<table>
<thead>
<tr>
<th>S. No</th>
<th>News Articles</th>
<th>Page Number*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Step by Step</strong></td>
<td>C B D T</td>
</tr>
<tr>
<td>2</td>
<td><strong>Zero Budget for farmers; no drought relief</strong></td>
<td>6</td>
</tr>
<tr>
<td>3</td>
<td><strong>Slew of steps to boost digital payments</strong></td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td><strong>Aadhaar can be interchanged with PAN for filing tax returns</strong></td>
<td>2</td>
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<tr>
<td>5</td>
<td><strong>Fiscal deficit target revised downwards to 3.3%</strong></td>
<td>4</td>
</tr>
<tr>
<td>6</td>
<td><strong>Practice cum Revision - MCQs</strong></td>
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* C – Chennai; B – Bengaluru; D – Delhi; T – Thiruvananthapuram
Constitution based budget documents:

1. Annual Financial Statement (Article 112)
2. Demand for Grants (Article 113)
3. Finance Bill (Article 114(l)(a))

Annual Financial Statement:
- Consists of estimated receipts and expenditure of the Government of India for the year 2019-2020
- Consolidated Fund of India, Contingency Fund of India, Public Account of India

Demand for Grants:
- Expenditure 'made' from Consolidated Fund of India. has to be voted by Lok Sabha
- Expenditure 'charged upon' Consolidated Fund of India - non-voteable

Finance Bill:
- details the imposition, abolition, remission, alteration and regulation of taxes

FRBM Act based statements/documents
- Macroeconomic Framework Statement
- Medium-term Fiscal Policy and Fiscal Policy Strategy Statement

Outcome Budget:
- With effect from Financial year 2004-05
  - Separately by Ministries / departments
  - Since FY 2011-12,
  - Outcome budget of all Ministries - combined in a single document
Practice Question – Prelims

Q. Which of the following is correct with respect to the Union Budget presented by the Finance Minister?

- The Budget documents do not include the Demand for Grants under article 113 of Indian Constitution
- The Term ‘budget’ is found in the Constitution of India
- The Annual Financial Statement which is a part of the Budget, is mentioned in Indian Constitution, under Article 112 of the Constitution of India
- All the above are correct
P 7

Part A—Preliminary Examination

Paper I - (200 marks)

- Current events of national and international importance.
- Indian and World Geography-Physical, Social, Economic Geography of India and the World.
- Economic and Social Development-Sustainable Development, Poverty, Inclusion, Demographics, Social Sector Initiatives, etc.
- General issues on Environmental ecology, Bio-diversity and Climate Change - that do not require subject specialization.

Part B—Main Examination

PAPER-III

General Studies- II: Governance, Constitution, Polity, Social Justice and International relations.
- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.
- Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes;
- Issues relating to poverty and hunger.

PAPER-IV

- Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.
- Inclusive growth and issues arising from it.
- Government Budgeting.
- Major crops-cropping patterns in various parts of the country, - different types of irrigation and irrigation systems storage, transport and marketing of agricultural produce and issues and related constraints; e- technology in the aid of farmers.

P 8

Agricultural Sector:

1. National Agriculture Market (e-NAM):
   - Union government will work with State Government to allow farmers to benefit from e-NAM
   - Pan-India electronic trading portal
   - Networking of existing APMC mandis
   - Unified National Market for agricultural Commodities
   - Lead Agency for - Small Farmers Agribusiness Consortium (SFAC)
   - Uniformity in Agriculture Marketing
     - Streamlining procedures across integrated markets
     - Removing information asymmetry between buyer and seller
     - Promoting realtime price discovery

2. To form 10,000 Farmer Producer Organisation
   - To ensure economies of scale in next 5 years

3. Go back to ‘Zero Budget Farming’
   - Zero Budget Natural Farming - Set of farming methods
   - Ends reliance of farmers on loans and drastically cuts production costs
   - ’Budget’ → Credit and expenses
     - ’Zero Budget’ → Without using credit
     - Without spending on purchased inputs
   - ’Natural Farming’ → Without use of chemicals
* 4 pillars:
  a) Jivanrita / Jeevanmuhtham
      ▪ Fermented microbial culture
  b) Bijnirita / Beejanmutham
      ▪ Treatment for seed, seedlings or any planting material
  c) Acchadana - Mulching
      ▪ To enrich or insulate soil
  d) Whopasa - Moisture
      ▪ Air & Water molecules in soil

⇒ Farmers groups → ignored their concerns
   ▪ No special concern on drought

⇒ Agriculture Ministry’s Budget → doubled
   ▪ Lion’s Share → PM - KISAN
      Budget Allocated → ₹ 75,000 crores
      Budget required → ₹ 83,000 crores

⇒ Focus on Agriculture Infrastructure
   ▪ Support to private entrepreneurship
      ▪ Value addition to farmer’s produce, allied activities, generating renewable energy
      "Annadata can also be Urjadata"
   ▪ Dairying through co-operatives
      ▪ Infrastructure for cattle feed manufacturing
   ▪ Milk procurement, processing and marketing
   ▪ Farmer Welfare Schemes
      ▪ Crop Insurance, market intervention & price Support and PM - PASHA scheme

PM - PASHA:
⇒ Budget allocated - ₹ 1500 crore
⇒ ensures remunerative prices to farmers for their produce

PKKASHA

<table>
<thead>
<tr>
<th>Price Support Scheme (PPS)</th>
<th>Price Deficiency Payments Scheme (PDPS)</th>
<th>Private Procurement &amp; Stockists Scheme (PPS)</th>
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CASHLESS FUTURE

Slew of steps to boost digital payments

Minister proposes tax on cash withdrawals exceeding ₹1 crore in one year

Special Correspondent

To push digital payments, Finance Minister Nirmala Sitharaman announced multiple measures in her maiden budget, including levying 2% tax deducted at source on cash withdrawals exceeding ₹1 crore in a year from a bank account.

...To promote digital payments further, I propose to take a slew of measures. To discourage the practice of making multiple payments in cash, I propose to levy 1% of ₹1 crore on cash withdrawal exceeding ₹1 crore in a year from a bank account,... she said.

Noting that low-cost businesses with a higher turnover will have to offer low-cost digital modes of payments, Sitharaman said businesses with an annual turnover of over ₹100 crore can offer these payment options and no charges or Merchant Discount Rate (MDR) would be imposed on these or their customers.

I propose that the business establishments with an annual turnover of more than ₹100 crore shall offer such low-cost digital modes of payment to their customers and no charges or Merchant Discount Rate shall be imposed on customers as well as merchants," she said. These costs will be absorbed by the RBI and banks from the savings that would accrue to them as a result of handling less cash, the minister said. The payments industry has welcomed the proposals saying these would help create a robust payments infrastructure in the country. However, the industry leaders called for the need for uniform interest remuneration and data to achieve the regulations.

"The budget facilitates the transformation of the economy from cash-driven one to a low-cash economy," the National Payments Corporation managing director and chief executive Deepak Mohindra told the reporters. (PTI, PTI-PTI inputs)

Part A—Preliminary Examination

Paper I—(200 marks)

- Current events of national and international importance.
- Economic and Social Development—Sustainable Development, Poverty, Inclusion, Demographics, Social Sector Initiatives, etc.

Part B—Main Examination

PAPER-III

General Studies-II: Governance, Constitution, Polity, Social Justice and International relations.

- Government policies and interventions for development in various sectors and issues arising out of their design and implementation.
- Important aspects of governance, transparency and accountability, e-governance—applications, models, successes, limitations, and potential; citizens charters, transparency & accountability and institutional and other measures.

PAPER-IV


- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.
- Government Budgeting.

Business establishments of annual turnover more than ₹50 crore

should not impose charges on customers for using digital mode for payments

Merchant Discount Rate: Charge obtained from a merchant by a bank - debit and credit cards

Payment Infrastructure - PoS machines, internet facility, etc.

Merchant account with Bank

Costs from the customers will be absorbed by the Reserve Bank of India

from the savings generated because of handling less cash

Payments options such as BHIM-UPI, UPI-QR Code, Aadhaar Pay, certain Debit cards, NEFT, RTGS - has to be provided by such merchants.

A tax on cash withdrawals?

Cash withdrawals more than ₹1 crore in a year, in a bank account

2% tax deducted at source
to discourage withdrawal of cash notes
UPSC Prelims Question – 2018

Q. Which one of the following best describes the term “Merchant Discount Rate” sometimes seen in news?

a) The incentive given by a bank to a merchant for accepting payments through debit cards pertaining to that bank.
b) The amount paid back by banks to their customers when they use debit cards for financial transactions for purchasing goods or services.
c) The charge to a merchant by a bank for accepting payments from his customers through the bank’s debit cards.
d) The incentive given by the Government to merchants for promoting digital payments by their customers through Point of Sale (PoS) machines and debit cards.

Practice Question – Prelims

Q. Which of the following is a measure of promoting digital transactions?

a) A levy of 2 percent of tax deduction at source if digital payments made in a bank account exceeds 1 crore in a year.
b) A levy of Merchant Discount Rate on a merchant having a turnover of more than 50 crore per annum.
c) Deduction of some amount as charges for carrying out digital transactions through internet banking.
d) A levy of 2 percent as tax deducted at source if cash withdrawals from a bank account exceeds 1 crore in a year.

News:

* Union Budget 2019-20 has proposed to make Aadhaar interchangeable with PAN
  * to ease and convenience of tax payers
  * filing of income tax returns using Aadhaar number

Aadhaar Number:

- 12-digit number - issued by UIDAI to residents of India after satisfying the verification process
- Person’s willing - to provide minimal demographic and biometric information

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<th>BIOMETRIC</th>
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Practice Question – Prelims

Q. Consider the following statements.

1. Permanent Account Number (PAN) is a 12-digit random number that is issued by the Income Tax Department.
2. It is compulsory to quote PAN on return of income.

Which among the above statements is/are correct?

a) 1 only
b) 2 only
c) Both 1 and 2
d) Neither 1 nor 2

PAN:

* Permanent Account Number
* 10-digit alpha numeric identifier
* Issued by Income Tax Department
* To file income tax returns for themselves or on behalf of others
  - Mandatory to provide PAN
* Income Tax Return:
  - Prescribed form – particulars of income in a financial year & taxes paid on such income, communicated to I-T Department
  - Different for different States & nature of income
  - Duty of a citizen
  - Validation of credit worthiness
  - Not filing is a crime - attracts interests, penalty & prosecution
**Fiscal deficit target revised downwards to 3.3%**

Ratings agencies and analysts say there is a risk of missing the 3.3% target if tax revenues fall short of the target.

"This (fiscal deficit target) has been very carefully examined," Finance Minister Nirmala Sitharaman said in a press conference following the presentation of the budget for the fiscal year 2019-20. She noted that the revenue side, as compared to the actuals of 2018-19, showed a net increase of 17.3% in revenue over the previous year.

"In the expenditure side, it is likely that the actuals will be more or less the same as the current budget. All of this put together gives us a scenario of about 9.5% growth in the overall deficit," she said. "This brings down the fiscal deficit to 3.3% from 3.4%.

"The government is aiming to lower the Central government’s deficit to 3.2% of GDP in fiscal 2020 from 3.4% in fiscal 2019." Gouri Prasad, Associate Managing Director, IDBI Capital Markets & Securities, said in a note. He added that to achieve this, there is a substantial increase in the tax revenue side as we are expecting revenue from direct taxes.

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**Economic Survey 2018-19**

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<td><strong>B2. Expenditure</strong></td>
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<td><strong>C1. Tax Revenues</strong></td>
<td><strong>F1. Internal</strong></td>
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<td>Income Tax (c)</td>
<td>Market Loans</td>
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<td>Treasury Bills</td>
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<tr>
<td>GST (c)</td>
<td>Bilateral Loans</td>
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<tr>
<td>Excise Duties (c)</td>
<td>Others</td>
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<td>Custom Duties (c)</td>
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<td>Non-Marketable Loans</td>
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<td><strong>Total Tax Revenues</strong> (c)</td>
<td><strong>E1. Borrowings</strong></td>
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<td><strong>Total Other Revenues</strong></td>
<td>Grants in Aid</td>
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<td><strong>Total Non-Tax Revenues</strong></td>
<td>Fiscal Services</td>
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<td><strong>Total Revenue Receipts</strong></td>
<td>Social Security</td>
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<td><strong>C5. Other Non-tax Receipts</strong></td>
<td>Other Services (General)</td>
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**Fiscal Deficit** = **Expenditure** - **Receipts**

**To manage fiscal deficit, ↑ revenues or ↓ expenditures**

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**General Budget**

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<td><strong>C5. Other Non-tax Receipts</strong></td>
<td>Other Services (General)</td>
</tr>
</tbody>
</table>

**Fiscal Deficit** = **Expenditure** - **Receipts**

**To manage fiscal deficit, ↑ revenues or ↓ expenditures**

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**Part A — Preliminary Examination**

**Paper I - (200 marks)**

- Current events of national and international importance.
- Economic and Social Development—Sustainable Development, Poverty, Inclusion, Demographic, Social Sector Initiatives, etc.

**Part B — Main Examination**

**Paper IV**

**General Studies-III: Technology, Economic Development, Bio diversity, Environment, Security and Disaster Management**

- Indian Economy and issues relating to planning, mobilization, of resources, growth, development and employment.
- Government Budgeting.
Q. Which of the following is not a reason for decrease in the fiscal deficit?

a) Increase in the disinvestment proceeds  
b) Decrease in the non-tax revenues  
c) Decrease in the expenditure of social sector schemes  
d) Increase in customs duty
Practice Question – Prelims

Q1. Which of the following is correct with respect to the Union Budget presented by the Finance Minister?

a) The Budget documents does not include the Demand for Grants under article 113 of Indian Constitution
b) The Term ‘budget’ is found in the Constitution of India
c) The Annual Financial Statement which is a part of the Budget, is mentioned in Indian Constitution, under Article 112 of the Constitution of India
d) All the above are correct

Practice Question – Prelims

Q2. Which of the following is a measure of promoting digital transactions?

a) A levy of 2 percent of tax deduction at source if digital payments made in a bank account exceeds 1 crore in a year.
b) A levy of Merchant Discount Rate on a merchant having a turnover of more than 50 crore per annum.
c) Deduction of some amount as charges for carrying out digital transactions through internet banking.
d) A levy of 2 percent as tax deducted at source if cash withdrawals from a bank account exceeds 1 crore in a year.
Practice Question – Prelims

Q3. Consider the following statements.

1. Permanent Account Number (PAN) is a 12-digit random number that is issued by the Income Tax Department.
2. It is compulsory to quote PAN on return of income.

Which among the above statements is/are correct?

a) 1 only  
b) 2 only  
c) Both 1 and 2  
d) Neither 1 nor 2

Practice Question – Prelims

Q4. Which of the following is not a reason for decrease in the fiscal deficit?

a) Increase in the disinvestment proceeds  
b) Decrease in the non-tax revenues  
c) Decrease in the expenditure of social sector schemes  
d) Increase in customs duty
Practice Question – Prelims
06 July 2019
1. Option – c
2. Option – d
3. Option – b
4. Option – b

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