

Key Features of Budget 2017-2018

INTRODUCTION



- From presenting the Budget on February 1 to breaking a 92-year-old tradition by merging Railway Budget, this year's Union Budget will leave a mark among the public for a long time.
- Budgets are normally announced on the last working day of February. But this year, it has been advanced by a month to February 1.
- The finance ministry wants to finish the Budget process by March 31 or April 15 at the latest to avoid the delay caused by Monsoon.
- The 2017 Union Budget was broadly focused on 10 themes — the farming sector, the rural population, the youth, the poor and underprivileged health care, infrastructure, the financial sector for stronger institutions, speedy accountability, public services, prudent fiscal management and tax administration for the honest.

Demonetisation



1. Demonetisation is expected to have a transient impact on the economy.
2. It will have a great impact on the economy and lives of people.
3. Demonetisation is a bold and decisive measure that will lead to higher GDP growth.
4. The effects of demonetisation will not spillover to the next fiscal.

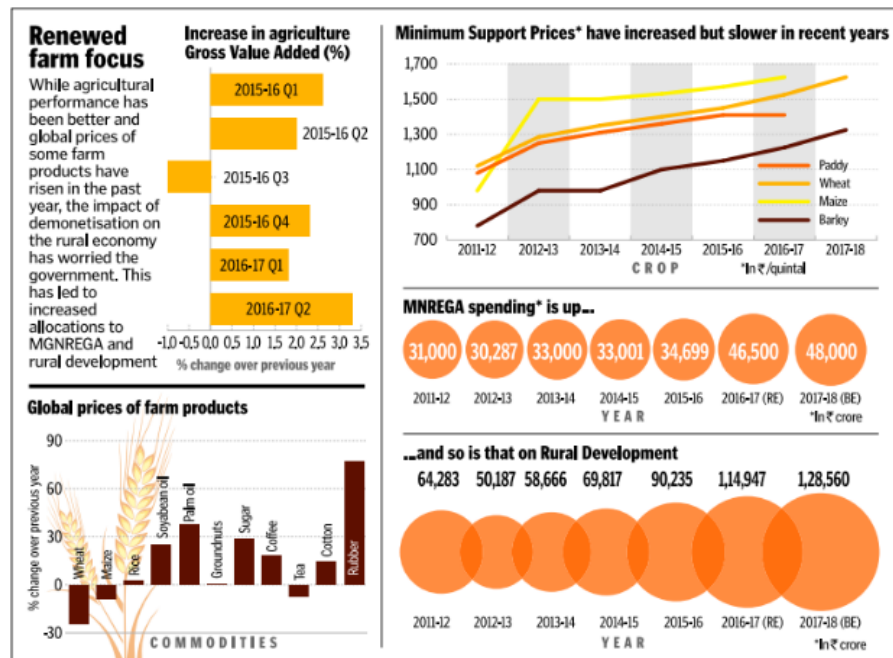
Agriculture sector



1. Sowing farmers should feel secure against natural calamities.
2. A sum of Rs. 10 lakh crore is allocated as credit to farmers, with 60 days interest waiver.
3. NABARD fund will be increased to Rs. 40,000 crore.
4. Government will set up mini labs in Krishi Vigyan Kendras for soil testing.



5. A dedicated micro irrigation fund will be set up for NABARD with Rs 5,000 crore initial corpus.
6. Irrigation corpus increased from Rs 20,000 crore to Rs 40,000 crore.
7. Dairy processing infrastructure fund will be initially created with a corpus of Rs. 2000 crore.
8. Issuance of soil cards has gained momentum.
9. A model law on contract farming will be prepared and shared with the States.



Rural population

1. The government targets to bring 1 crore households out of poverty by 2019.
2. During 2017-18, five lakh farm ponds will be taken up under the MGNREGA.
3. Over Rs 3 lakh crore will be spent for rural India. MGNREGA to double farmers' income.
4. Will take steps to ensure participation of women in MGNREGA up to 55%.
5. Space technology will be used in a big way to ensure MGNREGA works.



6. The government proposes to complete 1 crore houses for those without homes.
7. Will allocate Rs. 19,000 crore for Pradhan Mantri Gram Sadak Yojana in 2017-18.
8. The country well on way to achieve 100% rural electrification by March 2018.
9. Swachh Bharat mission has made tremendous progress; sanitation coverage has gone up from 42% in Oct 13 to 60% now.



For youth

1. Will introduce a system of measuring annual learning outcomes and come out with an innovation fund for secondary education.
2. Focus will be on 3,479 educationally-backward blocks.
3. Colleges will be identified based on accreditation.
4. Skill India mission was launched to maximise potential. Will set up 100 India International centres across the country.
5. Courses on foreign languages will be introduced.
6. Will take steps to create 5000 PG seats per annum.

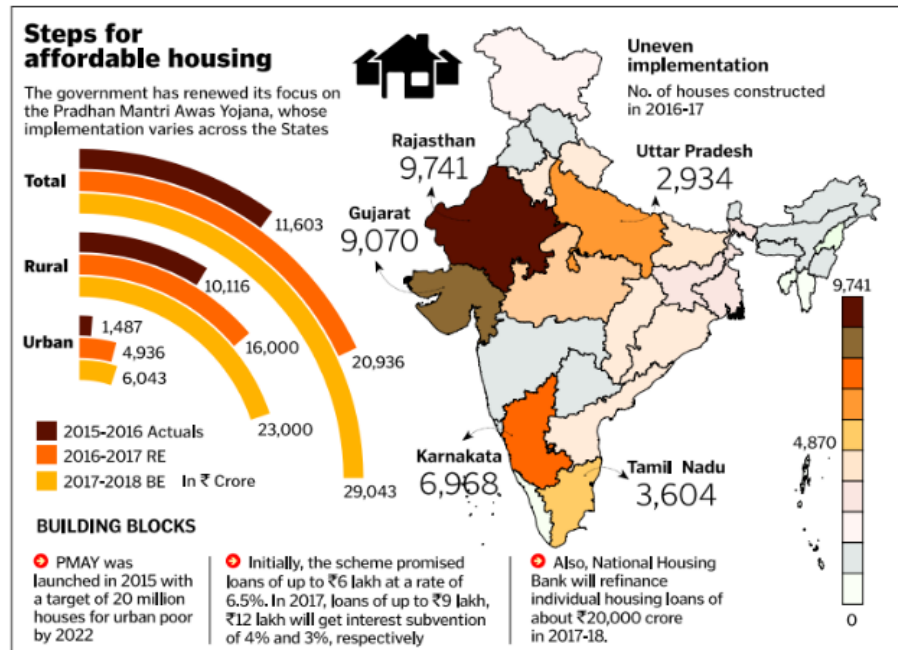


For the poor and underprivilege health care

1. Rs. 500 crore allocated for Mahila Shakthi Kendras.
2. Under a nationwide scheme for pregnant women, Rs. 6000 will be transferred to each person.
3. A sum of Rs. 1,84,632 crore allocated for women and children.
4. Affordable housing will be given infrastructure status.
5. Owing to surplus liquidity, banks have started reducing lending rates for housing.
6. Elimination of tuberculosis by 2025 targeted.
7. Health sub centres, numbering 1.5 lakh, will be transformed into health wellness centres.
8. Two AIIMS will be set up in Jharkhand and Gujarat.

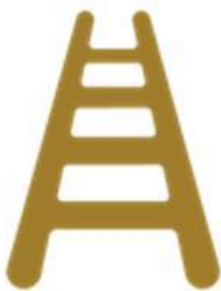


9. Will undertake structural transformation of the regulator framework for medical education.
10. Allocation for Scheduled Castes is Rs. 52,393 crore
11. Aadhaar-based smartcards will be issued to senior citizens to monitor health.

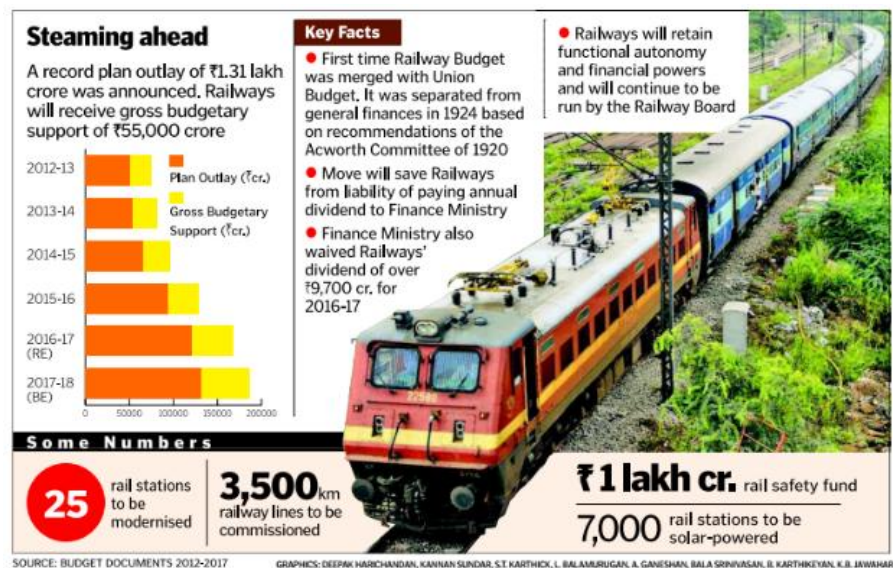


Infrastructure and railways

1. A total allocation of Rs. 39,61,354 crore has been made for infrastructure.
2. Total allocation for Railways is Rs. 1,31,000 crore.
3. No service charge on tickets booked through IRCTC.
4. Raksha coach with a corpus of Rs. 1 lakh crore for five years (for passenger safety).
5. Unmanned level crossings will be eliminated by 2020.
6. 3,500 km of railway lines to be commissioned this year up from 2,800 km last year.
7. SMS-based "clean my coach service" is put in place.
8. Coach mitra facility will be introduced to register all coach related complaints.



9. By 2019 all trains will have bio-toilets.
10. Five-hundred stations will be made differently-abled friendly.
11. Railways to partner with logistics players for front-end and back-end solutions for select commodities.
12. Railways will offer competitive ticket booking facility.
13. Rs. 64,000 crore allocated for highways.
14. High speed Internet to be allocated to 1,50,000 gram panchayats.
15. New Metro rail policy will be announced with new modes of financing.



Energy sector

1. A strategic policy for crude reserves will be set up.
2. Rs. 1.26,000 crore received as energy production based investments.
3. Trade infra export scheme will be launched 2017-18.

Financial sector

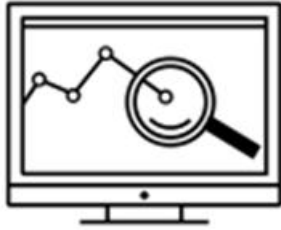
1. FDI policy reforms - more than 90% of FDI inflows are now automated.
2. Shares of Railway PSE like IRCTC will be listed on stock exchanges.
3. Bill on resolution of financial firms will be introduced in this session of Parliament.
4. Foreign Investment Promotion Board will be abolished.

5. Revised mechanism to ensure time-bound listing of CPSEs.
6. Computer emergency response team for financial sector will be formed.
7. Pradhan Mantri Mudra Yojana lending target fixed at Rs 2.44 lakh crore for 2017-18.
8. Digital India - BHIM app will unleash mobile phone revolution. The government will introduce two schemes to promote BHIM App - referral bonus for the users and cash back for the traders.
9. Negotiable Instruments Act might be amended.
10. DBT to LPG consumers , Chandigarh is kerosene-free, 84 government schemes are on the DBT platform.
11. Head post office as the central office for rendering passport service.
12. Easy online booking system for Army and other defence personnel.
13. For big-time offences - including economic offenders fleeing India, the government will introduce legislative change or introduce law to confiscate the assets of these people within the country.

Fiscal situation

1. Total expenditure is Rs. 21, 47,000 crore.
2. Plan, non-plan expenditure to be abolished; focus will be on capital expenditure, which will be 25.4 %.
3. Rs. 3,000 crore under the Department of Economic Affairs for implementing the Budget announcements.
4. Expenditure for science and technology is Rs. 37,435 crore.
5. Total resources transferred to States and Union Territories is Rs 4.11 lakh crore.
6. Recommended 3% fiscal deficit for three years with a deviation of 0.5% of the GDP.
7. Revenue deficit is 1.9 %
8. Fiscal deficit of 2017-18 pegged at 3.2% of the GDP. Will remain committed to achieving 3% in the next year.



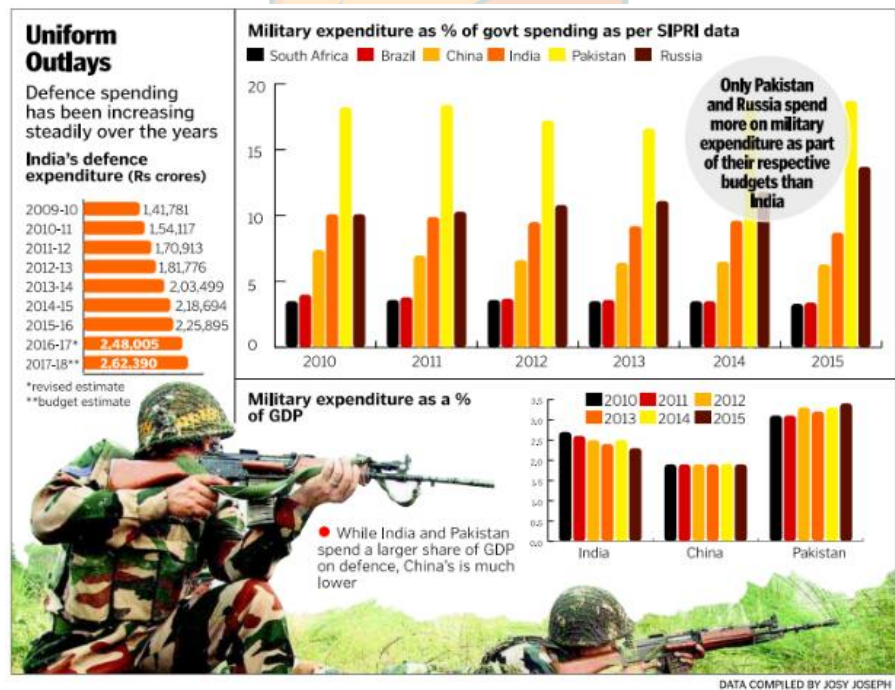


Funding of political parties

1. The maximum amount of cash donation for a political party will be Rs. 2,000 from any one source.
2. Political parties will be entitled to receive donations by cheque or digital mode from donors.
3. An amendment is being proposed to the RBI Act to enable issuance of electoral bonds .A donor can purchase these bonds from banks or post offices through cheque or digital transactions. They can be redeemed only by registered political parties.

Defence sector

1. The defence sector gets an allocation of Rs. 2.74,114 crore.



Tax proposals

1. India's tax to GDP ratio is not favourable.
2. Out of 13.14 lakh registered companies, only 5.97 lakh firms have filed returns for 2016-17.
3. Proportion of direct tax to indirect tax is not optimal.



4. Individuals numbering 1.95 crore showed an income between Rs. 2.5 lakh to Rs. 5 lakh.
5. Out of 76 lakh individual assesseees declaring income more than Rs. 5 lakh, 56 lakh are salaried.
6. Only 1.72 lakh people showed income of more than Rs. 50 lakh a year.
7. Between November 8 to December 30, deposits ranging from Rs. 2 lakh and Rs. 80 lakh were made in 1.09 crore accounts.
8. Net tax revenue of 2013-14 was Rs. 11.38 lakh crore.
9. Out of 76 lakh individual assesseees declaring income more than Rs 5 lakh, 56 lakh are salaried.
10. 1.95 crore individuals showed income between Rs. 2.5 lakh to Rs. 5 lakh.
11. Rate of growth of advance tax in Personal I-T is 34.8% in the last three quarters of this financial year.
12. Holding period for long term capital gain lowered to two years
13. Proposal to have a carry-forward of MAT for 15 years.
14. Capital gains tax to be exempted for persons holding land from which land was pooled for creation of the state capital of Andhra Pradesh.
15. Under the corporate tax, in order to make MSME companies more viable, there is a proposal to reduce tax for small companies with a turnover of up to Rs 50 crore to 25%. About 67 lakh companies fall in this category. Ninety-six % of companies to get this benefit.
16. The government proposes to reduce basic customs duty for LNG to 2.5% from 5%.
17. The Income Tax Act to be amended to ensure that no transaction above Rs 3 lakh is permitted in cash.
18. The limit of cash donation by charitable trusts is reduced to Rs 2,000 from Rs 10,000.
19. Net revenue loss in direct tax could be Rs. 20,000 crore.

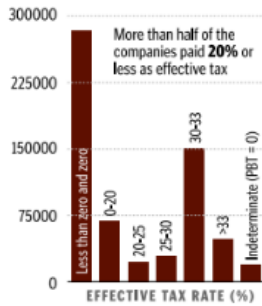


Better choice of exemptions

The Budget has reduced taxes by 5% points for MSMEs. This is partially driven by the need to rationalise taxes based on profit margins and incentives



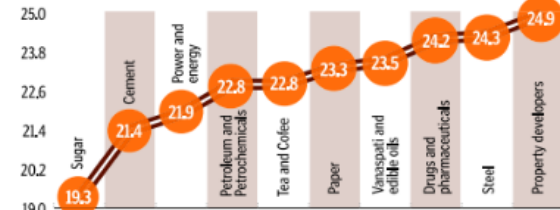
Companies and Effective Tax Rate (%)



Companies making the most profit benefit from the lowest effective tax rates



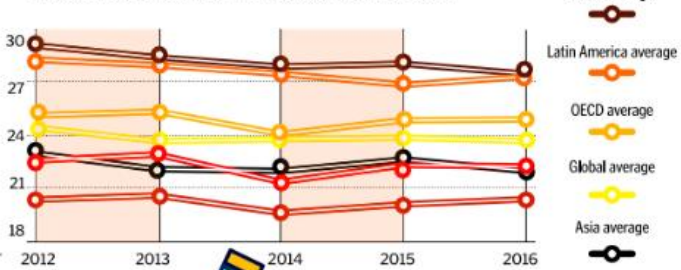
Effective tax rate industry-wise (in %)



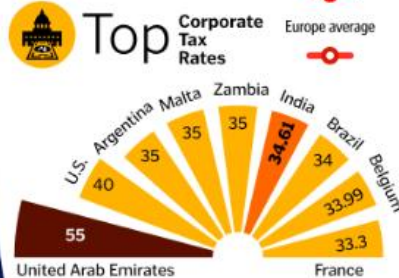
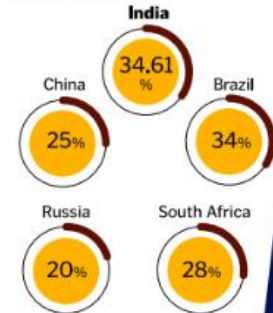
Corporate tax - India & the world

India has one of the highest corporate tax rates in the world. The Centre aims to reduce it to 25% over time. Companies, however, effectively end up paying 24.67% as tax, according to Arun Jaitley

Region-wise corporate tax rate (%) over the years



BRICS tax rates



Source: World Bank Data compiled by: Srinivasan Ramani



Personal income tax

- Existing rate of tax for individuals between Rs. 2.5- Rs 5 lakh is reduced to 5% from 10%.
- All other categories of tax payers in subsequent brackets will get a benefit of Rs 12,500.

- Simple one page return for people with an annual income of Rs. 5 lakh other than business income.
- People filing I-T returns for the first time will not come under any government scrutiny.
- Ten % surcharge on individual income above Rs. 50 lakh and up to Rs 1 crore to make up for Rs 15,000 crore loss due to cut in personal I-T rate. 15 surcharge on individual income above Rs. 1 crore to remain.

Income tax slabs 2017-18

For those below 60 years

Annual income	Income tax
Less than ₹2.5 lakh	Nil
2.5 lakh to 5 lakh	5% of amount by which income exceeds ₹2.5 lakh
5 lakh to 10 lakh	₹12,500 plus 20% of amount by which income exceeds ₹5 lakh
More than 10 lakh	₹1,12,500 plus 30% of amount by which income exceeds ₹10 lakh

Age between 60-69 years

Annual income	Income tax
Less than ₹3 lakh	Nil
3 lakh to 5 lakh	5% of amount by which income exceeds ₹3 lakh
5 lakh to 10 lakh	₹10,000 plus 20% of amount by which income exceeds ₹5 lakh
More than 10 lakh	₹1,10,000 plus 30% of amount by which income exceeds ₹10 lakh

Age above 60 years during previous year

Annual income	Income tax
Less than ₹5 lakh	Nil
5 lakh to 10 lakh	20% of amount by which income exceeds ₹5 lakh
More than 10 lakh	₹1 lakh plus 30% of amount by which income exceeds ₹10 lakh

Surcharges

Annual income	Surcharge
50 lakh to 1 crore	10% of income tax
1 crore and above	15% of income tax

Tax scenarios | Figures below compare tax on incomes calculated as per current budget with that of the previous year

Per Annum	Financial year 2016-17		Current budget		
	Income	Tax payable	Income	Tax payable	
4,50,000	4,50,000	4,50,000	4,50,000	4,50,000	
	Less deductions for investments u/s 80 C	1,50,000	1,50,000	1,50,000	
	Taxable Income	3,00,000	3,00,000	3,00,000	
	Tax thereon	5,000	2,500	45,000	
	Less rebate	2,000	2,500	-	
Tax payable	3,000	-	45,000	32,500	
Primary & Secondary Education Cess at 3%	90	-	1,350	975	
Total tax payable	3,090	-	46,350	33,475	
7,50,000	7,50,000	7,50,000	7,50,000	7,50,000	
	Less deductions for investments u/s 80 C	1,50,000	1,50,000	1,50,000	1,50,000
	Taxable Income	6,00,000	6,00,000	6,00,000	6,00,000
	Tax thereon	45,000	32,500	1,55,000	1,42,500
	Less rebate	-	-	-	-
Tax payable	45,000	32,500	1,55,000	1,42,500	
Primary & Secondary Education Cess at 3%	1,350	975	4,650	4,275	
Total tax payable	46,350	33,475	1,59,650	1,46,775	
25,00,000	25,00,000	25,00,000	25,00,000	25,00,000	
	Less deductions for investments u/s 80 C	1,50,000	1,50,000	1,50,000	1,50,000
	Taxable Income	23,50,000	23,50,000	23,50,000	23,50,000
	Tax thereon	5,30,000	5,17,500	15,80,000	15,62,500
	Less rebate	-	-	-	-
Tax payable	5,30,000	5,17,500	15,80,000	15,62,500	
Primary & Secondary Education Cess at 3%	15,900	15,525	47,600	51,728	
Total tax payable	5,45,900	5,33,025	16,27,600	16,14,228	
60,00,000	60,00,000	60,00,000	60,00,000	60,00,000	
	Less deductions for investments u/s 80 C	1,50,000	1,50,000	1,50,000	1,50,000
	Taxable Income	58,50,000	58,50,000	58,50,000	58,50,000
	Tax thereon	15,80,000	15,62,500	42,80,000	42,67,500
	Less rebate	-	-	-	-
Tax payable	15,80,000	15,62,500	42,80,000	42,67,500	
Primary & Secondary Education Cess at 3%	47,600	51,728	1,28,400	1,28,025**	
Total tax payable	16,27,600	16,14,228	44,08,400	43,95,525**	

* Add: Surcharge (current budget 10%); ** Add: Surcharge at 15%

