resolution and settlement of legacy cases of Central Excise and Service Tax.</p> <p>The proposed Scheme covers past disputes of taxes which have got subsumed in GST namely Central Excise, Service Tax and Cesses. All persons are eligible to avail the scheme except a few exclusions including as those convicted under the act in the case for which he intends to make declaration and those who have filed an application before the Settlement Commission.</p> <p>The relief under the scheme varies from forty percent to seventy percent of the tax dues for cases other than voluntary disclosure cases, depending on the amount of tax dues involved. The scheme also provides relief from payment of interest and penalty. For voluntary disclosures, the relief is regarding waiver of interest and penalty on payment of full tax dues disclosed. The person discharged under the scheme shall also not be liable for prosecution.</p> <p>The Scheme provides for method of payment of tax dues, arrears and restrictions regarding the manner of payment etc. The Scheme shall become available from a date to be notified. The procedural details and rules regarding the Scheme shall be notified in due course.</p>

#### **7. PROPOSALS INVOLVING CHANGE IN GOODS AND SERVICE TAX PROVISIONS :**

<b>S. No.</b>	<b>Amendments in the Central Goods and Service Tax, 2017</b>
<b>A</b>	<b>For facilitating trade or consumer</b>
1	Providing for a composition scheme for supplier of services or mixed suppliers (not eligible for the earlier composition scheme) having an annual turnover of upto Rs 50 lakhs in preceding financial year. [section 10 ]
2	Enhancing the threshold exemption limit from Rs. 20 lakhs to an amount exceeding Rs. 40 lakhs for a supplier of goods [section 22].
3	Providing for furnishing return on annual basis and quarterly payment of taxes by a composition dealer [section 39]
4	Prescribing that specified suppliers shall have to mandatorily give the option of specified modes of electronic payment to their recipients [New section 31A].
5	Empower the Commissioner to extend the due date for furnishing of (i) Annual return and Re-conciliation statement [section 44] (ii) Monthly and Annual Statement by an e-commerce operator [section 52]
6	Providing facility to the registered person to transfer an amount from one head to another head in the electronic cash ledger [section 49]
7	Providing for charging interest only on the net cash tax liability [section 50]
8	Enable the Central Government to disburse refund amount of state taxes to the taxpayers [section 54]
9	Providing for constitution, qualification, appointment, tenure, conditions of services of the National Appellate Authority for Advance Ruling and the procedures for filing of appeals and rectification of orders. To empower the National Appellate authority at par with civil courts [sections 95, 101A, 101B, 101C, 102, 103,104,105, 106]
<b>B</b>	<b>For improving compliance</b>
10	Prescribing mandatory Aadhaar authentication for specified class of existing/new taxpayers [section 25]
<b>C</b>	<b>Miscellaneous</b>
11	Empowering the National Anti-profiteering Authority to impose penalty equivalent to 10% of the profiteered amount [section 171]

The proposed changes in GST law shall come into effect from a date to be notified after the respective SGST Acts are also amended by the States.

**MAJOR RATE REDUCTIONS IN GST RATES AFTER THE  
ROLL OUT OF GST  
(from 1<sup>st</sup> July, 2017 till 30<sup>th</sup> June, 2019)**

The GST rate reductions, since 1.7.2017, in broad grouping of goods and services are as follows:

**GOODS**

**I. 28% to 18%**

- (a) Construction materials like wires, cables, electrical boards, panels, consoles, cabinets, particle/fibre boards and ply wood etc, slabs of marbles and granite, ceramic tiles of all kinds, paints and varnishes etc.
- (b) Furniture and other items of household furnishings like mattress, bedding and similar furnishing
- (c) Soaps, shampoos, hair oil, toothpastes, perfumes and cosmetics
- (d) Detergents, and other organic surfactants.
- (e) Domestic electrical goods like fans, pumps, lamps and light fittings
- (f) Trunk, suitcase, vanity cases, brief cases, travelling bags and other hand bags, cases
- (g) Articles of Sanitary ware, floor covering, baths, shower, sinks, washbasins, seats, sanitary ware of plastic
- (h) Articles of plastics like utensils, containers, miscellaneous household articles
- (i) Kitchen articles such as vacuum flasks, lighters, cutlery, stoves, cookers, lighters
- (j) Glass of all kinds and articles thereof such as mirror, glassware, pots, jars etc
- (k) Physical exercise equipment, festival and carnival equipment, swings, shooting galleries, roundabouts, gymnastic and athletic equipment
- (l) Food items such as chocolates, malt extract like milk drinks, waffles and wafers coated with chocolate, custard powder
- (m) Consumer electronic items goods like refrigerators, washing machines, vacuum cleaners, juicers, mixers, storage water heaters, Electric smoothing irons and Televisions and computer monitors upto the size of 32 inches etc, primary cell, lithium ion battery, digital cameras, video games etc

- (n) Office machines like printers, fax machines, photocopiers etc
- (o) ATM machines
- (p) Wrist watches and clocks
- (q) Musical instruments
- (r) Electrical, electronic weighing machinery
- (s) Construction equipment like Fork lifts, Bull dozers, excavators, road rollers, earth movers etc
- (t) Office stationery like fittings for loose-leaf binders or files, letter clips etc
- (u) Parts suitable for use solely or principally with fixed Speed Diesel Engines of power not exceeding 15HP; transmission shafts and cranks; gear boxes; pulley; re-treaded or used pneumatic tyres of rubber
- (v) Commercial vehicles like works trucks of the type used in factories, warehouses, dock areas or airports for short transport of goods, trailers and semi-trailers, crane lorries, fire fighting vehicle, concrete mixer lorries, spraying lorries
- (w) Other miscellaneous articles such as rain coats, specified articles of rubber and leather, electronic weighing machinery

**II. 28% to 12%**

- (a) Specified tableware, kitchenware, other household articles
- (b) Specified items of wood and stones
- (c) Wet grinder
- (d) Tanks and other armoured fighting vehicles

**III. 28% to 5%**

- (a) Aircraft engines
- (b) Aircraft tyres
- (c) Aircraft seats
- (d) Parts and accessories for the carriages for disabled persons
- (e) Hard Rubber waste or scrap

**IV. 18% to 12%**

- (a) Specified parts of specified agricultural, horticultural, forestry, harvesting or threshing machinery
- (b) Specified parts of sewing machines
- (c) Bamboo furniture
- (d) Spectacles frames
- (e) Hand bags of jute and cotton

- (f) Handicrafts like art ware of cork, stone art ware, stone inlay work, ornamental framed mirrors, glass statues, art ware of iron, brass, copper, handcrafted lamps
- (g) Drinking water packed in 20 liters bottles
- (h) Confectionary
- (i) Condensed milk
- (j) Pasta, Mayonnaise, Curry paste
- (k) Brass Kerosene Pressure Stove.
- (l) Nozzles for drip irrigation or sprinklers
- (m) Drip irrigation system including laterals, sprinklers
- (n) Mechanical Sprayer
- (o) Textiles goods such as caps, synthetic filament yarn, artificial filament yarn, sewing thread of manmade staple fibres
- (p) Bio-diesel
- (q) Specified Bio-pesticides
- (r) Handbags including pouches and purses; jewellery box

**V. 18% to 5%**

- (a) Food items such as chikki, chutney powder
- (b) Fly ash, fly ash aggregate with 90% or more fly ash content
- (c) Tamarind Kernel Powder
- (d) Mehendi paste in cones
- (e) Solid bio fuel pellets
- (f) Plastic waste
- (g) Rubber waste
- (h) Cullet or other waste or scrap of Glass
- (i) Biomass briquettes
- (j) Fertilizer grade Phosphoric acid

**VI. 12% to 5%**

- (a) Walnuts, tamarind dried, roasted gram, mangoes sliced dried, khakra and plain chapati / roti, idli, dosa batter, namkeens (other than branded)
- (b) Dhoopbatti, dhoop, sambhrani and other similar items
- (c) Textile items like corduroy fabrics, saree fall, handmade lace, hand-woven tapestries, hand-made braids and ornamental trimming in the piece
- (d) Ayurvedic, Unani, Siddha, Homeopathy medicines (other than branded)
- (e) Desiccated coconut

- (f) Handicraft goods like Handmade carpets, handloom dari
- (g) Paper waste or scrap
- (h) Textile goods like Real Zari, fishing net, velvet fabric, chenille fabrics, narrow woven fabric including cotton newar, coir cordage and ropes
- (i) Fly ash brick, fly ash blocks

**VII. 3% to 0.25%**

- (a) Rough industrial diamonds including unsorted rough diamonds
- (b) Diamonds and precious stones

**VIII. Exemptions and other miscellaneous changes**

- (a) Khadi fabric, sold through Khadi and Village Industries Commission's outlets
- (b) Idols made of clay, Stone/Marble/Wood Deities, Vibhuti
- (c) Brooms and brushes, consisting of twigs or other vegetable materials, bound together, with or without handles.
- (d) Khandsari sugar
- (e) Handicrafts such as Bangles of lac/shellac, Rakhi, khalidona
- (f) Charkha for hand spinning of yarns, including amber charkha
- (g) Duty credit scrips
- (h) Parts and accessories for manufacture of hearing aids.
- (i) De-oiled rice bran
- (j) Sanitary Napkin
- (k) Coir pith compost
- (l) Handmade musical instruments
- (m) The refund of accumulated input tax credit at fabric stage has been allowed with effect from 1st August, 2018.

**SERVICES**

**I. 28% to 18%**

- (a) Services by way of admission to entertainment events/ amusement parks etc.
- (b) Cinema tickets above Rs. 100.

**II. 18% to 12%**

- (a) Works contract services supplied to the Government, Government entities etc. for constructions, such as construction of canals, dams, roads, bridges.



- (b) Services by way of job work in relation to manufacture of umbrella and specified printed goods.
- (c) Transportation of natural gas, petroleum crude, petrol, high speed diesel or aviation turbine fuel through pipeline, where input tax credit (ITC) is availed.
- (d) Services by goods transport agency (GTA) in relation to transportation of goods, where ITC is availed.
- (e) Service of exploration, mining or drilling of petroleum crude or natural gas or both.
- (f) Services by way of treatment of effluents by a Common Effluent Treatment Plant.
- (g) Multimodal transportation of goods within India.
- (h) Cinema tickets upto Rs. 100.
- (i) Third party insurance premium of goods carrying vehicles.
- (j) Works contract services involved in construction of houses under schemes such as Pradhan Mantri Awas Yojana.

**III. 18% to 5% (\* 5% without ITC) –**

- (a) Works contract services supplied to the Government, Government entities where such works contract involves predominantly earth work.
- (b) Services by way of job work in relation to textiles, gems and jewellery, leather goods, food and food products, handicraft goods etc.
- (c) Supply of e-books.
- (d) Supply of services by a restaurant not located in the premises of a hotel having unit of accommodation with declared tariff of Rs 7500/- and above.\*
- (e) Transportation of natural gas, petroleum crude, petrol, high speed diesel or aviation turbine fuel through pipeline. \*
- (f) Air travel of pilgrims by non-scheduled/charter operations, for religious pilgrimage facilitated by the Government of India under bilateral arrangements. \*

**IV. Special package for real estate sector –**

- (a) Construction of affordable residential houses, i.e. houses having carpet area of upto 60 sqm in metros and 90 sqm in non-metros and having value upto Rs. 45 lakhs)- **1% without ITC.**

- (b) Construction of residential houses other than affordable residential houses- 5% without ITC.

**V. Exemption**

- (a) Service provided by Fair Price Shops to Government by way of sale of food grains, kerosene, sugar, edible oil, etc. under Public Distribution System.
- (b) Services of transportation of students, faculty and staff provided to schools and renting of motor vehicle for supply of such service.
- (c) Services provided by an educational institution by way of conduct of entrance examination.
- (d) Services provided to educational institutions, by way of supply of online educational journals or periodicals and services relating to admission/conduct of examination.
- (e) Life insurance service of Naval Group Insurance Fund to the personnel of Coast Guard.
- (f) Life insurance business provided under life micro-insurance product having maximum amount of cover of two lakh rupees,
- (g) Intermediary of financial services located in International Financial Services Centre (IFSC) to a customer located outside India.
- (h) Services by way of fumigation in a warehouse of agricultural produce.
- (i) Services by way of warehousing of minor forest produce.
- (j) Services provided by Resident Welfare Associations (RWA) to its members where contribution is upto an amount of Rs. 7500 per month per member.
- (k) Services by an old age home run by Central Government, State Government or by an entity registered under section 12AA of the Income-tax Act, 1961.
- (l) Services by National Pension System (NPS) Trust to its members against consideration in the form of administrative fee.
- (m) Rehabilitation/therapy/counselling services by rehabilitation professionals recognised under Rehabilitation Council of India Act, 1992.
- (n) Admission to circus, dance, theatre etc having admission ticket of upto Rs. 500 per person.

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