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Union Budget 2018-19

What's in it for the Technology, Media & Telecom sectors?

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# SUMMARY OF PROPOSALS

- Increased emphasis on “**Digital India**”
- Rural India to be connected through “**Bharatnet**”
- **Blockchain** encouraged but **Crypto-currencies** discouraged
- Direct tax benefits provided to **tech startups**
- Emphasis on move from “black board” to “digital board” creates opportunities in the **Edutech sector**



# DIGITAL INDIA

## The Budget

- makes the right noises as regards investment in research, training and skilling in robotics, artificial intelligence, digital manufacturing, internet of things, big data analysis, quantum communication
- proposes establishment of “Centres of Excellence”- No details provided as regards the amount allocated for these centres
- doubles allocation on Digital India programme INR 3073 crores in 2018-19

***Our Takeaway:*** Overall, the Government has indicated its seriousness to ensure that India does not lag behind in the adoption of the hot technology trends. If the “[India Stack](#)” experience is anything to go by, there is definitely an opportunity for India’s startup ecosystem to leverage “Digital India” and build products/offer services that can benefit 1.2 billion users.



# BHARATNET

- Allocation of INR 10,000 crores for creation and augmentation of telecom infrastructure
- 500,000 Wi-fi hotspots to be set up, to provide broadband access to 50 million rural citizens
- TRAI to support establishment of an indigenously developed 5G R&D centre and test facilities at Indian Institute of Technology, Chennai
- Larger objective- Digital inclusion of India's rural economy

***Our Takeaway:*** Non-discriminatory access to telco service providers can help in rapidly digitizing India's rural economy.





## DISCOURAGING CRYPTO-CURRENCIES, ENCOURAGING BLOCKCHAIN

- **Crypto-currencies:** Finance Minister has re-iterated the status quo i.e. cryptocurrencies are not to be considered legal tender or coin and as such the Government shall take measures to eliminate use of crypto-assets in financing illegitimate activities or as part of the payment infrastructure.

***Our Takeaway:*** It does not mean that holding cryptocurrencies such as bitcoin is illegal or banned. Separately, there are also [indications](#) that the Government is considering putting in place, a framework to regulate crypto-currencies by this fiscal year-end. Hence, the “wait and watch” mode will continue for a while.

- **Blockchain:** “Distributed ledger system or the block chain technology allows organization of any chain of records or transactions without the need of intermediaries. The Government will explore use of block chain technology proactively for ushering in digital economy.”

***Our Takeaway:*** No indication yet on whether, and how, the Government intends to put in place an appropriate regulatory framework for blockchain transactions.



## NOTHING IN IT FOR THE PRIVATE M&E SECTOR

- The Budget does not contain any proposals/benefits for the private media and entertainment sector
- The [industry](#) had expected the Government to provide for carry-forward of losses in the case of amalgamation or merger of companies in the broadcasting sector- **No mention in the budget speech**
- No downward revisions in corporate income tax
- No proposal to review applicability of GST to news broadcasters



## DIRECT TAX BENEFITS FOR STARTUPS

- 100% income-tax deduction for technology startups till March 2021

***Our Takeaway:*** While the sunset clause has been extended from March 2019 to March 2021, this benefit will be available only for “certified startups”.

- Reduction in tax rate from 30 per cent to 25 per cent for companies with turnover less than INR250 crore for FY2016-17

***Our Takeaway:*** This should incentivise companies operating in the SME segment.



## FROM “BLACKBOARD” TO “DIGITAL BOARD”

- *“Technology will be the biggest driver in improving the quality of education. We propose to increase the digital intensity in education and move gradually from “black board” to “digital board”. Technology will also be used to upgrade the skills of teachers through the recently launched digital portal “DIKSHA”.”*
- **Our Takeaway:** More opportunities for edutech startups (both for-profit and not-for-profit) to build collaborative “social platforms” in partnership with the Government. Such platforms can radically transform the delivery and quality of education in India.







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