CHAPTER 26

UNION BUDGET 2018–19

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MAJOR ACHIEVEMENTS

- In 2014-15, India was considered a part of fragile 5 and a nation suffering from *policy paralysis* and corruption. Today, India stands out among the fastest growing economies of the world.
- Indian economy has performed very well since May 2014 achieving an average growth of 7.5% and is now 2.5 trillion dollar economy—*seventh* largest in the world. India is expected to become the *fifth* largest economy very soon (on Purchasing Power Parity, it is already the *third* largest).
- IMF, in its latest update, has forecast that India will grow at 7.4% in 2018-19.
- Manufacturing sector is back on good growth path. The services, mainstay of our growth, have also resumed their high growth rates of 8% plus. Our exports are expected to grow at 15% in 2017-18. We are now firmly on course to achieve high growth of 8% plus.
- Following the vision of *Minimum Government and Maximum Governance* Government agencies have carried out hundreds of reforms in policies, rules and procedures. This transformation is reflected in improvement of India's ranking by 42 places in last three years in the World Bank's 'Ease of Doing Business' with India breaking into top 100 for the first time.
- Now, Government aims to take Ease of Doing business further by stress on *Ease of Living* for the common men of this country, especially for those belonging to poor and middle class of the society. Good governance also aims at minimum interference by the government in the life of common people of the country.

INVESTMENT, EXPENDITURE AND POLICY INITIATIVES

AGRICULTURE AND RURAL ECONOMY

- During the year 2016-17 India achieved a record food grain production of around 275 million tonnes and around 300 million tonnes of fruits and vegetables.
- Minimum Support Price (MSP) for announced as well as unannounced crops to be set one and half times of their production cost (for rabi crops it has been already done). This will help the economy double the farmers income by 2022.
- So that this provision helps farmers it is essential that if price of the agriculture produce market is less than MSP, then in that case Government should purchase either at MSP or work in a manner to provide MSP for the farmers through some other mechanism. Niti Aayog, in consultation with Central and State Governments, will put in place a fool-proof mechanism so that farmers will get adequate price for their produce.
- For better price realization, farmers need to make decisions based on prices likely to be available after its harvest. Government will create an institutional mechanism, with participation of all concerned Ministries, to develop appropriate policies and practices for price and demand forecast, use of futures and options market, expansion of warehouse depository system and to take decisions about specific exports and imports related measures.
- Coverage of the e-NAM to be expanded to 585 APMCs by March 2018 (470 APMCs have been already connected).
- More than 86% of farmers in the country are small and marginal. They

are not always in a position to directly transact at APMCs and other wholesale markets. Government to develop and upgrade existing 22,000 rural *haats* into Gramin Agricultural Markets (GrAMs). In these GrAMs, physical infrastructure will be strengthened using MGNREGA and other Government Schemes. These GrAMs, electronically linked to e-NAM and exempted from regulations of APMCs, will provide farmers facility to make direct sale to consumers and bulk purchasers.

- An *Agri-Market Infrastructure Fund* with a corpus of Rs. 2000 crore will be set up for developing and upgrading agricultural marketing infrastructure in the 22000 Grameen Agricultural Markets (GrAMs) and 585 APMCs.
- Task of connecting all eligible habitations with an all-weather road has been substantially completed, with the target date brought forward to March 2019 from March 2022. It is now time to strengthen and widen its ambit further to include major link routes which connect habitations to agricultural and rural markets (GrAMs), higher secondary schools and hospitals. *Prime Minister Gram Sadak Yojana Phase III* will include such linkages.
- For several years, we have been stating that India is primarily an agriculture based country. As India is primarily an agriculture based country, our districts can specialize in some or other agricultural produce and be known for it. But special attention is lacking in this regard. There is a need to develop cluster based model in a scientific manner for identified agriculture produces in our districts in the same manner as we have developed model for industrial sector.
- The Ministry of Agriculture and Farmers' Welfare will reorient its ongoing schemes and promote *cluster based development* of agri-commodities and regions in partnership with the Ministries of Food Processing, Commerce and other allied Ministries.
- Organic farming by Farmer Producer Organizations (FPOs) and Village Producers' Organizations (VPOs) in large clusters, preferably of 1000 hectares each, will be encouraged. Women Self Help Groups (SHGs) will also be encouraged to take up organic agriculture in clusters under National Rural Livelihood Programme.
- To support organized cultivation of medicinal and aromatic plants and associated industry Rs. 200 crore has been allocated.
- Allocation for food processing almost doubled to Rs. 1400 crore (from Rs. 714 crore of 2017-18). Government to promote establishment of specialized agro-processing financial institutions in this sector.
- ***Operation Greens*** to be launched on the lines of "Operation Flood" for basic vegetables (especially tomato, onion and potato). To promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management Rs. 500 crore allocated.

Tomato, onion and potato are basic vegetables consumed throughout the year. However, seasonal and regional production of these perishable commodities pose a challenge in connecting farmers and consumers in a manner that satisfies both. My Government proposes to launch an

"Operation Greens" on the lines of "Operation Flood". "Operation Greens" shall promote

- India's agri-exports potential is as high as US$ 100 billion against current exports of US$ 30 billion. To realize this potential, export of agri-commodities will be liberalized—"state-of-the-art testing facilities" to be set up in all the forty two Mega Food Parks.
- Facility of Kisan Credit Cards to be extended to fisheries and animal husbandry farmers to help them meet their working capital needs.
- To promote bamboo (which is *Green Gold*) sector Restructured National Bamboo Mission to be launched with an outlay of Rs. 1290 crore. Bamboo grown outside forest areas has been removed from the definition of tree.
- Government to take necessary measures and encourage State Governments to put in place a mechanism that farmers' surplus solar power is purchased by the distribution companies or licensees at reasonably remunerative rates.
- Long Term Irrigation Fund (LTIF) in NABARD to be set up for meeting funding requirement of irrigation works. Scope of the Fund would be expanded to cover specified command area development projects.
- Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry to be set up—with a combined corpus of Rs. 10,000 crore.
- Lending target for the sector increased to Rs. 11 lakh crore (it was Rs. 8.5 lakh crore for 2014-15 and Rs. 10 lakh crore for 2017-18).
- NITI Aayog, in consultation with State Governments, to evolve a suitable mechanism to enable access of lessee cultivators to credit without compromising the rights of the land owners.
- Favourable taxation to be evolved for the Farmer Producers Organisations (FPOs) for helping farmers aggregate their needs of inputs, farm services, processing and sale operations.
- A special Scheme to be implemented to support the efforts of the governments of Haryana, Punjab, Uttar Pradesh and the NCT of Delhi to address air pollution (in Delhi-NCR) and to subsidize machinery required for in-situ management of crop residue.
- Coverage of the Ujjwala Scheme (free LPG connections to poor women) increased to 8 crore (from existing 5 crore).
- Free electricity connections to be given to 4 crore poor households (with an expenditure of Rs. 16,000 crore) under PM Saubhagya Yojana.
- Two crore toilets to be constructed under Swachh Bharat Mission (six crore toilets have already constructed).
- 51 lakh houses to be constructed in rural and urban areas under PM Awas Yojana.
- A dedicated *Affordable Housing Fund (AHF)* to be set up in National Housing Bank funded from 'priority sector lending' (of the banks) and fully serviced bonds authorized by the Government.
- Allocation for the National Rural Livelihood Mission increased to Rs. 5750 crore in 2018-19.

- Ground water irrigation scheme under *Prime Minister Krishi Sinchai Yojana-Har Khet ko Pani* will be taken up in 96 deprived irrigation districts where less than 30% of the land holdings gets assured irrigation presently (with a total allocation of Rs. 2600 crore).
- As my proposals outlined indicate, focus of the Government next year will be on providing maximum livelihood opportunities in the rural areas by spending more on livelihood, agriculture and allied activities and construction of rural infrastructure.
- Rs. 14.34 lakh crore to spent for creation of livelihood and infrastructure in rural areas during 2018-19. Apart from employment due to farming activities and self-employment, this expenditure will create employment of 321 crore person days, 3.17 lakh kilometres of rural roads, 51 lakh new rural houses, 1.88 crore toilets, and provide 1.75 crore new household electric connections besides boosting agricultural growth.

HEALTH, EDUCATION AND SOCIAL PROTECTION

- National Social Assistance Programme allocated Rs. 9975 crore.
- Education to be treated holistically without segmentation from pre-nursery to Class XII. Quality of education will be taken care of (based on a National Survey of 20 lakh students conducted by the Government).
- An integrated B.Ed. programme to be initiated. More than 13 lakh untrained teachers to get trained.
- Digital intensity in education which will aim to move gradually from *Black Board to Digital Board* (skill of teachers to be upgraded through the recently launched digital portal 'Diksha'.
- By 2022, every block with more than 50% ST population and at least 20,000 tribal persons, will have an *Ekalavya Model Residential School* (to be on par with Navodaya Vidyalayas and will have special facilities for preserving local art and culture besides providing training in sports and skill development).
- *Revitalising Infrastructure and Systems in Education (RISE)* to be launched with a total investment of Rs. 1 lakh crore in next four years—to step up investment in research and related infrastructure in premier educational institutions, including health institutions.
- A specialized Railways University to be set up at Vadodara (other than the initiative of setting up Institutes of Eminence).
- Two new full-fledged *Schools of Planning and Architecture (SPA)* to be selected on challenge mode. Additionally, 18 new SPAs would be established in the IITs and NITs as autonomous Schools, also on challenge mode.
- Prime Minister's Research Fellows (PMRF) Scheme to be launched which will identify 1,000 best B. Tech students each year from premier institutions and provide them facilities to do Ph. D in IITs and IISc, with a handsome fellowship. Government expects that these bright young fellows would voluntarily commit few hours every week for teaching in higher educational institutions.
- *Ayushman Bharat* programme to be launched to strengthen primary, secondary and tertiary healthcare system—covering both prevention and health promotion.
- For the Health and Wellness Centres (proposed under the National Health

Policy, 2017)) an allocation of Rs. 1,200 crore (their number to be 1.5 lakh aimed at bringing healthcare system closer to home, together with providing free essential drugs and diagnostic services). Private sector (under corporate social responsibility) and philanthropic institutions have been invited to adopt these centres.

- *National Health Protection Scheme (NHPS)* to be launched for over 10 crore poor families (approximately 50 crore beneficiaries) providing coverage of Rs. 5 lakh per family per year for secondary and tertiary care hospitalization—to be world's largest public-funded health care programme.
- Rs. 600 crore allocated to provide nutritional support to all TB patients at the rate of Rs. 500 per month.
- 24 new Government Medical Colleges and Hospitals to be set (by upgrading existing district hospitals). This would ensure that there is at least one medical college for every three parliamentary constituencies and at least one Government medical college in each state of the country.
- Galvanizing Organic Bio-Agro Resources Dhan *(GOBAR-DHAN)* scheme to be launched for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG, connected to open defecation free villages).
- All poor households, including SC/ST to be covered (on *mission mode*) under the Pradhan Mantri Jeevan Jyoti Beema Yojana (with a life insurance cover of Rs. 2 lakh on payment of a premium of only Rs. 330/- per annum) and Pradhan Mantri Suraksha Bima Yojana (personal accident cover of Rs. 2 lakh on payment of a premium of only Rs. 12 per annum).
- All 60 crore PM Jan Dhan Yojana accounts to be provided micro insurance and pension schemes.
- Around 115 aspirational districts to become *model of development* (to be equipped with social services like health, education, nutrition, skill upgradation, financial inclusion and infrastructure like irrigation, rural electrification, potable drinking water and access to toilets).
- The schemes (279) for SCs allocated Rs. 56,619 crore (Rs. 35,508 crore in 2017-18) and the scheme for STs (305) allocated Rs. 39,135 crore (Rs. 32,508 crore).
- Rs. 1.38 lakh crore allocated for education, health and social protection for the year (it was Rs. 1.22 lakh crore for the preceding year).

MEDIUM, SMALL AND MICRO ENTERPRISES (MSMEs) AND EMPLOYMENT

- Rs. 3794 crore allocated for the Medium, Small and Micro Enterprises (MSMEs) for giving credit support, capital and interest subsidy and innovations. Massive formalization of the businesses of MSMEs is taking place in the country after demonetization and introduction of GST.
- It is proposed to onboard public sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and link this with GSTN. Online loan sanctioning facility for MSMEs will be revamped for prompt decision making by the banks.
- A lending target of Rs. 3 lakh crore set for the MUDRA Yojana (launched in April, 2015).

- Refinancing policy and eligibility criteria set by MUDRA will be reviewed for better refinancing of NBFCs.
- Use of *Fintech* in financing space will help growth of MSMEs. A group in the Ministry of Finance is examining the policy and institutional development measures needed for creating right environment for Fintech companies to grow in India.
- *Venture Capital* and *Angel* Funds need an innovative and special developmental and regulatory regime for their growth—additional measures to be taken in this regard.
- A number of steps to boost employment generation in the country taken in the last three years:
  (i) Contribution of 8.33% of Employee Provident Fund (EPF) for new employees by the Government for three years.
  (ii) Contribution of 12% to EPF for new employees for three years by the Government in sectors employing large number of people like textile, leather and footwear.
  (ii) Additional deduction to the employees of 30% of the wages paid for new employees under the Income Tax Act.
  (iv) Launch of National Apprenticeship Scheme with stipend support and sharing of the cost of basic training by the Government to give training to 50 lakh youth by 2020.
  (v) Introducing system of fixed term employment for apparel and footwear sector.
  (vi) Increasing paid maternity leave from 12 weeks to 26 weeks, along with provision of crèches.

The above-given measures have started showing results—an independent *study* conducted recently has shown that 70 lakh formal jobs were estimated to be created during 2017-18. To carry forward this momentum, following steps to be taken:

- Government to contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years. Also, the facility of fixed term employment will be extended to all sectors.
- To incentivize employment of more women in the formal sector and to enable higher take-home wages, the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to be amended to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution.
- Model Aspirational skill Centre to be set up in every district under Pradhan Mantri Kaushal Kendra Programme.
- Rs. 7,148 crore allocated for textile sector to boost apparel and made-up segments.

INFRASTRUCTURE AND FINANCIAL SECTOR DEVELOPMENT

- Out of 100 Smart Cities, 99 cities have been selected with an outlay of Rs. 2.04 lakh crore.
- Ten tourist spots to be developed into *Iconic Tourism* destinations. In addition, tourist amenities at 100 Adarsh monuments of the Archaeological Survey of India to be upgraded.
- India Infrastructure Finance Corporation Limited (IIFCL) to help finance major infrastructure projects, including investments in educational and health

infrastructure, on strategic and larger societal benefit considerations.

- To raise equity from the market for its mature road assets, NHAI will consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer (TOT) and Infrastructure Investment Funds (InvITs).
- Rs. 1,48,528 crore allocated for Railways (Capex)—18,000 kilometres of doubling, third and fourth line works and 5,000 kilometres of gauge conversion would eliminate capacity constraints and transform almost entire network into Broad Gauge.
- About 4,000 kms of electrified railway network to be commissioned in 2018-19.
- For Eastern and Western *Dedicated Freight Corridors* 12,000 wagons, 5,160 coaches and approximately 700 locomotives to be procured during 2018-19. A major programme has been initiated to strengthen infrastructure at the Goods sheds and fast track commissioning of private sidings.
- Over 3,600 kms of track renewal is targeted for the year (under Safety First). Other major steps in this regard are—use of technology like *Fog Safe* and *Train Protection and Warning System*. Unmanned level crossings (4,267) to be eliminated in the broad gauge network by 2019-20.
- Approximately 600 railway stations to be 'redeveloped' (by Indian Railway Station Development Co. Ltd).
- All stations with more than 25,000 footfalls to be fitted with escalators.
- All railway stations and trains to be progressively provided with wi-fi.
- CCTVs to be provided at all stations and on trains to enhance security of passengers.
- Modern train-sets with state-of-the-art amenities and features are being designed at Integrated Coach Factory, Perambur. First such train-set will be commissioned during 2018-19.
- 150 kilometres of additional suburban network to be developed in Mumbai Railway Network (the lifeline of Mumbai) at a cost of over Rs. 40,000 crore, including elevated corridors on some sections.
- A suburban network of approximately 160 kilometres at an estimated cost of Rs. 17,000 crore is to be developed to cater to the growth of the Bengaluru metropolis.
- An Institute is coming up at Vadodara to train manpower required for high speed rail projects (Bullet Train Network).
- ***Aviation*** traffic (domestic) has grown 18% per annum during the past three years (airline companies placed orders for more than 900 aircrafts).
- Regional connectivity scheme of *UDAN* (Ude Desh ka Aam Nagrik) to connect 56 unserved airports and 31 unserved helipads across the country—operations have already started at 16 such airports.
- Airport Authority of India (AAI) has 124 airports—they will be expanded in their capacity to handle more than five times traffic with a billion trips a year under a new initiative, the *NABH Nirman.*
- To kick start the Coalition on Disaster Resilient Infrastructure for developing international good practices, appropriate standards and regulatory mechanism for resilient infrastructure a fund of Rs. 60 crore allocated.

- Monetization of vehicles like Infrastructure Investment Trust (InvIT) and Real Investment Trust (ReITs) to be started—select CPSE assets to be monetized using InvITs in 2018-19.
- Ropeways (to promote tourism), logistics parks and use of commercial land around railway stations to be started.
- Corporate bonds rated 'BBB' or equivalent are investment grade. In India, most regulators permit bonds with the 'AA' rating only as eligible for investment. It is now time to move from 'AA' to 'A' grade ratings—the government and concerned regulators to take necessary action in this regard.
- Indian Stamp Act to be suitably reformed with consultation with the states.
- Unified regulatory authority to be established for the International Financial Service Centre (IFSC) at Gift City, Ahmedabad.
- NITI Aayog to initiate a national program to direct efforts in the area of artificial intelligence, including research and development of its applications.
- Department of Science and Technology to launch a *Mission on Cyber Physical Systems* to support establishment of centres of excellence (in robotics, artificial intelligence, digital manufacturing, big data analysis, quantum communication and internet of things).
- Allocation for the *Digital India* programme doubled to Rs. 3073 crore.
- Five lakh wi-fi hotspots to be set up to provide broadband access to five crore rural citizens—Rs. 10,000 crore allocated for creation and augmentation of telecom infrastructure. Bharatnet Phase I has been completed which has connected one lakh gram panchayats through high speed optical fiber network.
- Use of *block chain technology* to be explored proactively for ushering in digital economy. Distributed ledger system or the block chain technology allows organization of any chain of records or transactions without the need of intermediaries. The Government does not consider crypto-currencies legal tender or coin and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system.
- Pay as you use toll system to be introduced. The system of toll payments physically by cash at road toll plazas is being fast replaced with *Fastags* and other electronic payment systems to make road travel seamless.
- Infra allocation increased to Rs. 5.97 lakh crore for the sector (from Rs. 4.94 lakh crore of the preceding year).

Building Institutions and Improving Public Service Delivery

- Every enterprise, major or small, also needs a unique ID. The Government will evolve a Scheme to assign every individual enterprise in India a unique ID. Aadhar has provided an identity to every Indian and has eased delivery of so many public services to our people.
- About 372 specific business reforms to be done in mission mode.
- Capital of the Food Corporation of India (FCI) to be restructured to enhance equity and to raise long-term debt for meeting its standing working capital requirement.
- Budgeting of Government's contribution in equity and debt of the metro ventures

floated by the State Governments to be streamlined.

- *National Logistics Portal* to be developed (by Department of Commerce) as a single window online market place to link all stakeholders.
- Fourteen CPSEs, including two insurance companies, to be listed on the stock exchanges.
- Strategic disinvestment of 24 CPSEs to be done which includes strategic privatization of Air India.
- Three public sector general insurance companies (National Insurance Company Ltd., United India Assurance Company Limited and Oriental India Insurance Company Limited) to be merged into a single insurance entity and to be subsequently listed. Process of acquisition of Hindustan Petroleum Corporation by the ONGC has been successfully completed.
- DIPAM (Department of Investment and Public Asset Management) to come up with more Exchange Traded Funds (ETFs) including *Debt ETF*.
- Disinvestment target set at Rs. 80,000 crore for 2018-19. In the preceding year the target was of Rs. 72,500 crore (realisation was estimated to be of Rs. 1,00,000 crore).
- Bonds of Rs. 80,000 crore to be issued in 2018-19 for banks' recapitalisation. This recapitalization to pave the way for the public sector banks to lend additional credit of Rs. 5 lakh crore.
- Equity of the National Housing Bank (NHB) to be transferred to to the GoI from the RBI (by amending the NHB Act).
- Indian Post Offices Act, Provident Fund Act and National Saving Certificate Act to be amalgamated and certain additional people friendly measures to be introduced.
- To provide the RBI an instrument to manage excess liquidity, RBI Act to be amended to institutionalize an Uncollateralized Deposit Facility.
- SEBI Act, 1992, Securities Contracts (Regulation) Act 1956, and Depositories Act 1996 to be amended to streamline adjudication procedures and to provide for penalties for certain infractions.
- The Government is transforming method of disposal of its business by introduction of *e-office* and other *e-governance* initiatives in central Ministries and Departments.
- A comprehensive *Gold Policy* to be developed with gold as an asset class. The Government will also establish a system of consumer friendly and trade efficient system of regulated *gold exchanges* in the country. Gold Monetization Scheme to be revamped to enable people to open a hassle-free Gold Deposit Account.
- Outward Direct Investment (ODI) from India has grown to US$15 billion per annum. The Government will review existing guidelines and processes and bring out a coherent and integrated Outward Direct Investment (ODI) policy.
- A separate policy for the hybrid instruments to be put in place. Hybrid instruments are suitable for attracting foreign investments in several niche areas, especially for the start-ups and venture capital firms.
- The emoluments of the President, the Vice President and the Governors revised to Rs. 5 lakh per month, Rs. 4 lakh per month and Rs. 3.5 lakh per month respectively (these emoluments were last revised from January 1, 2006).

- Necessary changes to be done to refix the salary, constituency allowance, office expenses and meeting allowance payable to Members of Parliament with effect from April 1, 2018 to be done (as they sitting themselves to revise them invite criticism). The law will also provide for automatic revision of emoluments every five years indexed to inflation.
- An allocation of Rs. 150 crore made for Commemoration Programme for the 150th birth anniversary of Mahatma Gandhi.

FISCAL MANAGEMENT

- In 2017-18, Central Government will be receiving GST revenues only for 11 months, instead of 12 months. This will have fiscal effect. There has also been some shortfall in Non-Tax revenues on account of certain developments, including deferment of spectrum auction. A part of this shortfall has been made up through higher direct tax revenues and bigger disinvestment receipts.
- Total Revised Estimates for expenditure in 2017-18 are Rs. 21.57 lakh crore (net of GST compensation transfers to the States) as against the Budget Estimates of Rs. 21.47 lakh crore.
- Fiscal Deficit was brought down to 4.1% in 2014-15 to 3.9% in 2015-16, and to 3.5% in 2016-17. Revised Fiscal Deficit estimates for 2017-18 are Rs. 5.95 lakh crore at 3.5% of GDP.
- Fiscal Deficit of 3.3% of GDP targeted for the year 2018-19.
- In order to impart unquestionable credibility to the Government's commitment for the revised fiscal glide path, the Government has accepted key recommendations of the Fiscal Reform and Budget Management Committee relating to adoption of the *Debt Rule* and to bring down Central Government's *Debt to GDP ratio* to 40%. Government has also accepted the recommendation to use Fiscal Deficit target as the key operational parameter.

TAX PROPOSALS

DIRECT TAXES

The attempts made by our Government for reducing the cash economy and for increasing the tax net have paid rich dividends:

- The growth rate of direct taxes in the financial years 2016-17 and 2017-18 has been significant. The year 2016-17 ended with a growth of 12.6% in direct taxes and in 2017-18 (upto January 15th, 2018) the growth in direct taxes was 18.7%.
- The average buoyancy in personal income tax of seven years preceding these two years comes to 1.1. In simple terms tax buoyancy of 1.1 means that if nominal GDP growth rate of the country is 10%, the growth rate of personal income tax is 11%. However, the buoyancy in personal income tax for financial years 2016-17 and 2017-18 (RE) is 1.95 and 2.11 respectively. This indicates that the excess revenue collected in the last two financial years from personal income tax compared to the average buoyancy pre 2016-17 amounts to a total of about Rs. 90,000 crores and the same can be attributed to the strong anti-evasion measures taken by the Government.

Similarly, there has been huge increase in the number of returns filed by taxpayers:

- In financial year 2016-17, 85.51 lakhs new taxpayers filed their returns of income as against 66.26 lakhs in the preceding year.
- By including all filers as well as persons who did not file returns but paid tax by way of advance tax or TDS, we can derive the figure of Effective Taxpayer Base. This number of effective tax payer base increased from 6.47 crores at the beginning of 2014-15 to 8.27 crores at the end of 2016-17.
- Government is enthused by this success pledged to continue to take all such measures in future by which the *black money* is contained and the honest taxpayers are rewarded. Demonetization was received well by honest taxpayers as *imandari ka utsav* only for this reason.

Recognising the need for facilitating compliance, Government had liberalized the presumptive income scheme for small traders and entrepreneurs with annual turnover of less than Rs. 2 crores and introduced a similar scheme for professionals with annual turnover of less than Rs. 50 lakhs with the hope that there would be significant increase in compliance. Under this scheme, 41% more returns were filed during 2017-18 which shows that many more persons are joining the tax net under simplified scheme.

However, the turnover shown is still not encouraging. The Department has received 44.72 lakh returns for assessment year 2017-18 from individual, HUF and firms with a meagre average turnover of Rs. 17.97 lakhs and an average tax payment of Rs. 7,000/- only. The tax compliance behaviour of professionals is no better; the department has received 5.68 lakh returns under the presumptive income scheme for assessment year 2017-18 with average gross receipts of Rs. 5.73 lakhs only. Average tax paid by them is only Rs. 35,000.

Tax Incentive for Promoting Post-Harvest Activities of Agriculture

At present, 100% deduction is allowed in respect of profit of co-operative societies which provide assistance to its members engaged in primary agricultural activities. Over the last few years, a number of Farmer Producer Companies have been set up along the lines of co-operative societies which also provide *similar assistance* to their members. In order to encourage professionalism in post-harvest value addition in agriculture, the Government proposed to allow 100% deduction to these companies registered as Farmer Producer Companies and having annual turnover up to Rs. 100 crores in respect of their profit for a period of five years from financial year 2018-19. This measure will encourage *Operation Greens* mission and it will give a boost to *Sampada Yojana*.

Employment Generation

Currently, a deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year under *Section 80-JJAA* of the Income-tax Act. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry. In order to encourage creation of new employment, the Government proposed to extend this relaxation to *footwear* and *leather* industry. Further, Government announced to rationalise this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

Incentive for Real Estate

Currently, while taxing income from *capital gains*, business profits and other sources in respect of transactions in immovable property, the consideration or circle rate value, whichever is higher, is adopted and the difference is counted as income both in the hands of the purchaser and seller. Sometimes, this variation can occur in respect of different properties in the same area because of a variety of factors including shape of the plot and location. In order to minimize hardship in real estate transaction, a proposal to provide no adjustment shall be made in a case where the circle rate value does not exceed 5% of the consideration.

Incentivising MSMEs

In the Union Budget, 2017, announcement for reduction of corporate tax rate to 25% was made for companies whose turnover was less than Rs. 50 crore in financial year 2015-16. This benefitted 96% of the total companies filing tax returns. Towards fulfilment of my promise to reduce corporate tax rate in a phased manner, a proposal to extend the benefits of this reduced rate of 25% also to companies who have reported turnover up to Rs. 250 crore in the financial year 2016-17 was made. This would benefit the entire class of micro, small and medium enterprises (MSMEs) which accounts for almost 99% of companies filing their tax returns. The estimate of revenue forgone due to this measure is Rs. 7,000 crores during the financial year 2018-19. After this, out of about seven lakh companies filing returns, about 7,000 companies which file returns of income and whose turnover is above Rs. 250 crores will remain in 30% slab. The lower corporate income tax rate for 99% of the companies will leave them with higher investible surplus which in turn will create more jobs.

Relief to Salaried Taxpayers and Pensioners

There is a general perception in the society that individual business persons have better income as compared to salaried class. However, income tax data analysis suggests that major portion of personal income-tax collection comes from the salaried class. For the assessment year 2016-17, the comparative picture had been as given below:

- Around 1.89 crore salaried individuals filed their returns and paid total tax of Rs. 1.44 lakh crores which works out to average tax payment of Rs. 76,306 per individual salaried taxpayer.
- Around 1.88 crores individual business taxpayers including professionals paid total tax of Rs. 48,000 crores which works out to an average tax payment of Rs. 25,753 per individual business taxpayer.

In order to provide relief to salaried taxpayers, a standard deduction of Rs. 40,000 allowed in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses. However, the transport allowance at enhanced rate shall continue to be available to differently-abled persons. Also other medical reimbursement benefits in case of hospitalization etc., for all employees shall continue. Apart from reducing paper work and compliance, this will help middle class employees even more in terms of reduction in their tax liability.

This decision to allow standard deduction shall significantly benefit the *pensioners* also, who normally do not enjoy any allowance on account of transport and medical expenses. The revenue cost of this decision is approximately Rs. 8,000 crores. The total number of salaried employees and pensioners who will benefit from this decision is around 2.5 crores.

Relief to Senior Citizen

A life with dignity is a right of every individual in general, more so for the senior citizens. To care of those who cared for us is one of the highest honours. To further the objective of providing a dignified life, following incentives for senior citizens have been announced:

- Exemption of interest income on deposits with banks and post offices to be increased from Rs. 10,000 to Rs. 50,000 and TDS shall not be required to be deducted on such income, under section 194A. This benefit shall be available also for interest from all fixed deposits schemes and recurring deposit schemes.

- Raising the limit of deduction for health insurance premium and/ or medical expenditure from Rs. 30,000 to Rs. 50,000 under section 80D. All senior citizens will now be able to claim benefit of deduction up to Rs. 50,000 per annum in respect of any health insurance premium and/or any general medical expenditure incurred.
- Raising the limit of deduction for medical expenditure in respect of certain critical illness from, Rs. 60,000 in case of senior citizens and from Rs. 80,000 in case of very senior citizens, to Rs. 1 lakh in respect of all senior citizens, under *Section 80DDB*.
- These concessions will give extra tax benefit of Rs. 4,000 crores to senior citizens. In addition to tax concessions, the *Yojana Pradhan Mantri Vaya Vandana* has been extended up to March, 2020 under which an assured return of 8% is given by Life Insurance Corporation of India. The existing limit on investment of Rs. 7.5 lakh per senior citizen under this scheme is also being enhanced to Rs. 15 lakh.

Tax incentive for International Financial Services Centre (IFSC)

Working towards developing a world class international financial services centre in India two new tax concessions announced for International Financial Service Centre (IFSC):

(i) In order to promote trade in stock exchanges located in IFSC, transfer of derivatives and certain securities by non-residents to be exempt from capital gains tax.

(ii) Non-corporate taxpayers operating in IFSC shall be charged Alternate Minimum Tax (AMT) at concessional rate of 9% at par with Minimum Alternate Tax (MAT) applicable for corporates.

Measures to Control Cash Economy

Currently, the income of trusts and institutions is exempt if they utilise their income towards their objects in accordance with the relevant provisions. However, there is no restriction on these entities for incurring expenditure in cash. In order to have audit trail of the expenses incurred by these entities, payments exceeding Rs. 10,000 in cash made by such entities disallowed and the same shall be subject to tax. Further, in order to improve TDS compliance by these entities, in case of non-deduction of tax, 30% of the amount shall be disallowed and the same shall be taxed.

Rationalisation of Long Term Capital Gains (LTCG)

Presently, long term capital gains arising from transfer of listed *equity shares*, units of *equity oriented fund* and *unit of a business trust* are exempt from tax. With the reforms introduced by the Government and incentives given so far, the equity market has become buoyant. The total amount of exempted capital gains from listed shares and units has been around Rs. 3,67,000 crores (for the assessment year 2017-18). Major part of this gain has accrued to corporates and LLPs. This has also created a *bias* against manufacturing, leading to more business surpluses being invested in financial assets. The return on investment in equity is already quite attractive even without tax exemption. There is therefore a strong case for bringing *long term capital gains* from listed equities in the tax net:

- Long term capital gains tax imposed with a rate of 10% (in excess of Rs. 1 lakh gain) without benefit of any indexation (of inflation). However, all gains up to

January 31, 2018 will be exempt from this tax.

- Distributed income by equity oriented mutual fund to be taxed at the rate of 10%. This will provide level playing field across growth oriented funds and dividend distributing funds. In view of grandfathering, this change in capital gain tax will bring marginal revenue gain of about Rs. 20,000 crores in the first year. The revenues in subsequent years may be more.

The gains from equity share held up to one year will remain short term capital gain and will continue to be taxed at the rate of 15%.

Health and Education Cess

Health and education cess increased by 1% (to become 4%). At present there was a 3% cess on personal income tax and corporation tax consisting of two 2% cess for primary education and 1% cess for secondary and higher education. This will enable the Government to have an estimated additional revenue of Rs. 11,000 crore. The increase has been done to finance the new measures announced (in the Budget) in the areas of education and health of the BPL and rural families.

E-assessment

E-assessment was introduced in 2016 on a pilot basis and in 2017 it was extended to 102 cities with the objective of reducing the interface between the department and the taxpayers. With the experience gained so far, it has been rolled out across the country. This will transform the age-old assessment procedure of the income tax department and the manner in which they interact with taxpayers and other stakeholders. This will lead to greater efficiency and transparency.

INDIRECT TAX

As the excise duties to a large extent and service tax have been subsumed in GST, along with corresponding duties on imports, this budget proposals are mainly on the *customs* side. In this budget, Government took a calibrated departure from the underlying policy in the last two decades, wherein the trend largely was to reduce the customs duty. There is substantial potential for domestic value addition in certain sectors, like food processing, electronics, auto components, footwear and furniture. To further incentivise the domestic value addition and Make in India in some such sectors, customs duty increased on certain items:

- Customs duty on mobile phones increased from 15% to 20%, on some of their parts and accessories to 15% and on certain parts of TVs to 15%. This measure will promote creation of more jobs in the country.
- To help the cashew processing industry, customs duty on raw cashew reduced from 5% to 2.5%.
- Education cess and secondary and higher education cess on imported goods abolished, and in its place impose a Social Welfare Surcharge, at the rate of 10% of the aggregate duties of Customs, on imported goods, to provide for social welfare schemes of the Government. Goods which were hitherto exempt from Education Cesses on imported goods will, however, be exempt from this Surcharge.
- Certain specified goods, will attract the proposed Surcharge at the rate of 3% of the aggregate duties of customs only.
- To further improve *ease of doing business*, certain changes done (in the Customs Act, 1962) in cross border trade, and to align certain provisions with the commitments

under the Trade Facilitation Agreement (FTA provision of the WTO). To smoothen dispute resolution processes and to reduce litigation, certain amendments to be done, to provide for pre-notice consultation, definite timelines for adjudication and deemed closure of cases if those timelines are not adhered to.

- With the roll out of GST, the name of Central Board of Excise and Customs (CBEC) changed to Central Board of Indirect Taxes and Customs (CBIC).

This Budget has been guided by Government's mission to especially strengthen agriculture, rural development, health, education, employment, MSME and infrastructure sectors of Indian economy. Government reaffirms that the New India will now emerge. The budgetary announcement ends by quoting Swami Vivekanand who had envisioned decades ago in his Memoirs of European Travel:

"You merge yourselves in the void and disappear, and let new India arise in your place. Let her arise—out of the peasants' cottage, grasping the plough; out of the huts of the fisherman. Let her spring from the grocer's shop, from beside the oven of the fritter-seller. Let her emanate from the factory, from marts, and from markets. Let her emerge from groves and forests, from hills and mountains."