Concerns in Budget 2018-2019

Why in news?

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Union Finance Minister presented the financial Budget for 2018-2019 in the parliament.

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What are the highlights?

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- The fiscal deficit target for 2018-19 has been set a target of 3.3% and Capital expenditure has been set at 9.9%.
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- The Budget projects an increase in tax revenues of 16.6% compared to 15.3% in FY 2017-2018.
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- The Budget has also introduced a tax of 10% on long-term capital gains (LTCG) while retaining the securities transactions tax (STT).
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- The Budget has included a target of Rs. 3 lakh crore for lending under the MUDRA scheme for MSMEs.
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- The government will pay 12% towards the Employee Provident Fund for new employees in all sectors for the next three years.
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- A lower corporate tax of 25%, hitherto applicable to enterprises with a turnover of Rs. 50 crore, is now applicable to companies with a turnover of up to Rs. 250 crore.
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- The Budget has tried to reach out to the agrarian community by promising of a minimum support price (MSP) for all crops of 50% above the cost of production.
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- The Budget proposes a health insurance scheme that will cover 10 crore poor families with an insurance cover of Rs. 5 lakh each.
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- Thus the Budget for 2018-19 has expenditure items planned accordingly while ensuring that the fiscal deficit stays within reasonable bounds.
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What are concerns?

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- The actual growth of the economy would be damped by high real interest rates, disruption caused by taxation, the twin balance sheet problem and high oil prices, government has no plans to address market disturbances.
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- With oil prices projected to be $10-$12 higher in the coming year, growth could be adversely impacted by 0.3%.
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- Tax concessions to the salaried classes and measures such as farm loan waivers were absent in the Budget.
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- The Budget brings back the standard deduction for tax payers, of Rs. 40,000 which is also offset partially by an increase in cess from 3% to 4%.
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- Instead of proving basic health care through government hospitals, budget has introduced insurance that pays for care at private hospitals.
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- Consumption and investment would fall as a result falling asset prices, which might block capital outflows.
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- Thus fiscal policy is not being planned to stimulate growth, rather it allows the markets forces to decide the growth.
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Source: The Hindu

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Terminologies

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STT

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- STT -Securities Transaction Tax is levied on every purchase or sale of securities that are listed on the Indian stock exchanges.
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- This would include shares, derivatives or equity-oriented mutual funds units.
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- STT is deducted at source at the time of the transaction itself.
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- In India equity investors are required to pay a securities transaction tax of just 0.10 per cent of the trade value.
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LTCG

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- Long term capital gains taxes are levied on profits on sale of shares after a holding period of at least a year.
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- In India LTCG is tax-exempt on the sale of listed securities, since 2005, It is aimed at encouraging long-term equity investments.
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- 2018-2019 budget has introduced a tax of 10% on long-term capital gains
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Fiscal Deficit

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- When the government's non-borrowed receipts fall short of its entire expenditure, it has to borrow money from the public to meet the shortfall.
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- The excess of total expenditure over total non-borrowed receipts is called the fiscal deficit**.**
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Revenue Deficit

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- The difference between revenue expenditure and revenue receipt is known as revenue deficit.
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- It shows the shortfall of government's current receipts over current expenditure.
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Fiscal policy

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- It is the government actions with respect to aggregate levels of revenue and spending.
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- Fiscal policy is implemented though the budget and is the primary means by which the government can influence the economy.
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Capital Budget

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- The Capital Budget consists of capital receipts and payments.
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- It include investments in shares, loans and advances granted by the central Government to State Governments, Government companies, corporations and other parties.
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Revenue Budget

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- The revenue budget consists of revenue receipts and revenue expenditures of the Government.
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- Revenue receipts are divided into tax and non-tax revenue.
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1. Tax revenues constitute taxes like income tax, corporate tax, excise, customs, service and other duties that the Government levies.
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2. The non-tax revenue sources include interest on loans, dividend on investments.
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