



Good balancing act

## Good Balancing Act

The BJP led administration made a strident pitch for re-election as it announced a farm income support scheme, while also offering tax relief to middle class Indians. It has been a very well balanced election budget. It has met the objectives of boosting consumption, reducing farmer distress, reducing tax burden for middle class while managing the fiscal deficit under control. It stepped up spending; however there was no announcement to increase revenue collection via any additional taxes being imposed. Nevertheless, it maintained fiscal deficit would remain at 3.4% of GDP in FY20. Non-tax revenue sources such as divestment and dividends are expected to contribute significantly. To achieve fiscal deficit target of 3.4%, nominal GDP growth of 11.5% has been assumed. The Budget provides a boost to the primary engine of growth i.e. domestic consumption through income tax sops for nearly 30 mn low-income taxpayers and 120 mn marginal farmers.

## Highlights Of Budget

- ⇒ Mahatma Gandhi National Rural Employment Guarantee (MNREGA) program's allocation increased by Rs 5,000 cr to Rs Rs 60,000 cr for FY20
- ⇒ Farmers with less than two hectares will be given Rs 6,000 per year as direct transfer under PM Kisaan Samman Nidhi. The benefit will be transferred directly into the bank account of beneficiary in three installments of Rs 2,000 each.
- ⇒ Farmers affected by natural calamities will now receive 2-5% interest subvention under insurance scheme
- ⇒ 25% of sourcing for government projects will be from MSME, of which three per cent will be from women entrepreneurs.
- ⇒ Fund allocation to Northeast region increased to Rs. to Rs 58,166 cr
- ⇒ Defence budget for FY20 raised to Rs 3 lac cr
- ⇒ Rs 38,572 Cr allocated for the National Education Mission
- ⇒ Railway capital expenditure raised to Rs 64,586 cr in FY20 from Rs 53,060 cr in FY19
- ⇒ 25% of sourcing for government projects will be from MSME, of which three per cent will be from women entrepreneurs.
- ⇒ Tax free Gratuity limit increase to Rs 20 Lac from Rs10 Lac
- ⇒ The scheme, called Pradhan Mantri Shram Yogi Mandhan, will provide assured monthly pension of Rs. 3,000 with contribution of Rs. 100 per month for workers in unorganized sector after 60 years of age.
- ⇒ Our government delivered 6 cr free LPG connections under Ujjawala scheme
- ⇒ One lac digital villages in next 5 years
- ⇒ Single window for approval of India film makers

## Announcements related to Tax

- ⇒ Custom duty has abolished from 36 Capital Goods
- ⇒ Recommendations to GST council for reducing GST rates for home buyers
- ⇒ Full Tax rebate upto 5 lac annual income after all deductions.
- ⇒ Standard deduction has increase from Rs 40,000 to Rs 50,000
- ⇒ Exempt on tax on second self-occupied house
- ⇒ Ceiling Limit of TDS u/s 194A has increased from Rs 10,000 to Rs 40,000
- ⇒ Ceiling Limit of TDS u/s 194I has increased from Rs1,80,000 to Rs2,40,000
- ⇒ Capital tax Benefit u/s 54 has increased from investment in one residential house to two residential houses.
- ⇒ Benefit u/s 80IB has increased to one more year i.e. 2020
- ⇒ Benefit has given to unsold inventory has increased to one year to two years.

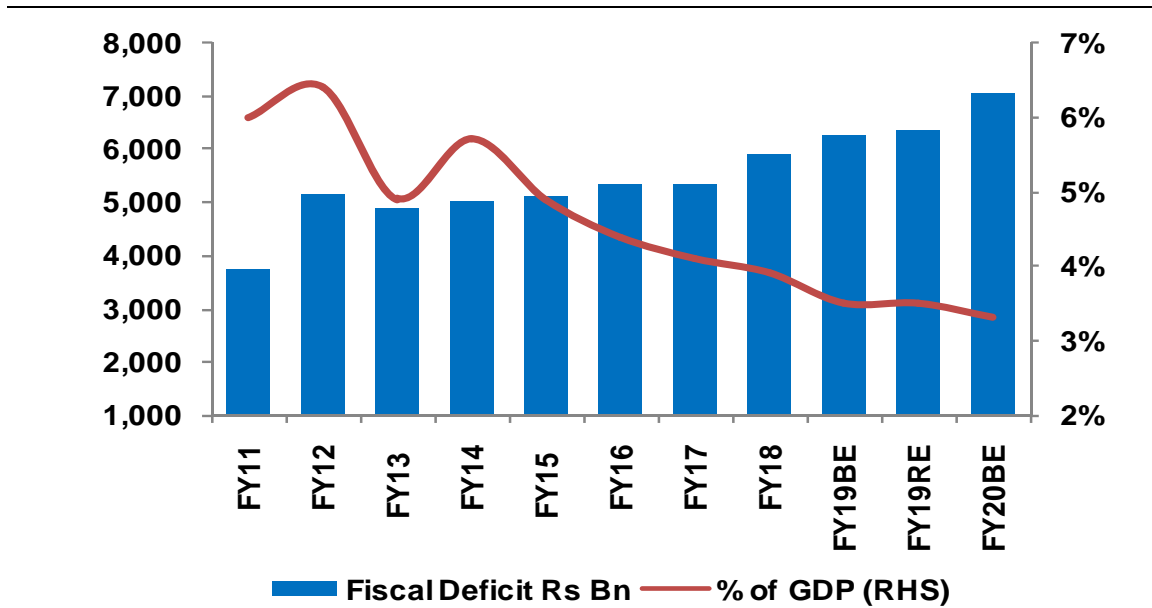
# Union Budget Analysis 2019-2020

## Budget at a Glance (table)

Rs Bn	FY16	FY17	FY18	FY19BE	FY19RE	FY20BE	Growth Rate
1. Revenue Receipts (i+ii)	11,950	13,741	14,352	17,257	17,297	19,777	14.3%
i) Tax Revenue (Net)	9,438	11,013	12,425	14,806	14,844	17,050	14.9%
ii) Non-Tax Revenue	2,513	2,728	1,927	2,451	2,453	2,726	11.2%
2. Capital Receipts	5,957	6,098	7,067	7,165	7,276	8,065	10.9%
iii) Recoveries of loans	208	176	156	122	132	125	-4.9%
iv) Other Receipts	421	477	1,000	800	800	900	12.5%
v) Borrowings & other Liabilities	5,328	5,445	5,911	6,243	6,344	7,040	11.0%
Total Receipts (1 + 2)	17,908	19,839	21,420	24,422	24,572	27,842	13.3%
3. On revenue account of which	15,378	16,905	18,788	21,418	21,406	24,479	14.4%
vi) Interest Payments	4,417	4,807	5,290	5,758	5,876	6,651	13.2%
4. Capital Account	2,530	4,503	2,631	3,004	3,166	3,363	6.2%
Total Expenditure (3 + 4)	17,908	21,408	21,420	24,422	24,572	27,842	13.3%
5. Revenue Deficit	3,427	3,163	4,436	4,160	4,109	4,702	14.4%
% of GDP	2.5%	2.1%	2.6%	2.2%	2.2%	2.2%	0.0%
6. Effective Revenue Deficit	2,110	1,506	2,525	2,206	2,106	2,694	27.9%
% of GDP	1.6%	1.0%	1.5%	1.2%	1.1%	1.3%	18.2%
7. Fiscal Deficit	5,328	5,356	5,910	6,242	6,344	7,040	11.0%
% of GDP	3.9%	3.5%	3.5%	3.3%	3.4%	3.4%	0.0%
8. Primary Deficit	911	549	621	484	468	389	-16.9%
% of GDP	0.7%	0.4%	0.4%	0.3%	0.2%	0.2%	0.0%

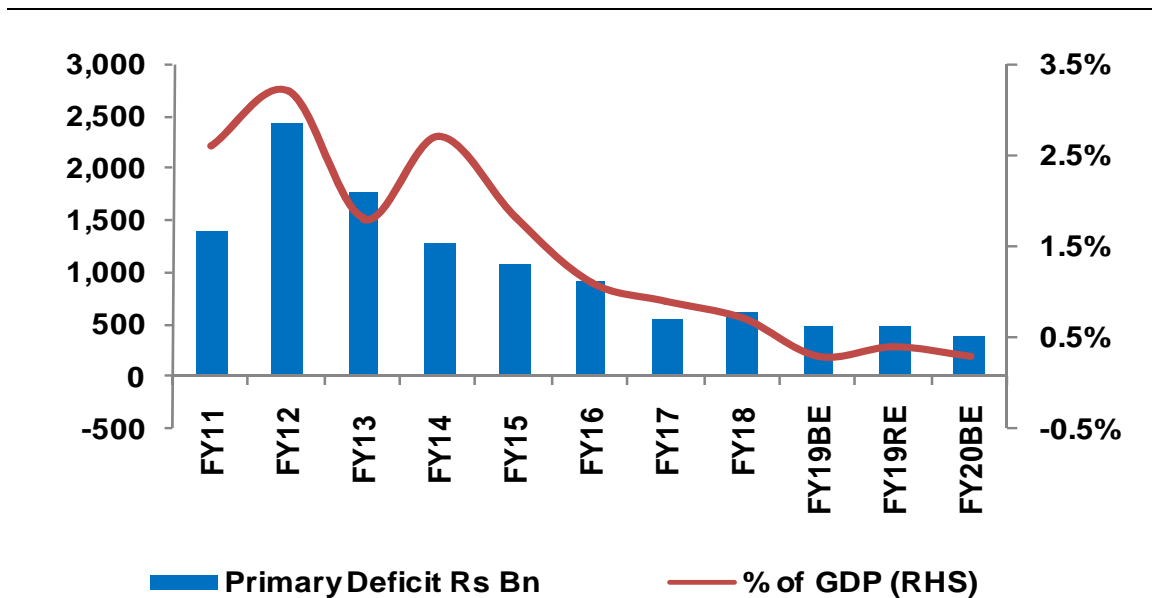
Source: Budget Documents, BP Equity Research

### Fiscal Deficit as % of GDP



Source: Budget Documents, BP Equities

### Primary Deficit as % of GDP



Source: Budget Documents, BP Equities

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

**General Disclaimer**

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice. BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

**Corporate Office:**

4th floor,  
Rustom Bldg,  
29, Veer Nariman Road, Fort,  
Mumbai-400001  
Phone- +91 22 6159 6464  
Fax-+91 22 6159 6160  
Website- [www.bpwealth.com](http://www.bpwealth.com)

**Registered Office:**

24/26, 1st Floor, Cama Building,  
Dalal street, Fort,  
Mumbai-400001

**BP Equities Pvt. Ltd.****CIN No: U67120MH1997PTC107392**