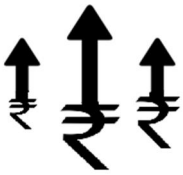
Key Features of Budget 2017-2018

INTRODUCTION

- In the last two and half years administration has moved from discretionary, favouritism based to system and transparency based
- 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 non-plan classification of expenditure to facilitate a holistic view of allocations for sectors and ministries

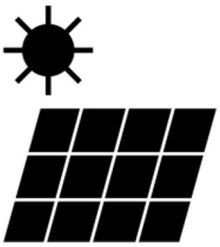
DEMONITISATION

- 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 formalisation 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 housing for the poor; relief to farmers; credit support to MSMEs; encouragement to digital transactions; assistance to pregnant women and senior citizens; and priority to dalits, tribals, backward classes and women under the Mudra Yojana, address key concerns of our economy

INFRASTRUCTURE

- For transportation sector as a whole, including rail, roads, shipping, provision of ` 2,41,387 crores has been made in 2017-18.
- For 2017-18, the total capital and development expenditure of Railways has been pegged at ` 1,31,000 crores. This includes ` 55,000 crores provided by the Government
- For passenger safety, a *Rashtriya Rail Sanraksha Kosh* will be created with a corpus of ` 1 lakh crores over a period of 5 years
- Unmanned level crossings on Broad Gauge lines will be eliminated by 2020



- 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.
- Railway lines of 3,500 kms will be commissioned in 2017-18. During 2017-18, at least 25 stations are expected to be awarded for station redevelopment.
- 500 stations will be made differently abled friendly by providing lifts and escalators.
- It is proposed to feed about 7,000 stations with solar power in the medium term
- SMS based *Clean My Coach Service* has been started
- 'Coach Mitra', a single window interface, to register all coach related complaints and requirements to be launched

- By 2019, all coaches of Indian Railways will be fitted with bio toilets. Tariffs of Railways would be fixed, taking into consideration costs, quality of service and competition from other forms of transport
- A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software
- A new Metro Rail Act will be enacted by rationalising the existing laws. This will facilitate greater private participation and investment in construction and operation.
- In the road sector, Budget allocation for highways increased from ` 57,976 crores in BE 2016-17 to ` 64,900 crores in 2017-18

- 2,000 kms of coastal connectivity roads have been identified for construction and development
- Total length of roads, including those under PMGSY, built from 2014-15 till the current year is about 1,40,000 kms which is significantly higher than previous three years
- Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode
- By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 *gram panchayats,* under BharatNet. A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology
    - 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 ` 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, ` 10,000 crores for recapitalisation of Banks provided in 2017-18
- Lending target under *Pradhan Mantri Mudra Yojana* to be set at ` 2.44 lakh crores. Priority will be given to Dalits, Tribals, Backward Classes and Women.

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

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 ` 4.11 lakh crores, against ` 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
- 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 ` 3.48 lakh crores after buyback in 2017-18, much lower than ` 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 ` 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 ` 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 ` 1 crore to ` 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 ` 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 `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 `50 lakhs and ` 1 crore

- Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto ` 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