

## CURRENT ECONOMIC SCENARIO AND THE CHALLENGES AHEAD

The Union Budget for financial year 2015-16 will be presented in the lower house of the Parliament as usual on the last working day of February 28. This time, the Budget of 2015-16 is a very crucial one as it's going to be the Second budget of the NDA government. There are a few positive signals from this Budget - the second from Union Finance Minister Arun Jaitley. One, the outlay for infrastructure has gone up by Rs 70,000 crore. This is a 37 per cent jump over what was spent by the Centre this year. If you add a 34 per cent increase in the internal and extra budgetary resources of public sector undertakings, the total increase in the Central Plan Outlay goes up by 35 per cent. Compare this with a 30 per cent drop seen this year, and one sees how more money hopefully in investment projects is likely to spur economic activity. There is a nine per cent cut proposed in the overall subsidies bill for next year. The cut seems to have come largely from savings on fuel subsidies, more on account of lower international crude oil prices, and perhaps less due to the impact of direct benefit transfer schemes in operation for cooking gas. Also, there is no benefit to be seen on the food subsidy front. So, what could have been a year of major savings on the subsidies front, the actual cut proposed is quite small at only 8.6 per cent. But still the subsidies spend as percentage of India's gross domestic product should come down to 1.7 per cent, compared to 2.1 per cent in the current year. The gain on this front should be noted. Fiscal deficit seen at 3.9% of GDP in 2015-16, committed to meeting medium term fiscal deficit target of 3%. GDP growth seen between 8% and 8.5% this year. Consumer inflation to remain close to 5% by March, more room for monetary policy easing. No change in individual income tax rates and slabs, overall deduction benefits to individual taxpayers hiked to Rs 4.44 lakh a year.

## Taxation

- ✎ Abolition of Wealth Tax.
- ✎ Additional 2% surcharge for the super rich with income of over Rs. 1 crore. .
- ✎ Rate of corporate tax to be reduced to 25% over next four years.
- ✎ No change in tax slabs
- ✎ Total exemption of up to Rs. 4,44,200 can be achieved.
- ✎ 100% exemption for contribution to Swachch Bharat, apart from CSR.
- ✎ Service tax increased to 14 per cent.



## AGRICULTURE

- ✎ Rs. 25,000 crore for Rural Infrastructure Development Bank
- ✎ Rs. 5,300 crore to support Micro Irrigation Programme.
- ✎ Farmers credit - target of 8.5 lakh crore.



## INFRASTRUCTURE

- Rs. 70,000 crores to Infrastructure sector.
- Tax-free bonds for projects in rail road and irrigation
- PPP model for infrastructure development to be revitalised and govt. to bear majority of the risk.
- Atal Innovation Mission to be established to draw on expertise of entrepreneurs, and researchers to foster scientific innovations; allocation of Rs. 150 crore.
- Govt. proposes to set up 5 ultra mega power projects, each of 4000MW.

## RENEWABLE ENERGY

- Rs. 75 crore for electric cars production.
- Renewable energy target for 2022: 100K MW in solar; 60K MW in wind; 10K MW in biomass and 5K MW in small hydro



## EDUCATION

- ✎ AIIMS in Jammu and Kashmir, Punjab, Tamil Nadu, Himachal Pradesh, Bihar and Assam.
- ✎ IIT in Karnataka; Indian School of Mines in Dhanbad to be upgraded to IIT.
- ✎ PG institute of Horticulture in Amritsar.
- ✎ Kerala to have University of Disability Studies
- ✎ Centre of film production, animation and gaming to come up in Arunachal Pradesh.
- ✎ IIM for Jammu and Kashmir and Andhra Pradesh.

## DEFENCE

- ✎ Allocation of Rs. 2,46,726 crore; an increase of 9.87 per cent over last year.
- ✎ Focus on Make in India for quick manufacturing of Defence equipment.

## TOURISM

- ✎ Development schemes for churches and convents in old Goa; Hampi, Elephanta caves, Forests of Rajasthan, Leh palace, Varanasi, Jallianwala Bagh, Qutb Shahi tombs at Hyderabad to be under the new tourism scheme.
- ✎ Visa on Arrival for 150 countries.



## WELFARE SCHEMES

- ✎ GST and JAM trinity (Jan Dhan Yojana, Aadhaar and Mobile) to improve quality of life and to pass benefits to common man.
- ✎ Six crore toilets across the country under the Swachh Bharat Abhiyan.
- ✎ MUDRA bank will refinance micro finance orgs. to encourage first generation SC/ST entrepreneurs.
- ✎ Housing for all by 2020.
- ✎ Upgradation 80,000 secondary schools.
- ✎ DBT will be further be expanded from 1 crore to 10.3 crore.
- ✎ For the Atal Pension Yojana, govt. will contribute 50% of the premium limited to Rs. 1,000 a year.
- ✎ New scheme for physical aids and assisted living devices for people aged over 80 .
- ✎ Govt. to use Rs. 9,000 crore unclaimed funds in PPF/EPF for Senior Citizens Fund.
- ✎ Rs. 5,000 crore additional allocation for MGNREGA.
- ✎ Govt. to create universal social security system for all Indians.



# WELFARE

## GOLD

- ✎ Sovereign Gold Bond, as an alternative to purchasing metal gold.
- ✎ New scheme for depositors of gold to earn interest and jewellers to obtain loans on their metal accounts
- ✎ To develop an Indian gold coin, which will carry the Ashok Chakra on its face, to reduce the demand for foreign coins and recycle the gold available in the country.

## FINANCIAL SECTOR

- ✎ Forward Markets Commission to be merged with the Securities and Exchange Board of India
- ✎ NBFCs registered with the RBI and having asset size of Rs 500 crore and above to be considered as 'financial institution' under Sarfaesi Act, 2002, enabling them to fund SME and mid-corporate businesses
- ✎ Permanent Establishment norms to be modified to that mere presence of offshore fund managers in the country does not lead to "adverse tax consequences."





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