

# GOVERNMENT ROLLS OUT RS. 1.19 LAKH CRORE STIMULUS

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

The definition of 'new employee' has been kept flexible to include anyone who was part of the EPF net earlier, but had lost their job between March 1 and September 30, 2020.

This may help improve such workers' re-employment prospects.

As per the Finance Ministry, this benefit will apply to all such 'new employees' earning monthly wages less than Rs. 15,000.

## EPF contributions

For firms with more than 1,000 employees, the Centre will bear half of the EPF contributions (24% of wages), while for smaller firms, it will bear the entire EPF contribution.

To be eligible for the scheme, firms registered with EPFO having more than 50 employees must hire at least five new workers, while those with less than 50 employees must hire a minimum of two workers.

"This benefit will get credited upfront in Aadhaar-seeded EPF accounts of eligible new employees. This will cover nearly 99.1% of all establishments and an estimated 65% of all those employed under the formal sector will be covered by this benefit," the Minister said.

To boost urban housing and create jobs, an additional allocation of Rs. 18,000 crore has been made for the PM Awas Yojana over and above the Rs. 8,000 crore allotted in the Budget.

Ms. Sitharaman said as many as 78 lakh additional jobs are expected to be generated from this, apart from boosting steel and cement demand significantly.

## Sops for home buyers

"We are providing income tax relief for developers and home buyers as there is quite a lot of inventory in the real estate sector. At the moment, on the differential between the circle rate and the agreement value — you get 10% relief. We have decided to increase the differential from 10% to 20% till June 30, 2021 for only primary sales of residential units of value up to Rs. 2 crore," the Minister said.

"We expect a lot of clearance of inventory and people will be able to pay less as the differential gap will be reduced. This will help the middle class which wants to buy when the housing sector is sitting on inventories," she said, adding that amendments will be made to Section 43 CA of the Income Tax Act.

## Stressed sectors

While extending a Rs. 3 lakh-crore emergency credit line guarantee scheme announced earlier for micro, small and medium enterprises till March 31, 2021, the Finance Minister also announced a credit guarantee plan for stressed sectors as well as healthcare.

“Entities in 26 stressed sectors identified by the K.V. Kamath Committee, plus healthcare sector with credit outstanding of above Rs. 50 crore and up to Rs. 500 crore as on February 29, 2020, would now be able to avail 20% additional credit for a period of five years, with a moratorium of one year on principal repayment,” Ms. Sitharaman said.

As per the Kamath committee, the stressed sectors include auto components, construction, gems and jewellery, hotel and restaurants, iron and steel, real estate and textiles.

### **To help 40,000 firms**

Soumya Kanti Ghosh, group chief economic adviser, State Bank of India, said the scheme could help as many as 40,000 firms but if the overall amount under the scheme stays at Rs. 3 lakh crore, that could be a constraining factor.

So far, Rs. 2.05 lakh crore of liquidity has already been sanctioned under the scheme.

Separately, to free up working capital for contractors bidding for public projects, the Centre has decided to reduce the performance security payable on individual contracts to 3% from the prevailing 5% to 10% of project value.

The earnest money deposit requirement to bid for tenders is also being replaced by a bid security declaration for a period of one year, with the Minister expressing hope this will give them more room to bid for building infrastructure projects.

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