

## Key Features of Budget 2017-2018

### INTRODUCTION

- Inflation brought under control. CPI-based inflation declined from 6% in July 2016 to 3.4% in December, 2016
- Economy has moved on a high growth path. India's Current Account Deficit declined from about 1% of GDP last year to 0.3% of GDP in the first half of 2016-17. FDI grew 36% in H1 2016-17 over H1 2015-16, despite 5% reduction in global FDI inflows. Foreign exchange reserves have reached 361 billion US Dollars as on 20th January, 2017
- War against black money launched
- Government continued on path of fiscal consolidation, without compromising on public investment.
- The Indian economy has been robust to mild shocks and IMF forecasts, India to be one of the fastest growing major economies in 2017

### CHALLENGES IN 2017-18

- World economy faces considerable uncertainty, in the aftermath of major economic and political developments during the last year
- The US Federal Reserve's , intention to increase policy rates in 2017, may lead to lower capital inflows and higher outflows from the emerging economies
- Uncertainty around commodity prices, especially that of crude oil, has implications for the fiscal situation of emerging economies
- Signs of retreat from globalisation of goods, services and people, as pressures for protectionism are building up

### TRANSFORMATIONAL REFORMS IN LAST YEAR

- Passage of the Constitution Amendment Bill for GST and the progress for its introduction
- Demonetisation of high denomination bank notes
- Enactment of the Insolvency and Bankruptcy Code; amendment to the RBI Act for inflation targeting; enactment of the *Aadhar* bill for disbursement of financial subsidies and benefits
- Budget 2017-18 contains 3 major reforms. First, presentation of Budget advanced to 1st February to enable the Ministries to operationalise all activities from the commencement of the financial year. Second, merger of Railways Budget with General Budget to bring Railways to the centre stage of Government's Fiscal Policy and Third, removal of plan and nonplan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries

### DEMONITISATION

- Bold and decisive measure to curb tax evasion and parallel economy
- Government's resolve to eliminate corruption, black money, counterfeit currency and terror funding
- Drop in economic activity, if any, to be temporary

- Generate long term benefits including reduced corruption, greater digitisation, increased flow of financial savings and greater formalization of the economy
- Pace of remonetisation has picked up and will soon reach comfortable levels
- The surplus liquidity in the banking system will lower borrowing costs and increase the access to credit
- Announcements made by the Honourable Prime Minister on 31st Dec, 2016 focusing on credit support to MSMEs; encouragement to digital transactions address key concerns of our economy

## ROADMAP & PRIORITIES

- Agenda for 2017-18 is : “Transform, Energise and Clean India” – TEC India
- TEC India seeks to
  - Transform the quality of governance and quality of life of our people;
  - Clean the country from the evils of corruption, black money and non-transparent political funding
- Ten distinct themes to foster this broad agenda:
  - **Infrastructure**: for efficiency, productivity and quality of life;
  - **Financial Sector** : growth & stability by stronger institutions;
  - **Digital Economy** : for speed, accountability and transparency;
  - **Public Service** : effective governance and efficient service delivery through people’s participation;
  - **Prudent Fiscal Management**: to ensure optimal deployment of resources and preserve fiscal stability;
  - **Tax Administration**: honouring the honest.

## RURAL POPULATION

- Over Rs. 3 lakh crores spent in rural areas every year, for rural poor from Central Budget, State Budgets, Bank linkage for self-help groups, etc
- Against target of 5 lakh farm ponds under MGNREGA, 10 lakh farm ponds would be completed by March 2017. During 2017-18, another 5 lakh farm ponds will be taken up
- Women participation in MGNREGA has increased to 55% from less than 48%
- MGNREGA allocation to be the highest ever at Rs.48,000 crores in 2017-18.
- Allocation for Prime Minister's Employment Generation Program and ♣ Credit Support Schemes has been increased three fold
- For imparting new skills to people in rural areas, mason training will be provided to 5 lakh persons by 2022
- A programme of “human resource reforms for results” will be launched during 2017-18 for human resources development in Panchayati Raj Institutions

## YOUTH

- Pradhan Mantri Kaushal Kendras to be extended to more than 600 districts across the country. 100 India International Skills Centres will be established across the country.

- Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to be launched at a cost of Rs.4000 crores. SANKALP will provide market relevant training to 3.5 crore youth
- Next phase of Skill Strengthening for Industrial Value Enhancement (STRIVE) will also be launched in 2017-18 at a cost of Rs.2,200 crores
- A scheme for creating employment in the leather and footwear industries along the lines in Textiles Sector to be launched

## **INFRASTRUCTURE**

- For transportation sector as a whole, including rail, roads, shipping, provision of Rs.2,41,387 crores has been made in 2017-18.
- In the next 3 years, the throughput is proposed to be enhanced by 10%. This will be done through modernisation and upgradation of identified corridors.
- In the road sector, Budget allocation for highways increased from Rs.57,976 crores in BE 2016-17 to Rs. 64,900 crores in 2017-18
- 2,000 kms of coastal connectivity roads have been identified for construction and development
- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode
- Proposed to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan. This will take our strategic reserve capacity to 15.33 MMT
- Second phase of Solar Park development to be taken up for additional 20,000 MW capacity.
- For creating an eco-system to make India a global hub for electronics manufacturing a provision of Rs.745 crores in 2017-18 in incentive schemes like M-SIPS and EDF.
- A new and restructured Central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18

## **FINANCIAL SECTOR**

- Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalisation of FDI policy is under consideration
- An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market in the agricultural sector, for commodities trading. e- NAM to be an integral part of the framework.
- Bill relating to curtail the menace of illicit deposit schemes will be introduced. A bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament. This will contribute to stability and resilience of our financial system
- A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996.

- A Computer Emergency Response Team for our Financial Sector (CERT-Fin) will be established
- Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges. The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.
- Propose to create an integrated public sector 'oil major' which will be able to match the performance of international and domestic private sector oil and gas companies
- A new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18
- In line with the '*Indradhanush*' roadmap, Rs.10,000 crores for recapitalisation of Banks provided in 2017-18

### **DIGITAL ECONOMY**

- 125 lakh people have adopted the BHIM app so far. The Government will launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants
- Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly
- A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards
- A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration
- Banks have targeted to introduce additional 10 lakh new POS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based POS by September 2017
- Proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems

### **PUBLIC SERVICE**

- The Government e-market place which is now functional for procurement of goods and services
- To utilise the Head Post Offices as front offices for rendering passport services
- To rationalise the number of tribunals and merge tribunals wherever appropriate □ Commemorate both Champaran and Khordha revolts appropriately

### **PRUDENT FISCAL MANAGEMENT**

- Stepped up allocation for Capital expenditure by 25.4% over the previous year
- Total resources being transferred to the States and the Union Territories with Legislatures is Rs. 4.11 lakh crores, against Rs. 3.60 lakh crores in BE 2016-17
- For the first time, a consolidated Outcome Budget, covering all Ministries and Departments, is being laid along with the other Budget documents
- Fiscal Responsibility and Budget Management (FRBM) Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the

sustainable debt target and need for public investment, fiscal deficit for 2017-18 is targeted at 3.2% of GDP and Government remains committed to achieve 3% in the following year

- Net market borrowing of Government restricted to Rs.3.48 lakh crores after buyback in 2017-18, much lower than Rs. 4.25 lakh crores of the previous year
- Revenue Deficit of 2.3% in BE 2016-17 stands reduced to 2.1% in the Revised Estimates. The Revenue Deficit for next year is pegged at 1.9%, against 2% mandated by the FRBM Act

### **MEASURES FOR STIMULATING GROWTH**

- Concessional withholding rate of 5% charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.6.2020. This benefit is also extended to Rupee Denominated (Masala) Bonds
- For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years
- MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present
- In order to make MSME companies more viable, income tax for companies with annual turnover upto Rs.50 crore is reduced to 25%
- Allowable provision for Non-Performing Asset of Banks increased from 7.5% to 8.5%. Interest taxable on actual receipt instead of accrual basis in respect of NPA accounts of all non-scheduled cooperative banks also to be treated at par with scheduled banks
- Basic customs duty on LNG reduced from 5% to 2.5%

### **PROMOTING DIGITAL ECONOMY**

- Under scheme of presumptive income for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by non-cash means
- No transaction above Rs.3 lakh would be permitted in cash subject to certain exceptions
- Miniaturised POS card reader for m-POS (other than mobile phones or tablet computers), micro ATM standards version 1.5.1, Finger Print Readers / Scanners and Iris Scanners and on their parts and components for manufacture of such devices to be exempt from BCD, Excise/CV duty and SAD

### **EASE OF DOING BUSINESS**

- Scope of domestic transfer pricing restricted to only if one of the entities involved in related party transaction enjoys specified profit-linked deduction

- Threshold limit for audit of business entities who opt for presumptive income scheme increased from Rs.1 crore to Rs. 2 crores. Similarly, the threshold for maintenance of books for individuals and HUF increased from turnover of 10 lakhs to 25 lakhs or income from 1.2 lakhs to 2.5 lakhs
- Foreign Portfolio Investor (FPI) Category I & II exempted from indirect transfer provision. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India
- Commission payable to individual insurance agents exempt from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit
- Under scheme for presumptive taxation for professionals with receipt upto Rs.50 lakhs p.a. advance tax can be paid in one instalment instead of four
- Time period for revising a tax return is being reduced to 12 months from completion of financial year, at par with the time period for filing of return. Also the time for completion of scrutiny assessments is being compressed further from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter

#### **PERSONAL INCOME-TAX**

- Existing rate of taxation for individual assesses between income of Rs.2.5 lakhs to 5 lakhs reduced to 5% from the present rate of 10%
- Surcharge of 10% of tax payable on categories of individuals whose annual taxable income is between Rs.50 lakhs and Rs.1 crore
- Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto Rs.5 lakhs other than business income
- Appeal to all citizens of India to contribute to Nation Building by making a small payment of 5% tax if their income is falling in the lowest slab of 2.5 lakhs to 5 lakhs.

#### **GOODS AND SERVICES TAX**

- The GST Council has finalised its recommendations on almost all the issues based on consensus on the basis of 9 meetings held
- Preparation of IT system for GST is also on schedule.
- The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system.

#### **RAPID (Revenue, Accountability, Probity, Information and Digitisation)**

- Maximise efforts for e-assessment in the coming year
- Enforcing greater accountability of officers of Tax Department for specific act of commission and omission