

BUDGET SUMMARY

UNION BUDGET 2016-17

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Introduction

Growth of the Indian Economy accelerated to 7.6% in 2015-16 in spite of global growth falling from 3.4% in 2014 to 3.1% in 2015. India has been hailed as a 'bright spot' amidst a slowing global economy by IMF. With this background, Budget 2016-17 reflects Government's firm commitment to substantially boost investment in agriculture, social sector, infrastructure and employment generation, simultaneously sticking to the fiscal consolidation path. This is substantiated by a huge 15.3% jump in Plan outlay and 9% increase in Non-Plan outlay in 2016-17 over RE (2015-16) while simultaneously conforming to the fiscal deficit target of 3.5%. Besides additional allocation to meet the obligations of 7th pay commission, recommendation and implementation of one rank one pension (OROP) in Defence has also been provided.

Agriculture Sector

Looking beyond food security, the Government has set its target in the recent Budget to double the income of farmers by 2022 and made multiple financial provisions to achieve this goal through making substantial hike in its allocation to the agriculture and allied sectors. The sector has been allocated Rs. 47,912

crore in this Budget, which is 84% more than what it had received during 2015-16. It was announced that a dedicated long-term irrigation fund will be created in NABARD with an initial corpus of about Rs. 20,000 crore. Agriculture credit target is raised to Rs. 9 lakh crore for the next fiscal as against the target of Rs. 8.5 lakh crore during 2015-16.

The Budget reflects importance on organic farming with the proposal that 5 lakh crore acres of farms will be brought under the same. On the other hand, 2000 outlets of fertilizers companies will be provided with more benefits. Rs. 17000 crore has been allocated to accelerate irrigation benefit programmes. It has been proposed to spend Rs. 86500 over the past 5yrs in this area.

In order to finance initiatives to improve the agricultural sector, the Budget proposes to impose 'Krishi Kalyan Cess' of 0.5% on all taxable services which will come into force from June 1, 2016. For easy access to markets for the farmers, the Unified Agriculture Marketing Scheme and an e-platform is proposed to be launched on the birthday of Baba Saheb Ambedkar, i.e. April 14, 2016. For this, Pashudhan Sanjivani (animal wellness programme and provision of animal health cards), E-Pashudhan Haat (e-market portal for connecting farmers and breeders), an advance breeding technology and a National Genomic Centre for indigenous breeds will be introduced.

Rural Sector

Rs. 87,765 crore has been allocated for the development of rural sector. A sum of Rs. 2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and Municipalities as per the recommendations of the 14th Finance Commission. The funds allocated will be translated to an average assistance of over Rs. 80 lakhs per Gram Panchayat and Rs. 21 crore per local urban bodies.

The Budget also focuses on areas of drought and distress. Every block of villages under this area will be taken up as an Intensive Block under the Deen Dayal Antyodaya Mission. Rs. 9000 crore has been provided for the Swachh Bharat Abhiyan. For this purpose, priority allocations from Centrally Sponsored Schemes will be made to reward villages that have become free from open defecation. Cluster facilitation teams will be setup under MGNREGS with a sum of Rs. 38,500 crore. 300 Rurban Clusters will be developed under the Shyama Prasad Mukherjee Rurban Mission. These clusters will expand employment opportunities for rural youth.

The government is committed to achieve 100% village electrification by 1st May, 2018. Two schemes have been launched to promote Digital literacy – (i) A new Digital Literacy Mission Scheme for rural India to cover around 6 crore additional household within the next 3 years; (ii) Digital Sakshartha Abhayan. National Land Record Modernisation Programme has been revamped and new scheme Rashtriya Gram Swaraj Abhiyan is proposed with allocation of Rs. 655 crore.

Social Sector

Three major schemes have been initiated for the weaker sections for the improvement of the social sector:

1. 'The Pradhan Mantri Fiscal Bima Yojana' would help double income of farmers by 2020.
2. Health insurance to protect one-third of BPL families.
3. Cooking gas subsidy to be provided to protect women from ill effects of chula cooking.

New health insurance scheme is proposed which will provide health cover up to Rs. One lakh per family. For senior citizens an additional top-up package up to Rs. 30,000 will be provided. 3,000 Stores under Prime Minister's Jan Aushadhi Yojana will be opened during 2016-17. 'National Dialysis Services Programme' to be started under National Health Mission through PPP mode.

Education, Skills and Job Creation

The budget has underlined a specific focus on the education, skills and job creation for building a knowledge based and productive economy. For this, the idea of digitising all educational certificates will bring more transparency in the education sector. Digital literacy scheme will be launched to cover 6 crore additional rural households. 1500 multi-skill training institutes will be set up for which Rs. 1,700 crore has to be budgeted. 62 new Navodaya Vidyalayas will be built to provide quality education.

Infrastructure and Investment

Rs. 55,000 crore for road and highways (including Rs. 15,000 crore for National highways) and Rs. 97,000 crore for Pradhan Mantri Gram Sarak Yojana has been proposed in this budget. Total outlay for infrastructure has been budgeted at Rs. 2,21,246 crore. Amendments are planned to be made in Motor Vehicles Act to open up the road transport sector in the passenger segment and action plan for revival of unserved and underserved airports are intended to be drawn up in partnership with State Governments. A new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, has been approved in this budget.

Financial Sector

Budget 2016-17 proposes the introduction of a comprehensive Code on Resolution of Financial Firms and to set up a Financial Data Management Centre. Allocation of Rs. 25,000 crore towards re-capitalisation of Public Sector Banks is proposed. Target of amount sanctioned under *Pradhan Mantri Mudra Yojana* increased to Rs.1,80,000 crore. General Insurance Companies owned by the Government are proposed to be listed in the stock exchanges.

Tax Reform

The ceiling of tax rebate has been raised under section 87A from Rs. 2000 to Rs. 5000 to lessen tax burden on individuals with income up to Rs.5 lakhs. The limit of deduction of rent paid under section 80GG from Rs. 24000 per annum to Rs. 60000 has been increased to provide relief to those who live in rented houses. Withdrawal up to 40% of the corpus at the time of retirement has been proposed to be tax exempt in the case of National Pension Scheme (NPS). Annuity fund which goes to legal heir will not be taxable. In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made on or from 1.4.2016. Limit for contribution of employer in recognized Provident and Superannuation Fund has been proposed of Rs.1.5 lakh per annum for taking tax benefit. Service tax for Annuity services provided by NPS and Services provided by EPFO to employees has been exempted.

Additional tax at the rate of 10% of gross amount of dividend will be payable by the recipients receiving dividend in excess of Rs.10 lakh per annum. Surcharge has been raised from 12% to 15% on persons, other than companies, firms and cooperative societies having income above Rs.1 crore. Tax will be deducted at source at the rate of 1 % on purchase of luxury cars exceeding value

of Rs.10 lakh and purchase of goods and services in cash exceeding Rs.2 lakh. Securities Transaction tax in case of 'Options' is proposed to be increased from .017% to .05%. Equalization levy of 6% of gross amount for payment has been made to non-residents exceeding Rs.1 lakh a year in case of B2B transactions. Krishi Kalyan Cess, at the rate of 0.5% on all taxable services, will be effective from 1 June 2016. Proceeds would be exclusively used for financing initiatives for improvement of agriculture and welfare of farmers. Input tax credit of this cess will be available for payment of this cess. Infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs has been imposed. No credit of this cess will be available nor credit of any other tax or duty be utilized for paying this cess. Excise duty of '1% without input tax credit or 12.5% with input tax credit' has been imposed on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs. 6 crores and Rs.12 crores respectively. Excise on readymade garments with retail price of Rs.1000 or more is raised to 2% without input tax credit or 12.5% with input tax credit. 'Clean Energy Cess' levied on coal, lignite and peat renamed to 'Clean Environment Cess' and rate increased from `200 per tonne to `400 per tonne. Excise duties on various tobacco products other than beedi raised by about 10% to 15%.

Governance and ease of doing business

Good governance is given emphasis with special focus on process reforms, IT-enabled Government processes, etc. The whole idea is to remove the irritants for the public in their interface with Government agencies. A Task Force has been constituted for rationalisation of human resources in various Ministries. A comprehensive review and rationalisation of autonomous bodies is also underway.

Three specific initiatives are proposed to ensure targeted disbursement of Government subsidies and financial assistance to the actual beneficiaries:

1. A social security platform will be developed using Aadhar to accurately target beneficiaries.
2. Introduction of Direct Benefit Transfer on pilot basis for fertilizer in a few districts across the country, with a view to improving the quality of service delivery to farmers.
3. Provision of automation facilities in 3 lakh Fair Price Shops by March 2017.

Fiscal Discipline

Total expenditure is projected at Rs. 19.78 lakh crore, among which Plan expenditure is pegged at Rs.5.50 lakh crore and Non-Plan expenditure is kept at Rs. 14.28 lakh crores. Special emphasis is given to sectors such as agriculture, irrigation, social sector including health, women and child development, welfare of Scheduled Castes and Scheduled Tribes, minorities, infrastructure. Additional finances are mobilised to the extent of Rs. 31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority by raising Bonds.

Views of the Students

While the issue of rural under-consumption has been adequately addressed directly, it is hoped that the under-investment crisis will be addressed indirectly through rural stimulation, which is contestable. By trying to build a consumerist rural economy without a corresponding investing “urban” sector is flawed. Rural demand may drive overall aggregate demand, but its structure and

composition need not match the investment needs of the economy and that can derail this budget very easily.

We've already achieved high growth. Now we can turn our focus away from growth to redistribution. The redistribution should be done better, with lower leakages and improved targeting. Money should go to the poor and to farmers. More taxes and more transfers can reduce distress. That is why the focus of the budget is not on reviving investment and growth.

Regardless of what the GDP numbers say, however much they point upwards, almost everything tells us that the economy is looking down. Unless we acknowledge that there is a problem of slow growth and low investment, we do not worry about how to solve it. Perhaps that is why the budget did not focus on investment revival.

To sum up, this is a budget for the social economy. The social economy, in the context of the budget, refers to financial allocations and economics embodying the principles of improving service delivery to citizens and the democratization of the expenditure decision-making processes.
