

SHOPPING FOR VOTES: ON THE INTERIM BUDGET 2019-20



The infographic features a green background with a white border. At the top left, there is a circular logo for 'INTERIM BUDGET 2019-20'. Next to it is an illustration of a farmer in a yellow shirt and orange turban standing next to a red tractor. To the right, the title 'Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)' is written in large, bold, green letters. In the top right corner, there is a small logo for 'pib'. Below the title, there are several icons and text blocks: a money bag icon, a family icon, a bank building icon, and a rupee coin icon. The text describes the scheme's details, including the amount of support, the number of beneficiaries, the transfer method, and the total outlay.

INTERIM BUDGET 2019 - 20

Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)

Direct income support of ₹6,000 p.a for farmers, effective 01.12.2018

To benefit 12 cr small and marginal farmer families having cultivable land upto 2 ha

Direct transfer into the bank accounts in three equal instalments

First installment upto 31.03.2019, to be paid this year itself

₹75,000 cr in outlay for 2019-20 and ₹20,000 cr in RE 2018-19

In an interim Budget, the **vote-on-account** seeks parliament's nod for incurring expenditure for **part of a fiscal year**.

However, the **estimates** are presented for the entire year, as is the case with the regular Budget. However, the incoming government has full freedom to change the estimates completely when the final Budget is presented.

The budget for the year approved by Parliament gives the **government spending** rights only till the **end of the financial year ending March 31**.

If for any reason the government is not able to present a full budget before the financial year ends, it will need **parliamentary authority for incurring expenditure** in the new fiscal year until a full Budget is presented.

Through the interim Budget, Parliament passes a **vote-on-account** that allows the government to meet the expenses of the administration until the new Parliament considers and passes the Budget for the whole year.

Interim Budget 2019: an exercise aimed at pleasing farmers, informal workers, salaried taxpayers:

The interim Budget 2019-20 contained elements that are **aimed** at benefiting **three major segments of the population**:

- **Farmers:** announcements of an income support scheme
- **Informal sector workers:** an insurance scheme
- **Salaried taxpayers:** tax exemptions.

Interim Budget 2019-20 must rank as one of the **most politically expedient** ones this country has seen.

The shadow of the general election falls squarely on the budget proposals, which are aimed at seeking votes in the name of **various schemes** that **rain cash on beneficiaries**.

The issue of binding the next government, post the election, it is necessary that **sharing of growth benefits** is done in ways that **sustain growth**, reduce distortions, and **improve capabilities** to participate in growth.

Pradhan Mantri Kisan Samman Nidhi :

To provide an assured income support to the small and marginal farmers.

Vulnerable landholding farmer families, having cultivable land upto 2 hectares, will be provided direct income support at the rate of Rs. 6,000 per year.

This income support will be transferred directly into the bank accounts of beneficiary farmers, in three equal instalments of Rs. 2,000 each.

Around 12 crore small and marginal farmer families are expected to benefit from this, which is almost half of the total number of households.

There is an **income support scheme for farmers** who are reeling under the impact of falling realisations for their crops, and

Informal sector workers: an insurance scheme: Pradhan Mantri Shram Yogi Mandhan (PMSYM) scheme:

There are around **42 crore unorganised sector workers**, which contribute toward the growth of national economy.

Launch of **Pradhan Mantri Shram Yogi Mandhan (PMSYM) scheme** to provide **unorganised workers** an assured monthly pension of **Rs 3,000 after 60 years** of age.

The scheme will attract matching contribution of Rs 100 per month from government as well as from workers.

The scheme will **benefit 10 crore workers in unorganised sector**, may become the world's biggest pension scheme for **unorganised sector in five years**".

The scheme will cover all those unorganised sector workers like autorikshaw driver, whose income is **up to Rs 15,000 per month**.

Tax Exemptions for Salaried Tax Payers:

The increase in standard deduction **from ₹40,000 to ₹50,000** may be small but it will cover **three crore taxpayers**, which is again almost half of the 6.8 crore taxpayers.

The **income tax rebate** on those with taxable annual income of up to ₹5 lakh a year will benefit three crore middle class voters that includes traders, small businesses, those who have just joined the formal workforce and pensioners.

The **standard deduction limit** for salaried taxpayers would be **raised to ₹50,000** from the ₹40,000 announced in last year Budget.

This will provide additional tax benefit of ₹4,700 crore to more than three crore salary earners and pensioners.

However, the critics argued and pleaded for a **completely new direct taxes code** which will completely **redesign the architecture of income tax**. So, the outlook is a far **more reformist outlook**.

Conclusion:

While these sops will **benefit sections** of the population, the question is whether it is correct for a government that will be in **power for less than two months** in the **next financial year** to write into the statute books proposals that are permanent.

Ministry announced that the **fiscal deficit** would be 3.4% of the GDP for both 2018-19 and 2019-20, compared with a **target of 3.3% and 3.1%** respectively.

The Centre will miss the **glide-path for reducing the fiscal deficit**, yet again. The estimated **slippage of 0.10 percentage point** is not significant if we assume that the concessions will spur spending by the beneficiaries.

This is, of course, assuming that the **gross tax revenue projection** (government has to spend on these schemes and measures) of **₹25.52 lakh crore**, which is a **13.5% growth** over the **revised estimates of 2018-19**, is achieved.

The actual deficit numbers will depend on the **realised GST collections** over the next two months and the government's ability to **meet the disinvestment target** over a timeline of one month left for actions before the **election code** kicks in.