BUDGET 2013-14

Moving on Reforms……….

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1. Economy on the Eve of Union Budget

The Union Budget 2013-14 is being presented at a time when the growth prospects across the advanced, emerging and developing economies have weakened. World economy is extremely volatile at this stage, investor's confidence across the globe has fallen sharply and downside risks are looming large.

Against a backdrop of unresolved structural fragilities, a number of shocks have hit the world economy in the recent past. Downside risks to growth emanating from the global macroeconomic environment are now adjudged to be more elevated in the coming times. Weak growth momentum and policy uncertainties are impacting the macroeconomic outlook of emerging and developing economies. The IMF has projected world GDP growth at 3.5% in 2013 and at 4.1% in 2014. In a nutshell, the growing sluggishness in the world economy front is here to persist longer on the wake of concerns over the sovereign debt problems in the euro area and other advanced economies.

The Indian economy too is going through a bad phase due to several global and home grown vulnerabilities. Spillovers to the Indian economy through trade, finance and confidence channels have impacted almost all the economic parameters. Although it has grown at a rate of 8.5% during FY2011, the growth rate decelerated to 6.5% during FY2012 and it has further estimated to slow down to 5% during FY2013. India's lead economic indicators like IIP is decelerating sharply, core industries production is growing lesser than expected and manufacturing growth is falling.

Although, the crude oil prices have decelerated below US$90 per barrel during the recent months, the Wholesale Price Inflation is still hovering in the uncomfortable trajectory. Consumer Price Inflation has also entered the double digit trajectory once again. The weakening of global demand has dampened exports to a large extent in the face of weakening global demand in general and re-emergence of recession in advanced economies in particular. This combined with the slowing down of domestic demand due to rising costs of living such as fuel and energy prices on the one hand and high costs of money/borrowing costs on the other hand seems to have impacted the economic performance.

However, the slowdown amongst the emerging economies seems to have bottomed out and Indian economy promises bright growth prospects. The Economic Survey 2012-13 has estimated the Indian economy to grow between 6.1% - 6.7% in 2013-14 driven by its strong fundamentals. The challenge for India is to make the key drivers and enablers of growth-be it infrastructure, the transportation sector, housing, or sustainable agriculture growth. The way out lies in shifting national spending from consumption to investment, increasing opportunities for savers to boost investment, job creation and removing structural bottlenecks to growth.

Going ahead, the economy needs bold measures which may boost the investment environment to trigger growth. The recent reforms unveiled by the government, in the form of FDI in retail, insurance, etc, deferment in implementation of GAAR and diesel de-regulation are encouraging. These recent policy announcements by the Government have positively impacted investment sentiment; however, it needs to be translated into effective implementation to convert sentiment into concrete investment decisions which would in turn help kick start industry growth momentum.

India: Statistical snapshot

Indicators	FY2009	FY2010	FY2011	FY2012	FY2013
GDP at FC - Constant prices Rs Bn	41,625	44,937	48,778	52,435	55,034*
GDP at FC - Constant prices growth YoY	6.7	8	8.5	6.2	5*
GDP at MP-current prices Rs. Bn	55,826	65,502	77,953	89,749	1,00,281*
Agriculture growth	-0.1	0.4	6.6	2.8	1.8*
Industry growth	4.4	8	7.9	3.8	1.9*
Services growth	10.1	10.1	9.4	8.8	6.6*
Domestic Consumption	5.4	5.3	8.7	6	5.0
Private consumption	2.9	7.3	8.6	6.4	5.0
Gross domestic savings as % of GDP	32	33.8	32.3	33.0	31.8
Gross Fixed Capital Formation as % of GDP	32.3	31.6	30.4	30.6	29.9*
Gross fiscal deficit of the Centre as a % GDP	6	6.4	5.1	5.9	5.1@
Gross fiscal deficit of the states as a % GDP	2.4	3.3	2.5	2.28	2.1@
Gross fiscal deficit of Centre & states as a % GDP	8.4	9.5	8.08	7.0	7.2@
Merchandise exports (US$Bn)	185.3	178.7	251.1	309.8	286`
Growth in exports	3.4	-3.6	40.5	23.5	(-)7.68`
Imports (US$Bn)	287.7	288.3	369.7	434.2	480`
Growth in imports (YoY)	14.3	0.2	28.2	29.4	10.5`
Trade deficit (US$Bn)	118.4	109.6	118.6	184.8	194`
Net invisibles US$Bn	91.6	79.7	84.6	111.6	114.0^^
Current account deficit US$Bn	28.7	38.4	44.3	78.2	19.35#
Current account deficit as % of GDP	2.6	3.2	2.6	4.2	5.4#
Net capital account US$Bn	8.6	53.4	59.7	67.8	73.2^^
Overall balance of payments US$Bn	-20.1	13.4	13	5.7	1.6
Foreign exchange reserves US$Bn	252	279.1	304.8	294.9	289.7~
External debt - Short term US$Bn	43.4	52.3	65	78.2	84.5^
External debt - Long term US$Bn	181.2	208.7	240.9	267.5	280.8^
External debt - Gross US$Bn	224.5	261	305.9	345.7	365.3^
Money supply growth	19.3	16.8	15.9	14.4	16
Bank credit growth	17.5	17.1	21.2	16.8	14.5**
WPI inflation	8.1	3.9	9.5	8.2	6.62***
CPI inflation	7	12.3	10.4	8.4	10.79***
Exchange rate Rs/US$ annual average	46	47.4	45.5	47.7	55.49@@

*Source: PHD Research Bureau compiled from various sources, *Data pertains to advance estimates of national income 2012-13 MOSPI, @Data pertains to 2012-13 from RBI, ` PHD Research Bureau estimates ^ Data pertains to Apr-Jan 2012-13 from Ministry of Commerce and Industry, ^^Data pertains to 2012-13 from PMEAC economic outlook, # Data pertains to H1 2012-13 from RBI, ~ Data pertains June 2012 from RBI, ^ Data pertains to September 2012 from RBI, ** Data pertains to December 2012, *** Data pertains January 2013, @@ Data pertains July 2012*

2. Economic Survey: Promises growth, employment & inclusion

The Economic Survey 2012-13 is promising in terms of growth prospects as the downturn seems to be more or less over and the economy is looking up. The economic growth prospects, widening role of private investments, strategies to fight inflation and focus on creating job opportunities, all are inspiring.

According to the economic survey, the Indian economy is likely to grow between 6.1% - 6.7% in 2013-14 driven by its strong fundamentals. However, the survey underlines that the challenge for India is to make the key drivers and enablers of growth-be it infrastructure, the transportation sector, housing, or sustainable agriculture growth. The way out lies in shifting national spending from consumption to investment, increasing opportunities for savers to boost investment, job creation and removing structural bottlenecks to growth.

While India's recent slowdown is partly rooted in external causes, domestic causes are also important. Economic survey reveals that the Indian economy remained resilient to the global financial crisis in 2008-09 and achieved a growth rate of 8.6% and 9.3% respectively in 2009-10 and 2010-11. The strong post-financial-crisis stimulus led to stronger growth in 2009-10 and 2010-11. The services sector has shown more resilience to worsening external conditions than agriculture and industry.

However, due to a combination of both external and domestic factors, the economy decelerated growing at 6.2% and an estimated 5% in 2011-12 and 2012-13 respectively.

According to the Economic Survey 2012-13, the global economy is also likely to recover in 2013 and various government measures will help in improving the Indian economy’s outlook for 2013-14.

> ***“These are difficult times, but India has navigated such times before, and with good policies it will come through stronger. Slowdown is a wake-up call for increasing the pace of actions and reforms. The way out lies in shifting national spending from consumption to investment, removing the bottlenecks to investment, growth, and job creation, in part through structural reforms, combating inflation both through monetary and supply side measures, reducing the costs for borrowers of raising finances and increasing the opportunities for savers to get strong real investment returns”—Dr. Raghuram G. Rajan, CEA, MoF, Government of India***

It is inspiring to note from the Economic Survey that owing to good production in food grains in recent years and remunerative MSPs, even states which were not traditionally procuring sufficient foodgrains like Bihar, MP, Chhattisgarh and West Bengal have all shown significant increase.

The survey highlights the need for stable and consistent policies and rapid investment in infrastructure, related to food management, wholesale processing, storage, packaging and distribution/ retailing. FDI in retail allowed by the government can pave the way for investment in new technology and marketing of agricultural produce in India.

Going ahead, the Survey reveals that lower interest rates could act as a catalyst to boost business sentiments inducing investment in various critical sectors of the economy. At this juncture, the focus of the government should be to tackle inflation by reducing the fiscal impetus to demand.

The Chamber hails the Economic Survey which holds promises for India to capitalize on opportunities arising out of the “demographic dividend”. India has enormous potential to create jobs in not only the construction segment but also manufacturing and services sector which is critical to employment generation and inclusive growth. India's challenge is to create the conditions for faster growth of productive jobs outside of agriculture, especially in organized manufacturing and in services, even while improving productivity in agriculture. The benefit of rising to the challenge is decades of strong inclusive growth.

Another consequence of the slowdown has been lower-than-targeted tax and non-tax revenues. With the subsidies bill, particularly that of petroleum products, increasing, the danger that fiscal targets would be breached substantially became very real in the current year.

The government should address governance issues like sealing leakages in public welfare programmes which often fail to reach the targeted beneficiaries. Direct Benefit Transfer (DBT) with the help of the Unique Identification Number (Aadhaar) can help plug some of these leakages.

GST, if approved, would replace a number of state and central taxes, make India a national integrated market and bring more producers into tax net. By improving efficiency as well as revenues, it can substantially help the government finances.

The strong post-financial-crisis fiscal and monetary stimulus in India led to spectacular growth in the immediate aftermath of the crisis. But with corporate and infrastructural investment not keeping pace, and food production constrained, the boost to consumption eventually led to higher inflation. And falling savings, partly as a result of government spending and partly as a result of high inflation, have led to a widening CAD. With slowdown in external demand and slag in net exports, India’s balance of payments is still under stress on the back of fluctuating foreign exchange reserves and extremely volatile rupee. This is a major cause of concern that needs to be addressed, going forward.

3. Union Budget 2013-14: Key Announcements

- **Vital Statistics –** The real GDP growth is estimated at 6.1% to 6.7% for 2013-14. Fiscal Deficit for 2013-14 is pegged at 4.8% of GDP. The Revenue Deficit will be 3.3% for the same period. Headline inflation is expected to remain within 6.2% to 6.6% by March 2013.
- **Agriculture --** Rs. 1,000 crore has been allocated in 2013-14 to Green Revolution in Eastern states. Rashtriya Krishi Vikas Yojana and National Food Security Mission have been provided Rs. 9,954 crore and Rs. 2,250 crore respectively. The target for farm credit for 2013-14 has been set at Rs. 7, 00,000 crore against Rs.5, 75,000 crore during the current year. Rs. 10,000 crore has been earmarked for National Food Security towards the incremental cost.
- **Industry** -- Companies investing Rs. 100 crore or more in plant and machinery during the period 1.4.2013 to 31.3.2015 will be entitled to deduct an investment allowance of 15% of the investment. Delhi Mumbai Industrial Corridor (DMIC) is to be provided additional funds during 2013-14 and Chennai Bengaluru Industrial Corridor to be developed.
- **Infrastructure --** The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) will receive Rs. 14,873 crore in the current year. The Government will encourage Infrastructure Debt Fund (IDF) and allow some institutions to raise tax free bonds upto Rs. 50,000 crore which is 100% more than the current year. The government has decided to constitute Regulatory Authority for Road Transport. First home loan from a bank or housing finance corporation upto Rs. 25 lakh would be entitled to additional deduction of interest upto Rs. 1 lakh.
- **Social Sector --** Substantial rise has been observed in allocation to the social sector. Allocation for Rural Development Ministry has been raised by 46 % to Rs. 80,194 crore. A proposal to set up India's first Women's Bank as a public sector bank was given. Rs. 1,000 crore has been provided for skill development of ten lakh youth to enhance their employability and productivity. The Direct Benefit Transfer (DBT) Scheme is to be rolled out throughout the country during the term of UPA Government. Education has got Rs. 65,867 crore, while Health and Family Welfare Ministry has been allotted Rs. 37,330 crore. National Health Mission will get Rs. 21,239 crore which represents 24.3 % over the RE.
- **Expenditure --** Plan Expenditure has been placed at Rs. 5, 55,322 crore. It is 33.3% of the total expenditure while Non Plan Expenditure is estimated at Rs. 11, 09,975 crore. The plan expenditure in 2013-14 will be 29.4% while the Non- Plan Expenditure is 10.8% more than the RE of the current year i.e. 2012-13.
- **Taxation --** A surcharge of 10% has been levied on persons (other than companies) whose taxable income exceeds Rs.1 crore has been levied. A relief of Rs. 2000 for the tax payers in the first bracket of Rs. 2 to 5 lakhs has been given. Rs. 9,000 crore has been earmarked as the first installment of balance of CST compensations to different States/UTs. Tobacco products, SUVs and Mobile Phones would cost more.
- **Others –** The proposal to launch Inflation Indexed Bonds or Inflation Indexed National Security Certificates to protect savings from inflation has been given. Defence has been allocated Rs. 2, 03,672 crore with a capital outlay for modernization of equipments of Rs. 86,740 crores.

4. Budget Estimates

- Plan expenditure is placed at Rs.5,55,322 crore.
- Non Plan Expenditure is estimated at Rs. 11,09,975 crore.
- Fiscal deficit for the current year contained at 5.2% and for the year 2013-14 at 4.8%.
- Revenue deficit for the current year at 3.9% and for the year 2013-14 at 3.3%.
- By 2016-17 fiscal deficit to be brought down to 3 %, revenue deficit to 1.5% and effective revenue deficit to zero %.

Budget at a glance

(Amount in Rs. Billion)

Particulars		2010-11	2011-12	2012-13	2013-14	Y-o-Y growth %
		Actuals	RE	RE	BE	
1	Revenue Receipts (2+3)	7,885	7,670	8,718	10,563	21.2
2	Tax Revenue (Net to Centre)	5,699	6,423	7,421	8,841	19.1
3	Non-tax revenue	2,186	1,247	1,297	1,723	19.1
4	Capital Receipts (5+6+7)	4,089	5,517	5,590	6,090	8.9
5	Recoveries of loan	124	143	141	107	(-) 24.3
6	Other Receipts	228	155	240	558	132.6
7	Borrowings & other liabilities	3,736	5,220	5,209	5,425	4.1
8	Total Receipts (1+4)	11,973	13,187	14,308	16,653	16.4
9	Non Plan Expenditure	8,183	8,921	10,016	11,100	10.8
10	On revenue account	7,265	8,157	9,197	9,929	8.0
11	Of which Interest payments	2,340	2,756	3,167	3,707	17.1
12	On Capital account	918	764	819	1,171	42.9
13	Plan Expenditure	3,790	4,266	4,292	5,553	29.4
14	On Revenue account	3,142	3,462	3,434	4,433	29.1
15	On Capital account	648	804	858	1,121	30.6
16	Total Expenditure (9+13)	11,973	13,187	14,308	16,653	16.4
17	Revenue Expenditure (10+14)	10,407	11,619	12,631	14,362	13.7
18	Capital Expenditure (12+15)	1,566	1,568	1,678	2,291	36.6
19	Revenue deficit (17-1)	2,523	3,950	3,912	3,798	(-)2.9
20	Fiscal deficit {16-(1+5+6)}	3,736	5,220	5,209	5,425	4.1
21	Primary deficit (20-11)	1,396	2,464	2,043	1,718	(-)15.9
22	Nominal GDP (mkt. prices)	77953	89750	100,281	113,719	13.4
Capital Receipt = (Recoveries of loans + Disinvestment Receipts + Borrowings & Other Liabilities)			Primary Deficit = (Fiscal Deficit - Interest Payments)			
Revenue Deficit = (Revenue Receipt - Revenue Expenditure)			BE = Budget Estimates			
Fiscal Deficit = (Total Receipts - Borrowings & Other Liabilities - Total Expenditure)			RE = Revised Estimates			

Source: PHD Research Bureau compiled from Budget 2013-14

Summary of Receipts

(Amount in Rs.Billion)

Sr. no	Component	FY2012	FY2013 RE	FY2014 BE	Growth (%)
1.	**Net tax revenue**	**6298**	**7421**	**8841**	**19.1**
	Gross tax revenue	8892	10380	12359	19.1
	Corporation tax	3228	3589	4195	16.9
	Income tax	1703	2061	2476	20.2
	Other taxes and duties	8	9	10	9.7
	Customs	1493	1649	1873	13.6
	Union excise duties	1456	1720	1976	14.9
	Service tax	975	1327	1801	35.8
	Taxes of UTs	28	27	28	3.8
	Less – NCCD/ NDRF	40	44	48	9.7
	Less – states' share	2554	2915	3470	19
2.	**Non tax revenue**	**1217**	**1297**	**1723**	**32.8**
	Interest receipts	203	166	178	7
	Dividends and profits	506	554	739	33.2
	External grants	30	28	15	(-)47.3
	Other non-tax revenue	468	538	780	45
	Receipts of UTs	10	11	12	3.8
3.	**Total revenue receipts**	**7514**	**8718**	**10563**	**21.2**
A.	**Non debt receipts**				
	Recoveries of loans	189	141	107	(-)24.3
	Misc. capital receipts	181	240	558	132.6
B.	**Debt receipts**				
	Market loans	4362	4674	4840	3.6
	Short term borrowings	1269	457	198	(-)56.6
	External assistance (net)	124	22	106	377
	Securities issued against small savings	(-)103	86	58	(-)32.8
	State Provident Funds	108	100	100	0
	Other receipts	(-)440	(-)79	123	(-)255.8
	Total capital receipts	5689	5641	6090	7.9
4.	**Draw down of cash balance**	**(-)160**	**(-)52**	**-**	**-**
	Total receipts	13044	14308	16653	16.4
	Financing of Fiscal Deficit	5160	5209	5425	4.1
	Receipts under MSS (net)	-	-	200	-

Source: PHD Research Bureau compiled from Budget 2013-14

Note: NCCD stands for National Calamity Contingency Fund/ NDRF stands for National Disaster Response Fund

Summary of expenditure

(Amount in Rs.Billion)

Sr. no	Indicators	FY2012	FY2013RE	FY2014BE	Growth (%)
1.	**Total Non- Plan Expenditure**	**8,920**	**10, 016**	**11, 100**	**10.8**
	Revenue Expenditure	8,120	9,197	9,929	8
	Capital Expenditure	799	819	1,171	42.9
2.	**Total Plan Expenditure**	**4,124**	**4,292**	**5,553**	**29.4**
	Revenue Expenditure	3,337	3,434	4,433	29.1
	Capital Expenditure	786	858	1,121	30.6
3.	**Budgetary Support for Central Plan**	**3,084**	**3,172**	**4,191**	**32.1**
4.	**Total Central Assistance**	**1,040**	**1,120**	**1,363**	**21.7**

Source: PHD Research Bureau compiled from Budget 2013-14

Summary of subsidies

(Amount in Rs.Billion)

Sr. no	Indicators	FY2012	FY2013RE	FY2014BE	Growth (%)
1.	Food	728	850	900	5.9
2.	Fertiliser	700	660	660	0
3.	Interest	50	74	81	8.7
4.	Oil	685	969	650	(-)32.9
5.	Others	16	24	21	(-)14
6.	**Total**	**2,113**	**2,479**	**2,210**	**(-)10.8**

Source: PHD Research Bureau compiled from Budget 2013-14

Central Plan Outlay

(Amount in Rs.Billion)

Sr. no	Particulars	FY2012	FY2013BE	FY2013RE	FY2014BE
1.	**Economic Services**	**3678**	**4639**	**3920**	**4778**
	Agriculture and Allied Activities	162	177	160	188
	Rural Development	475	507	437	564
	Irrigation and Flood Control	5	13	4	12
	Energy	1219	1548	1482	1583
	Industry and Minerals	362	572	392	480
	Transport	1075	1254	1030	1335
	Communications	66	154	83	124
	Science Technology & Environment	117	166	121	176
	General Economic Services	197	248	210	316
2.	**Social Services**	**1355**	**1789**	**1583**	**1930**
3.	**General Services**	**53**	**87**	**59**	**93**
4.	**Budgetary Support for Central Plan**	**5086**	**6515**	**5562**	**6801**
	Y-o-Y growth rate				
5.	**Economic Services**	**6.4**	**26.1**	**6.6**	**21.9**
	Agriculture and Allied Activities	3	9.3	-1.4	17.6
	Rural Development	-9.4	6.9	-7.9	29.1
	Irrigation and Flood Control	6.3	152	-15.4	180.4
	Energy	9.8	27.1	21.6	6.8
	Industry and Minerals	0.8	57.9	8.3	22.4
	Transport	14.1	16.6	-4.2	29.6
	Communications	-36.3	134	25.4	49.9
	Science Technology & Environment	-1.6	41.4	3.3	45.1
	General Economic Services	44	25.8	6.7	50.4
6.	**Social Services**	**15.5**	**32.1**	**16.9**	**21.9**
7.	**General Services**	**290.1**	**64**	**10.5**	**58.8**
8.	**Budgetary Support for Central Plan**	**9.5**	**28.1**	**9.4**	**22.3**
	% of GDP				
9.	**Economic Services**	**4.1**	**4.6**	**-**	**-**
	Agriculture and Allied Activities	0.2	0.2	-	-
	Rural Development	0.5	0.5	-	-
	Irrigation and Flood Control	0	0	-	-
	Energy	1.4	1.5	-	-
	Industry and Minerals	0.4	0.6	-	-
	Transport	1.2	1.2	-	-
	Communications	0.1	0.2	-	-
	Science Technology & Environment	0.1	0.2	-	-
	General Economic Services	0.2	0.2	-	-
10.	**Social Services**	**1.5**	**1.8**	**-**	**-**
11.	**General Services**	**0.1**	**0.1**	**-**	**-**
12.	**Budgetary Support for Central Plan**	**5.7**	**6.4**	**-**	**-**

Source: PHD Research Bureau, compiled from Budget 2013-14

5. Sectoral announcements

The real GDP growth is estimated at 6.1% to 6.7% for 2013-14. Agriculture reforms have been undertaken to enhance the productivity and achieve higher and sustainable growth rate. Headline inflation is expected to remain within 6.2% to 6.6% by March 2013. Developments in India's external trade, especially with regards to diversification in export and import markets have been encouraging. However, the economy is being challenged by its twin deficits, viz, current account deficit and fiscal deficits which have been on the uptrend and are continuously facing pressures of widening.

Hence the Budget 2013-14 was set against an intense backdrop of structural challenges – rising fiscal deficit, inflation and slowing down of investments. Several small steps have been taken to drive growth while maintaining consumption, reviving investment, boosting capital markets and widening the tax net. The emerging opportunities such as reforms in infrastructure, investment incentives for industry and greater allocations for inclusive development should be capitalized by minimizing the impact of domestic structural weakness and reemergence of external threats.

5.1 Agriculture

- Average annual growth rate of agriculture and allied sector was 3.6% during XI Plan against 2.5% and 2.4% in IX and X plans respectively.
- In 2012-13, total food-grain production will be over 250 million tonnes. Minimum support price for every agricultural produce has increased significantly under the UPA Government.
- An amount of Rs. 27,049 crore allocated to Ministry of Agriculture represents an increase of 22% over the RE of current year i.e 2012-13.
- Agricultural research provided with an amount of Rs. 3,415 crore.

Agricultural Credit

- For 2013-14, target of agricultural credit kept at Rs. 7 lakh crore.
- Interest subvention scheme for short-term crop loans to be continued.

Green Revolution

- An amount of Rs. 1,000 crore allocated in 2013-14 to eastern states.
- Rs. 500 crore allocated to start a programme of crop diversification that would promote technological innovation and encourage farmers to choose crop alternatives.
- Rashtriya Krishi Vikas Yojana and National Food Security Mission provided Rs. 9,954 crore and Rs. 2,250 crore respectively.
- Allocation for integrated watershed programme increased from Rs. 3,050 crore in 2012-13 (BE) to Rs. 5,387 crore in 2013-14.
- Allocation made for pilots programme on Nutri-Farms for introducing new crop varieties that are rich in micro-nutrients.
- National Institute of Biotic Stress Management for addressing plant protection issues will be established at Raipur, Chhattisgarh.
- The Indian Institute of Agricultural Bio-technology will be established at Ranchi, Jharkhand.

Farmer Producer Organizations

- Matching equity grants to registered Farmer Producer Organization (FPO) upto a maximum of Rs. 10 lakhs per FPO to enable them to leverage working capital from financial institutons.
- Credit Guarantee Fund to be created in the Small Farmers' Agri Business Corporation with an initial corpus of Rs. 100 crore.

National Livestock Mission

- National Livestock Mission to be set up. A provision of Rs. 307 crore has been made for the Mission.

Food Security

- Additional provision of Rs. 10,000 crore for National Food Security Act.

5.2 Investment, infrastructure and industry

- Need of new and innovative instruments to mobilise funds for investment in infrastructure sector.
- Infrastructure Debt Funds (IDF) to be encouraged
- IIFCL to offer credit enhancement
- Infrastructure tax-free bond of Rs. 50,000 crore in 2013-14
- Build roads in North eastern states and connect them to Myanmar
- Raising corpus of Rural Infrastructure Development Fund (RIDF) to Rs. 20,000 crore
- Rs. 5,000 crore to NABARD to finance construction for warehousing
- Window to Panchayats to finance construction of godowns.

JNNURM

- An amount of Rs. 14,873 crore for JNNURM in 2013-14. Out of this, a significant portion will be used to support the purchase of upto 10,000 buses, especially by the hill States.

Road Construction

- A regulatory authority for road sector.
- 3000 kms of road projects in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh will be awarded in the first six months of 2013-14.

Cabinet Committee on Investment

- The Cabinet Committee on Investment (CCI) has been set up. Decisions have been taken in respect of a number of gas, power and coal projects.

New Investment

- Companies investing Rs. 100 crore or more in plant and machinery during the period 1.4.2013 to 31.3.2015 will be entitled to deduct an investment allowance of 15% of the investment.

- Incentives to semiconductor wafer fab manufacturing facilities, including zero customs duty for plant and machinery.

Savings

- Rajiv Gandhi Equity Savings Scheme to be liberalised.
- Additional deduction of interest upto Rs. 1 lakh for a person taking first home loan upto Rs. 25 lakh during period 1.4.2013 to 31.3.2014

Industrial Corridors

- Plans for seven new cities have been finalised and work on two new smart industrial cities at Dholera, Gujarat and Shendra Bidkin, Maharashtra will start during 2013-14
- Delhi Mumbai Industrial Corridor (DMIC) to be provided additional funds during 2013-14.
- Chennai Bengaluru Industrial Corridor to be developed.
- Preparatory work has started for Bengaluru Mumbai Industrial Corridor.

Ports

- Two new major ports will be established in Sagar, West Bengal and in Andhra Pradesh to add 100 million tonnes of capacity.
- A new outer harbour to be developed in the VOC port at Thoothukkudi, Tamil Nadu through PPP at an estimated cost of Rs.7,500 crore.

National Waterways

- A bill to declare the Lakhipur-Bhanga stretch of river Barak in Assam as the sixth national waterway to be moved in Parliament.
- Preparatory work underway to build a grid connecting waterways, roads and ports.

Oil and Gas

- A policy to encourage exploration and production of shale gas will be announced.
- The 5 MMTPA LNG terminal in Dabhol, Maharashtra will be fully operational in 2013-14.

Coal

- In the medium to long term need to reduce our dependence on imported coal. One way forward is to devise a PPP policy framework with Coal India Limited as one of the partners.

Power

- Guidelines regarding financial restructuring of DISCOMS have been announced. State Government urged to prepare the financial restructuring plan, quickly sign MoU and take advantage of the scheme.

Micro, Small and Medium Enterprises

- Benefits or preferences enjoyed by MSME to continue upto three years after they grow out of this category.
- Refinancing capacity of SIDBI raised to Rs.10,000 crore.

- Another sum of Rs. 100 crore provided to India Microfinance Equity Fund.
- A corpus of Rs. 500 crore to SIDBI to set up a Credit Guarantee Fund for factoring.
- A sum of Rs. 2,200 crore during the 12th Plan period to set up 15 additional Tool Rooms and Technology Development Centres with World Bank assistance.
- Ministry of Corporate Affairs to notify that funds provided to technology incubators located within academic Institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as CSR expenditure.

Textiles

- Technology Upgradation Fund Scheme (TUFS) to continue in 12th Plan with an investment target of Rs. 1,51,000 crore.
- Allocation of Rs. 50 crore to Ministry of Textile to incentivise setting up Apparel Parks within the SITPs to house apparel manufacturing units.
- A new scheme called the Integrated Processing Development Scheme will be implemented in the 12th Plan to address the environmental concerns of the textile industry.
- Working capital and term loans at a concessional interest of 6% to handloom sector.
- Scheme of Fund for Regeneration of Traditional Industries (SFURTI) extended to 800 clusters during the 12th Plan.

Foreign Trade

- Support to measures to be taken to boost exports of goods and services.

5.3 Financial sector

- A standing Council of Experts to be constituted in the Ministry of Finance to analyse the international competitiveness of the Indian financial sector.

Banking

- Compliance of public sector banks with Basel III regulations to be ensured. Rs. 14,000 crore provided in 2013-14 for infusing capital.
- All branches of public sector banks to have ATM by 31.3.2014.
- Proposal to set up India's first Women's Bank as a public sector bank and provision of Rs. 1,000 crore as initial capital has been made.
- An amount of Rs.6,000 crore to Rural Housing Fund in 2013-14.
- National Housing Bank to set up Urban Housing Fund. Rs. 2,000 crore to be provided to the fund in 2013-14.

Insurance

- Number of proposals finalised, in consultation with IRDA such as empowering insurance companies to open branches in Tier-II cities and below without prior approval of IRDA, KYC of banks to be sufficient to acquire insurance policies, banks to be permitted to act as insurance brokers, banking correspondent allowed to sell micro-insurance products and achieving the goal of having an office of LIC and an office of at least one public sector general insurance company in towns with population of 10,000 or more.

- Rashtriya Swasthya Bima Yojana to be extended to other categories such as rickshaw, auto-rickshaw and taxi drivers, sanitation workers, rag pickers and mine workers.
- A comprehensive social security package to be evolved for unorganised sector by facilitating convergence among different schemes.

Capital Market

- Proposal to amend the SEBI Act, to strengthen the regulator, under consideration.
- Number of proposal finalised in consultation with SEBI.
- Designatged depository participants, authorised by SEBI, may register different classes of portfolio investors, subject to compliance with KYC guidelines.
- SEBI will simplify the procedures and prescribe uniform registration and other norms for entry for foreign portfolio investors.
- Rule that, where an investor has a stake of 10% or less in a company, it will be treated as FII and, where an investor has a stake of more than 10%, it will be treated as FDI will be laid.
- FIIs will be permitted to participate in the exchange traded currency derivative segment to the extent of their Indian rupee exposure in India.
- FIIs will also be permitted to use their investment in corporate bonds and Government securities as collateral to meet their margin requirements.
- SEBI to prescribed requirement for angel investor pools by which they can be recognised as Category I AIF venture capital funds.
- Small and medium enterprises, to be permitted to list on the SME exchange without being required to make an initial public offer (IPO).
- Stock exchanges to be allowed to introduce a dedicated debt segment on the exchange.

5.4 Social sector

SC, ST, Women and Children

- An amount of Rs. 97,134 crore allocated for programmes related to women and Rs. 77,236 crore allocated for programmes related to children.
- Ministry of Women and Child Development to design schemes that will address the concerns of women belonging to the most vulnerable groups. An additional sum of Rs. 200 crore proposed to be provided to the Ministry to begin work.
- A fund - “Nirbhaya Fund” - to be setup with Government contribution of Rs. 1,000 crore.
- A proposal to set up India’s first Women’s Bank as a public sector bank.

Minorities

- An increase in allocation of 60% over 2012-13 to Ministry of Minority Affairs.
- Allocation of Rs. 160 crore to the corpus of Maulana Azad Education Foundation to raise its corpus to Rs. 1,500 crore during 12th Plan period.

Disabled Persons

- A sum of Rs. 110 crore to the Department of Disablity Affairs for ADIP scheme in 2013-14 against RE 2012-13 of Rs. 75 crore.

Health and Education

- Allocation of Rs. 37,330 crore to the Ministry of Health & Family Welfare.
- New National Health Mission will get an allocation of Rs. 21,239 crore.
- Allocation of Rs. 4,727 crore for medical education, training and research.
- An amount of Rs. 150 crore provided for National Programme for the Health Care of Elderly.
- Ayurveda, Unani, Siddha and Homoeopathy are being mainstreamed and allocation of Rs. 1,069 crore to Department of AYUSH.
- An amount of Rs. 1,650 crore allocated for six AIIMS-like institutions.
- Allocation of Rs. 65,867 crore to the Ministry of Human Resource Development, an increase of 17% over the RE of the current year i.e 2012-13.
- An amount of Rs. 27,258 crore provided for Sarva Shiksha Abhiyaan (SSA).
- An increase of 25.6% over RE of the current year for investments in Rashtriya Madhyamik Shiksha Abhiyan (RMSA).
- An amount of Rs. 5,284 crore allocated to Ministries/Departments in 2013-14 for scholarships to students belonging to SC, ST, OBC, Minorities and girl children.
- Mid Day Meal Scheme (MDM) to be provided with amount of Rs. 13,215 crore.
- Government committed to the creation of Nalanda University as a centre of educational excellence.

Drinking Water

- An amount of Rs. 15,260 crore allocated to Ministry of Drinking Water and Sanitation.
- Allocation of Rs. 1,400 crore for setting-up of water purification plants in 2000 arsenic and 12000 fluoride-affected rural habitations.

Rural Development

- Allocation of Rs. 80,194 crore in 2013-14 for Ministry of Rural Development marking an increase of 46% over 2012-13.
- Proposal to carve out PMGSY-II and allocate a portion of the funds to the new programme that will benefit States such as Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab and Rajasthan.
- Direct benefit transfer scheme will be rolled out throughout the country during the term of the UPA Government.

5.5 Environment

- Support to municipalities that will implement waste-to-energy projects.
- Government to provide low interest bearing fund from the National Clean Energy Fund (NCEF) to IREDA to on-lend to viable renewable energy projects.
- ‘Generation-based incentive’ reintroduced for wind energy projects and Rs. 800 crore allocated for this purpose.

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5.6 Tax proposals

The tax proposals aimed at bringing clarity in tax laws, a stable tax regime, a non-adversarial tax administration, a fair mechanism for dispute resolution and independent judiciary for greater assurance is underlying theme of tax proposals. The proposals for setting up Tax Administration Reforms Commission was made and the short term target to reclaim peak of 11.9% of tax GDP ratio achieved in 2007-08 was taken.

Direct taxes

- No case to revise either the slabs or the rates of Personal Income Tax.
- However, relief for Tax Payers in the first bracket of Rs. 2 lakhs to Rs. 5 lakhs. A tax credit of Rs. 2000 to every person with total income upto Rs. 5 lakhs.
- Surcharge of 10% on persons (other than companies) whose taxable income exceeds Rs. 1 crore to augment revenues.
- Increase surcharge from 5% to 10% on domestic companies whose taxable income exceed Rs. 10 crore.
- In case of foreign companies who pay a higher rate of corporate tax, surcharge to increase from 2% to 5%, if the taxabale income exceeds Rs. 10 crore.
- In all other cases such as dividend distribution tax or tax on distributed income, current surcharge increased from 5% to 10%.
- Additional surcharges to be in force for only one year.
- Education cess to continue at 3%.
- Permissible premium rate increased from 10% to 15% of the sum assured by relaxing eligibility conditions of life insurance policies for persons suffering from disability and certain ailments.
- Investment allowance at the rate of 15% to manufacturing companies that invest more than Rs. 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015.
- Investor Protection Fund of depositories exempt from Income-tax in some cases.
- Parity in taxation between IDF-Mutual Fund and IDF-NBFC.
- TDS at the rate of 1% on the value of the transfer of immovable properties where consideration exceeds Rs. 50 lakhs. Agricultural land to be exempted.
- A final withholding tax at the rate of 20% on profits distributed by unlisted companies to shareholders through buyback of shares.
- Reductions made in rates of Securities Transaction Tax in respect of certain transaction.
- Proposal to introduce Commodity Transaction Tax (CTT) in a limited way. Agricultural commodities will be exempted.
- Modified provisions of GAAR will come into effect from 1.4.2016.
- A number of administrative measures such as extension of refund banker system to refund more than Rs. 50,000, technology based processing, extension of e-payment through more banks and expansion in the scope of annual information returns by Income-tax Department.

Indirect taxes

- No change in the normal rates of 12% for excise duty and service tax.
- No change in the peak rate of basic customs duty of 10% for non-agricultural products.

Customs

- Period of concession available for specified part of electric and hybrid vehicles extended upto 31 March 2015.
- Duty on specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5% to 5%.
- Duty on pre-forms precious and semi-precious stones reduced from 10% to 2%.
- Export duty on de-oiled rice bran oil cake withdrawn.
- Duty of 10 % on export of unprocessed ilmenite and 5% on export on ungraded ilmenite.
- Concessions to air craft maintenance, repair and overhaul (MRO) industry.
- Duty on Set Top Boxes increased from 5% to 10%.
- Duty on raw silk increased from 5% to 15%.
- Duties on Steam Coal and Bituminous Coal equalised and 2% custom duty and 2% CVD levied on both kinds coal.
- Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased.
- Duty free gold limit increased to Rs. 50,000 in case of male passenger and Rs.1,00,000 in case of a female passenger subject to conditions.

Excise duty

- Relief to readymade garment industry. In case of cotton, zero excise duty at fibre stage also. In case of spun yarn made of man made fibre, duty of 12% at the fibre stage.
- Handmade carpets and textile floor coverings of coir and jute totally exempted from excise duty.
- To provide relief to ship building industry, ships and vessels exempted from excise duty. No CVD on imported ships and vessels.
- Specific excise duty on cigarettes increased by about 18%. Similar increase on cigars, cheroots and cigarillos.
- Excise duty on SUVs increased from 27% to 30%. Not applicable for SUVs registered as taxies.
- Excise duty on marble increased from Rs. 30 per square meter to Rs. 60 per square meter.
- Proposals to levy 4% excise duty on silver manufactured from smelting zinc or lead.
- Duty on mobile phones priced at more than Rs. 2000 raised to 6%.
- MRP based assessment in respect of branded medicaments of Ayurveda, Unani, Siddha, Homeopathy and bio-chemic systems of medicine to reduce valuation disputes.

Service Tax

- Maintain stability in tax regime.
- Vocational courses offered by institutes affiliated to the State Council of Vocational Training and testing activities in relation to agricultural produce also included in the negative list for service tax.
- Exemption of Service Tax on copyright on cinematography limited to films exhibited in cinema halls.
- Proposals to levy Service Tax on all air conditioned restaurant.
- For homes and flats with a carpet area of 2,000 sq.ft. or more or of a value of Rs. 1 crore or more, which are high-end constructions, where the component of services is greater, rate of abatement reduced from from 75% to 70%.

- Out of nearly 17 lakh registered assesses under Service Tax only 7 lakhs file returns regularly. Need to motivate them to file returns and pay tax dues. A onetime scheme called 'Voluntary Compliance Encouragement Scheme' proposed to be introduced. Defaulter may avail of the scheme on condition that he files truthful declaration of Service Tax dues since 1st October 2007.
- Tax proposals on Direct Taxes side estimated to yield to Rs.13,300 crore and on the Indirect Tax side Rs. 4,700 crore.

Good and Services Tax

- A sum of Rs. 9,000 crore towards the first instalment of the balance of CST compensation provided in the budget.
- Work on draft GST Constitutional amendment bill and GST law expected to be taken forward.

5.7 Other proposals

Backward Regions Grant Fund

- New criteria for determining backwardness to be evolved and reflect them in future planning and devolution of funds.

Skill Development

- Target of skilling 50 million people in the 12th Plan period, including 9 million in 2013-14.
- Youth to be motivated to voluntarily join skill development programmes. National Skill Development Corporation to set the curriculum and standards for training in different skills. Rs. 1000 crore set apart for this scheme
- A grant of Rs. 100 crore each made to 4 institution of excellence.

Defence

- Allocation for Defence increased to Rs. 2,03,672 crore including Rs. 86,741 crore for capital expenditure.
- Constraints not to come in the way of providing any addition requirement for the security of nation.

Science and Technology

- Despite constraints substantial enhancements given to Science and Technology, Space and Atomic Energy.
- An amount of Rs. 200 crore to be set apart to fund organisations that will scale up S&T innovations and make these products available to the people.

6. Impact on the economy

S. No.	Parameter	Announcement	Impact
1	Growth	Incentives to save, plan to cut current account deficit, cheaper and easier debt for infrastructure sector and push for greater foreign direct investments	Inflation-linked bonds will help people shift out of gold into financial savings, providing liquidity to markets and cheaper credit for investments. Higher growth will lead to the creation of additional jobs and the reduction of poverty.
2.	Inflation	Budget aims to keep fiscal deficit in control, promises farm reforms to cool food prices.	It will lower borrowings, narrow CAD & cool inflation. It could lead to a stronger Rupee, lowering import bill, especially imported crude oil. All these could feed into the system and help control inflation
3.	Money	More capital for PSBs, push to financial inclusion, a bank for women and boost to insurance sector.	Strong banking and financial sectors will lead to more liquidity, prompting higher investments and growth. Women bank would lead to women empowerment
4.	Investments	Completion Commissioner of India to monitor major investment proposals. Any firm investing over Rs.1bn in plant and machinery will get a tax incentive of 15% of investment in addition to depreciation.	India's economic growth is largely consumption driven. A boost to investments will lead to higher and more balanced growth that will expand production possibilities and contain inflation.
5.	Welfare	A Nirbhaya Fund to empower women, funds to train youth and direct cash transfers for the poor.	Could have a huge impact on poverty reduction and lead to effective delivery of benefits to the intended recipients. It will place cash in the hands of people, raise quality of lives and increase choice.

Source: PHD Research Bureau, compiled from various sources

7. Impact on infrastructure

S. No.	Parameters	Announcement	Impact
1.	Infrastructure fund	Infra Debt Funds encouraged. Funds from multilateral agencies will be sought for roads in North-East India.	This will help raise low-cost funds for infra projects, which have a long gestation period. The government wants to spend US$1 trillion, in which private investment would be 47%, on infrastructure in the 12th plan.
2.	New Industrial Corridors	Corridors from Bengaluru to Chennai and from Bengaluru to Mumbai.	This may usher in a new wave of urbanization which will accelerate growth.
3.	Highways	Government to award contracts for 3,000 km of roads, and set up a regulator for the sector.	A regulator will help resolve numerous disputes between contractors and authorities, and speed up clearances. New contracts will give a boost to road builders as they are starved of contracts in the fiercely competitive sector, but the target is ambitious for the government that could award only 878 km in the first nine months of this fiscal.
4.	PPP in Coal Mining	Public Private Partnerships to help boost supply of coal to power producers and other consumers.	This will help reduce coal scarcity.
5.	Wind Energy	Wind energy to get 50 paise per unit incentive.	This will accelerate and double wind energy generation, and attract investments.

Source: PHD Research Bureau, compiled from various sources

8. Impact on emerging businesses

S. No.	Parameter	Announcement	Impact
1.	Listing without IPO	SMEs, including start-ups, permitted to list on the SME exchange.	It will allow greater liquidity, and bring down listing costs down the line for MSMEs and could help boost investment.
2.	Set-Top Boxes	Customs duty on imported set-top boxes doubled to 10%.	It would spur local manufacturing of set-top boxes, one of the fastest-moving electronic goods in India. Set-top boxes represent a huge market over the next two years.
3.	Chip-making	Duty waiver to import plants and machinery that will help build semiconductor fabrication units.	It will help boost the domestic electronics manufacturing eco system. It could also possibly attract the multinational semiconductor manufacturers to set up their base in India.
4.	Innovations	A Rs.2 bn fund to back companies building science and technology related products.	It will fuel innovation and encourage young companies to bring-to-market new products.
5.	Angel Groups	Angel Investors who pool funds and register with SEBI get tax pass through.	The measure will lead to a significant increase in risk capital available for very early stage companies that are looking for "smart money".
6.	CSR Help	Funds provided to technology incubators in academic institutions will qualify as CSR expenditure.	It will create new pools of domestic capital required to nurture early-stage entrepreneurship. This has, for long, been a huge gap in the Indian entrepreneurial ecosystem. Technology startups will benefit.

Source: PHD Research Bureau, compiled from various sources

9. Impact on investors

S.No.	Parameter	Announcement	Impact
1	Debt Mutual Funds	The tax rate has been increased from 12.25% to 25% for distribution made to individuals and Hindu Undivided Families (HUFs)	It may discourage the investors who used to get tax arbitrage by investing more in debt mutual fund schemes and less in fixed deposits. It may boost the flow of deposits into banks.
2	Currency futures	FIIs are granted permission to invest in currency futures to control securities exposure risks.	Trade will boost in this market as FIIs buy Nifty futures on SGX to avoid currency fluctuation risk.
3	Rajiv Gandhi Equity Savings Schemes (RGESS)	Mutual Fund investors have granted extension for two more years and tax benefit has been provided for new stock	It will provide tax relief of Rs25000 to the investors and first time investors will get an experience of equity and Mutual Funds. Investors in RGESS would get tax benefits for three years now.
4	New retirement funds	Some portion of corpus of retirement funds can be invested in Exchange Traded Funds (ETFs), debt mutual funds and asset backed securities.	This flexibility can hike returns on retirement funds while mutual funds may effectively handle redemption. Currently, these funds are ruled by clear guidelines and the labour ministry is not permitted to allow PFs to invest in stocks
5	Share buyback	Now 20% tax will be levied on the companies on share buyback	Return on venture capital and private equities will be reduced.
6	Inflation-Index bonds	National Securities Certificates (NSCs) and inflation linked bonds to be issued by the government.	Investors may be attracted by safer product and on the other hand investors may invest less in gold.

Source: PHD Research Bureau, compiled from various sources

10. Impact on consumers

S.No.	Parameter	Announcement	Impact
1	Smart phones	Concessional excise duty has been raised from 1% to 6% on mobile phones costing over Rs2000	Smart mobile phones to become expensive
2	Luxury homes	Reduction in the abatement in service tax for Rs1 crore-plus or 2,000sq ft-plus homes from 75% to 70%	Luxury homes to cost more due to the rise in the service tax component
3	Sports Utility Vehicle(SUVs)	Increase in the excise duty on non-taxi SUVs from 27% to 30%	On-road, SUVs will cost more while selective sedans may also become expensive
4	Luxury cars	Import duty on high end cars have been sharply raised from 75% to 100%	On-road prices of top end models of luxury cars will increase significantly
5	Air Conditioned restaurants	Service tax will be levied on AC restaurants that don't serve liquor	A bill amount of Rs100 may be expected to rise to Rs112
6	Jewellery imports	Limits on personal import of jewellery relaxed	Women passengers can now bring jewellery worth upto Rs1 lakh as compared to jewellery worth upto Rs 50,000 by male passengers. The earlier limit was Rs25,000
7	Smoking	Excise duty on regular sized cigarettes and cigars have been increased by 18%	A pack of regular sized cigarette will now cost more. However, there is no change in the prices of smaller sub-65 mm cigarettes.

Source: PHD Research Bureau, compiled from various sources

11. Impact on markets

S. No.	Parameter	Announcement	Impact
1.	Investment allowances	Firms can claim allowance of 15% on investment of over Rs.100 cr in new plant and machinery.	The tax break, over the above depreciation, will encourage investments, kick-start revival and spur growth. However, companies in the services sector will not gain from the benefit.
2.	Foreign Investments	General Anti-Avoidance Rules put off by two years till April 2015.	Taxpayers can breathe easy for now. It will have a positive impact on markets, going forward.
3.	Select funds	Alternative Investment Funds will not have to pay tax on income as they get pass-through status.	The tax benefit is limited to some categories. Other Alternative Investment Funds such as infrastructure funds and social sector funds are not eligible for specific exemption. However, they may still claim pass-through status based on general law.
4.	Tax breaks under treaties	Producing a tax residency certificate is not enough for foreign investors to escape tax.	It's a worry for companies as taxmen will seek information from companies that receive interest and royalty income.
5.	Share buybacks	Unlisted firms buying back shares will have to pay additional 20% tax.	It will curb tax avoidance, but taking out cash from India will become more expensive.

Source: PHD Research Bureau, compiled from various sources

12. Impact on taxes

S. No.	Parameter	Announcement	Impact
1.	Indirect tax rates stable	Peak rate for customs, standard rate for excise duty and service tax retained at current level.	It is a relief for industry which was apprehensive that the government may increase duty rates and dampen demand.
2.	Amnesty Scheme	Amnesty Scheme for those who failed to pay taxes in last 5 years.	The move could provide one-time boost to government revenues and result in speedy settlement of outstanding disputes.
3.	Tax on housing companies	Effective service tax rate to go up on homes above Rs.1 crore or more than 2,000 square feet.	Cost of housing to go up in metros.
4.	Customs evasion	Evasion of customs duty of more than Rs.50 lakh to be a non-bailable offence.	Empowers enforcement agencies to tackle smuggling more effectively.
5.	Service tax evasion	Company officials found guilty will have to pay penalty from their own pocket.	This measure could improve compliance
6.	Garment makers	Zero-duty regime brought back for branded readymade garments.	Price of readymade garments could fall

Source: PHD Research Bureau, compiled from various sources

13. Sector-wise impact

S. No.	Sector	Impact
1.	Infrastructure/ Construction	The government aims for 'higher growth leading to inclusive and sustainable development' which could only be possible if infrastructure investment is revived. This budget outlines measures to ease financing woes as well as removing bottlenecks. However, the current announcements are not enough and the government needs to carry out major reforms in order to provide the much needed impetus to attract private and foreign investment in the sector.
2.	Road construction	Addressing the obstacles faced by the construction sector will help asset developers. The government has decided to constitute Regulatory Authority for Road Transport which is a very significant development in the sector.
3.	Power	The extension of 80 IA benefits for power plants will positively benefit the sector, although the industry expected this exemption to be extended up till 2017, the announced extension are on expected lines. The reintroduction of generation-based incentive (GBI) will provide a much needed relief for wind energy projects. In the previous scheme, the cap was set at Rs6.2mn per MW. The equalization of duties on both steam & bituminous coal through the imposition of 2% each of customs and counter veiling duty will have a negative impact on the sector. This will increase the landed cost of coal for coal-based power stations and in-turn increase the cost of power generation. The proposed PPP model for enhancing domestic coal production would be a long-term positive while tweaking of the customs duty and the countervailing duty for imported coal (steam and bituminous) would be marginally negative for the consumers of imported coal. The benefit of Section 80-IA has been extended by another year. The incentive for renewable energy projects has been extended too.
4.	Real estate	The increase in deduction for interest on home loans is expected to have a positive impact on home demand.
5.	Capital Goods	Slower pace of project execution and lack of new projects are the major issues faced by the Indian Capital goods industry. Increased competition from its peers from the low cost industry had also added to the worries of existing players across multiple segments of the industry. However, the budget provision of 15% investment allowance (for 2 years) for commissioned investment of above Rs.1bn in plant and machinery is a positive development for the sector.

6.	Cement	There were no specific sector related announcements except the announcement of customs duty on steam coal. However indirect measures like providing higher allocation to infrastructure and housing related measures is likely to benefit cement sector.
7.	FMCG	For FMCG sector the budget took measures to spur rural consumption growth by increasing allotment in rural development schemes by 46% YoY. MGNREGA was allocated Rs330bn in 2013-14 (same as last year) which will help in spurring rural growth going forward. GST will be implemented sooner than later as the budget has shown its commitment for the same by allotting Rs90bn towards compensation for CST loss in revenues by various states. To boost investments further an investment allowance of 15% for companies investing in new plants and machinery for Rs1bn or more has also been announced. All these measures are pointing towards growth and investment. On the flip side, to fund these positive measures specific excise duty on cigarettes was raised by 18%, surcharge on dividend distribution tax was raised from 5% to 10%.
8.	Metals & Mining	Budget proposed levy of 4% excise duty on silver manufactured from smelting of zinc and lead which will have marginally negative impact. Proposal of investment allowance of 15% will be beneficial to the sector.
9.	Information Technology	Budget proposals are overall neutral for the IT sector. Higher allocation to education and further impetus on NSDC and e-Governance projects will benefit the sector and country as a whole in the medium to long run.
10.	Pharmaceuticals	Budget FY2013-14 announcements addresses the issue of further healthcare penetration by increasing the planned allocation by 8%.
11.	Retail	The abolition of excise duty on branded readymade garments would be positive for cloth retail companies.
12.	Insurance	The increase in the insurance FDI cap from 26% to 49%, if passed in the budget session, will be a major positive for the sector.
13.	Media & Entertainment	There is increase in customs duty on set-top boxes (STBs) from 5% to 10% leading to increase in the subscriber acquisition costs of cable & DTH companies with most companies importing STBs. The restriction on exemption for exhibition of cinematographic films to cinema Hall and theatre would mean service tax being levied on broadcasters who would be able to get input tax credit from the same.

Source: PHD Research Bureau, compiled from various sources
Note: Rs 1 bn = Rs 100 crore

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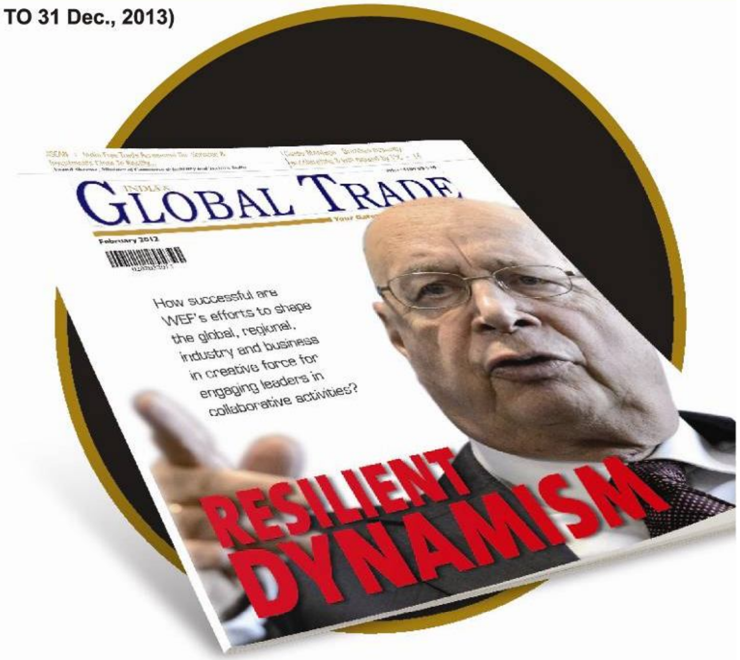

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14. Corporate eye

The PHD Chamber organized a Budget Session on 28th February 2013 which was attended by senior representatives from around 250 corporates and their post-budget reactions were compiled to understand the view point of the industry on the Budget proposals. They are as follows:

Stay on the path of economic pragmatism -- Considerable fiscal space has been created for RBI to continue its accommodative policy stance. The infrastructure sector is to be the biggest beneficiary of the Budget.

A 360 -degree intervention – The Budget aims at stimulating growth in all sectors, while fostering social equity and inclusion

Push for key sectors -- The measures alluding to the infrastructure and financial sectors, the investment allowance in the manufacturing arena for new investments, sops to the textile sector, review of the oil and gas exploration and its shift to a revenue-sharing model, among others, augur well for the economy.

Major steps outlined -- Steps to cover fuel supply for thermal power plants and measures for the roads sector and industrial corridors will have positive implications for both the short term and long term

Big on fiscal consolidation -- The recent announcements and road map on fiscal consolidation is positive. The introduction of dedicated debt market segments on stock exchanges and liberalising investment norms for insurance companies and pension funds will broaden and deepen our markets.

Welcome measures to promote investments -- Capex and infrastructure investments like the introduction of investment allowance for investments in excess of Rs.100 crore, support for waste-to-energy projects, energising the capital markets/overseas investments are welcome.

Fillip to telecom and media -- Telecom companies could benefit from emergence of pricing power with reduction in competitive intensity, while media firms could benefit from digitisation and a potential pick-up in advertising revenue.

Technology to drive inclusion programmes – The government gave a fillip to tech-based innovation by allowing funding for technology incubators located within academic institutions qualifying as CSR expenditure. This will increase the engagement of the corporate sector with start-ups.

Skill enhancement route -- The budget has rightly emphasised the need for job creation and skill enhancement to support SMEs and taken steps to further improve financial inclusion and broadbase access to equity investments and insurance.

Inclusive and sustainable development -- Generating opportunities for our burgeoning youth population, minorities and the marginalised, and boosting investments in less developed areas can add a few percentage points to our growth rates in the longer term.

15. Highlights of Railway Budget 2013-14

The Railway Budget 2013-14 is a progressive initiative which is a growth oriented one and has done much in improving and increasing services for commuters and controlling expenditure of thee department. The Budget facilitates innovations in critical areas of Railway infrastructure and capacity expansion. Some remarkable initiatives have been introduced keeping different sections of society into consideration.

It is encouraging to note that the Budget presented has kept the passenger fares unchanged. However, marginal increase in supplementary charge for super-fast trains, reservation fee, clerkage charge, cancellation charge and 'tatkal' charge has been proposed. In a bid to offset the impact of recent diesel price hike on railway's revenues, a dynamic fuel adjustment component will be introduced on freight rates which will result in less than 5% increase in rates.

Railway Budget 2013 has set the goal of zero accidents through the path of sustainable modernization. It has brought cheers by announcing surplus for the first time after a long period; however, fund balances should be improved. The proposal for targeting to create Rs.1 lakhs crore of PPP projects in 12th Plan is being seen as a break through move for which the Railway Minister has sought states' co-operation. However, it is felt that some efficient model needs to be devised to enhance revenue from the passenger trains so that it helps in railway finances as well as aids to improving the services.

Budget has also delighted employment seekers as 1.52 lakh vacancies will be filled up in the Railways and 47,000 vacancies will also be opened for weaker sections and physically challenged people. In order to boost demand and employment creation , few manufacturing/maintenance facilities have been proposed in the budget such as new Forged Wheel Factory at Rae Bareli, Greenfield Mainline Electrical Multiple Units (MEMU) manufacturing facility at Bhilwara, Rajasthan, a coach manufacturing unit in Sonepat district, Haryana, midlife rehabilitation (MLR) Workshop at Kurnool, Andhra Pradesh, a new wagon maintenance workshop in Kalahandi district, Odisha , a modern signalling equipment facility at Chandigarh through PPP route among others are quite encouraging.

Some remarkable initiatives related to environment protection have been taken up. Increased use of agro based and recycled paper and ban on the usage of plastic in catering is positive. Railway will deploy new generation energy efficient electric locomotives and EMUs and set up of 775 MW capacity windmill plants and energize 1000 level crossings with solar power.

There are many developmental schemes which have been announced in the Railway Budget 2013-14. Safety of women passengers has been addressed through creation of 4 companies of women RPF personnel for safety of women passengers. Investment in automatic signaling has been included and corporate safety plan for 10 years from 2014 will be planned. Railway amenities will be remarkably improved. There will be special coaches in each train that will offer high end facilities, at a higher charge while disabled get a better deal in terms of amenities as do other passengers through increased number of wheelchairs and escalators. New premium class of coaches, called Anubhooti, has been introduced.

16. Conclusions: FM presents stable Budget, focus on inclusion inspiring

The Budget 2013-14 is inspiring on several sectors on the economy, and seems stable, amidst the present situation of economic volatility in the international and domestic fronts. The Finance Minister has sought to increase allocation to key areas and provide incentives for investments and savings while containing the fiscal deficit.

The Chamber hails the enhancement in allocation for Food Security Mission and Green revolution in East India. For infrastructure funding, moves like encouragement to Infrastructure debt Fund, tax-free infra bonds, Rural Infrastructure Development Fund and liberalization of Rajiv Gandhi Equity scheme are positive. The allowance for extra Rs1 lac exemption on home loan for first home applicants is indeed good news for not only the home buyers but also other segments related to construction industry. Textiles stand to benefit from continuation of the Technology Upgradation Funds Scheme.

The relief provided in terms of relaxation of personal income tax with a tax credit of Rs2000 to tax payers in the first bracket of Rs.2-5 lacs per annum, could bring cheers as it may enhance the disposable income of the people and boost the consumption level in the economy. However, the move to levy a surcharge of 10% on persons (other than companies) with taxable income exceeds Rs1 crore is disappointing, it may prove to be counter-productive and dis-incentivizing.

On the indirect tax front, the voluntary compliance scheme for deposit of service tax for the period from 1st October 2007, without payment of interest and penalty is a desirable step, as awareness among the masses about possible liability under service tax was low in the earlier years.

Though the strategy to contain Current Account Deficit was not articulated, a continuation of reform oriented measures aimed at attracting higher foreign capital is expected to contain CAD in short term. Nevertheless, crucial tax reforms like DTC, GST still remain work in progress as political consensus continues to evolve. The reduction in STT offered some relief to the equity markets. However, a Commodities Transaction Tax (CTT) is a new levy on non-agricultural commodity trades.

The projection of Fiscal Deficit of 4.8% of GDP and Revenue Deficit of 3.3% for FY2013-14 is encouraging with the view that fiscal consolidation is critical for the economy to move towards growth. While fiscal consolidation can hurt growth in the short run, it will create a comfortable environment for monetary policy to adopt a soft stance in which the RBI can cut interest rates and provide support to growth. It will also encourage domestic savings and boost the confidence amongst domestic and foreign investors, going forward.

Infrastructure growth, which had slowed down, is sought to be boosted through a combination of measures. Budget has broad-based the thrust areas of infrastructure beyond ports and roads; it focuses on coal, industrial corridors, national waterways, and rural road construction. Urban infrastructure will also receive a boost through the enhanced allocation for the JNNURM scheme. Other positive measures for infrastructure include the constitution of a regulatory authority for the road sector and the promise to award 3,000 km of road projects in five states in the first six months of 2013-14.

Private corporate sector investment has fallen from a high of around 17% of GDP in 2007-08 to around 10% per cent during 2011-12. In order to improve the investment climate in the economy, the Union Budget 2013-14 has announced an investment allowance of upto 15% of the total investments over Rs100cr in plant and machinery during the two years ending March 2015. however, it may not be beneficial for the MSMEs sector as Government has kept a limit of Rs100cr for investment in plant and machinery to qualify for deductions. The investment limit of Rs100cr is too high for the MSMEs sector to comply with.

On the other hand, a substantial and sustainable boost to investment sentiment will come only when issues such as mining rights, land acquisition, environmental clearances are satisfactorily resolved.

The focus of the government on inclusive and sustainable development and its goal to create employment opportunities for youth is inspiring. The Finance Minister's promise to women and the proposal to set up India's first Women's Bank as a public sector bank comes as a pleasant surprise. It will enhance the level of women entrepreneurship. Besides, the proposal to allocate Rs.1,000 crore for skill development of ten lakh youth to enhance their employability and the Direct Benefit Transfer (DBT) Scheme to be rolled out throughout the country during the term of UPA Government is welcome.

In nutshell, the mool mantra of this budget is "higher growth leading to inclusive and sustainable development". While the budget has tried to balance the macro economic situation while retaining welfare measures, how the estimates add up shall be closely watched going forward.

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