Finance Minister's speech on Economy

Why in News?

Finance Minister Nirmala Sitharaman recently gave a speech, a right booster for an economy that is downbeat in growth and sentiment.

What are some highlights from the speech?

- Banks to make a home, auto loans cheaper.
- Announcement of accelerated depreciation of 15% (in addition to the existing 15%) for all vehicles acquired till March 31, 2020.
- BS-IV vehicles purchased up to March 2020 will remain operational for the entire period of registration (i.e.) continuation of old vehicles.
- Lifting of ban on government departments for the purchase of vehicles to replace old ones.
- All tax notices to be issued from the centralised system. All old tax notices will be decided by October 1 or will be uploaded again through the centralised system.
- The enhanced surcharge levied on FPIs was withdrawn, restoring pre-Budget position which could encourage investment in the capital market.
- Withdrawal of angel tax on start-ups.
- Non-compliance with corporate social responsibility (CSR) norms by companies will be decriminalised.
- Government to infuse upfront ₹70,000 crore (announced in the budget) into public sector banks to enable the release of ₹5 lakh crore liquidity in the market.
- Banks have decided to pass on rate cuts by RBI to borrowers; launched repo rate or external benchmark-linked loan products.

What issues are addressed?

- They address growth slowdown concerns; free up funds for investment and spending by banks, housing finance companies and MSMEs.
- It will undo some controversial proposals, in the budget and outside it, which were affecting sentiment in the markets and the corporate sector.
- Some of the measures promote the ease of doing business, and the ease of living for ordinary citizens.
- The positive measures made for the automobile industry are hoped to be

translated into demand.

- Banks will have more space to increase their lending consequent to the recapitalisation that they will get from the government.
- This, together with the strong push for repo rate linked loan products, is likely to benefit borrowers who buy new homes, vehicles and durables.
- The assurance that all pending GST refunds to MSMEs will be paid within 30 days and going forward such refunds will be made within 60 days is a great relief for the sector.
- This will ease the cash flows of MSMEs who often work with stretched finances.
- If the action on the negative feedback to the FPI tax proposal addressed earlier, much of the confusion in the markets could have been avoided.
- She declared upfront that the government respects wealth creators and the measures are aimed at helping them.

Source: The Hindu

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