UNION BUDGET
2017-18
In Union Budget 2017-18, the finance minister adhered to the fiscal consolidation roadmap by aiming to bring down fiscal deficit to 3.2% of the GDP in 2017-18 and lower it further to 3% in the following year.

Income tax rate was lowered to 5% for individuals having income between Rs. 2.5 lakh to Rs. 5 lakh. However, to make up for the loss, a 10% surcharge was imposed on individual income above Rs. 50 lakh and up to Rs. 1 crore.

The finance minister provided Rs. 10,000 crore for recapitalisation of banks in 2017-18 and added that additional allocation may be provided as and when required.

An outlay of Rs. 10 lakh crore was announced for the agriculture sector.

Affordable housing was granted infrastructure status. Furthermore, the government allocated an all-time high Rs. 3.96 lakh crore for infrastructure development in 2017-18.

The finance minister estimated to raise Rs. 72,500 crore in 2017-18 by divesting stakes in public sector firms.

Several measures were announced for railways. The minister proposed development of 25 new stations by 2017-18 and announced that railway lines of 3,500 km will be commissioned.

The minister announced Foreign Investment Promotion Board will be phased out and a roadmap for the next few months will be announced shortly.
### Three major reforms of Union Budget 2017-18

<table>
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<tr>
<th><strong>Budget presented on Feb 1</strong></th>
<th><strong>Railway Budget Merged With Union Budget</strong></th>
<th><strong>Distinction between plan &amp; non-plan expenditure done away</strong></th>
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<tr>
<td>To enable the Parliament to avoid a Vote on Account and pass a single Appropriation Bill for 2017-18 before the close of the current financial year</td>
<td>The end of a separate Budget will be a relief for the Railways since its revenue deficit and capital expenditure will now get transferred to the finance ministry</td>
<td>After the abolition of the Planning Commission, the relevance of plan and non-plan expenditure was lost. Hence, a better indicator of productive and general expenditure will be a distinction under the heads of revenue and capital</td>
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<td>This would enable ministries and departments to operationalise all schemes and projects, including the new schemes, right from the commencement of the next financial year</td>
<td>Railways will also not have to pay a special dividend to the government for getting gross budgetary support</td>
<td>This would also facilitate optimal allocation of resources and give a holistic view of allocations for sectors and ministries</td>
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Global economic challenges

**World economy faces considerable uncertainty** in the aftermath of major economic and political developments in 2016

*U.S. Federal Reserve’s intention to increase policy rates in 2017 may lead to lower capital inflows and higher outflows from emerging economies*

*Signs of retreat from globalisation of goods, services, and people, as protectionist pressures build up*

*Uncertainty around commodity prices*, especially that of crude oil, has implications for emerging economies’ fiscal situation
Indian economic scenario

According to the Economic Survey, **Indian economy’s growth rate is likely to slowdown post demonetisation and it could be lower than the first advance estimates of CSO**

A likely ¾% points to ½% points reduction in GDP growth from a baseline of about 7% does not take away from India’s strengths given the weak and unsettled global economy that posted a growth rate of a little over 3% in 2016

**Government has projected that growth of the Indian economy may recover back to 6.75%-7.5% in 2017-18** once circulation of new currency notes becomes normal. For 2016-17, GDP growth rate is pegged at 7.1%.

**Indirect taxes grew 26.9% during the period from Apr to Nov 2016, as per the Economic Survey.** Retail core inflation remained sticky, averaging around 5%
Public Service - effective government and efficient service delivery

- **Direct Benefit Transfer (DBT)**
  - Chandigarh and eight districts of Haryana have become kerosene free
  - 84 government schemes have boarded the DBT platform

- **E-market place**
  - Functional for procurement of goods and services

- **Efficient passport services**
  - Government would be utilising Head Post Offices as front offices for rendering passport services
  - Travel tickets can be booked online by soldiers and officers. They do not have to face the hassle of standing in queues with railway warrants

- **Centralised Defence Travel System**
  - A comprehensive web-based interactive Pension Disbursement System for defence pensioners

- **Others**
  - Budget has also proposed to rationalise the number of tribunals
Farmers, rural population, poor and underprivileged

An outlay of **Rs. 10 lakh crore** announced for the agriculture sector

To ensure flow of credit to small farmers, government to support NABARD for computerisation and integration of all **63,000 functional Primary Agriculture Credit Societies** with the core banking system of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of **Rs. 1,900 crore**

**Coverage of National Agricultural Market (e-NAM)** to be expanded from 250 markets to 585 APMCs. Assistance of up to **Rs. 75 lakh** will be provided to every e-NAM

**Dedicated Micro Irrigation Fund** in NABARD to achieve ‘per drop more crop’ with an initial corpus of **Rs. 5,000 crore**

**Aim to bring one crore households out of poverty** and to make 50,000 Gram Panchayats poverty-free by 2019

**MGNREGA allocation** to be the highest ever at **Rs. 48,000 crore** in 2017-18

Pace of **construction of PMGSY roads** accelerated to 133 km roads per day in 2016-17

**Affordable housing** to be given infrastructure status

Coverage of National Agricultural Market (e-NAM) to be expanded from 250 markets to 585 APMCs. Assistance of up to Rs. 75 lakh will be provided to every e-NAM
Youth, infrastructure and financial sector

**SWAYAM platform** to be launched with at least 350 online courses. This will enable students to virtually attend courses taught by the best faculty.

**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.

Provision of Rs. 2.41 lakh crore made for the transportation sector, including rail, roads, and shipping.

Railway lines of 3,500 kms will be commissioned in 2017-18. At least 25 stations are expected to be redeveloped.

Foreign Investment Promotion Board to be abolished in 2017-18 and further liberalisation of FDI policy under consideration.

Proposal to create an integrated public sector ‘oil major’ that will match the performance of international and domestic private sector oil and gas companies.

Lending target under Pradhan Mantri Mudra Yojana set at Rs. 2.44 lakh crore. Priority will be given to dalits, tribals, backward classes, and women.

In the road sector, Budget allocation for highways increased from Rs. 57,976 crore in 2016-17 to Rs. 64,900 crore in 2017-18.
Digital economy – huge benefits for the common man

Promotion of a digital economy is an integral part of government’s strategy

Increased digital transactions will enable small and micro enterprises access formal credit

Government has 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

Government will strengthen the Financial Inclusion Fund to augment resources for taking up digital initiatives

Government is considering the option of amending the Negotiable Instruments Act to ensure that the payees of dishonoured cheques are able to realise payments quickly

- 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 in 2017-18
- 125 lakh people have downloaded BHIM app so far
- The app will unleash the power of mobile phones for digital payments and financial inclusion
Prudent fiscal management

**Total Expenditure**
- Total expenditure in Budget 2017-18 has been placed at Rs. 21.47 lakh crore

**Defence Expenditure**
- Excluding pensions, a sum of Rs. 2,74,114 crore including Rs. 86,488 crore for defence capital sanctioned

**FRBM Review Committee**
- The FRBM Review Committee in its recent report has favoured Debt to GDP of 60% for the government by 2023

**Borrowing Programme**
- Net market borrowing of government has been limited to Rs. 3.48 lakh crore after buyback
Demonetisation and its impact

A. Demonetisation may have slowed the economy in the short run but is perceived to be beneficial for the economy in the long run.

B. Contrary to earlier fears, as of Jan 15, 2016, aggregate sowing of two major rabi crops -- wheat and pulses (gram) -- exceeded last year’s planting by 7% and 15%, respectively.

C. Surplus liquidity in the banking system will lower borrowing costs and increase access to credit.

D. Passenger car sales and overall excise taxes bear little imprint of demonetisation; sales of two wheelers show a marked decline after demonetisation; credit numbers were already looking weak before demonetisation; and pre-existing trends were further reinforced after Nov 8.

E. The currency squeeze in Nov and Dec failed to hit govt’s revenue mop up, with direct and indirect tax collection for Apr-Dec increasing in double-digits. Direct tax collection for Apr-Dec increased 12.01% YoY, while indirect tax collection surged 25%.
Tax Reforms

The Budget gave thrust on stimulating growth, relief to middle class, affordable housing, curbing black money, promoting digital economy, transparency in political funding, and simplification of tax administration. The current regime of Excise & Service Tax was not altered much because it will be replaced by GST soon.

Direct Tax:

• Tax rate for individuals with income of Rs. 2.5 lakh to Rs. 5 lakh reduced to 5% from the present rate of 10%

• While the taxation liability of people with income of up to Rs. 5 lakh is being reduced to half, all the other categories of tax payers in the subsequent slabs will also get a uniform benefit of Rs. 12,500/- per person

• Surcharge of 10% on individuals with income between Rs. 50 lakh and Rs. 1 crore

• Simple one-page form to be filed as Income Tax Return for individuals with income of up to Rs. 5 lakh other than business income

• New pension scheme for senior citizens that will pay 8% interest per annum

• Transaction above Rs. 3 lakh would not be permitted in cash, subject to certain exceptions
• The holding period for considering gain from immovable property to be long term reduced from 3 years to 2 years

• The base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property

• Maximum amount of cash donation that a political party can receive from one person will be Rs. 2000

• In order to allow people to claim refund expeditiously, the 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 from 21 months to 18 months for Assessment Year 2018-19 and further to 12 months for Assessment Year 2019-20 and thereafter

• To boost start-ups, profit-linked deduction changed from 3 years out of 5 years to 3 years out of 7 years

• In order to make MSME companies more viable, income tax for companies with annual turnover of up to Rs. 50 crore reduced to 25%

• Presumptive income for small and medium tax payers whose turnover is up to Rs. 2 crore has been reduced from 8% of turnover to 6% of turnover which is received by non-cash means

• Carry forward of MAT credit extended up to a period of 15 years from 10 years

• For promoting affordable housing and the real estate sector, certain changes have been suggested. First of all, instead of built up area of 30 and 60 sq.mtr., carpet area of 30 and 60 sq.mtr. will be counted. Also, the 30 sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities. For the rest of the country including the peripheral areas of metros, limit of 60 sq.mtr. will apply

• Breathing time of one year has been given for liquidating inventory for builders whose constructed buildings are stock-in-trade
Indirect Tax:

- Considering the wide range of use of LNG as fuel as well as feedstock for the petro-chemicals sector, the basic customs duty on LNG has been proposed to be reduced from 5% to 2.5%.
- To promote cashless transactions, BCD, Excise/CV duty and SAD on miniaturised POS card reader for m-POS, micro ATM standards version 1.5.1, Finger Print Readers/Scanners and Iris Scanners has been proposed to be exempted.
Other important announcements

Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched soon. Banks have targeted to introduce additional 10 lakh new POS terminals by Mar 2017. They will be encouraged to introduce 20 lakh Aadhar-based POS by Sep 2017.

Maximum amount of cash donation a political party can receive from a single person will be Rs. 2000/-. Political parties will be entitled to receive donations by cheque or digital mode from their donors.

Transactions above Rs. 3 lakh would not be permitted in cash subject to certain exceptions.

Under scheme for presumptive taxation for professionals with receipt up to Rs. 50 lakh p.a., advance tax can be paid in one instalment instead of four.

Every political party would have to file its return within the time prescribed in accordance with the provision of the Income-tax Act.