

UNION BUDGET 2015-16

The Union Budget for 2015-16 has been announced by Mr Arun Jaitley, Union Minister for Finance, Government of India, in Parliament on February 28, 2015

Highlights of Union Budget 2015-16

- **Overview of the Economy**
 - Gross domestic product (GDP) growth of India for 2015-16 projected between 8-8.5 per cent.
 - Real GDP growth expected to accelerate to 7.4 per cent.
 - CPI inflation projected at 5 per cent by the end of the year.
 - Government firm on journey to achieve fiscal target of 3 per cent of GDP.
- **Agriculture**
 - Rs 5,300 crore to support micro-irrigation, watershed development and the 'Pradhan Mantri Krishi Sinchai Yojana'.
 - Rs 25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up in NABARD; Rs 15,000 crore for Long Term Rural Credit Fund; Rs 45,000 crore for Short Term Co-operative Rural Credit Refinance Fund; and Rs 15,000 crore for Short Term RRB Refinance Fund.
 - Target of Rs 8.5 trillion of agricultural credit during the year 2015-16.
 - Pradhanmantri Gram Sinchai Yojana' to provide 'Per Drop More Crop'.
 - Focus on improving the quality and effectiveness of activities under MGNREGA.
 - Need to create a National Agriculture Market for the benefit of farmers, which will also have the incidental benefit of moderating price rises. Government to work with the States, in NITI, for the creation of a Unified National Agriculture Market.
- **Funding the Unfunded**
 - Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs 20,000 crore and credit guarantee corpus of Rs 3,000 crore to be created.
 - MUDRA Bank will be responsible for refinancing all Micro-finance Institutions which are in the business of lending to such small entities of business through a Pradhan Mantri Mudra Yojana.
 - A Trade Receivables discounting System (TReDS) which will be an electronic platform for facilitating financing of trade receivables of MSMEs to be established.
 - Postal network with 154,000 points of presence spread across villages to be used for increasing access of the people to the formal financial system.
 - NBFCs registered with RBI and having asset size of Rs 500 crore (US\$ 81.12 million) and above, may be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002.
- **From Jan Dhan to Jan Suraksha**
 - Government to work towards creating a functional social security system for all Indians, especially the poor and the under-privileged.
 - Pradhan Mantri Suraksha Bima Yojna to cover accidental death risk of Rs 200,000 for a premium of just Rs 12 per year.
 - Atal Pension Yojana to provide a defined pension, depending on the contribution and the period of contribution. Government to contribute 50 per cent of the beneficiaries' premium

limited to Rs 1,000 each year, for five years, in the new accounts opened before December 31, 2015.

- **Pradhan Mantri Jeevan Jyoti Bima Yojana** to cover both natural and accidental death risk of Rs 200,000 at premium of Rs 330 per year for the age group of 18-50.
- A new scheme for providing physical aids and assisted living devices for senior citizens, living below the poverty line.
- Unclaimed deposits of about Rs 3,000 crore in the PPF, and approximately Rs 6,000 crore in the EPF corpus. The amounts to be appropriated to a corpus, which will be used to subsidize the premiums on these social security schemes through creation of a Senior Citizen Welfare Fund in the Finance Bill.

• Infrastructure

- **National Investment and Infrastructure Fund (NIIF)**, to be established with an annual flow of Rs 20,000 crore
- **Tax free infrastructure bonds** for projects in the rail, road and irrigation sectors.
- **Public-private partnership (PPP)** mode of infrastructure development to be revisited and revitalised.
- **Atal Innovation Mission (AIM)** to be established in NITI to provide Innovation Promotion Platform involving academicians, and to draw upon national and international experiences to foster a culture of innovation, research and development. A sum of Rs 150 crore will be earmarked.
- **Self-Employment and Talent Utilization (SETU)** to be established as techno-financial, incubation and facilitation programme to support all aspects of start-up business. Rs 1,000 crore to be set aside as initial amount in NITI.
- **Ports in public sector** will be encouraged to corporatize, and become companies under the Companies Act to attract investment and leverage the huge land resources.
- **5 new ultra mega power projects (UMPP), 4,000 megawatt (MW) each, in plug-and-play mode.**

• Financial Market

- **Public debt management agency (PDMA)** with both external and domestic borrowings under one roof, to be set up this year.
- Enabling legislation, amending the **Government Securities Act and the RBI Act included in the Finance Bill, 2015.**
- **Forward Markets commission to be merged with SEBI.**
- **Section-6 of FEMA** to be amended through Finance Bill to provide control on capital flows as equity will be exercised by Government in consultation with RBI.
- Government to bring enabling legislation to allow employee to opt for **EPF or New Pension Scheme**. For employee's below a certain threshold of monthly income, contribution to **EPF to be option**, without affecting employees' contribution.

• Investment

- **Foreign investments in Alternate Investment Funds** to be allowed.
- **Distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments to be done away with.** Replacement with composite caps.
- A project development company to facilitate setting up manufacturing hubs in **CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.**

- **Tourism**

- Resources to be provided to start work along landscape restoration, signage and interpretation centres, parking, access for the differently abled, visitors' amenities, including securities and toilets, illumination and plans for benefiting communities around them at various heritage sites.
- **Visas on arrival (VoA)** to be increased to 150 countries in stages.

- **Green India**

- **Target of renewable energy capacity revised to 175,000 MW till 2022, comprising 100,000 MW solar, 60,000 MW wind, 10,000 MW biomass and 5,000 MW small hydro.**
- Proposal to introduce **public contracts (resolution of disputes) Bill** to streamline the institutional arrangements for resolution of such disputes.
- Proposal to introduce a **regulatory reform Bill** that will bring about a cogency of approach across various sectors of infrastructure.

- **Skill India**

- **A national skill mission** to consolidate skill initiatives spread across several ministries to be launched.
- **Deen Dayal Upadhyay Gramin Kaushal Yojana** to enhance the employability of rural youth.
- **A student Financial Aid Authority** to administer and monitor the front-end all scholarship as well **Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.**
- **An IIT to be set up in Karnataka and Indian School of Mines, Dhanbad** to be upgraded in to a full-fledged IIT.
- **New All India Institute of Medical Science (AIIMS) to be set up in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam.** Another AIIMS like institutions to be set up in Bihar.
- A post graduate institute of **Horticulture Research & Education is to be set up in Amritsar.**
- **3 new National Institute of Pharmaceuticals Education and Research in Maharashtra, Rajasthan & Chhattisgarh** and one Institute of Science and Education Research to be set up in Nagaland & Orissa each.
- **An autonomous Bank Board Bureau to be set up to improve the governance of public sector bank.**
- **The National Optical Fibre Network Programme (NOFNP)** to be further speeded up by allowing willing states to execute on reimbursement of cost basis.
- Special assistance to **Bihar & West Bengal to be provided as in the case of Andhra Pradesh.**
- **Made in India and the Buy and the Make in India policy** are being carefully pursued to achieve greater self-sufficiency in the area of defence equipment including air-craft.
- **The first phase of india's first smart city project in Gujarat namely GIFT to become a reality very soon.**

- **Budget Estimates**

- **Non-Plan expenditure** for the Financial Year are estimated at Rs **1,312,200 crore**
- **Plan expenditure** is estimated to be **Rs 465,277 crore**, which is very near to the R.E. of 2014-15.
- **Total Expenditure** has accordingly been estimated at Rs **1,777,477 crore**
- The requirements for expenditure on **defence, internal security and other necessary expenditures** are adequately provided.
- **Gross tax receipts** are estimated to be Rs **1,449,490 crore**

- **Devolution to the states** is estimated to be **Rs 523,958**
- **Share of Central Government will be Rs 919,842**
- **Non Tax Revenues** for the next fiscal estimated to be **Rs 221,733 crore**
- **Fiscal deficit** will be **3.9 per cent of GDP** and revenue deficit will be **2.8 per cent of GDP**.

• **Tax Proposal**

- Objective of stable taxation policy and a **non-adversarial tax administration**.
- Efforts on various fronts to implement **GST from next year**.
- No change in rate of **personal income tax**.
- Proposal to reduce **corporate tax from 30 per cent to 25 per cent over the next four years**, starting from next financial year.
- Rationalisation and removal of various tax exemptions and incentives to reduce tax disputes and improve administration.
- Exemption to individual tax payers to continue to facilitate savings.

• **Make in India**

- Revival of growth and investment and promotion of domestic **manufacturing towards job creation**.
- **Tax 'pass through'** to be allowed to both **category I and category II alternative investment funds**.
- Rationalisation of capital gains regime for the sponsors exiting at the time of listing of units of **REITs and InvITs**.
- **Rental income of REITs from their own assets to have pass through facility**.
- **Permanent Establishment (PE)** norm to be modified to encourage fund managers to relocate to India.
- **General Anti Avoidance Rule (GAAR)** to be deferred by two years. **GAAR to apply to investments made on or after April 1, 2017**, when implemented.
- **Additional investment allowance (@ 15 per cent)** and **additional depreciation (@35 per cent)** to new manufacturing units set up during the period **April 1, 2015 to March 31, 2020** in notified backward areas of **Andhra Pradesh and Telangana**.
- **Rate of income tax on royalty and fees for technical services** reduced from 25 per cent to 10 per cent to facilitate technology inflow.
- Benefit of deduction for employment of new regular workmen to all business entities and eligibility threshold reduced.
- **Basic custom duty on certain inputs**, raw materials, inter mediates and **components in 22 items, reduced to minimise** the impact of duty inversion.
- All goods, except populated printed circuit boards for use in manufacture of **ITA bound items, exempted from SAD**.
- **SAD reduced on import of certain inputs and raw materials**.
- Excise duty on chassis for ambulance reduced from **24 per cent to 12.5 per cent**.
- **Balance of 50 per cent of additional depreciation @ 20 per cent** for new plant and machinery installed and used for less than six months by a manufacturing unit or a unit engaged in generation and distribution of power to be allowed immediately in the next year.

• **Ease of doing business – Minimum Government Maximum Governance**

- **Monetary limit for a case to be heard by a single member bench of ITAT increased from Rs 500,000 to Rs 1,500,000**.
- **Wealth-tax** replaced with additional **surcharge of 2 per cent** on super rich with a **taxable income of over Rs 1 crore** annually.
- Applicability of **indirect transfer provisions to dividends paid by foreign companies to their shareholders to be addressed through a clarificatory circular**.

- **Domestic transfer pricing** threshold limit increased from Rs **5 crore to Rs 20 crore**
 - **Education cess and the Secondary and Higher education cess** to be subsumed in **central excise duty**.
 - Specific rates of central excise duty in case of certain other commodities revised.
 - Excise duty on footwear with leather uppers and having retail price of more than Rs 1,000 per pair reduced to 6 per cent.
 - **Online central excise and service tax** registration to be done in two working days.
 - **Time limit for taking CENVAT** credit on inputs and input services increased **from 6 months to 1 year**.
 - **Service tax plus education cesses** increased from **12.36 per cent to 14 per cent** to facilitate transition to GST.
 - Donation made to **National Fund for Control of Drug Abuse (NFCDA)** to be eligible for 100 per cent deduction u/s 80G of Income-tax Act.
- **Swachh Bharat**
 - 100 per cent deduction for contributions, other than by way of **CSR contribution, to Swachh Bharat Kosh and Clean Ganga Fund**.
 - **Clean energy cess increased from Rs 100** to Rs 200 per metric tonne of coal, etc. to finance clean environment initiatives.
 - Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12 per cent to 15 per cent.
 - **Enabling provision to levy Swachh Bharat cess at a rate of 2 per cent** or less on all or certain services, if need arises.
 - Services by common affluent treatment plant exempt from Service-tax.
 - Concessions on custom and excise duty available to electrically operated vehicles and hybrid vehicles extended **up to March 31, 2016**.
- **Benefits to middle class tax-payers**
 - **Limit of deduction of health insurance premium increased from Rs 15,000** to Rs 25,000 for senior citizens limit increased from Rs 20,000 to Rs 30,000
 - **Senior citizens above the age of 80 years**, who are not covered by health insurance, to be allowed deduction of Rs 30,000 towards medical expenditures.
 - Deduction limit of Rs 60,000 with respect to specified decease of serious nature enhanced to Rs 80,000 in case of senior citizen.
 - Additional deduction of Rs 25,000 allowed for differently abled persons.
 - Limit on deduction on account of contribution to a pension fund and the new pension scheme increased from Rs 100,000 to Rs 150,000
 - **Yoga to be included** within the ambit of charitable purpose under **Section 2(15) of the Income-tax Act**.
 - To mitigate the problem being faced by many genuine **charitable institutions**, it is proposed to modify the ceiling on receipts from activities in the nature of trade, commerce or business to 20 per cent of the total receipts from the existing ceiling of **Rs 2,500,000**
- **Direct tax proposals** to result in revenue loss of Rs 8,315 crore, whereas the proposals in indirect taxes are expected to yield Rs **23,383 crore**. Thus, the net impact of all tax proposals would be revenue gain of Rs **15,068 crore**
- **Others**
 - Increase in basic custom duty:
 - Metallurgical coke from 2.5 per cent to 5 per cent.
 - Tariff rate on iron and steel and articles of iron and steel increased from **10 per cent to 15 per cent**.

- Tariff rate on commercial vehicle increased from **10 per cent to 40 per cent.**
- **Basic custom duty on digital still image video camera with certain specification reduced to nil.**
- Excise duty on rails for manufacture of railway or tram way track construction material exempted retrospectively from March 17, 2012 to February 2, 2014, if not **CENVAT credit** of duty paid on such rails is availed.
- Service-tax to be levied on service provided by way of access to amusement facility, entertainment events or concerts, pageants, non recognised sporting events etc.
- **Service-tax exemption:**
 - Services of pre-conditioning, pre-cooling, ripening etc. of fruits and vegetables.
 - Life insurance service provided by way of **Varishtha Pension Bima Yojana.**
 - All ambulance services provided to patients.
 - Admission to museum, zoo, national park, wild life sanctuary and tiger reserve.
 - Transport of goods for export by road from factory to land customs station.
- Service-tax exemption to construction, erection, commissioning or installation of original works pertaining to an airport or port withdrawn.
- **Transportation of agricultural produce to remain exempt from Service-tax.**
- Artificial heart exempt from basic custom duty of **5 per cent and CVD.**

