Budget 2014-15

Promise of progress…

July 2014

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With Best Compliments:

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Executive Summary

The Union Budget 2014-15 is encouraging on building consumers', investors' and general confidence and aims at enhancing growth, creating employment opportunities and containing inflation with the desired focus on garnering much needed investments, both public and private. The proposals unveiled in it on various socio-economic fronts of the economy indicate promises of progress in coming times. The focus on rural infrastructure, agriculture infrastructure, urban infrastructure, manufacturing revival, tourism, education, banking and finance and foreign direct investments are inspiring and would go a long way to rejuvenate the economic growth, going forward.

The much expected enhancement of the income tax limit from Rs. 2 lacs to Rs. 2.5 lacs, enhancement of investment limit under Section 80C from Rs. 1 lac to Rs. 1.5 lacs and enhancement of rebate on investments in self owned house from Rs. 1.5 lac to Rs. 2 lac would restore consumers' and investors' confidence and propel growth. The 10 years tax holiday for undertakings that generate and transmit power is appreciable. Investment allowance of 15% to manufacturing companies investing Rs 25 crore in plant and machinery would accelerate capital investments and propel manufacturing growth.

Focus on increasing irrigation facilities, farm markets, financial help to landless farmers and Kisan TV to provide real time information to farmers would help to increase productivity of the farm sector. Steps undertaken to revive SEZs would help to rejuvenate the investment cycle and facilitation to manufacturing units to sell their products through retail and e-commerce would reduce the selling cost and benefit both manufacturers and consumers.

Focus on GST implementation and discussions with state governments in this regard are encouraging. We believe, GST will streamline the tax administration, avoid harassment of the business and result in higher revenue collection both for the Centre and the States. Enhancement of FDI limit in insurance and defence sector will increase the capital inflows in the coming times. The budget has provided the roadmap for fiscal consolidation in the next 3 years on reduced fiscal deficit at 4.1% of GDP in 2014-15, 3.6% in 2015-16 and 3% in 2016-17. The finance minister in all his earnestness has shown intentions to improve the quality of government spending with higher allocations for infrastructure (roads, railways, ports etc).

Focus on industrial infrastructure such as plan to establish 7 industrial cities in India would enhance industrialization and create employment opportunities in the economy. The allocation for urban infrastructure earmarked at Rs. 50,000 crore are really appreciable and these announcements would speed up the pace and urbanization in the country and help economic growth to move fast. Further, the project of developing 100 Smart Cities as satellite towns of larger cities and by modernizing the existing mid-sized cities would not only provide employment opportunities to the burgeoning population of India but would also boost the construction sector and improve the existing urban infrastructure without putting undue pressure on government finances.

However, the industry is still concerned about the retrospective tax amendments and the issue of transfer pricing. No roadmap has been provided to address the stringent labor laws, tedious environment clearances and problematic land acquisition bill. Also, there should be a clear cut date for implementation of GST.

In a nutshell, though the Union Budget for FY2014-15 offers no Big Bang proposals, it is well grounded with focus on boosting general confidence, investor's confidence as well as consumer's confidence.

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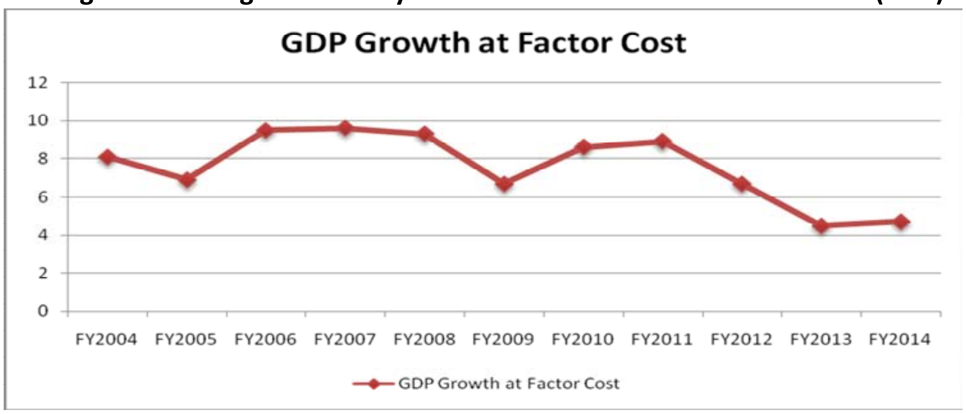
Economic Survey:
Envisages Rational Expectations

2. Economic Survey: Envisages Rational Expectations

After achieving unprecedented growth of over 9% for three successive years between 2005-06 and 2007-08 and recovering swiftly from the global financial crisis of 2008-09, the Indian economy has been going through challenging times that culminated in lower than 5% growth of GDP at factor cost at constant prices for two consecutive years, i.e. 2012-13 and 2013-14. Sub-5% GDP growth for two years in succession was last witnessed in 1986-87 and 1987-88.

GDP growth during the last 10 years **(in %)**



Source: PHD Research Bureau, Compiled from various sources

Persistent uncertainty in the global outlook, caused by the crisis in the Euro area and general slowdown in the global economy, compounded by domestic structural constraints and inflationary pressures, resulted in an extended slowdown. The slowdown is broadly in sync with trends in other emerging economies, but relatively deeper. India's growth declined from an average of 8.3% per annum during 2004-05 to 2011-12 to an average of 4.6% in 2012-13 and 2013-14. Average growth in the emerging markets and developing economies including China declined from 6.8% to 4.9% in this period (calendar-year basis). What is particularly worrisome is the slowdown in manufacturing growth that averaged 0.2% per annum in 2012-13 and 2013-14.

In addition to the growth slowdown, inflation continued to pose significant challenges. Although average wholesale price index (WPI) inflation declined in 2013-14 to 6.0 per cent vis-à-vis 8.9% in 2011-12 and 7.4% in 2012-13, it is still above comfort levels. Moreover, WPI inflation in food articles that averaged 12.2% annually in the five years ending 2013-14, was significantly higher than non-food inflation. Fortunately, the upward trend of inflation that played a part in slowdown in growth, savings, investment, and consumption, appears to have subsided.

> **Moderation in inflation would help ease the monetary policy stance and revive the confidence of investors, and with the global economy expected to recover moderately, particularly on account of performance in some advanced economies, the economy can look forward to better growth prospects in 2014-15 and beyond.**
>
> **-The Economic Survey 2013-14**

The external sector witnessed a remarkable turnaround after the first quarter of 2013-14, and the year ended with a Current Account Deficit of 1.7% of GDP as against 4.7% in 2012-13. After plummeting to Rs.68.36 per US dollar on 28 August 2013, triggered by the expected taper of quantitative easing in the United States, the rupee gradually strengthened and the year ended with the exchange rate averaging Rs. 61 per US dollar in March 2014, owing to measures taken by the government and the Reserve Bank of India.

These developments on external account have generated some optimism that the Indian economy is better prepared to confront the challenges of global policy reversals, including tapering of quantitative easing in the US. There has been improvement on the fiscal front as well, with the fiscal deficit declining from 5.7% of GDP in 2011-12 to 4.9% in 2012-13 and 4.5% in 2013-14. Much of this improvement has been achieved by reduction in expenditure rather than from increased revenue. Nevertheless, the corrections in fiscal and current account deficits augur well for macroeconomic stabilization.

The improvements in the twin deficits would facilitate higher growth in 2014-15, but the pace of recovery may be gradual. After reaching a low of 4.4% during the last two quarters (Q3 and Q4) of 2012-13, growth inched up to 4.7% in Q1 of 2013-14 and further to 5.2% in Q2 of 2013-14, only to decline to 4.6% in the next two quarters. The fact that this happened despite a gradual recovery in the global economy indicates the importance of addressing the domestic structural constraints that have engendered an undulating and gradual recovery.

In a nutshell, in 2014-15, the Indian economy is poised to overcome the sub-5% growth of gross domestic product (GDP) witnessed over the last two years. The growth slowdown in the last two years was broad based, affecting in particular the industry sector. Inflation too declined during this period, but continued to be above the comfort zone, owing primarily to the elevated level of food inflation. Yet, the developments on the macro stabilization front, particularly the dramatic improvement in the external economic situation with the current account deficit (CAD) declining to manageable levels after two years of worryingly high levels was the redeeming feature of 2013-14. The fiscal deficit of the Centre as a proportion of GDP also declined for the second year in a row as per the announced medium term policy stance.

Going ahead, as anticipated in the Economic Survey, the needed reforms such as low and stable inflation regime, tax and expenditure reforms and regulatory framework would go a long way to restore macroeconomic stability in the coming times, whereas removal of restriction on farmers to buy, sell and store their produce to customers across the country and world would help to restore price stability.

Further, rationalization of subsidies on inputs such as fertilizer and food is also essential and the Government needs to eventually move towards income support for farmers and poor households.

Union Budget 2014-15: Key Announcements

3. Union Budget 2014-15: Key announcements

- **Vital Statistics –** The fiscal deficit is pegged at 4.1% of GDP in 2014-15, 3.6% in 2015-16 and 3% in 2016-17. The revenue deficit is estimated at 2.9%. Sustainable growth of 4% in agriculture will be achieved.

- **Agriculture –** Farming as an activity contributes nearly 1/6th to our National GDP and a major portion of our population is dependent on it for livelihood. The budget proposed to establish two more Agricultural Research Institute of excellence in Assam and Jharkhand with an initial sum of Rs. 100 crore. An amount of Rs. 100 crores set aside for Agri-tech Infrastructure Fund. To meet the vagaries of climate change a National Adaptation Fund with an initial amount of Rs. 100 crore will be set up. An amount of Rs. 100 crore has been earmarked to launch a scheme to provide every farmer a soil health card in a Mission mode and additional Rs. 56 crores has been allocated to set up 100 mobile soil testing laboratories across the country

- **Industry--** A sum of Rs. 100 crore provided for setting up a National Industrial Corridor Authority. Amritsar Kolkata Industrial master planning to be completed expeditiously. Perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters. An amount of Rs. 50 crore has been earmarked to set up a Trade Facilitation Centre and a crafts museum to develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi

- **Infrastructure--** An institution to provide support to mainstreaming PPPPs called 4PIndia to be set up with a corpus of Rs. 500 crores. A sum of Rs. 7060 crore is provided in the current fiscal for the project of developing one hundred Smart Cities. An investment of an amount of Rs. 37,880 crores in NHAI (National Highways Authority of India) and state roads is proposed which includes Rs. 3000 crores for the North East. The vision of the Government is that 500 urban habitations to be provided support for renewal of infrastructure and services in next 10 years through PPPs. Slum development to be included in the list of Corporate Social Responsibility (CSR) activities to encourage the private sector to contribute more.

- **Social Sector –** An sum of Rs. 50 crores has been proposed for pilot testing a scheme on Safety for Women on Public Road Transport. An amount of Rs. 150 crores has been earmarked for a scheme to increase the safety of women in large cities. A provision of Rs. 500 crores has been made for setting up AIIMS like institutions in Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in Uttar Pradesh. States' Drug Regulatory and Food Regulatory Systems to be strengthened by creating new drug testing laboratories and strengthening the 31 existing State laboratories. An amount of Rs. 28635 crore is being funded for Sarv Shiksha Abhiyan(SSA) and Rs. 4966 crore for Rashtriya madhyamic Shiksha Abhiyan (RMSA).

- **Expenditure—** Plan expenditure has been placed at Rs. 5,75,000 crore for the year 2014-15 and non-plan expenditure estimates for the 2014-15 has been placed at Rs. 12,19,892 crore for the same period. Plan increase targeted towards agriculture, capacity creation in health and education, rural roads and national highways infrastructure, railways network expansion, clean energy initiatives, development of water resources and river conservation plans.

- **Taxation** – Enhancement of the income tax limit from Rs. 2 lacs to Rs. 2.5 lacs, enhancement of investment limit under section 80C from Rs. 1 lac to Rs. 1.5 lacs and enhancement of rebate on investments in self owned house from Rs. 1.5 lac to Rs. 2 lac. Basic customs duty on LCD and LED TV panels of below 19 inches reduced from 10 % to Nil to encourage production of LCD and LED TVs below 19 inches in India. Concessional basic customs duty of 5 % extended to machinery and equipment required for setting up of a project for solar energy production and for setting up of compressed biogas plants (Bio-CNG). To incentivize expansion of processing capacity, reduction in excise duty on specified food processing and packaging machinery from 10 % to 6 %.

- **Others --** Capital outlay for defence increased by Rs. 5000 crore including a sum of Rs. 1000 crore for accelerating the development of the Railway system in the border areas. An amount of Rs. 100 crore has been earmarked to set up a Technology Development Fund for defence. A sum of Rs.500 crore provided for developing 5 tourist circuits around specific themes. An amount of Rs. 200 crore has been earmarked for National Heritage City Development and Augmentation Yojana (HRIDAY). Varishtha Pension Bima Yojana (VPBY) to be revived for a limited period from 15 August, 2014 to 14 August, 2015 for the benefit of citizens aged 60 years and above.

BIG PICTURE

- **FDI in insurance sector to be increased up to 49% from 26%**
- **Manufacturing units allowed to sell its products through retail including Ecommerce platforms.**
- **100 new smart cities to be developed**
- **A sum of Rs.100 crore provided for “Beti Bachao, Beti Padhao Yojana”**
- **Slum development to be included in the list of Corporate Social Responsibility (CSR)**
- **Scheme will be launched to provide every farmer a soil health card in a Mission mode and a sum of Rs. 100 crore allocated for the same.**
- **A sum of Rs. 100 crore provided for setting up a National Industrial Corridor Authority.**
- **Skill India to be launched to skill the youth with an emphasis on employability and entrepreneur skills for the MSME sector.**
- **An institution to provide support to mainstreaming PPPPs called 4PIndia to be set up with a corpus of Rs.500 crores.**
- **Project on Ganges called “ Jal Marg Vikas’ to be developed between Allahabad and Haldia.**
- **Scheme for development of new airports in Tier I and Tier II Cities to be launched.**
- **NRI Fund for Ganga will be set up.**
- **Investment limit under section 80C of the Income-tax Act raised from Rs.1 lakh to Rs.1.5 lakh.**
- **Investment allowance at the rate of 15 percent to a manufacturing company that invests more than Rs.25 crore in any year in new plant and machinery.**

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Budget Estimates

4. Budget Estimates

- Plan expenditure is placed at Rs. 5, 75,000 crore as against Rs. 4,75,532 with an increase of around 21%
- Non Plan Expenditure is estimated at Rs. 12, 19,892 crore as against Rs. 11, 14,902 with an increase of around 21%
- Fiscal deficit for the year 2013-14 contained at 4.6% and for the year 2014-15 at 4.1%.
- Revenue deficit for the year 2013-14 at 3.3% and for the year 2014-15 at 2.9%.
- By 2016-17 fiscal deficit to be brought down to 3 %, revenue deficit to 1.6% and effective revenue deficit to zero%.

Budget at a glance

(Amount in Rs. Billion)

	Particulars	2012-13 Actuals	2013-14 BE	2013-14 RE	2014-15 BE	2014-15 Y-o-Y growth %
1	**Revenue Receipts (2+3)**	**8,792**	**10,563**	**10,293**	**11,898**	**15.6**
2	Tax Revenue (Net to Centre)	7,419	8,841	8,360	9,773	16.9
3	Non-tax revenue	1,374	1,723	1,932	2,125	10.0
4	**Capital Receipts (5+6+7)~**	**5,311**	**6,090**	**5,612**	**6,051**	**7.8**
5	Recoveries of loan	151	107	108	105	-2.5
6	Other Receipts	259	558	258	634	145.4
7	Borrowings & other liabilities*	4,902	5,425	5,245	5,312	1.3
8	Total Receipts (1+4)~	14,104	16,653	15,904	17,949	12.9
9	Non Plan Expenditure	9,967	11,100	11,149	12,199	9.4
10	On revenue account	9,143	9,929	10,277	11,146	8.5
11	Of which Interest payments	3,132	3,707	3,801	4,270	12.4
12	On Capital account	824	1,171	872	1,053	20.7
13	Plan Expenditure	4,136	5,553	4,755	5,750	20.9
14	On Revenue account	3,292	4,433	3,719	4,535	22.0
15	On Capital account	844	1,121	1,037	1,215	17.2
16	**Total Expenditure (9+13)**	**14,104**	**16,653**	**15,904**	**17,949**	**12.9**
17	**Revenue Expenditure (10+14)**	**12,435**	**14,362**	**13,995**	**15,681**	**12.0**
18	Of Which, Grants for creation of Capital Assets	1,157	1,746	1,382	1,681	21.6
19	Capital Expenditure (12+15)	1,669	2,291	1,909	2,268	18.8
20	**Revenue deficit (17-1)**	**3,643**	**3,798**	**3,703**	**3,783**	**2.2**
	as % of GDP	3.6	3.4	3.3	2.9	-
21	**Effective Revenue Deficit (20-18)#**	**2,486**	**2,052**	**2,321**	**2,102**	**-9.4**
	as % of GDP	2.5	1.8	2.0	1.6	-
22	**Fiscal deficit {16-(1+5+6)}**	**4,902**	**5,425**	**5,245**	**5,312**	**1.3**
	as % of GDP	4.8	4.8	4.6	4.1	-
23	**Primary deficit (22-11)**	**1,770**	**1,718**	**1,445**	**1,042**	**-27.9**
	as % of GDP	1.8	1.5	1.3	0.8	-
24	Nominal GDP (mkt. prices)	101,133^	113,205^^	113,551^	128,767	13.4

Source: PHD Research Bureau compiled from Budget 2014-15. Note: Individual items may not sum up to the totals due to rounding off. GDP for BE 2014-2015 has been projected at Rs. 12876653 crore assuming 13.4% growth over the Advance Estimates of 2013-2014 (Rs.11355073 crore) released by CSO. ^ Data pertains to provisional estimates of annual national income, 2013-14, ^^Data pertains to advance estimates of national income 2013-14.
~Excluding receipts under Market Stabilisation Scheme, *Includes draw-down of Cash Balance. BE-Budget Estimates, RE-Revised Estimates

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Budget 2014-15

Summary of Receipts

(Amount in Rs.Billion)

Sr. No	Component	2012-13	2013-14	2013-14	2014-15	2014-15 Y-o-Y growth
		Actuals	BE	RE	BE	%
1	**Net tax revenue**	**7419**	**8841**	**8360**	**9773**	**16.9**
	Gross tax revenue	10362	12359	11589	13645	17.7
	Corporation tax	3563	4195	3937	4510	14.6
	Income tax	2015	2476	2417	2843	17.6
	Wealth Tax	8	10	10	10	0.0
	Customs	1653	1873	1751	2018	15.3
	Union excise duties	1765	1976	1795	2071	15.4
	Service tax	1326	1801	1649	2160	31.0
	Taxes of UTs	31	28	31	34	10.9
	Less – NCCD/ NDRF	28	48	47	51	8.6
	Less – states' share	2915	3470	3182	3822	20.1
2	**Non tax revenue**	**1374**	**1723**	**1932**	**2125**	**10.0**
	Interest receipts	208	178	210	198	-6.0
	Dividend and Profits	538	739	882	902	2.3
	Other Non Tax Revenue	617	795	829	1014	22.3
	Receipts of Union Territories	11	12	11	11	1.2
3	**Total revenue receipts**	**8792**	**10563**	**10293**	**11898**	**15.6**
A.	**Non debt receipts**	409	665	366	740	101.8
	Recoveries of loans & advances	151	107	108	105	-2.6
	Misc. capital receipts	259	558	258	634	145.4
B.	**Debt receipts**	5412	5425	5245	5140	-2.0
	Market loans	4674	4840	4689	4612	-1.6
	Short term borrowings	534	198	227	346	52.4
	External assistance (net)	72	106	54	57	5.4
	Securities issued against small savings	86	58	116	82	-29.1
	State Provident Funds	109	100	100	120	20.0
	Other receipts	-63	123	59	-77	-230.3
4	**Total capital receipts**	**5822**	**6090**	**5462**	**5880**	**7.7**
	Draw down of cash balance	-510	-	150	172	14.4
	Total receipts	14104	16653	15904	17949	12.9
	Receipts under MSS (net)	-	200	-	200	-

Source: PHD Research Bureau compiled from Budget 2014-15
Note: NCCD stands for National Calamity Contingency Fund/ NDRF stands for National Disaster Response Fund
BE-Budget Estimates, RE-Revised Estimates

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Budget 2014-15

Summary of expenditure

(Amount in Rs.Billion)

Sr. no	Indicators	2012-13 Actuals	2013-14 BE	2013-14 RE	2014-15 BE	2014-15 Y-o-Y growth
1	**Total expenditure (2+3)**	**14104**	**16653**	**15904**	**17949**	**12.9**
2	**Total Non- Plan Expenditure**	**9967**	**11100**	**11149**	**12199**	**9.4**
	Revenue Expenditure	9143	9929	10277	11146	8.5
	Capital Expenditure	824	1171	872	1053	20.7
3	**Total Plan Expenditure**	**4136**	**5553**	**4755**	**5750**	**20.9**
	Revenue Expenditure	3292	4433	3719	4535	22.0
	Capital Expenditure	844	1121	1037	1215	17.2
4	**Central Assistance for State & UT Plans**	**1089**	**1363**	**1190**	**3384**	**184.3**
	Revenue Expenditure	969	1232	1067	3246	204.4
	Capital Expenditure	120	130	124	138	11.3
5	**Budget support for central plan (3-4)**	**3047**	**4191**	**3565**	**2366**	**-33.6**
	Revenue Expenditure	2324	3200	2652	1289	-51.4
	Capital Expenditure	724	990	913	1077	18.0
6	**Resources of Public Enterprises**	**1937**	**2611**	**2576**	**2479**	**-3.8**
	Revenue Expenditure	-	-	-	-	-
	Capital Expenditure	1937	2611	2576	2479	-3.8
7	**Central plan (5+6)**	**4985**	**6801**	**6141**	**4845**	**-21.1**
	Revenue Expenditure	2324	3200	2652	1289	-51.4
	Capital Expenditure	2661	3601	3489	3557	1.9

Source: PHD Research Bureau compiled from Budget 2014-15
Note: BE-Budget Estimates, RE-Revised Estimates

Summary of subsidies

(Amount in Rs.Billion)

Sr. no	Indicators	2012-13	2013-14BE	2013-14RE	2014-15BE
1	Major Subsidies	1475	2210	2455	2464
2	Food	850	900	920	1150
3	Fertilizers	656	660	680	730
4	Petroleum	969	650	855	634
5	Interest	73	81	82	83
6	Others	23	21	19	9
	Subsidy expenditure	2571	2311	2555	2557

Source: PHD Research Bureau compiled from Budget 2014-15
Note: BE-Budget Estimates, RE-Revised Estimates

Central Plan Outlay

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Budget 2014-15

(Amount in Rs.Billion)

Sr. no	Particulars	2012-13	2013-14	2013-14	2014-15
		Actuals	BE	RE	BE
1	**Economic Services**	**3563**	**4778**	**4424**	**3972**
	Agriculture and Allied Activities	170	188	176	115
	Rural Development*	444	564	506	31
	Irrigation and Flood Control	4	12	5	18
	Energy	1321	1583	1788	1663
	Industry and Minerals	332	480	362	402
	Transport**	905	1335	1090	1162
	Communications	63	124	93	130
	Science Technology & Environment	120	176	136	188
	General Economic Services***	202	316	269	263
2	**Social Services**	**1364**	**1930**	**1644**	**794**
3	**General Services**	**57**	**93**	**73**	**79**
4	**Budgetary Support for Central Plan**	**4985**	**6801**	**6141**	**4845**
	Y-o-Y growth rate				
5	**Economic Services**	**-3.1**	**34.1**	**-7.4**	**-10.2**
	Agriculture and Allied Activities	5.2	10.3	-6.5	-34.3
	Rural Development	-6.4	27.0	-10.3	-93.9
	Irrigation and Flood Control	-13.2	173.3	-61.3	287.3
	Energy	8.4	19.8	12.9	-7.0
	Industry and Minerals	-8.4	44.6	-24.7	11.2
	Transport	-15.8	47.5	-18.3	6.6
	Communications	-4.5	96.9	-24.6	39.4
	Science Technology & Environment	2.7	46.0	-22.8	38.4
	General Economic Services	2.6	56.3	-14.9	-2.1
6	**Social Services**	**0.7**	**41.5**	**-14.8**	**-51.7**
7	**General Services**	**7.5**	**63.2**	**-21.4**	**8.1**
8	**Budgetary Support for Central Plan**	**-2.0**	**36.4**	**-9.7**	**-21.1**
	% of GDP				
9	**Economic Services**	**3.5**	**4.2**	**3.9**	**3.1**
	Agriculture and Allied Activities	0.2	0.2	0.2	0.1
	Rural Development	0.4	0.5	0.4	0.0
	Irrigation and Flood Control	0.0	0.0	0.0	0.0
	Energy	1.3	1.4	1.6	1.3
	Industry and Minerals	0.3	0.4	0.3	0.3
	Transport	0.9	1.2	1.0	0.9
	Communications	0.1	0.1	0.1	0.1
	Science Technology & Environment	0.1	0.2	0.1	0.1
	General Economic Services	0.2	0.3	0.2	0.2
10	**Social Services**	**1.3**	**1.7**	**1.4**	**0.6**
11	**General Services**	**0.1**	**0.1**	**0.1**	**0.1**
12	**Budgetary Support for Central Plan**	**4.9**	**6.0**	**5.4**	**3.8**

Source: PHD Research Bureau, compiled from Budget 2014-15, Note: BE-Budget Estimates, RE-Revised Estimates Note: *Includes the provision for rural housing but excludes provision for rural roads, *** Includes the provision for rural roads, ***Excludes provision for rural housing.

Budget 2014-15

Resources Transferred to State and U.T. Governments

(Amount in Rs. Billion)

Sr. no	Indicators	2012-13 Actuals	2013-14 BE	2013-14 RE	2014-15 BE
1	**States' share of taxes and Duties**	2915	3470	3182*	3822
2	**Non-Plan Grants & Loans**	514	771	617	700
	Grants	480	770	616	699
	Loans	34	1	1	1
3	**Central Assistance for State & UT (with Legislature) Plans**	1018	1278	1113	3297
	Grants	912	1168	1003	3177
	Loans	107	110	110	120
4	**Assistance for Central and Centrally Sponsored Schemes**	413	438	398	59
	Grants	413	438	398	59
	Loans	-	-	-	-
5	**Total Grants & Loans (2+3+4)**	1945	2486	2128	4056
	Grants	1805	2376	2018	3935
	Loans	141	111	111	121
6	**Less-Recovery of Loans & Advances**	95	85	86	88
7	**Net Resources transferred to State and UT Governments (1+5-6)**	4766	5871	5225	7790
	Of Which				
	7.1 State Governements	4707	5838	5196	7748
	7.2 UT Governments	59	33	29	42
	In addition -				
(1)	Direct release of Central assistance for State/UT Plans to implementing agencies (MPLADS etc.)	37	40	40	40
(2)	Direct release under Central Plan to State/District level autonomous bodies/implementing agencies $	1050	1430	1070	0
(3)	Investments made from National Small Savings Fund in Special State Government Securities	326	172	339	236

Source: PHD Research Bureau, compiled from Budget 2014-15

Note: * Includes adjustment done after finalisation of tax collection of 2012-13, BE-Budget Estimates, RE-Revised Estimates

Sectoral announcements

5. Sectoral announcements

5.1 Agriculture

Agriculture in India has been a way of life and continues to be the single most important source of livelihood for the masses with more than 70% of the population depends on it directly or indirectly. Farming as an activity contributes nearly 1/6th to our National GDP.

- A sustainable growth of 4% in Agriculture will be achieved
- Government to establish two more Agricultural Research Institute of excellence in Assam and Jharkhand with an initial sum of Rs. 100 crore
- An amount of Rs. 100 crores set aside for Agri-tech Infrastructure Fund
- A sum of Rs. 200 crore allocated to open Agriculture Universities in Andhra Pradesh and Rajasthan and Horticulture Universities in Telangana and Haryana
- An amount of Rs. 100 crore has been earmarked to launch a scheme to provide every farmer a soil health card in a Mission mode and additional Rs. 56 crores has been allocated to set up 100 mobile soil testing laboratories across the country
- To meet the vagaries of climate change a National Adaptation Fund with an initial amount of Rs. 100 crore will be set up
- Technology driven second green revolution with focus on higher productivity and including protein revolution will be area of major focus
- To mitigate the risk of price volatility in the agriculture produce, a sum of Rs. 500 crore is provided for establishing a Price Stabilization Fund
- Central Government to work closely with the State Governments to re-orient their respective APMC Acts
- A sum of Rs. 50 crores provided for the development of indigenous cattle breeds and an equal amount for starting a blue revolution in inland fisheries
- Transformation plan to invigorate the warehousing sector and significantly improve post-harvest lending to farmers
- New Urea Policy would be formulated

Agriculture Credit

- To provide institutional finance to landless farmers, it is proposed to provide finance to 5 lakh joint farming groups of Bhoomi Heen Kisan through NABARD .
- A target of Rs. 8 lakh crore has been set for agriculture credit during 2014-15.

- Corpus of Rural Infrastructure Development Fund (RIDF) raised by an additional Rs. 5000 crores from the target given in the Interim Budget to Rs. 25000 crores .
- Allocation of Rs. 5,000 crore provided for the Warehouse Infrastructure Fund**.**
- Long Term Rural Credit Fund to set up for the purpose of providing refinance support to Cooperative Banks and Regional Rural Banks with an initial corpus of Rs. 5,000 crore.
- An amount of Rs. 50,000 crore allocated for Short Term Cooperative Rural Credit
- A sum of Rs. 200 crore for NABARD's Producers Development and Upliftment Corpus (PRODUCE) for building 2,000 producers organizations over the next two years.

Food Security

- Restructuring FCI, reducing transportation and distribution losses and efficacy of PDS (Public Distribution System) to be taken up on priority
- Government committed to provide wheat and rice at reasonable prices to the weaker sections of the society
- Government when required will undertake open market sales to keep prices under control.

Irrigation

- A sum of Rs. 1000 crore provided for "Pradhan Mantri Krishi Sinchayee Yojna" for assured irrigation.

5.2 Investment, industry and infrastructure

- An institution to provide support to mainstreaming PPPPs called 4PIndia to be set up with a corpus of Rs. 500 crores
- A sum of Rs. 7060 crore is provided in the current fiscal for the project of developing one hundred Smart Cities
- A sum of Rs. 100 crore provided for setting up a National Industrial Corridor Authority.
- Amritsar Kolkata Industrial master planning to be completed expeditiously.
- Master planning of 3 new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka to be completed.
- Central Government Departments and Ministries to integrate their services with the e- Biz -a single window IT platform- for services on priority by 31 December this year.
- Perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters.
- Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity to spur growth in manufacturing and urbanization will be accelerated.
- It has been proposed to establish an export promotion mission to bring all stakeholders under one umbrella.
- Apprenticeship Act to be suitably amended to make it more responsive to industry and youth.

- High level committee to interact with trade and industry on regular basis to ascertain areas requiring clarity in tax laws is required to be set up
- Employment exchanges to be transformed into career centres. A sum of Rs. 100 crore provided for the same

Foreign Direct Investment (FDI)

- The composite cap of foreign investment to be raised to 49% with full Indian management and control through the FIPB route.
- The composite cap in the insurance sector to be increased up to 49% from 26% with full Indian management and control through the FIPB route.
- Requirement of the built up area and capital conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for development of smart cities.
- The manufacturing units to be allowed to sell its products through retail including E-commerce platforms.

Micro Small and Medium Enterprises (MSME) Sector

- Definition of MSME to be reviewed to provide for a higher capital ceiling
- Skill India to be launched to skill the youth with an emphasis on employability and entrepreneur skills.
- To set up a committee to examine the financial architecture for MSME Sector, remove bottlenecks and create new rules and structures and give concrete suggestions in three months.
- Fund of Funds with a corpus of Rs. 10,000 crore for providing equity through venture capital funds, quasi equity, soft loans and other risk capital specially to encourage new startups by youth to be set up.
- A corpus of Rs. 200 crore to be set up to establish Technology Centre Network
- Programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery to be put in place.
- Entrepreneur friendly legal bankruptcy framework will be developed for SMEs (Small and Medium Enterprises) to enable easy exit.
- A nationwide District level Incubation and Accelerator Programme to be taken up for incubation of new ideas and necessary support for accelerating entrepreneurship

Textiles

- An amount of Rs. 50 crore has been earmarked to set up a Trade Facilitation Centre and a Crafts Museum to develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi.
- A sum of Rs. 500 crore for developing a Textile mega-cluster at Varanasi and six more at Bareilly, Lucknow, Surat, Kutch, Bhagalpur and Mysore.
- An amount of Rs. 20 crore proposed to set up a Hastkala Academy for the preservation, revival, and documentation of the handloom/handicraft sector in PPP (Public Private Partnership) mode in Delhi.

- A sum of Rs. 50 crore is provided to start a Pashmina Promotion Programme (P-3) and development of other crafts of Jammu & Kashmir.

Information Technology

- Pan India programme called Digital India to be launched with an outlay of Rs. 500 crore.
- Programme for promoting Good Governance to be launched with a sum of Rs. 100 crore.

Information and Broadcasting

- An amount of Rs. 100 crore allocated for 600 new and existing Community Radio Stations.
- Film & Television Institute, Pune and Satyajit Ray Film & Television Institute, Kolkata are proposed to be accorded status of Institutes of national importance and a National Centre for Excellence in Animation, Gaming and Special Effects to be set up.
- A sum of Rs. 100 crore has been earmarked for Kisan TV, to disseminate real time information to the farmers on issues such as new farming techniques, water conservation, organic farming etc.

Shipping

- An amount of Rs.11635 crore will be allocated for the development of Outer Harbour Project in Tuticorin for phase I.
- SEZs (Special Economic Zones) will be developed in Kandla and JNPT (Jawaharlal Nehru Port Trust).
- Comprehensive policy to be announced to promote Indian ship building industry.

Inland Navigation

- Project on Ganges called Jal Marg Vikas to be developed between Allahabad and Haldia.

New Airports

- Scheme for development of new airports in Tier I and Tier II Cities to be launched

Roads sector

- An investment of an amount of Rs. 37,880 crores in NHAI (National Highways Authority of India) and state roads is proposed which includes Rs. 3000 crores for the North East.
- Target of NH construction of 8500 km will be achieved in current financial year.
- Work on select expressways in parallel to the development of the Industrial Corridors will be initiated. In regards to project preparation, NHAI shall set aside a sum of Rs. 500 crore.

Energy

- A sum of Rs. 100 crore is allocated for a new scheme called Ultra-Modern Super Critical Coal Based Thermal Power Technology
- Adequate quantity of coal will be provided to power plants which are already commissioned or would be commissioned by March 2015.
- An exercise to rationalize coal linkages to optimize transport of coal and reduce cost of power is underway.

New & Renewable Energy

- An amount of Rs. 500 crores allocated for Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh.
- A sum of Rs. 400 crores earmarked for a scheme for solar power driven agricultural pump sets and water pumping stations.
- An amount of Rs. 100 crore provided for the development of 1 MW Solar Parks on the banks of canals.
- A Green Energy Corridor Project is being implemented to facilitate evacuation of renewable energy across the country.

Petroleum & Natural Gas

- Production and exploitation of Coal Bed Methane reserves will be accelerated.
- Possibility of using modern technology to revive old or closed wells to be explored.
- Usage of PNG (Petroleum & Natural Gas) to be rapidly scaled up in a Mission mode and proposal to develop pipelines using appropriate PPP models.

Mining

- Changes, if necessary, in the MMDR (Mines & Minerals Development and Regulation) Act, 1957 to be introduced to encourage investment in mining sector and promote sustainable mining practices

Urban Development

- The vision of the Government is that 500 urban habitations to be provided support for renewal of infrastructure and services in next 10 years through PPPs
- Present corpus of Pooled Municipal Debt Obligation Facility to be enlarged to Rs. 50,000 crore from Rs. 5000 crore.
- An amount of Rs. 100 crore provided for Metro Projects in Lucknow and Ahemdabad

Real Estate

- Incentives for Real Estate Investment Trusts (REITS). Complete pass through for the purpose of taxation.

- A modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (INVITS).
- These two instruments to attract long term finance from foreign and domestic sources including the NRIs (Non-Resident Indians)

Housing

- Extended additional tax incentive on home loans shall be provided to encourage people, especially the young, to own houses.
- Mission on Low Cost Affordable Housing anchored in the National Housing Bank to be set up.
- A sum of Rs. 4,000 crores for NHB (National Housing Bank) from the priority sector lending shortfall with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS (Economically Weaker Sections)/LIG (Low Income Group)segment is provided
- Slum development to be included in the list of Corporate Social Responsibility (CSR) activities to encourage the private sector to contribute more.

5.3 Financial sector

Banking

- Time bound programme as Financial Inclusion Mission to be launched on 15 August this year with focus on the weaker sections of the society.
- Banks to be encouraged to extend long term loans to infrastructure sector with flexible structuring.
- Banks to be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR (Cash Reserve Ratio), SLR (Statutory Liquidity Ratio), and Priority Sector Lending (PSL).
- RBI to create a framework for licensing small banks and other differentiated banks.
- Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force.
- Six new Debt Recovery Tribunals are proposed to be set up.
- For venture capital in the MSME sector, an amount of Rs. 10,000 crore fund to act as a catalyst to attract private Capital by way of providing equity , quasi equity, soft loans and other risk capital for start-up companies with suitable tax incentives to participating private funds to be established.
- There is a requirement to infuse Rs. 2,40,000 crore as equity by 2018 in our banks to be in line with Basel-III norms
- Capital of banks to be raised by increasing the shareholding of the people in a phased manner.

Insurance Sector

- The pending insurance laws (amendment) Bill to be immediately brought for consideration of the Parliament and the regulatory gap under the Prize Chits and Money Circulation Scheme (Banking) Act, 1978 will be bridged.

Capital Market

- Introduction of uniform KYC (Know Your Customer) norms and inter-usability of the KYC records across the entire financial sector. It has been proposed to introduce one single operating demat account.
- Uniform tax treatment for pension fund and mutual fund linked retirement plan.
- Ongoing process of consultations with all the stakeholders on the enactment of the Indian Financial Code and reports of the Financial Sector Legislative Reforms Commission (FSLRC) to be completed.
- Government in close consultation with the RBI to put in place a modern monetary policy framework.
- Convergance with International Financial Reporting Standard (IFRS) by adoption of the new Indian Accounting Standards (2nd AS) by Indian Companies

Small Savings

- Kissan Vikas Patra (KVP) to be reintroduced.
- A special small savings instrument to cater to the requirements of educating and marriage of the girl child to be introduced.
- A national savings certificate with insurance cover to provide additional benefits for the small saver.
- In the PPF Scheme, annual ceiling will be enhanced to Rs. 1.5 lakh p.a. from Rs. 1 lakh at present.

5.4 Social sector

Scheduled Caste/Scheduled Tribe, Women and Children

- An amount of Rs. 50,548 crore has been proposed under the SC Plan and Rs. 32,387 crore under TSP (Tribal Sub Plan)
- For the welfare of the tribals Van Bandhu Kalyan Yojna launched with an initial allocation of Rs. 100 crore

Minorities

- A programme for the up gradation of skills and training in ancestral arts for development for the minorities “Up gradation of Traditional Skills in Arts, Resources and Goods” to be launched.
- An additional amount of Rs.100 crores for Modernization of Madarsas

Women & Child Development

- An sum of Rs. 50 crores has been proposed for pilot testing a scheme on Safety for Women on Public Road Transport
- An amount of Rs. 150 crores has been earmarked for a scheme to increase the safety of women in large cities
- A sum of Rs.98,030 crore allocated for women and Rs. 81,075 crore for children
- Crisis Management Centres in all the districts of NCT of Delhi this year government and private hospitals
- A sum of Rs. 100 crore is provided for Beti Bachao, Beti Padhao Yojana, a focused scheme to generate awareness and help in improving the efficiency of delivery of welfare services meant for women
- School curriculum to have a separate chapter on gender mainstreaming

Health and Family Welfare

- Free Drug Service and Free Diagnosis Service to achieve Health For All
- Two National Institutes of Ageing to be set up at AIIMS, New Delhi and Madras Medical College, Chennai
- A national level research and referral Institute for higher dental studies to be set up
- A provision of Rs. 500 crores has been made for setting up AIIMS like institutions in Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in UP.
- The budget proposed to set up 12 new government medical colleges
- States' Drug Regulatory and Food Regulatory Systems to be strengthened by creating new drug testing laboratories and strengthening the 31 existing State laboratories
- Fifteen Model Rural Health Research Centres to be set up for research on local health issues concerning rural population
- A national programme in Mission Mode to halt the deteriorating malnutrition situation in India to be put in place within six months

Education

- Government would strive to provide toilets and drinking water in all the girls school in first phase.
- An amount of Rs. 28635 crore is being funded for Sarv Shiksha Abhiyan(SSA) and Rs. 4966 crore for Rashtriya madhyamic Shiksha Abhiyan (RMSA).
- A School Assessment Programme is being initiated at a cost of Rs. 30 crore
- An amount of Rs. 500 crore provided for Pandit Madan Mohan Malviya New Teachers Training Programme to infuse new training tools and motivate teachers
- A sum of Rs. 100 crore provided for setting up virtual classrooms as Communication Linked Interface for Cultivating Knowledge (CLICK) and online courses.
- Jai Prakash Narayan National Centre for Excellence in Humanities to be set up in MP.
- An amount of Rs. 500 crore has been earmarked for setting up 5 more IITs in the Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala
- Five IIMs proposed to be set up in the States of HP, Punjab, Bihar, Odisha and Rajasthan
- Simplification of norms to facilitate education loans for higher studies

Drinking Water & Sanitation

- About 20,000 habitations affected with arsenic, fluoride, heavy/ toxic elements, pesticides/ fertilizers to be provided safe drinking water through community water purification plants in next 3 years
- Swachh Bharat Abhiyan to cover every household with sanitation facility by the year 2019

Water Resources and cleaning of Ganga

- A sum of Rs. 100 crore provided for Detailed Project Reports for linking of rivers.
- An amount of Rs. 2037 crores provided for Integrated Ganga Conservation Mission "NAMAMI GANGE"
- A sum of Rs. 100 crore provided for Ghat development and beautification at Kedarnath, Haridwar, Kanpur, Varanasi, Allahabad, Patna and Delhi.
- NRI Fund for Ganga will be set up.

Sports and Youth Affairs

- A sum of Rs. 200 crore allocated for upgrading the indoor and outdoor sports stadiums in Jammu and Kashmir Valley to international standards and Rs. 100 crore provided for sports university in Manipur.
- India to start an annual event to promote Unique sports traditions in the Himalayan region games.
- An amount of Rs. 100 crore provided for the training of sports women and men for forthcoming Asian games.
- A Young Leaders Programme to be set up with an initial allocation of Rs. 100 crore

Rural Development

- Shyama Prasad Mukherji Rurban Mission for integrated project based infrastructure in the rural areas.
- A sum of Rs. 500 crore allocated for Deen Dayal Upadhyaya Gram Jyoti Yojana for feeder separation to augment power supply to the rural areas
- An amount of Rs. 14,389 crore allotted for Pradhan Mantri Gram Sadak Yojna(PMGSY)
- More productive, asset creating and with linkages to agriculture and allied activities wage employment would to be provided under MGNREGA
- Under Ajeevika, the provision of bank loan for women SHGs (Self Help Groups) at 4% to be extended to another 100 districts.
- Initial sum of Rs. 100 crore for Start Up Village Entrepreneurship Programme for encouraging rural youth to take up local entrepreneurship programs
- Allocation for National Housing Bank increased to Rs. 8000 crore to support Rural housing.
- New programme called "Neeranchal" to give impetus to watershed development in the country with an initial outlay of Rs. 2142 crores
- Backward Region Grant Fund (BRGF) to be restructured to address intra-district inequalities

5.5 States & UTs

North Eastern States

- A sum of Rs. 100 crore provided for development of organic farming in North Eastern States.
- An amount of Rs. 1000 crore allotted for the development of rail connectivity in the North Eastern Region.
- To provide a strong platform to rich cultural and linguistic identity of the North-East, a new 24x7 channel called "Arun Prabha" will be launched.

Andhra Pradesh and Telangana

- Government committed to addressing the issues relating to development of Andhra Pradesh and Telangana in the AP Re-organization Act, 2014. Provision made by various Ministries/Departments to fulfill the obligation of Union Government
- National Academy for Customs & Excise at Hindupur in Andhra Pradesh.

NCT of Delhi

- An amount of Rs. 200 crore for power reforms and Rs. 500 crore for water reforms to make Delhi a truly World Class City.
- A sum of Rs. 50 crore has been earmarked to solve the long term water supply issues to the capital region.
- Construction of long pending Renuka Dam to be taken up on priority

Andaman and Nicobar Island and Puducherry

- An amount of Rs. 150 crore provided to tide over communication related problems of the Island
- A sum of Rs. 188 crore has been allocated to Puducherry for meeting commitments for Disaster preparedness

Displaced Kashmiri Migrants

- A sum of Rs. 500 crore provided to support displaced Kashmiri migrants for rebuilding their lives.

Himalayan Studies

- An amount of Rs. 100 crore provided to set up a National Centre for Himalayan Studies in Uttarakhand.

5.6 Tax proposals

The tax proposals aimed at undertaking measures to revive the economy, promote investment in manufacturing, rationalize tax provisions to reduce litigation, address the problem of inverted duty structure in certain areas and tax reliefs to individual tax payers.

Direct Taxes

- No change in personal tax rates. However, relief for small and marginal tax payers as Income tax exemption limit raised from Rs 2 lakh to Rs 2.5 lakh in case of individual taxpayers, below the age of 60 years. Tax exemption limit raised from Rs. 2.5 lakh to Rs. 3.0 lakhs in the case of senior citizen.
- No change in the rate of surcharge either for the corporates or the individuals, HUFs, firms etc. and education cess to continue at 3 %.
- Investment limit under section 80C of the Income-tax Act raised from Rs. 1 lakh to Rs. 1.5 lakh.
- Deduction limit on account of interest on loan in respect of self occupied house property raised from Rs.1.5 lakh to Rs.2 lakh.
- Conducive tax regime to Infrastructure Investment Trusts and Real Estate Investment Trusts to be set up in accordance with regulations of the Securities and Exchange Board of India.
- Investment allowance at the rate of 15 % to a manufacturing company that invests more than Rs. 25 crore in any year in new plant and machinery. The benefit to be available for three years i.e. for investments upto 31.03.2017.
- Investment linked deduction extended to two new sectors, namely, slurry pipelines for the transportation of iron ore, and semi-conductor wafer fabrication manufacturing units.
- 10 year tax holiday extended to the undertakings which begin generation, distribution and transmission of power by 31.03.2017.
- Income arising to foreign portfolio investors from transaction in securities to be treated as capital gains and concessional rate of 15% on foreign dividends without any sunset date to be continued.
- The eligible date of borrowing in foreign currency extended from 30.06.2015 to 30.06.2017 for a concessional tax rate of 5 % on interest payments. Tax incentive extended to all types of bonds instead of only infrastructure bonds.
- Introduction of a “Roll Back” provision in the Advanced Pricing Agreement (APA) scheme so that an APA entered into for future transactions is also applicable to international transactions undertaken in previous four years in specified circumstances.
- Introduction of range concept for determination of arm’s length price in transfer pricing regulations and to allow use of multiple year data for comparability analysis under transfer pricing regulations.
- To remove tax arbitrage, rate of tax on long term capital gains increased from 10% to 20 % on transfer of units of Mutual Funds, other than equity oriented funds.
- Income and dividend distribution tax to be levied on gross amount instead of amount paid net of taxes.
- In case of non deduction of tax on payments, 30% of such payments will be disallowed instead of 100 %.

- Government to review the DTC in its present shape and take a view in the whole matter.
- 60 more Ayakar Seva Kendras to be opened during the current financial year to promote excellence in service delivery.
- Net Effect of the direct tax proposals to result in revenue loss of Rs.22,200 crore.

Indirect Taxes

- To boost domestic manufacture and to address the issue of inverted duties, basic customs duty (BCD) reduced on certain items.

Customs

- Basic custom duty reduced on certain items in the chemicals and petrochemicals sector to encourage new investment and capacity addition.
- Basic customs duty on certain items falling outside the purview of IT Agreement is imposed, exemption from SAD on inputs/ components for PC manufacturing, education cess on imported electronic products for parity is imposed boost domestic production of electronic items and reduce our dependence on imports.
- Colour picture tubes exempted from basic customs duty to make cathode ray TVs cheaper and more affordable to weaker sections.
- Basic customs duty on LCD and LED TV panels of below 19 inches reduced from 10 % to Nil to encourage production of LCD and LED TVs below 19 inches in India.
- Basic customs duty on imported flat-rolled products of stainless steel is increased from 5 % to 7.5 % to give an impetus to the stainless steel industry,
- Concessional basic customs duty of 5 % extended to machinery and equipment required for setting up of a project for solar energy production and for setting up of compressed biogas plants (Bio-CNG).
- Specified inputs for use in the manufacture of EVA sheets and back sheets and flat copper wire for the manufacture of PV ribbons exempted from basic customs duty.
- Reduction in basic customs duty from 10 % to 5 % on forged steel rings used in the manufacture of bearings of wind operated electricity generators. Exemption from SAD of 4 % on parts and raw materials required for the manufacture of wind operated generators.
- Anthracite coal, bituminous coal, coking coal, steam coal and other coal to attract 2.5 % basic customs duty and 2 % CVD to eliminate all assessment disputes and transaction costs associated with testing of various parameters of coal.
- Basic customs duty on metallurgical coke increased from Nil to 2.5 % in line with the duty on coking coal.
- Duty on ship breaking scrap and melting scrap of iron or steel rationalized by reducing the basic customs duty on ships imported for breaking up from 5 % to 2.5 %.
- To prevent mis-use and avoid assessment disputes, basic customs duty on semi-processed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones rationalized at 2.5 %. To encourage exports, pre-forms of precious and semi-precious stones exempted from basic customs duty.
- Duty free entitlement for import of trimmings, embellishments and other specified items increased from 3 % to 5 % of the value of their export, for readymade garments.
- Export duty on bauxite increased from 10 % to 20 %.
- For passenger facilitation, free baggage allowance increased from Rs.35,000 to Rs.45,000.

Excise Duty

- To incentivize expansion of processing capacity, reduction in excise duty on specified food processing and packaging machinery from 10 % to 6 %.
- Reduction in the excise duty from 12 % to 6 % on footwear of retail price exceeding Rs. 500 per pair but not exceeding Rs. 1,000 per pair.
- Withdraw concessional excise duty (2 % without Cenvat benefit and 6 % with Cenvat benefit) on smart cards and a uniform excise duty at 12 %.
- To develop renewable energy, various items exempted from excise duty.
- Exemption to PSF and PFY manufactured from plastic waste and scrap including PET bottles from excise duty with effect from 29th June, 2010 to 7th May, 2012.
- Prospective levy of a nominal duty of 2 % without Cenvat benefit and 6 % with Cenvat benefit on such PSF and PFY.
- Concessional excise duty of 2 % without Cenvat benefit and 6 % with Cenvat benefit on sports gloves.
- Specific rates of excise duty increased on cigrettes in the range of 11 % to 72 %.
- Excise duty increased from 12 % to 16 % on pan masala, from 50 % to 55 % on un-manufactured tobacco and from 60 % to 70 % on gutkha and chewing tobacco.
- Levy of an additional duty of excise at 5 % on aerated waters containing added sugar.
- To finance Clean Environment initiatives, Clean Energy Cess increased from Rs.50 per tonne to Rs.100 per tonne.

Service Tax

- To broaden the tax base in Service Tax, sale of space or time for advertisements in broadcast media, extended to cover such sales on other segments like online and mobile advertising. Sale of space for advertisements in print media however would remain excluded from service tax. Service provided by radio-taxis brought under service tax.
- Services by air-conditioned contract carriages and technical testing of newly developed drugs on human participants brought under service tax.
- Provision of services rules to be amended and tax incidence to be reduced on transport of goods through coastal vessels to promote Indian Shipping industry.
- Services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India to be taken out of the tax net and Cenvat credit for services of rent-a-cab and tour operators to be allowed to promote tourism.
- Service tax exempted on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled.
- Services provided by the Employees' State Insurance Corporation for the period prior to 1st July 2012 exempted, from service tax.
- Exemption available for specified micro insurance schemes expanded to cover all life micro-insurance schemes where the sum assured does not exceed Rs.50, 000 per life insured.
- For safe disposal of medical and clinical wastes, services provided by common biomedical waste treatment facilities exempted.
- Tax proposals on the indirect taxes side are estimated to yield Rs.7525 crore.

- 24X7 customs clearance facility extended to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods to facilitate cargo clearance.
- 'Indian Customs Single Window Project' to facilitate trade, to be implemented.
- The scheme of Advance Ruling in indirect taxes to be expanded to cover resident private limited companies. The scope of Settlement Commission to be enlarged to facilitate quick dispute resolution.
- Customs and Central Excise Acts to be amended to expedite the process of disposal of appeals.

Goods and Services Tax (GST)

- Discussion with state government to balance out issues related with implementation of GST
- Retrospective amendments to tax laws will be undertaken with extreme caution. All fresh cases arising out of the 2012 amendments of I-T Act will be looked into by a high level CBDT committee. However, the existing tax disputes arising out of retrospectives Amendment to the Income tax Act 1961, and are pending in courts will be allowed to reach their logical conclusions.

Direct Taxes: Key Rates

S.No.	Particulars	Proposed	Existing
1	Personal/Income Tax Rates	No Change	Upto Rs. 2,00,000 - Nil
			Rs. 2,00,001 to Rs. 2,50,000 - 10%
			Rs. 2,50,001 to Rs. 5,00,000 - 10%
			Rs. 5,00,001 to Rs. 10,00,000 - 20%
			Above Rs. 10,00,000 - 30%
2	Income Tax Exemption Limit for individual taxpayers below the age of 60 years	Rs. 2.5 lakhs	Rs. 2 Lakhs
3	Income Tax Exemption Limit for senior citizens	Rs. 3 Lakhs	Rs. 2.5 Lakhs
4	Rate of Surcharge on individuals, HUFs, firms etc.	10%	10%
5	Education cess	3%	3%
6	Investment limit under section 80C of IT Act	Rs. 1.5 lakh	Rs. 1 lakh
7	Deduction limit on Interest on loan on self occupied house property	Rs. 2 Lakhs	Rs. 1.5 Lakhs
8	Rate of Tax on long term capital gains on Mutual Funds, other than equity oriented funds.	20%	10%
9	Disallowed payments in case of non deduction of tax on such payments	100%	30%
10	Direct Tax Code	No Change	No Change

Source: PHD Research Bureau, compiled from various sources

Indirect Taxes: Key Rates

S.No.	Particulars	Proposed	Existing
Customs			
S.No.	**Particulars**	**Proposed**	**Existing**
1	BCD on LCD and LED TV panels of below 19 inches	Nil	10%
2	BCD on imported flat-rolled products of stainless steel	7.50%	5%
3	BCD on forged steel rings used in the manufacture of bearings of wind operated electricity generators	5%	10%
4	BCD on metallurgical coke	2.50%	Nil
5	BCD on ship breaking scrap and melting scrap of iron or steel	2.50%	5%
6	Export duty on bauxite	20%	10%
7	Free baggage allowance	Rs. 35,000	Rs. 45,000
Excise Duty			
S.No.	**Particulars**	**Proposed**	**Existing**
8	Excise duty on specified food processing and packaging machinery	6%	10%
9	Excise duty on footwear of retail price between Rs 5000 per pair and Rs. 1000 per pair	6%	12%
10	Specific rate of excise duty on cigarettes	72%	11%
11	Excise duty on pan-masala	16%	12%
12	Excise duty on gutka and chewing tobacco	70%	60%
13	Excise duty on un-manufactured tobacco	55%	50%
14	Clean Energy Cess	Rs.100 per tonne	Rs.50 per tonne
Service tax			
S.No.	**Particulars**	**Proposed**	**Existing**
15	Goods & Services Tax (GST)	No Change	No Change

Source: PHD Research Bureau, compiled from various sources

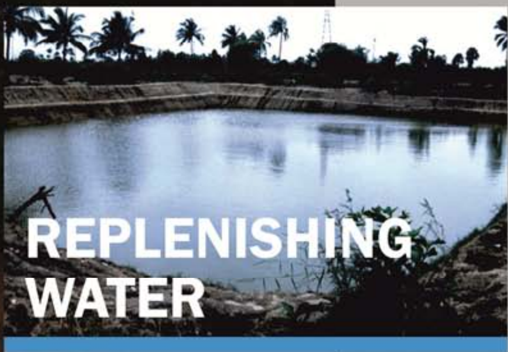
Quenching Ind

Performance with Purpose
The Promise of PepsiCo

Awards

- CII Award for "Excellence in Water Management – Within the Fence & Beyond the Fence"
- Water Digest Award for water conservation initiatives in Plants
- FICCI recognition for water conservation initiatives

lia's thirst for progress



Positive Water Balance

In 2012, PepsiCo India gave back 8.2 bn litres more water than it consumed. This was made possible through its pioneering initiatives such as 'Direct Seeding' of paddy, Drip Irrigation in potato and interventions covering water recharge through integrated community programs.

PepsiCo saved over 15 bn litres of water in 2012.

Benefitting more than 24,000 farmers

PepsiCo India continues to strengthen its partnerships with farmers across the country to boost their productivity and income by providing 360 degree support to the farmers through quality seeds, disease control packages, bank loan & insurance support and technological interventions.

Benefitting 500,000 people

PepsiCo India's award winning partnership with NGO Exnora Green Pammal for Urban Solid Waste Management helps recycle 97% of household waste across three states, benefitting more than 500,000 people.

PEPSICO

5.7 Others

- PSUs (Public Sector Undertakings) will invest through capital investment a total sum of Rs. 2,47,941 crores in the current financial year
- Setting up of Expenditure Management Commission to look into expenditure reforms.
- Legislative and administrative changes to sort out pending tax demands of more than Rs. 4 lakh crore under dispute and litigation
- Sovereign right of the Government to undertake retrospective legislation to be exercised with extreme caution and judiciousness keeping in mind the impact of each such measure on the economy and the overall investment climate

Defence

- A sum of Rs. 1000 crore to meet requirement for One Rank One Pension.
- Capital outlay for defence increased by Rs. 5000 crore including a sum of Rs. 1000 crore for accelerating the development of the Railway system in the border areas.
- Urgent steps would also be taken to streamline the procurement process to make it speedy and more efficient.
- A sum of Rs. 100 crore is provided for construction of a war memorial in the Princes Park, which will be supplemented by a War Museum.
- An amount of Rs. 100 crore has been earmarked to set up a Technology Development Fund for Defence

Internal Security

- An amount of Rs. 3000 crore is allocated for modernization of state police forces.
- Adequate allocation for Additional Central Assistance for Left Wing Extremist Affected districts.
- An amount of Rs. 2250 crore provided to strengthen and modernize border infrastructure.
- A sum of Rs. 990 crore allocated for the socio economic development of the villages along the borders.
- A sum of Rs. 150 crore ear-marked for the construction of Marine Police Station, Jetties and for the purchase of boats etc.
- An amount of Rs. 50 crores provided for construction of National Police Memorial.

Science and Technology

- Government to strengthen at least five institutions as Technical Research Centres.
- Development of Biotech clusters in Faridabad and Bengaluru.
- Nascent agri-biotech cluster in Mohali to be scaled up and in addition, two new clusters, in Pune and Kolkata to be established.
- Global partnerships will be developed under India's leadership to transform the Delhi component of the International Centre for Genetic Engineering and Biotechnology (ICGEB) into a world-leader in life sciences and biotechnology.
- Several major space missions planned for 2014-15.

Culture & Tourism

- An amount of Rs. 200 crore provided to build the Statue of unity (National project).
- Facility of Electronic Travel Authorization (e-Visa) to be introduced in phased manner at nine airports in India.
- Countries to which the Electronic Travel authorisation facility would be extended would be identified in a phased manner.
- A sum of Rs.500 crore provided for developing 5 tourist circuits around specific themes.
- A sum of Rs. 100 crore provided for National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD).
- An amount of Rs. 200 crore has been earmarked for National Heritage City Development and Augmentation Yojana (HRIDAY).
- A sum of Rs. 100 crore provided for Archaeological sites preservation.
- Sarnath-Gaya-Varanasi Buddhist circuit to be developed with world class tourist amenities to attract tourists from all over the world.

Senior Citizen & Differently Abled Persons

- Varishtha Pension Bima Yojana (VPBY) to be revived for a limited period from 15 August, 2014 to 14 August, 2015 for the benefit of citizens aged 60 years and above
- A committee will be there to examine and recommend how unclaimed amounts with PPF (Public Provident Fund), Post Office, saving schemes etc. can be used to protect and further financial interests of the senior citizens
- Government notified a minimum pension of Rs. 1000 per month to all subscriber members of EP(Employees' Pension) Scheme. The initial provision is of Rs. 250 crore.
- Increase in mandatory wage ceiling of subscription to Rs. 15000. A provision of Rs. 250 crore in the current budget.
- EPFO (Employees' Provident Fund Organisation) to launch the Uniform Account Number Service for contributing members.
- Scheme for Assistance to Disabled Persons for purchase/fitting of Aids and Appliances (ADIP) extended to include contemporary aids and assistive devices.
- National level institutes for Universal Inclusive Design, Mental Health Rehabilitation and a Centre for Disability Sports to be established.
- Assistance to state governments to establish fifteen new Braille Presses and modernize ten existing Braille Presses.
- Government to print currency notes with Braille like signs for visibly challenged persons.

New Committees announced

The Budget 2014-15 has proposed various committees on Expenditure management, Retrospective taxes, committee to examine and recommend how unclaimed amounts with PPF, Post Office, saving schemes can be used to protect and further financial interests of the senior citizens, Committee to examine the financial architecture for MSMEs Sector and a High level committee to interact with trade and industry on regular basis. The details are as follows.

S. No.	Proposed committees	Objective
1	Expenditure management committee	Expenditure Management Commission is proposed to be set up to look into expenditure reforms, reduction of subsidies, fund flows to meet the 4.1% fiscal deficit target in FY15 and fiscal consolidation.
2	High level committee by CBDT on retrospective application of taxes.	The Hon'ble Finance has said that the government will not bring about any changes in taxes retrospectively. All fresh cases arising out of retrospective amendments of 2012 in respect of indirect transfers will be scrutinized by a high level committee, to be constituted by the CBDT, before any action is initiated in such cases.
3	A committee to examine and recommend how unclaimed amounts with PPF etc to be used	A committee to examine and recommend how unclaimed amounts with PPF, Post Office, saving schemes etc. can be used to protect and further financial interests of the senior citizens
4	Committee for MSMEs	Committee to examine the financial architecture for MSME Sector, remove bottlenecks and create new rules and structures to be set up and give concrete suggestions in three months.
5	High level committee to interact with trade and industry	High level committee to interact with trade and industry on regular basis to ascertain areas requiring clarity in tax laws is to be set up

Source: PHD Research Bureau

Impact on the Socio-economic segments

6. Impact on the Socio-economic segments

We have conducted an impact analysis of the Union Budget 2014-15 on various socio-economic segments such as economic growth, infrastructure, emerging businesses, investors, consumers, markets and taxes. These are compiled as follows.

6.1 Impact on Economic Growth

S.No	Parameter	Announcement	Impact
1	Macro-economic stability	The Budget outlines roadmap for fiscal consolidation with target of reduced fiscal deficit and keep a watch on Current Account Deficit, increasing FDI cap in insurance and defence sector to 49% through the FIPB route, emphasis on skill development for employment generation, revival of MSMEs sector and SEZs, development of agricultural and industrial infrastructure. Initiate discussions with state governments for implementation of GST	Focus on increasing consumption and investment to push economic growth. GST if implemented will help in streamlining tax administration and will also result in higher tax collection. It will also increase by 2 percentage points.
2	Inflation	Central Government to work closely with the State Governments to re-orient their respective APMC Acts and Government when required to undertake open market sales of foodgrains to keep prices under control.	Steps will control inflation in the coming times
3	Banking and Insurance	Six new Debt Recovery Tribunals to be set up. Banks to be encouraged to extend long term loans to infrastructure sector with flexible structuring, RBI to create a framework for licensing small banks and other differentiated banks The regulatory gap under the Prize Chits and Money Circulation Scheme (Banking) Act, 1978 will be bridged	New debt recovery tribunals will improve recovery of non-performing loans with the banks. Public sector banks will have greater liquidity due to announcement of minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending (PSL) for raising long-term funds for lending to infrastructure sector. Bridging of gap under the Prize Chits and Money Circulation Scheme (Banking) Acts, 1978 will facilitate effective regulation of companies and entities which have duped a large number of poor and vulnerable people.

4	Investments	Investment allowance at the rate of 15% to a manufacturing company that invests more than Rs. 25 crore. Composite cap of FDI in the insurance and defence sector increased up to 49%.	Investment allowance for manufacturing company that invests more than Rs. 25 crore will provide an additional incentive for investment by the MSME sector. Increase in FDI may enhance investment in insurance business. This would lead to increase in competition in insurance sector, which may result in cheaper insurance products.
5	Welfare	For the welfare of the tribals "Van Bandhu Kalyan Yojna" launched, a sum of Rs.100 crore is provided for "Beti Bachao, Beti Padhao Yojana", a programme for the up gradation of skills and training in ancestral arts for development for the minorities to be launched, a National Centre for Himalayan Studies in Uttarakhand to be set up, development of rail connectivity in the North Eastern Region, development of organic farming in North Eastern States and scheme of assistance for differently abled for purchase of aids and appliances is extended.	These measures will ensure development of the marginalized sections and promote inclusive growth.

Source: PHD Research Bureau

6.2. Impact on infrastructure

S. No	Parameter	Announcement	Impact
1.	Infrastructure fund	Shyama Prasad Mukherji Rurban Mission for integrated project based infrastructure in the rural areas, an amount of Rs.100 crores set aside for "Agri-tech Infrastructure Fund", allocation of Rs.5,000 crore provided for the Warehouse Infrastructure Fund, banks to be permitted to raise long term funds for lending to infrastructure sector, Rs.2250 crore provided to strengthen and modernize border infrastructure	Give a fillip to infrastructure sector as it will fulfill the investment requirements of the companies

2.	National Highways	For project preparation, NHAI shall set aside a sum of Rs.500 crore, target of National Highways construction of 8500 km will be achieved in current financial year, an investment of an amount of ` 37,880 crores in NHAI(National highway authority of India) and State Roads is proposed which includes Rs. 3000 crores for the North East. Target of NH construction of 8500 km will be achieved in current financial year.	Focus on national highways and transport will not only facilitate the infrastructure sector but provide employment opportunities and will also promote rapid urbanization.
3.	New Industrial Corridors	Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity, construction of select expressways in parallel to the development of the Industrial Corridors, perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters, Amritsar Kolkata Industrial master planning to be completed expeditiously, Rs.100 crore provided for setting up a National Industrial Corridor Authority.	Facilitate in reviving the manufacturing sector.
4.	Real Estate	Incentives for Real Estate Investment Trusts (REITs), a modified REITS type structure for infrastructure projects, conducive tax regime to Real Estate Investment Trusts, attract long term finance from foreign and domestic sources including the NRIs for increased investment in real estate.	Due to clarity on REITs norms, it will attract more investments from foreign and domestic investors and give the much needed boost to the real estate sector
5.	Urban Development & Housing	Mission on Low Cost Affordable Housing anchored in the National Housing Bank to be set up	Low cost affordable housing to facilitate better standard of living of the people.
6.	Smart Cities	A sum of Rs. 7060 crore is provided for the project of developing 100 Smart Cities	This would boost the construction sector and improve the existing urban infrastructure without putting undue pressure on government finances and will also create employment opportunities for burgeoning population.
7.	Ports, Inland Navigation and Shipping	Sixteen new ports are planned to be awarded over the coming year	New ports will decongest existing port facilities
8.	New Airports	Scheme for development of new airports in Tier I and Tier II Cities to be launched	Will bring air travel within reach of aspirational Indians

9.	Energy	Rs. 100 crore is allocated for a new scheme "Ultra-Modern Super Critical Coal Based Thermal Power Technology." Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, Andhra Pradesh and Laddakh and Green Energy Corridor	Development of energy sector will play a vital role to accelerate growth and reduce fiscal deficit. Focus on renewable energy will help bridge the gap through distributed generation to allow greater access to energy in rural areas.

Source: PHD Research Bureau

6.3. Impact on emerging businesses

S. No	Parameter	Announcement	Impact
1	Start ups	Rs. 10,000-crore fund to provide private equity and soft loans for start-ups	This will benefit the e-commerce sector as well as everyone involved in the value-chain such as vendors, suppliers, logistics service providers, web-developers and content providers.
2	Textile	Rs. 500 crore set aside for setting up 6 more textile clusters, Trade Facilitation Centre and a Crafts Museum to be developed Promote handloom products to be set up, Rs. 20 crore to set up a Hastkala Academy	It will add to foreign exchange inflows, generate employment opportunities and facilitate industrial production. Promotion of handloom products to facilitate preservation and revival of handloom/ handicraft sector
3	Virtual classroom	Rs. 100 crore provided for setting up virtual classrooms as Communication Linked, Interface for Cultivating Knowledge (CLICK) and online courses.	Setting up virtual classroom for online courses is a huge boost to the growing entrepreneurship in education sector.
4	Innovations	District level Incubation and Accelerator Programme to be taken up for incubation of new ideas and necessary support for accelerating entrepreneurship	This will fuel innovation and encourage young companies to bring to market new products. This will empower the entrepreneurs in a big way and help people to make their dreams a reality.
5	Village Entrepreneurship Scheme	Rs. 100 crore investment in startup village entrepreneurship scheme	It will encourage rural youth to take up local entrepreneurship program
6	Technology	Rs.200 crore to establish Technology Centre Network	This will give a boost to the research and development activities in the country.

Source: PHD Research Bureau

6.4. Impact on investors

S. No	Parameter	Announcement	Impact
1	Debt Mutual Funds	Increase in long term capital gains(LTCG) tax for debt mutual funds to 20% from 10% and change in the definition of "long term" from one year to three year	It will close the tax arbitrage between fixed maturity plans (FMPs) and bank fixed deposits (FDs), making less-than-three-year FMP products and debt funds less attractive.
2	Foreign Direct Investment (FDI)	The composite cap of foreign investment in insurance and defence to be raised from 26% to 49% through the FIPB route.	Increase in FDI in insurance sector will provide a significant opportunity for greater penetration of foreign investments in insurance sector and will promote product innovation. Increased FDI in defence will promote research and development in the defence sector and will protect the local defence manufacturing industry. It will also generate employment in domestic defence manufacturing industry and will increase India's competitiveness at global level.
3	KYC norms	Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector.	It will encourage wide participation in Indian financial markets.
4	Demat account	Introduction of one single operating demat account	The move will boost sentiment of the investors and will help the markets to grow in long term as a single demat account will facilitate the consumers as to track all investments through a single window.
5	Pension funds	Uniform tax treatment for pension fund and mutual fund linked retirement plans	Mutual funds can now introduce 'retirement plans' of their existing schemes and these will be eligible for the same concessions as investors in the NPS (National Pension Scheme).
6.	Administrative Initiatives	Resident tax payers enabled to obtain on advance ruling in respect of their income-tax liability above a defined threshold, convergence with International Financial Reporting Standard (IFRS) by Adoption of the new Indian Accounting Standards (2nd AS) by Indian Companies.	It will make tax administration more efficient.

7.	Foreign portfolio investors	A more favourable tax treatment for foreign portfolio investors and promise about international settlement of Indian securities, foreign institutional investors (FIIs) will be taxed as per the capital gains tax rules and not under the business income tax rates.	Positive for foreign investors as it would lead to inflow of funds from abroad.

Source: PHD Research Bureau

6.5. Impact on consumers

S. No	Parameter	Announcement	Impact
1	LCD and LED TV	Basic customs duty on LCD and LED TV panels of below 19 inches reduced from 10% to Nil.	LCD and LED TVs below 19 inches to cost less to the consumers.
2	Personal Computers and Laptops	Exemption on inputs/ components for PC manufacturing	Personal computers, laptops and tablets to cost less.
3	Footwear	Reduction in the excise duty from 12% to 6% on footwear of retail price exceeding Rs 500 per pair but not exceeding Rs 1,000 per pair.	Footwear below Rs.1,000 to become cheaper
4	Cigarettes	Specific rates of excise duty increased on cigarettes in the range of 11% to 72%	The duty hike is less steep on cigarettes greater than 64mm in size. However, the excise duty on cigarettes below 64mm has been raised to a whopping 72% which will cost more now.
5	Pan Masala	Excise duty increased from 12% to 16% on pan masala, from 50% to 55% on unmanufactured tobacco and from 60% to 70% on gutkha and chewing tobacco	Tobacco products to become expensive.
6	Aerated waters	Levy of an additional duty of excise at 5% on aerated waters containing added Sugar	This will curb the consumption of colas
7	Food Processing	Reduction in excise duty on food processing and packaging machinery	Retailers and FMCG to gain which will also reduce the price of packaged foods. Reduced prices to benefit the consumers as well.

Source: PHD Research Bureau

6.6. Impact on Markets

S. No	Parameter	Announcement	Impact
1.	Corporate Bonds	Extension of 5% withholding tax on corporate Bonds till June30, 2017	Companies can raise cheaper foreign exchange loan for long-term investments in India
2.	Tax regime for REITs and Infrastructure Investment Trust	Conducive tax regime to Infrastructure Investment Trusts and Real Estate Investment Trusts (REIT) to be set up in accordance with regulations of the Securities and Exchange Board of India.	Property stocks may witness upward trend. Realty fund investors will not face persecution from tax officials.
3.	Debt Mutual funds	For Debt Mutual funds, long term Capital Gain Tax Raised to 20% from 10%; Long Term will be 3 years, not 1 Year	Fixed Maturity plan with tenure above 1 year will be hit. A lot of money will move to fixed deposit and stocks. Long Term bonds will be more in demand. Also, shares of unlisted companies will attract a lower tax rate of 20% only if they are sold after 3 year as against 1 year now.
4.	Changes in reserve requirements	Long Term Funds of Banks Freed of reserve Requirement	return on equity may rise from 12% to 20%
5.	Dividend Distribution tax	Change in Formula to calculate Dividend Distribution tax	All companies receiving dividend from subsidiaries and further distribution dividend to shareholders will face 16-17% higher dividend distribution tax payout. Also companies will reduce dividend payout.

Source: PHD Research Bureau

6.7. Impact on taxes

S. No	Parameter	Announcement	Impact
1.	Personal Income-tax	Personal Income-tax exemption limit raised from Rs. 2 lakh to Rs.2.5 lakh in the case of individual taxpayers. Investment limit under section 80C of the Income-tax Act raised from Rs.1 lakh to Rs. 1.5 lakh.	Increase in personal income tax limit will benefit taxpayers. Increase in investment limit under section 80C of the Income-tax Act from Rs.1 lakh to Rs. 1.5 lakh will encourage investment in long term savings and would arrest fall in saving rate which has decreased from 33.7% of the GDP in 2009-10 to 30.1% in 2012-13.

2.	Reduction in Excise duty	Reduction in excise duty on specified food processing and packaging machinery from 10% to 6%, reduction in the excise duty from 12% to 6% on footwear of retail price exceeding Rs. 500 per pair but not exceeding Rs. 1,000 per pair and exemption from excise duty on PSF and PFY manufactured from plastic waste and scrap including PET bottles.	It will incentivize processing capacity and will help in revival of domestic manufacturing capacity of industries.
3.	Increase in excise duty	Specific rates of excise duty increased on cigrettes in the range of 11% to 72%, excise duty increased from 12% to 16% on pan masala, from 50% to 55% on unmanufactured tobacco and from 60% to 70% on gutkha and chewing tobacco, levy of an additional duty of excise at 5% on aerated waters containing added sugar.	It will increase the tax revenue of the government.
4.	Basic Customs duty	Reduction in basic customs duty on certain items like LCD and LED TVs, chemicals and petrochemicals, colour picture tubes, forged steel rings, semi processed, half cut or broken diamonds, precious and semi-precious stones, machinery and equipment used in solar energy production and biogas plants (Bio-CNG). Pre-forms of precious and semi-precious stones exempted from basic customs duty	Reduction in custom duty will boost domestic manufacturing in local industries and will address the issue of inverted duty structure. Exemption of pre-forms of precious and semi-precious stones from basic customs duty will promote exports.
5.	Service tax	Service provided by radio-taxis brought under service tax. Services by air-conditioned contract carriages and technical testing of newly developed drugs on human participants brought under service tax, service tax on sale of space or time for advertisements in broadcast media, extended to cover online and mobile advertising also.	Several new items have been brought under service tax which will widen the tax base.
6.	Retrospective changes in taxes	The government has assured that it will not bring about any changes in taxes retrospectively. All fresh cases arising out of retrospective amendments of 2012 in respect of indirect transfers will be scrutinized by a high level committee, to be constituted by the CBDT, before any action is initiated in such cases.	The Committee set up by CBDT will address concerns and anomalies.

Source: PHD Research Bureau

Sector - wise impact

7. Sector-wise impact

The Union Budget 2014-15 has focused on many important sectors. The budget has given thrust on the sectors such as agriculture, infrastructure, tourism, education and IT.

Impact of announcements in the Union Budget 2014-15 on various sectors

S.No.	Sector	Announcement	Impact
1	Agriculture	Rs 1000 crore provided for "Pradhan Mantri Krishi Sinchayee Yojana" for assured irrigation A scheme to provide every farmer a soil health card in a Mission mode will be launched A sum of Rs 500 crore is provided for establishing a "Price Stabilisation Fund" Proposal to undertake open market sales to keep prices under control	The proposal will benefit suppliers and manufacturers of irrigation systems and development would go a long way to enhance gross irrigation area in the country The creation of soil card will enable farmers to take informed decisions about their crop The creation of fund will help farmers to get better remuneration and help in addressing inflation A national market for agriculture would ease out supply concerns as it would increase both buyers access to markets and increase farmers realisation
2	Industry	A sum of Rs 7060 crore allocated in the current fiscal for the project of developing "one hundred Smart Cities"	Formation of smart cities will mobilise employment, ensure development and lead to creation of new real estate markets It will further give a boost to the construction sector
3	Tourism	Facility of Electronic Travel Authorization (e-Visa) to be introduced in phased manner at nine airports in India	Tourism industry will get a thrust with the facility of electronic travel authorisation (e-Visa) as it will lead to an increase in FTA (Foreign Tourist Arrival) Foreign Exchange Earnings (FEEs) will also be positively impacted

4	Infrastructure	Scheme for development of new airports in Tier I and Tier II cities to be launched	It will enable air travel within the reach of larger section of society
		Setting up of an institution to provide support to mainstreaming PPPPs called 4P India to be set up with a corpus of Rs 500 crores	This will help in smoothening out the problems faced by projects in PPP mode
		Development of 100 smart cities in the country	Development of 100 smart cities will give a thrust to the real estate development in mid-sized cities
		Development of industrial corridors with emphasis on Smart Cities linked to transport connectivity	Development of industrial corridors will be a major economic driver for the country
		Budget has announced development of sixteen new port projects with a focus on port connectivity	Development of inland waterways can improve the capacity for the transportation of goods
		An investment of an amount of Rs 37,880 crores in National Highways Authority of India (NHAI) and state roads is proposed which includes Rs 3000 crores for the North East	It will pave the path for development of faster mode of transportation with integration of the Northeast region with rest of the country
5	Power	10 year tax holiday extended to the undertakings which begin generation, distribution and transmission of power by 31.03.2017	The move will benefit power projects including ultra mega ones and transmission projects that are slated to be commissioned over the next year
6	Real Estate	Complete pass through status for Real Estate Investment Trusts (REITS) for the purpose of taxation	The measure is expected to create new sources of funding for developers from domestic and foreign investors
7	Manufacturing	Investment allowance at the rate of 15% to a manufacturing company that invests more than Rs 25 crore in any year in new plant and machinery	This move will benefit small entrepreneurs
		Developing a Textile mega-cluster at Varanasi and six more at Bareilly, Lucknow, Surat, Kutch, Bhagalpur and Mysore	Setting up of textile mega-clusters will boost manufacturing activity in these traditional cities known for their expertise in developing handloom products
		The composite cap of foreign investment to be raised to 49% with full Indian management and control through the FIPB (Foreign Investment Promotion Board) route	The decision to raise FDI in the defence sector from 26% to 49% through FIPB route will give a boost to domestic manufacturing industry in the country

8	Information Technology	Rs 500 crore is provided for the development of pan India programme "Digital India"	Providing broadband connectivity at village level will help in bridging the urban-rural digital divide The better broadband connectivity will benefit internet entrepreneurs
9	Skill development	Skill India programme to be launched to skill the youth with an emphasis on employability and entrepreneur skills A Young Leaders Programme will be set up	The programme will help in employment generation and developing entrepreneurial skills Such programmes will give a boost to the retail and services sector which is heavily dependent on people
10	Housing	Allocation for National Housing Bank increased to Rs 8000 crore A sum of Rs 4000 crore for National Housing Bank has been allocated from the priority sector lending shortfall for affordable housing	The initiative will support the rural population especially those who have availed credit through the Rural Housing Fund It will make developers more inclined to provide affordable housing at lower cost
11	Education	Setting up of AIIMS like institutions in Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in Uttar Pradesh	Demand for medical professionals will be created in the country
12	Health	Budget has proposed Free Drug Service and Free Diagnosis Service to achieve “Health For All”	It will reduce out of pocket expenditure on healthcare in the country
13	Rural development	A sum of Rs 100 crore allocated for “Start Up Village Entrepreneurship Programme”	Rural youth will benefit from the programme at the local village level
14	Social sector	An outlay of Rs 150 crore allocation for a scheme to increase the safety of women in large cities	The decision will ensure safe journey for women which will have a positive impact on tourists flow

Source: PHD Research Bureau

Industry Viewpoint

8. Industry Viewpoint

PHD Chamber of Commerce and Industry organized the Budget viewing session on Thursday 10th July 2014 at PHD house, New Delhi. The eminent speakers in the Session were Prof Dr. B B Bhattacharya, Eminent Economist and Former Vice Chancellor, Jawaharlal Nehru University and Dr. Ashok V Desai, Eminent Economist and Consultant Editor, The Telegraph. Mr. Sharad Jaipuria, President, PHD Chamber, Mr. Alok B Shriram, Sr Vice President, PHD Chamber, Mr. Mahesh Gupta, Vice President, PHD Chamber, Mr. Gopal Jiwarajka, Chairman, Economic Affairs Committee, PHD Chamber, Mr. Anil Chopra, Chairman, Direct Taxes Committee, PHD Chamber, Mr. J K Mittal, Chairman, Indirect Taxes Committee, PHD Chamber and Mr. D K Agarwal, Chairman & Managing Director, SMC Investments and Advisors Ltd. also participated in the panel discussion.

The program was well attended by senior representatives from around 250 industrialists across small, medium and large business segments. Their post budget reactions have been compiled to understand the view point of the industry on the budget proposals. They are as follows:

Industry applause:-

Visionary budget	The proposals unveiled in Union Budget 2014-15 on various socio-economic fronts of the economy indicate promises of progress in coming times. The focus on rural infrastructure, agriculture infrastructure, urban infrastructure, manufacturing revival, tourism, education, banking and finance and foreign direct investments are inspiring and would go a long way to rejuvenate the economic growth, going forward.
Confidence building budget	The Union Budget 2014-15 is encouraging on building consumers', investors' and general confidence. The budget aims at enhancing growth, creating employment opportunities and containing inflation with the desired focus on garnering much needed investments, both public and private.
Focus on tax reforms inspiring	Focus on GST implementation and discussions with state governments in this regard are encouraging. GST will streamline the tax administration, avoid harassment of the business and result in higher revenue collection both for the Centre and the States.

Investment inducing budget	FDI in insurance is a welcome move. Union Budget 2014-15 is a conventional budget rather than being a revolutionary budget. Budget entail specific point for future investments.
Good budget	It is a good budget which is above expectations. The setting up of various committees such as Expenditure Management Committee, CBDT High level Committee on Retrospective Taxes and Infrastructure Investment Trust are inspiring.
Concise, Sensible & Progressive Budget	The Budget provides excellent directional mandates. It is a concise, sensible, progressive budget. Numerous promising measures such as raising FDI for defence and insurance, expenditure control, tax rationalisation, infrastructure/real estate investment trusts, promotion of education and entrepreneurship have been announced.
Less government, more governance	The maiden budget reflects ideology of 'less government, more governance'. The direction of the budget and focus on fiscal consolidation along with the setting up of the Expenditure Management Commission are positive steps.
Budget has given three signals	The budget has given three signals. One fiscal discipline will be maintained; two the government will be very user friendly on taxation and third they would not do retrospective taxation. On the whole, there is a stable and predictable environment, which is necessary for investors.
Pragmatic budget	It is a very practical budget that sets the stage for the government to roll out its development agenda. The intent to reduce needless subsidies and wastages in the system is a big positive sign and sign of things to come from this Government**.**
Thrust on infrastructure	The emphasis on infrastructure and the prime minister’s vision of developing 100 smart cities will have a multiplier effect on the rest of the economy. It will drive demand for affordable housing, generate new employment opportunities and hence will benefit the housing and real estate sector.
Entails all segments	The budget is exceptional in that it addresses concerns of all segments of the society. An attempt has been made to look at basic issues i.e. Bijali, Sarak,Panni, Makkan and Shauchalay.
Consumer-centric budget	The finance minister has brought cheer to the consumer durables and home appliances sector with the announcements. Not only does the Budget aim to encourage manufacturing in the sector, but the measures will boost consumption as well.

Leveraging Innovation	The headlines in the new budget are not the numbers but the underline intention of leveraging frugal innovation through technology to transform India into a country that beats for a billion Indians. It is a budget with a difference.
Impetus to Real estate sector	The government has taken a very appropriate, much needed and far sighted decision to aggressively promote low cost housing. It has wisely decided to channel the program through the National Housing Bank which has been promoting low cost housing for several years now.
Infrastructure financing a big positive	Allowing banks to issue long-term bonds without subjecting them to cash reserve ratio (CRR) and statutory liquidity ratio (SLR) for financing infrastructure is a positive step.
Extending auto sector reach	Increased thrust of infrastructure development across the country, including North East and in rural areas is likely to increase vehicle ownership in those regions.
Tourism sector found a big mention	For the first time, tourism has found such a big mention in the Budget speech and even a fair amount of funds has been allocated for this segment
Industry concerns:-	
Reform attempts missing	The big bang does not mean announcing big bang proposals that thereafter fail to materialize. The core of the budget is revenue and expenditure on which reform attempts were missing
Retrospective taxation remained uncleared	The speech should have shed some more clarity on retrospective taxation provisions and litigations already existing and not just about taking caution on ordinarily changing policies retrospectively which creates a fresh liability.
GST timeline missing	It would have been much better if timeline for GST had been announced.
Food inflation remained unaddressed	It is surprising that no short term measures were announced to tackle food inflation. There has also been no policy shift to signal greater engagement of the private sector and attract investment in agriculture sector.

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Railway Budget 2014-15: Focuses on Investments, Cleanliness and Safety

9. Railway Budget 2014-15: Focuses on Investments, Cleanliness and Safety

Railway Budget 2014-15 emphasizes on boosting investments, capacity utilization, cleanliness, safety and provision of better amenities for the passengers. It is a progressive budget which promises to launch network of high speed trains in the country. The Budget has given priority to raise surplus funds for the Railways through improving infrastructure by public private partnerships (PPPs), mobilizing foreign direct investment flows, allocating substantial outlay for safety and bringing transparency in execution of projects. Some remarkable initiatives have been introduced keeping different sections of society into consideration.

The Budget presented has stressed on resource mobilization through PSU surplus, attracting FDI and encouraging Public Private Partnerships (PPPs) to strengthen railway's infrastructure. Investments will be attracted under Public Private Partnerships (PPPs) through BOT (Build-Operate-Transfer) and Annuity route. The Budget has introduced 58 new trains with extension of 11 existing trains. The proposal of launching bullet trains and diamond quadrilateral network of high speed rail is a significant move for Indian Railways.

In a bid to modernise Indian Railway network, bullet train has been proposed on Mumbai-Ahmedabad sector besides increasing speed of trains to 160-200 kmph in select 9 sectors. The budget has proposed to set up Project Management Group to overcome delays in project execution.

Railway Budget 2014-15 has given thrust on passenger amenities, cleanliness and efficient station management. The budget has proposed to introduce pre-cooked (Ready to eat) meals of reputed brands and Quality Assurance Mechanism through Third Party Audit by NABCB (National Accreditation Board for Certified Bodies) certified agencies. It is inspiring to note that a multi pronged approach has been proposed for improving safety and security and making railway journey safe and comfortable for passengers. Further, it is proposed that 4000 women RPF (Railway Protection Force) constables will be recruited and additional care will be taken for ladies travelling alone in all classes.

The proposal for giving big boost to IT initiatives in the railways is a significant move which will revamp Railway Reservation System into Next Generation e-Ticketing. However, it is felt that some specific mechanism for raising funds needs to be devised to enhance revenues so that it helps in implementation of proposed schemes as well as aids to improving the services.

> **"While we carry 23 million passengers a day, there are still large number of people who have not set a foot on a train yet. We carry over one-billion tonnes of freight a year, connecting ports and mines to industrial clusters, but still there are vast tracts of hinterland waiting for rail connectivity. Though freight business has grown steadily over the years, Indian Railways carry only 31% of the total freight carried in the country by all modes"**
>
> **- Railway Budget Speech 2014-15**

Budget has also given priority to provide connectivity to hilly states & northeast regions. An outlay of Rs 5,116 crore has been allocated for projects in the North-East witnessing a significant jump of 54% over allocations in the previous years. With a view to tap potential of domestic tourism, Indian Railways has planned to take up Eco-Tourism and Education Tourism in North Eastern States. The budget has proposed to introduce specially packaged trains for Special Pilgrim Circuits like Devi Circuit, Jyotirling Circuit, Jain Circuit, Christian Circuit, Muslim / Sufi Circuit, Sikh Circuit, Buddhist Circuit, Famous Temple Circuit.

Further, Indian Railways has proposed to outsource cleaning activities at 50 major stations to professional agencies and use of CCTVs (Closed Circuits Televisions) at stations will be extended to monitor cleanliness activities.

In order to add best value to business travellers, the budget has proposed to provide workstations in select trains on payment basis. A pilot project for "Office on Wheels" will be launched by this year. Further, Railway University will be set up for skill development of railway staff. The budget has proposed to set up an Innovations Incubation Centres to harness the ideas generated from the staff of Indian Railways. Digitalization and GIS (Geographic Information System) mapping of land assets of Indian Railways will also be done for better management.

Important measures announced in the Railway Budget 2014-15

S.No.	Parameter	Measures
1	**Measures for improving Safety & Security of passengers**	The budget has made a provision of Rs 1785 crore for construction of Road-under-bridges and Road-over-bridges Use of modern Vehicle Borne Ultrasonic Flaw Detection System has been proposed to detect rail and weld fractures Technology for automatic closing of doors before start of train, both in main line and in sub-urban coaches will be introduced In order to ensure security of ladies travelling alone, RPF escorting teams in trains will be provided mobile phones so that passengers can contact them when in distress while 4000 women RPF constables will be recruited
2	**Modernisation and Technology Induction**	The budget has planned to have a Diamond Quadrilateral Network of High Speed Rail, connecting major Metros and growth centers of the country A provision of Rs.100 crore has been made in the Budget for high speed project to (RVNL) Rail Vikas Nigam Limited/HSRC (High Speed Rail Corridor) An effort will be made to increase the speed of trains to 160-200 kmph in select sectors so as to significantly reduce travel time between major cities

		Identified stations will be developed to international standards with modern facilities on lines of newly developed airports through PPP mode
3	**IT initiatives**	Revamping of Railway Reservation System into Next Generation e-Ticketing will be taken up with provision of platform tickets and unreserved tickets over internet The budget has made provision of Wi-fi Services in A-1 and A category stations and in select trains Indian Railways has also planned to have paperless offices in next 5 years
4	**Investments through Public Private Partnership (PPPs) mode**	Steps will be taken to attract investments under Public Private Partnership (PPPs) through BOT and Annuity route Port connectivity will be taken on priority through PPP mode of funding in tandem with Sagar Mala Project of Port Development
5	**Passenger Friendly Initiatives**	Ticket booking through mobile phones and through post offices will be popularized Facility of buying platform tickets and unreserved tickets over internet will be provided Parking-cum-Platform Combo Tickets will be launched to facilitate the passengers and to save their time

Source: PHD Research Bureau, compiled from Railway Budget 2014-15

Financial Performance of Railways in 2013-14

Railways has witnessed a growth in Gross Traffic Receipts by 12.8% to Rs 1,39,558 crore falling short of revised target by Rs 942 crore. The Ordinary Working Expenses stood at Rs 97,571 crore, marking an excess by Rs 511 crore. The internal resource generation for Plan stood at Rs. 11,710 crore during 2013-14, as against the revised target of Rs. 14,496 crore observing a shortfall by Rs. 2,786 crore. Although, railways observed a decline in the traffic growth during 2013-14 as compared to revised projections, however, expenditure has shot up. The operating ratio has deteriorated by 2.7% over revised target to touch 93.5% by end of 2013-14 fiscal. The Plan Expenditure for 2013-14 fell shot of revised target of Rs 59,359 crore mainly due to non-materialization of PPP targets.

Budget Estimates for 2014-15

The total receipts is estimated at Rs 1,64,374 crore and total expenditure is estimated at Rs 1,49,176 crore. The freight traffic growth is anticipated to grow at a rate of 4.9% amounting to 1,101.25 million tonne which is an increment of 51.07 million tonne over 2013-14. Earnings from Freight Traffic are estimated at Rs. 1,05,770 crore while income from Passenger Traffic is estimated at Rs. 44,645 crore. Out of total expenditure, the ordinary working expenses have been proposed at Rs.1,12,649 crore, which is Rs. 15,078 crore higher than 2013-14. In 2014-15, operating ratio is pegged at 92.5% which is an increment of 1% as compared to the same in 2013-14.

Impact analysis

The budget has given emphasis on providing a range of modern passenger amenities which will give a thrust to industry players in harnessing new business opportunities.

Impact analysis of announcements in the Railway Budget on various sectors

S.No.	Announcement	Impact
1	Introduction of pre-cooked (Ready-to-eat) meals of reputed brands in a phased manner	This can be an opportunity for the industry players operating in food and beverages sector
2	Introduction of RO (Reverse Osmosis) drinking water units at stations and in trains	Advantages may be reaped by organisations involved in the business of water purification
3	Outsourcing cleaning activities at 50 major stations to professional agencies	The decision may benefit small organisations providing human resource services
4	Launching of a scheme for private participation in parcel movement	This will open new business avenues for organisations indulged in courier services
5	Setting up of Diamond Quadrilateral Network of High Speed Rail	The decision may raise demand for steel and cement based industries
6	Rail movement of fruits and vegetables in partnership with the Central Railside Warehousing Corporation	Movement of agri-products through railways will help farmer cooperatives to transport fruits and vegetables The decision will also help in checking inflation
7	Proposal to harness solar energy by using roof-top spaces of railway stations, other land through the public private partnership (PPP) mode	Suppliers and manufacturers of solar panel may benefit from this initiative. The measure will help railways to save on its burgeoning energy costs as lot of unused space and land is available with the Railways
8	Allowing Foreign Direct Investment (FDI) in Railways	FDI in railways will give a boost to infrastructure developments in both freight as well as passenger segments. Private investment in railways will also accelerate the growth of this sector. However, the past record of investment by foreign players in the sector is an issue which needs to be addressed in the coming times
9	Rail tourism to be promoted to tap the potential of domestic tourism	Tourism sector of the country will be benefited from the thrust on better connectivity
10	Railway University will be set up for railway staff	The proposal to set up a dedicated Railway University will be a significant move in modernizing skillsets and employee development

Source: PHD Research Bureau

Budget decisions on move and on hold

10. Budget decisions on move and on hold

Budget decisions on move..

1. **'One hundred smart cities'** as satellite towns of larger cities envisioned to provide better living standards to the emerging neo middle class people.
2. '**Electronic Travel Authorization' (e-Visa)** facility to be introduced to give a major boost to tourism in India.
3. '**KisanVikasPatra' (KVP)** reintroduced to encourage people, to save unbanked money via this instrument.
4. '**Skill India'** program to be launched to skill the youth with an emphasis on employability and entrepreneur skills.
5. '**Swatchh Bharat Abhiyan'** is envisioned to cover every household with sanitation facility by the year 2019.
6. '**Beti Bachao, Beti Padhao'** focused upon to help in generating awareness and in improving the efficiency of delivery of welfare services meant for women.
7. '**Digital India'** program is proposed to ensure Pan India broad band connectivity
8. **'Currency notes with Braille like signs'** will be printed to assist the visibly challenged people.
9. '**Shyama Prasad Mukherjee Rurban Mission**' will be launched to deliver people living in rural areas sufficient civic infrastructure and associate services.
10. '**Trade Facilitation Centre & Crafts Museum'** envisaged developing and promoting handloom products and carrying forward the rich tradition of handlooms of Varanasi.

Budget decisions on hold..

1. On '**Goods and Service Tax' (GST)** implementation, the government is set to find the solutions on certain issues in consultation with the State Government in the course of this year. While, there is no timeline fixed for its approval and implementation.

2. On **'Direct Tax Code' (DTC)** the government will review the code in consultation with the stakeholders and take a view in the whole matter.

3. On **'Retrospective Tax'** the Government has decided not to roll it out hastily keeping in mind the impact of each such measure on the economy and overall investment climate. While, it is assured that the government will not ordinarily bring out any change retrospectively which creates a fresh liability.

4. On **'Land Acquisition Bill'** no road map has been provided to facilitate and amend the land acquisition bill.

5. On **'Environmental Clearances'** no measures were announced to bring in transparency and speedy clearances.

6. Much awaited **'Labour Reforms'** were left unaddressed and there is no road map to address them in future.

Economic analysis & Conclusions

11. Economic analysis & Conclusions

The Union Budget 2014-15 is encouraging as it aims at enhancing growth, creating employment opportunities and containing inflation with the desired focus on garnering much needed investments, both public and private. It is an attempt to kick start India's Growth Story once again with a vision of long-term sustainability. Core to the growth of any developing economy is its manufacturing growth and competitiveness. The budget has laid tremendous emphasis on creating world class manufacturing facilities. To facilitate the manufacturing sector, the government plans to create an eBiz platform by making all business and investment related compliances available on a single portal with an integrated payment gateway. The government is also setting up a national industrial corridor authority to coordinate the development of industrial corridors with smart cities. The government is keen on skill development initiatives which will complement the thrust on manufacturing. Steps have been envisaged to revive SEZs to rejuvenate the investment cycle.

To revive the foreign investors' confidence, the FDI limits have been increased for the defence and insurance sectors which would attract foreign capital in the coming times. Though the government has not repealed the retrospective tax laws, it has tried to accommodate investor concerns by setting up a committee to resolve the key ongoing issues.

The proposals unveiled in Union Budget on various socio-economic fronts of the economy indicate promises of progress in coming times. One of the biggest drivers of gross fixed capital formation is entrepreneurship. To kindle the spirit of entrepreneurship, the government is setting a venture capital fund in the MSME sector with a corpus of Rs100bn. Focus on GST implementation and discussions with state governments in this regard are encouraging. GST is expected to streamline the tax administration, avoid harassment of the business and result in higher revenue collection both for the Centre and the States.

Focus on industrial infrastructure such as plan to establish 7 industrial cities in India would enhance industrialization and create employment opportunities in the economy. The allocation for urban infrastructure earmarked at Rs. 500 billion are really appreciable and these announcements would speed up the pace and urbanization in the country and help economic growth to move faster. Agriculture sector has been seriously focused upon with provisions for increased irrigation facilities, farm markets, financial help to landless farmers and Kisan TV to provide real time information to farmers. It will help to increase productivity of the farm sector in the coming times.

The ambitious and critical project of linking of rivers and Inland waterways gets impetus in the budget. First waterway from Allahabad to Haldia will be developed with an estimated cost of

Rs42billion. Apart from these the budget emphasizes on roads, ports, Airports and Metros with requisite budgetary allocations. The government plans to create infrastructure investment trust in-line with Real Estate Investment Trusts to augment long-term financing needs. Also recognizing the weaknesses of the PPP framework, the rigidities in contractual arrangements, government would focus on more nuanced and sophisticated models of contracting and develop quick dispute redressal mechanism.

Tourism and Solar power are clearly focus areas in the budget. Development of five tourist circuits with a dedicated corpus of Rs5billion and setting up of Ultra mega solar power projects have been given high priority.

Also, the growth prospects envisaged by Economic Survey 2013-14 are rational and inspiring as the real GDP growth is anticipated to scale up in the 5.4% to 5.9% trajectory in 2014-15. It is encouraging to know that the fiscal outcome of the Central Government in 2013-14 was achieved despite the complex macroeconomic challenges such as slowdown in economic growth, rise in global crude oil prices and slow growth of investments. Going ahead, the government has laid down a roadmap for fiscal consolidation which eventually targets a fiscal deficit of 3% by FY2017. The current task is to prune it from 4.5% of FY2014 to 4.1% for FY2015. The government is setting up an Expenditure management commission to make recommendations on various aspects of expenditure reforms. This will help rationalize government expenditure.

However, the theme on taxation suggests foregoing of potential direct taxes in favour of more revenue from indirect taxes. The net effect of which will boost consumer spending in terms of demand for goods and services vis-à-vis increased disposable income, going forward. The much expected enhancement of the income tax limit from Rs2 lacs to Rs2.5 lacs, enhancement of investment limit under Section 80C from Rs1 lac to Rs1.5 lacs and enhancement of rebate on investments in self owned house from Rs1.5 lac to Rs2 lac would restore consumers' and investors' confidence and propel growth. Though the Union Budget for FY2014-15 offers no Big Bang proposals, it is well grounded with focus on boosting confidence of investors as well as consumers in a bid to revive the investment cycle and to channelise household savings into financial assets.

However, the industry is still concerned about the retrospective tax amendments and the issue of transfer pricing. No roadmap has been provided to address the stringent labor laws, tedious environment clearances and problematic land acquisition bill. Also, there should be a clear cut date for implementation of GST.

In a nutshell, though the Union Budget for FY2014-15 offers no Big Bang proposals, it is well grounded with focus on boosting general confidence, investor's confidence as well as consumer's confidence.

Budget 2014-15

India: Statistical snapshot

Indicators	FY09	FY10	FY11	FY12	FY13	FY14	FY15
GDP at FC - Constant prices Rs Bn	41,586	45,161	49,185	52,475	54,821	57,418*	-
GDP at FC - Constant prices growth YoY	6.7	8.6	8.9	6.7	4.5	4.7*	-
GDP at MP-current prices Rs. Bn	56,300	64,778	77,841	90,097	1,011,33	1,135,50*	-
Agriculture growth	0.1	0.8	8.6	5.0	1.4	4.7*	-
Industry growth	4.1	10.2	8.3	6.7	0.8	(-)0.1*	-
Services growth	9.6	8.0	7.5	4.9	7.0	6.7*	-
Consumption	7.6	8.2	8.1	8.1	3.9	4.9`	-
Private consumption	7.1	7.1	8.6	8.0	4.0	4.5`	-
Gross domestic savings as % of GDP	32.0	33.7	34.0	30.8	30.2	30.5`	-
Gross Fixed Capital Formation as % of GDP	32.3	31.7	30.9	31.8	30.4	28.3*	-
Gross fiscal deficit of the Centre as % of GDP	5.9	6.5	4.8	5.7	5.2	4.5	-
Gross fiscal deficit of the states as % of GDP	2.4	2.9	2.1	2.3	2.1	-	-
Gross fiscal deficit of Centre & states as % of GDP	8.3	9.3	6.9	8.1	7.2	-	-
Merchandise exports (US$Bn)	183.1	178.3	250.8	305.7	300.2	312.35^	28.00^
Growth in exports	12.3	-2.6	40.6	21.9	(-)1.8	3.98^	8.87^
Imports (US$Bn)	299.3	287.6	369.4	489.1	490.3	450.94^	39.23^
Growth in imports (YoY)	19.8	-3.9	28.5	32.4	0.2	(-)8.1^	(-)13.16
Trade deficit (US$Bn)	116.2	109.3	118.6	183.4	190.1	138.6^	21.32^
Net invisibles US$Bn	91.6	80.0	79.3	111.6	107.5	115.0**	-
Current account deficit US$Bn	28.7	38.4	48.1	78.2	88.2	32.4^^	-
Current account deficit as % of GDP	2.6	3.2	2.6	4.2	4.8	1.7^^	-
Net capital account US$Bn	8.7	53.4	60	67.8	94.2	33.3^^	-
Overall balance of payments US$Bn	20.1	-13.4	-13.1	12.8	3.8	15.5^^	-
Foreign exchange reserves US$Bn	252	279.1	304.8	294.9	292.04	304.22	281.813~
External debt - Short term US$Bn	43.4	52.3	65	78.2	96.7	92.7``	-
External debt - Long term US$Bn	181.2	208.7	240.9	267.5	293.4	333.3``	-
External debt - US$Bn	224.5	260.9	305.9	345.8	392.1	426``	-
Money supply growth	19.3	16.9	16.1	13.2	13.8	13.4~~	-
Bank credit growth	17.5	17.1	21.2	16.8	13.5	14	13.9@
WPI inflation	8.1	3.8	9.6	8.9	7.4	5.7#	6@
CPI inflation	7	12.4	10.4	6.0	10.2	9.8	8.28@
Exchange rate Rs/US$ annual average	46	47.4	45.6	47.9	54.4	60.68	59.94@@

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimate of 2013-14 from MOSPI, `Planning Commission Data Book Dec 2013, ^Data pertains to April-May2015 from Ministry of Commerce and Industry, ** Projection For 2013-14 from PMEAC Economic Outlook 2013-14, ^^Data pertains to India's Balance of payment Apr-Mar 2013-14 from RBI, ``India's external debt end Dec 2013 from RBI, ~~ Data compiled from RBI Bulletin May 2014, # Data pertains to Mar 2013, ~ Data as on 27th June 2014 from RBI, @ Data pertains to May 2014, @@ Data as on 7th July 2014 from RBI.

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ISBN No. 978 93 84145 06 4

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We are thankful to Mr. Punit Chaudhry and Mr. Hariom Kuthwaria for providing support to publish this document.

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