

## Budget article

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The Interim Budget for FY20 has holistically focused on three key elements – farmers, the urban middle-class and a much needed focus on the real estate sector.

If one looks at the Budgets of FY18 and FY19, the Government intent to drive rural demand was apparent. Today as well, the announcements include providing monetary support to farmers with assured income support benefiting 12 crore farmer families. The Government is expected to spend INR 75k crores in FY20 on this scheme. Additionally, INR 20k crores has been added to the current fiscal's farmer relief package.

The Minister announced steps in favor of MSMEs, which serve as large-scale critical growth engine of the economy. The interest subvention scheme of 2% on loans of up to INR 1 crore and quick loan facility for these units is expected to aid in driving capex and generate employment in the unorganized sector.

This Budget has also laid a much needed focus on the real estate sector, underpinning the Government's commitment towards housing for public and also providing tax exemptions to developers. The proposed levy of zero notional rent on the second house, rollover of capital gains for a sum of up to INR 2 crore under section 54 of the Income Tax Act from one to two houses, exemption from levy of tax on notional rent on unsold inventories from one to two years in which a project has been completed and the extension of tax benefits to affordable housing projects will help developers. Hopefully, these initiatives will help improve end-user demand towards real estate and thereby help developers given the current slowdown in demand and liquidity. It is important to note that a positive stimulus to the real estate sector will aid financial institutions since they serve as a large source of funding to real estate, and also aid in employment generation.

The Finance Minister praised the honest taxpayer and highlighted the significant increase in collection of taxes to INR 12 lakh crores in the current fiscal. In line with the increasing tax collection, the Minister has offered an impressive tax rebate for individuals having income of up to INR 5 lacs. Furthermore, an increase in thresholds of standard deduction for the salaried class, TDS deductions for rental income and TDS on interest on bank and post office deposits enhanced the taxpayers' cheer. Separately, the Minister's aim to announce certain measures to improve efficiency within the income tax department is likely to go a long way in improving tax compliance. The Government has clearly delivered on its goal of reducing the tax burden.

Much was also highlighted about the improving health of the banking sector with successful recapitalization of INR 2.6 lakh crores. Exit of Bank of India, Bank of Maharashtra and Oriental Bank of Commerce from RBIs Prompt Corrective Action (PCA) framework is a welcome sign. The Finance Minister expressed his confidence on the pace of reforms and recovery of other banks.

The budget also underlined the Government's achievement in containing inflation at 4.6% despite overall growth. Though India is solidly on track of development, given the progressive reforms and GDP growth, we still saw a slip in the fiscal deficit target for FY19, having increased to 3.4% from 3.3%. That said, the markets have so far taken the announcement in its stride and continues to bat solidly.

Overall, I would rate this as a good interim budget, a well-needed step in the right direction. And amen to the concluding remarks of India becoming a 5 trillion dollar economy in five years and 10 trillion dollar economy in the next eight years.

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