

BANKING ON KNOWLEDGE

India's Budget is equitable



By Dr R Seetharaman

India's Finance Minister Nirmala Seetharaman presented the Union Budget 2019-20 yesterday. Earlier, the Interim Budget 2019-20 was presented in February this year. The Union Budget targets India to become a \$3tn economy in FY20 and \$5tn in a few years. The fiscal deficit for FY19 is estimated at 3.3% of GDP. India's FDI flows in 2018-19 remained strong compared to global at \$54.2bn, 6% higher than last year. It has set up enhanced disinvestment target of Rs1,05,000 crore in FY20 as against Rs90,000 crore set in the Interim Budget. It proposes changes to kick-start domestic and foreign investment. The Budget wants to liberalise FDI in aviation, media, animation and insurance intermediaries.

The local sourcing norms are to be eased for single-brand retail FDI. This will encourage FDI participation in such sectors. Easing of local sourcing norms for single brand retail will be good news



for single brand retailers. To resolve the issue of Angel Investors Tax, startups and investors who file requisite declarations will not be subjected to any kind of scrutiny in respect of valuation of share

premium. A mechanism of e-verification will be put in place and with this, the funds raised by startups will not require any tax scrutiny. The Budget proposes to set up a Credit Guarantee Enhancement Corp. The Budget initiates steps for electronic fund raising programme for listing of social enterprises and voluntary organisations. This will improve market access and liquidity flow for such enterprises. India's sovereign external debt to GDP is among the lowest globally at less than 5% and external borrowings are planned. The Budget asks SEBI to evaluate hiking minimum public shareholding to 35% from 25%. It proposes rationalising and streamlining of KYC (know your customer) norms for Foreign Portfolio Investors (FPIs) to make it investor-friendly. The NRI portfolio route is to be merged with FPI for seamless investment in stock markets. To allow FPIs/NRIs to subscribe to listed debt papers of Real Estate Trusts (REITs) and Investment Trusts (InvITs). Aadhaar cards are to be issued to non-residents Indians with Indian passports after arrival

in India, without waiting for 180 days. The Budget proposes to bring ETFs in line with equity-linked savings schemes of mutual funds to encourage retail investors. Interchangeability of PAN and Aadhaar card is to be allowed for ease and convenience to taxpayers. ITR can be filed without PAN by quoting Aadhaar number. Import duty is to be hiked on gold and precious metals to 12.5%, from the current level of 10%. The state-run banks are to get Rs70,000 crore capital to boost credit. Fundamentally sound NBFCs are to keep getting funding from banks and mutual funds to allow FIIs and FPIs investment in debt securities issued by NBFCs. This can improve participation in Indian debt markets. A new PPP model will usher the new dawn of Indian railway. Railways is to be encouraged to invest more in suburban rail network via SPVs. Railway infrastructure will need an investment of Rs50 lakh crore between 2018 and 2030. The government is developing 17 iconic tourism sites as world-class tourist centres to improve the flow of domestic

and foreign tourists to these destinations. Currently, only 25% tax rate is applicable to companies with an annual turnover of Rs250 crore. The Budget will lower 25% corporate tax to apply on companies with up to Rs400 crore turnover, covering 99.3% of corporate India. Government has already moved GST Council to lower GST on Electric Vehicles (EVs) from 12% to 5%. To make EVs affordable, the government will provide additional income tax reduction of Rs1.5 lakh on interest paid on loan taken to purchase EVs. This is a major boost to EV buyers considering EV demand have been below expectation. This is also the first time that private buyers stand to benefit from deduction in income tax through purchase of EVs. It proposes investment-linked tax benefit for manufacture of products like lithium batteries and solar chargers. The Budget has given thrust on sustainable development through above measures. The Budget proposes to reduce net owned fund requirements to Rs1,000 crore from 5,000 crore for on-shoring

of international insurance companies. This measure will encourage overseas insurance companies to enter the Indian market. The government proposes to launch 'Study in India' programme to attract foreign students in higher education. The National Education Policy is to transform India's higher education system to global standards. It will allocate Rs400 crore for world-class higher education institutions in FY20. Reforms proposed for education sector will transform India into a knowledge economy and will significantly improve human capital with rising aspirations. The Budget will increase India's efforts to improve the skills of youth in newer areas such as Artificial Intelligence, Big Data, Robotics, etc, valued highly within and outside the country to ensure they can secure high paying jobs both in India and abroad. On the whole, India's budget 2019-20 is equitable.

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