InfoSphere

A Centre for New Economics Studies Initiative
WHERE IS YOUR MONEY GOING?

WHAT TO KNOW BEFORE UNION BUDGET 2020
Union Budget Statements are estimates of overall income and expenditure of the government. It is presented as an annual financial report of India’s fiscal space.

The Budget also documents how much money the Union Government could expect to raise in the coming fiscal year and how and where it would spend the money.

The Statement 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.

With Finance Minister Nirmala Sitharaman set to present the budget for 2020 on February 1st, this edition of *Info-Sphere* provides an insight on some critical data points from Union Budget 2019.
WHERE DOES THE MONEY COME FROM?

With growth at an 11-year low and tax revenue being a large part of the government’s funds, we as citizens have a key interest in the government’s allocation of the budget.

In India, experts have advised that a cut in personal income tax will help boost the economy in a short term by spurring investment.

Source: indiabudget.gov.in
In order to boost investment new tax schemes have been suggested:

<table>
<thead>
<tr>
<th>Annual Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 2.5 lakh</td>
<td>Nil</td>
</tr>
<tr>
<td>Rs. 2.5 lakh - 10 lakh</td>
<td>10%</td>
</tr>
<tr>
<td>Rs. 10-20 lakh</td>
<td>20%</td>
</tr>
<tr>
<td>Rs. 20 lakh - 2 crore</td>
<td>30%</td>
</tr>
<tr>
<td>Above Rs. 2 crore</td>
<td>35%</td>
</tr>
</tbody>
</table>

Existing tax rates:

<table>
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<tbody>
<tr>
<td>Up to Rs. 2.5 lakh</td>
<td>Nil</td>
</tr>
<tr>
<td>Rs. 2.5-5 lakh</td>
<td>5%</td>
</tr>
<tr>
<td>5-10 lakh</td>
<td>20%</td>
</tr>
<tr>
<td>Above Rs. 10 lakh</td>
<td>30%</td>
</tr>
<tr>
<td>Above Rs. 50 lakh</td>
<td>30% + 10% -37%</td>
</tr>
</tbody>
</table>
TAX RECEIPTS BREAKUP

Source: indiabudget.gov.in
Total expenditure in 2019-20 was expected to be Rs 27,86,349 crore, which was 13.4% higher than the revised estimate of 2018-19.

Notably, in 2019, percentage of expenditure in Centre-Sponsored Schemes shot up in comparison to 2018.

- Rs 8,70,794 crore was proposed to be spent on central sector schemes (18.2% increase over the revised estimate of 2018-19)
- Rs 3,31,610 crore was proposed to be spent on centrally sponsored schemes (8.8% increase over the revised estimate of 2018-19).

Let’s take a closer look at some of these schemes.
COMPOSITION OF MAJOR ITEMS OF EXPENDITURE

Source: indiabudget.gov.in
Among schemes, PM-KISAN (income support to farmers) had the highest allocation in 2019-20 of Rs 75,000 crore. There was a 275% increase in budget allocation.

Although Budget 2019 was seen as a big spread for farmers, in a country where the agriculture sector employs over 50% of the work force and is the main source of income for more than 70% rural households, this was inadequate financial support.

India suffers more and more farmer suicides every year.

Source: Expenditure Profile, Union Budget 2019-20
The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) had the second highest allocation in 2019-20 of Rs 60,000 crore. There was a decrease of Rs 1,084 crore (1.8%) from the revised estimate of 2018-19.

Source: Expenditure Profile, Union Budget 2019-20
Allocation to the National Rural Drinking Water Mission increased by 81.8% over the revised estimate of 2018-19. The allocation for 2019-20 was Rs 10,001 crore, as compared to Rs 5,500 crore in 2018-19 (revised estimate).

Allocation to National Livelihood Mission increased by Rs 3,481 crore (55.3%) over the revised estimates of 2018-19.

Source: Expenditure Profile, Union Budget 2019-20
Allocation to the Swachh Bharat Mission decreased by 25.5% over the revised estimate of 2018-19. The allocation for 2019 was Rs 12,644 crore, as compared to Rs 16,978 crore in 2018-19 (revised estimate).

The rural and urban components of Swachh Bharat Mission allocated Rs 9,994 crore and Rs 2,650 crore in 2019-20, respectively. Allocation to Swachh Bharat Mission (Rural) decreased by 31% in 2019-20 over the revised estimate of 2018-19.
Other schemes with high allocations for 2019-20 included National Education Mission (an increase of 19.2%), National Health Mission (an increase of 7.9%), and Integrated Child Development Services (an increase of 18.1%).

Source: Expenditure Profile, Union Budget 2019-20
Source: Expenditure Profile, Union Budget 2019-20
In 2019-20, the total expenditure on subsidies was estimated to increase to Rs 3,38,949 crore (13.3%) over the revised estimate of 2018-19. This was owing to an increase in expenditure on petroleum, fertiliser, food, and other interest subsidies.
Experts say that India’s deficit is much higher than what is reported. (Read more here)

A first step to solve the growing economic crisis is to report the true extent of India’s fiscal deficit by including the off-budget liabilities.
SOURCES OF DEFICIT FINANCING

Source: Expenditure Profile, Union Budget 2019-20
Budget 2020 is to be announced on the 1st of February.

Personal income tax is a factor that people are looking out for, hoping that cuts will lead to additional investment and help the economy grow.

After cuts in corporate tax, similar concessions on LTCG and Dividend Distribution Tax are being asked for. This too could put more money in industries and markets, boosting investment.

The government can increase spending on schemes that affect people living in rural areas. MGNREGS and PM-KISAN are being watched.