TOPIC OF THE WEEK

JANUARY'20 (16 to 22 JAN)

hitbullseye

Week: 16th to 22nd January 2020

Twitch and Tweak of Indian Budget

Government plans to offer incentives to Apple, Samsung suppliers to open factories in India. Are you shocked? I hope not. Prime Minister Narendra Modi's government, which is under pressure to bring down a jobless rate that's the highest in 45 years, wants to attract overseas component makers and help boost the share of manufacturing in Asia's third-largest economy to a quarter of the nation's gross domestic product. The proposals by the Ministry of Electronics and Information Technology includes offering interest subsidy on local borrowing by manufacturers, may form part of the federal budget to be unveiled on February 1, the official said, asking not to be identified citing rules on speaking to the media. It also includes setting up of industrial zones equipped with taxation and customs clearance, along with infrastructure such as roads, power and water supply, the official said.

From corporate tax cut to easy money, all measures supposed to revive the economy have exhausted. A structural change in income tax will be the next measure likely to be announced in the upcoming Budget 2020-21 in order to boost consumer demand, a top finance ministry official told India Today. The Budget is likely to propose four tax slabs in place of the existing three as suggested by the task force in its report submitted in August 2019. The Budget may propose a 10 per cent tax rate for individuals with annual income between Rs 2.5 lakh and Rs 10 lakh; 20 per cent tax for income between Rs 10 lakh and Rs 20 lakh; and 30 per cent tax for income between 20 lakh and Rs 2 crore.

A scheme tentatively named Atal Distribution System Improvement Yojana (ADITYA) after former prime minister late Atal Bihari Vajpayee may be announced in the Union budget to be presented on 1 February, with the Centre providing funding of up to 1.10 trillion. The 2.86 trillion scheme aimed at ensuring continuous power supply to all residents involves adopting models such as privatizing state-run power distribution companies (discoms) and having multiple supply, network and distribution franchisees.

Union Budget 20-21 is likely to cut the import duty on gold from the current 12.5 per cent with a view to push exports of jewellery despite the reduction likely affecting the current account deficit, people in the know of matters said. What will be the exact cut in import duty is difficult to say, but it is expected to be cut, but a cut is probably inevitable looking at weak exports. Indian jewelleries are in good demand abroad, the urgency is to boost exports where we have strength, said the sources.

Finance Minister Nirmala Sitharaman is set to present the Budget 2020 on February 1. The Union Budget is an estimate of income and expenditure of the government for a set period of time. It is an annual financial report of India. The Budget also documents how much money the Centre could expect to raise in the coming fiscal and how and where it would spend the money. The Budget is prepared by the Ministry of Finance in consultation with other ministries, states and experts. Ministry officials hold discussions with non-governmental organizations (NGOs), private sector and other stakeholders before preparing the Budget. As per Article 112 of the Indian Constitution, it is mandatory for the government to present this annual statement. The Union Budget is classified into Capital Budget, Revenue Budget and Expenditure Budget.

Nirmala Sitharaman faces one of the toughest balancing acts of her career and the numbers before her are not very encouraging. In the third quarter, the GDP rose 4.5% from a year earlier, about half the pace notched in the first part of 2018. Consumer confidence is at the lowest level since 2014. The labor market, a vital indicator in a country with a population of 1.4 billion, is fragile: The jobless rate has climbed to a 45-year high of 6.1%.Just last year, India was the world's fastest growing major economy. The past decade has been replete with predictions it would take up an increasing share of global commerce, alongside China and America. But the Philippines and Indonesia grew quicker than India last quarter and Malaysia was just a hair behind. China, grappling with its own slowdown, logged a respectable 6% and Vietnam was way ahead at 7.3%.

For reference:-

- https://www.indiatoday.in/business/budget-2020/story/union-budget-2020-21-govt-likely-to-tweak-income-tax-slabs-1636859-2020-01-14
- https://economictimes.indiatimes.com/news/economy/indicators/5-things-you-need-to-know-about-modi-governments-most-challenging-budget/articleshow/73068334.cms?from=mdr
- https://economictimes.indiatimes.com/small-biz/sme-sector/budget-2019-15-key-takeaways-for-the-msme-sector/articleshow/70089949.cms

- https://economictimes.indiatimes.com/news/economy/policy/what-fm-nirmala-sitharaman-could-do-in-budget-2020-to-boost-demand-and-revive-economy/articleshow/73207373.cms?from=mdr

Additional Readings:-

- https://economictimes.indiatimes.com/blogs/et-editorials/raise-not-abandon-green-cess-on-coal/
- https://economictimes.indiatimes.com/blogs/et-editorials/nhai-needs-better-contracting-monitoring/
- https://www.theguardian.com/commentisfree/2020/jan/12/observer-view-on-flight-ps752-and-political-fallout-iran-donald-trump
- https://www.theguardian.com/commentisfree/2020/jan/14/the-guardian-view-on-boris-johnsons-policy-divide-and-rule