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EXPERT**

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## Part A

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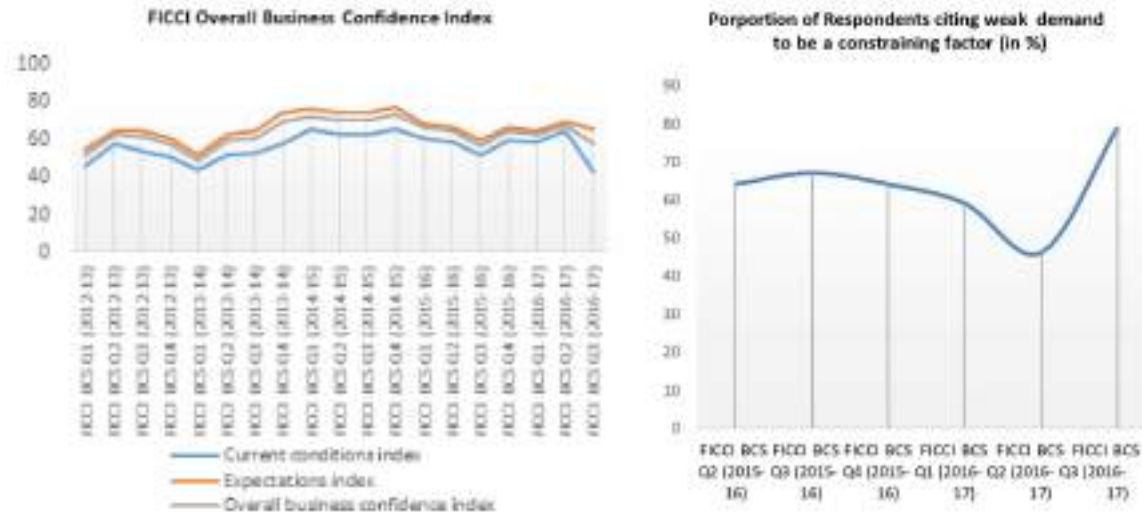
### Macro Overview

## Macro Overview

### Economic Backdrop...

The economy is still recovering from the sudden liquidity shortfall created by demonetization. The move has had an impact on the short term economic prospects of the country and consumption activity has witnessed a moderation. In fact, FICCI's latest Business Confidence Survey report shows that realizations and payments both have been impacted especially in sectors like automobile and ancillary industries, farm based products, construction, mining and cement. A discernible increase was noted in the proportion of respondents citing weak demand as a constraining factor for businesses in the latest survey released in January 2017. Nonetheless, the industry has been supportive of the move and has maintained resoluteness in dealing with the temporary slowdown. The country is expected to reap benefits of the demonetization move in the medium to long run.

Exhibit 1: FICCI's Business Confidence Survey, January 2017



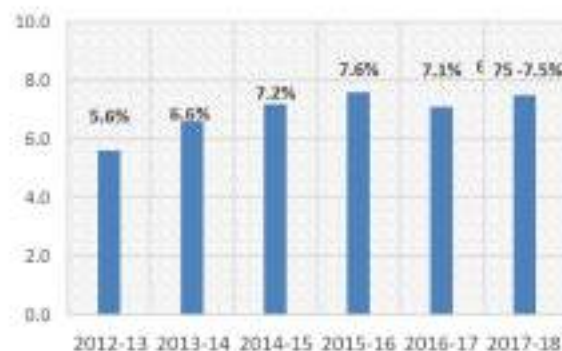
Also, on the other external front, the developments especially in the second half of the year 2016 pointed towards persistence of headwinds. The Brexit referendum, the results of US elections and OPEC's decision to lower crude oil production targets have given way to considerable

uncertainty, which is likely to continue in 2017 as well. The emerging geo-politics indicate an increasing shift towards protectionism and inward looking policies – and this can pose as a single biggest risk factor through trade and investment flows to the global growth dynamics.

The growth estimate for 2016-17 was put at 7.1% by CSO earlier this year. However this estimate is based on extrapolation of the data available for the first seven/eight months of the year 2016-17 and does not include an assessment of the impact of demonetization. The Economic Survey for 2016-17 has projected that growth in the current year can be 0.25 to 0.50 percentage points lower relative to the base line estimate of 7%.

**Latest round of FICCI's Economic Outlook Survey estimates growth for 2016-17 at 6.8%**

**Exhibit 2: GDP growth (in %)**



\*estimate put across by Economic Survey 2016-17  
Source: CMIE and Economic Survey 2016-17

The Survey cites that new currency notes are slowly coming back in circulation and the follow up actions on various steps taken post demonetization are also underway – this is expected to support growth in 2017-18. According to the Survey follow up actions to minimize the costs and maximize the benefits will give an impetus to growth in 2017-18. These actions should include - fast, demand-driven, re-monetisation; further tax reforms, including bringing land and real estate into the GST, reducing tax rates and stamp duties; and acting to allay anxieties about over-zealous tax administration. The document (ES) puts across a GDP growth estimate between 6.75% and 7.5% for the year 2017-18.

***Union Budget 2017-18: strikes good balance between promoting growth, development and maintaining fiscal rectitude***

The Union Budget 2017-18 has been announced amidst a lot of expectations especially in wake of the uncertainty created by demonetization move of the Government.

The Budget carries forward the vision of the Government to assure that the fruits of development reach all segments of the society. It is a Budget that focuses on growth and development, while keeping the focus on strengthening the governance fabric of the nation.

**Table 1: Government's Agenda for 2017-18**

<b>TEC: Transform, Energize and Clean India</b>
Transform the quality of governance and quality of life of our people
Energize various sections of society, especially the youth and the vulnerable, and enable them to unleash their true potential
Clean the country from the evils of corruption, black money and non-transparent political funding

Alluding to the challenging environment, the Hon'ble Finance Minister Arun Jaitley clearly stated *that the underlying approach of the Budget has been to give an impetus to rural sector, infrastructure and poverty alleviation*. Based on this ten thematic areas have been emphasized in the Budget 2017-18 (refer Table 2).

As stated earlier, consumption activity has shown signs of waning over the past few months and giving a strong stimulus to demand had been one of major asks. The Government has made the right move by continuing with its focus on farmers, rural population, youth and the poor & underprivileged. These are the segments, which will drive consumption going ahead.

The Government has remained committed to its resolve of assuring 'income security' for the farmers and has given a strong push to some of the key schemes such as Fasal Bima Yojana, Long Term Irrigation Fund and Soil Health Card Scheme. This is a step towards strengthening the foundation of the agricultural sector.

Also, the announcement made towards easing the flow of credit to small and marginal farmers by linking Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks is commendable.



Additionally, the allocation under MGNREGA has been increased to Rs 48000 crore – which is the highest ever. This will help improve the income levels in the rural areas of the country. The planned approach of the Government to link MGNREGA with asset creation is laudable and FICCI has reiterated this in the past.

The tax rate for the income group up to Rs. 5 lakh per annum has been lowered which will put more disposable income in the hands of individuals. The Budget also gives due consideration to the need to undertake greater public expenditure which will trigger a multiplier effect and will also crowd in private investments.

Then infrastructure sector has been a key priority area and the Government seeks to put in place a multi modal logistics and transport infrastructure which will bring in greater competitiveness and efficiency. In fact, for transportation sector as a whole (rail, roads, shipping) the Budget has provided an allocation of Rs 2,41, 387 crore in 2017-18. Such huge investment will spur economic activity and create more jobs. This will also give an impetus to demand.

Another big expectation from the Budget was the thrust on digitization and measures announced reflect the determination of the Government to move towards digitisation and bringing in greater transparency in economic transactions.

A number of steps have been announced to encourage people to use digital or electronic modes of payment. A merchant version of Aadhar Enabled Payment System has been launched which will not require the other payment modes like debit cards, mobile wallets or mobile phones. This will particularly address the needs of those who still do not have payment cards. Two new schemes - Referral Bonus Scheme for individuals and a Cashback Scheme for merchants have also been launched to promote the use of Bharat Interface for Money (BHIM).

The Government has set up a mission with a target of 2,500 crore digital transactions through UPI, USSD, Aadhar Pay, IMPS and debit cards in 2017-18. To meet this target having an enabling digital infrastructure in place will be the key. Government aims to introduce 20 lakh Aadhar based PoS machines through banks by September 2017. Further, 1.5 lakh gram panchayats are proposed to be connected with high speed broadband internet connection.

Excise/CV duty and SAD on miniaturised POS card reader for m-POS, micro ATM standards, Finger Print Readers/Scanners, Iris Scanners as well as on the parts and components used for manufacturing these devices has been waived off, which is a welcome move. This would encourage manufacturing of these machines in India thereby increasing the affordability and availability.

Also, a Payments Regulatory Board in the RBI has been created to help resolve the conflicts that could arise as the use of online transactions increases.

India's youth is its biggest asset and our youth needs to be educated and trained so that they can achieve their aspirations. Today, India has the largest higher education system in terms of the number of institutions, yet the quality of these institutions remains questionable. There remain huge gaps in the system.

FICCI has been harping on the need to have a strong education and skill development framework in the country with the focus on firming up the pillars of viability, quality and capacity. The Budget lays emphasis on these three pillars. The proposal to assess annual learning outcomes in our schools is indeed noteworthy. Also the announcement to establish 100 India International Skills Centres and extending Pradhan Mantri Kaushal Kendras to more than 600 districts across the country will help bridge gaps in capacity. The announcement to launch Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) which will provide market relevant training to 3.5 crore youth is reassuring in terms of the quality of available workforce.

Due focus was also laid on financial sector with the central objective of putting in place stable and stronger institutions in place. While some of the announcements furthered the roadmap put in place by the Government earlier, one of the biggest elements of surprise was the abolition of Foreign Investment Promotion Board (FIPB). Already 90% of the total FDI inflows in the country comes via automatic route and this move is an evidence of the administrations resolve to have maximum governance and minimum government.

The real estate sector has also been offered relaxations, which should boost the supply of affordable housing going forward. The boost to housing and construction will stimulate economic activities in several other areas, including steel and cement. Moreover, the proposal to grant infrastructure status to affordable housing segment is a welcome step and will enable higher investment in this segment.

FICCI had raised the issue of enhancing transparency in electoral funding and we are happy to note the specific budget proposals in this regard. Cash donations to political parties from one source have been capped at Rs. 2,000 from the earlier Rs. 20,000 and the proposal to amend the RBI Act to enable issuance of electoral bonds is significant.

**Table 2: Some Major Announcements in Union Budget 2017-18**

Theme	Objective	Key Announcements	Comment
<b>Farmers</b>	To double the income in 5 years	<ul style="list-style-type: none"> <li>Target for agricultural credit fixed at a record level of Rs 10 lakh crore for 2017-18.</li> <li>Farmers to benefit from 60 days' interest waiver announced on 31 Dec 2016.</li> <li>Government to link Primary Agriculture Credit Societies with the Core Banking System of District Central Cooperative Banks.</li> <li>Coverage under Fasal Bima Yojana scheme to be expanded. Higher allocation towards Long Term Irrigation Fund.</li> </ul>	Agricultural sector remains a critical sector for Indian economy. The Budget takes a further step to promote productivity and production. Also, it is of utmost importance to cushion the sector from seasonal effects and steps taken in the budget will help

<b>Rural Population</b>	Providing employment & basic infrastructure	<ul style="list-style-type: none"> <li>• Coverage of National Agricultural Market (e-NAM) to be expanded.</li> <li>• Aim to make one crore households poverty free and also make 50,000 Gram Panchayats poverty free by 2019.</li> <li>• MGNREGA allocation to be the highest ever at Rs 48,000 crores in 2017-18</li> <li>• As part of a sub mission of the National Rural Drinking Water Programme, proposal to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in next four years.</li> </ul>	achieve this. Basic infrastructure and amenities are important for all citizens. The announcements are in line with 'Sabka Saath Sabka Vikas' mission. This segment is going to be a major demand driver going ahead.
<b>Youth</b>	Energising youth through education, skills and jobs	<ul style="list-style-type: none"> <li>• Introduce a system of measuring annual learning outcomes in our schools.</li> <li>• SWAYAM platform, leveraging IT, to be launched with at least 350 online courses.</li> <li>• Extend Pradhan Mantri Kaushal Kendras to more than 600 districts. 100 India International Skills Centres to be established across country.</li> <li>• Launch Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (SANKALP) to provide market relevant training to 3.5 crore youth.</li> <li>• Launch of new scheme for creating employment in leather and footwear industries.</li> <li>• Launch Incredible India 2.0 Campaign.</li> </ul>	Huge gaps remain in the skill ecosystem of the country. FICCI has been harping to focus on firming up the pillars of viability, quality and capacity. Budget announcements lays emphasis on these three pillars.
<b>The Poor and the Underprivileged</b>	Strengthening the systems of social security, health care and affordable housing	<ul style="list-style-type: none"> <li>• Affordable housing to be given infrastructure status.</li> <li>• National Housing Bank to refinance individual housing loans of about Rs 20,000 crore in 2017-18.</li> <li>• Prepare Action plan to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020.</li> <li>• Two new All India Institutes of Medical Sciences to be set up in Jharkhand and Gujarat.</li> <li>• To foster a conducive labour environment, legislative reforms will be undertaken to simplify, rationalise and amalgamate the existing labour laws into 4 Codes on (i) wages; (ii) industrial relations; (iii) social security and welfare; and (iv) safety and working conditions.</li> </ul>	The need for labour reforms has been a long standing demand of the industry and the Government has indicated steps in this direction.  Infrastructure status to affordable housing is a welcome step and will enable higher investments.
<b>Infrastructure</b>	For efficiency, productivity and quality of life	<ul style="list-style-type: none"> <li>• Allocation of Rs 2, 41,387 crores made for transport sector in 2017-18.</li> <li>• Railway lines of 3,500 kms to be commissioned in 2017-18. At least 25 stations expected to be awarded for station redevelopment.</li> <li>• New Metro Rail Policy to be announced.</li> <li>• 2,000 kms of coastal connectivity roads identified for construction and development.</li> </ul>	The announcements indicate a holistic view and plan of the Government to develop infrastructure sector. Emphasis on multi modal transport system will bring efficiency gains.

		<ul style="list-style-type: none"> <li>• Select airports in Tier 2 cities to be taken up for operation and maintenance in PPP mode.</li> <li>• By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats. Launch of DigiGaon initiative to provide tele-medicine, education and skills through digital technology.</li> <li>• Proposal to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan.</li> </ul>	<p>The proposal to expand oil strategic reserves is welcome. It should be priority for the country to have sufficient reserves as we remain import dependent.</p>
<b>Financial Sector</b>	Growth & stability by stronger institutions	<ul style="list-style-type: none"> <li>• Foreign Investment Promotion Board to be abolished in 2017-18.</li> <li>• Bill relating to curtailing the menace of illicit deposit schemes to be introduced. A bill relating to resolution of financial firms to be introduced in current Budget Session.</li> <li>• A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996.</li> <li>• Government to put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges.</li> <li>• Proposal to create an integrated public sector 'oil major' to match the performance of international and domestic private sector oil and gas companies.</li> </ul>	<p>The Government further builds on the reforms initiated in the financial sector.</p> <p>Decision to abolish FIPB is noteworthy.</p> <p>This will give a push to investments.</p>
<b>Digital Economy</b>	For speed, accountability and transparency	<ul style="list-style-type: none"> <li>• Launch Aadhar Pay, a merchant version of Aadhar Enabled Payment System.</li> <li>• A Mission to be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards.</li> <li>• Banks have targeted to introduce additional 10 lakh new POS terminals by March 2017. They will be encouraged to introduce 20 lakh Aadhar based POS by September 2017.</li> <li>• Proposal to create a Payments Regulatory Board in Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems.</li> </ul>	<p>Emphasis on Digitization was expected. India is at the cusp of an important transformation which will be enabled through digitization.</p>
<b>Public Service</b>	Effective governance and efficient service delivery through people's participation	<ul style="list-style-type: none"> <li>• To utilise the Head Post Offices as front offices for rendering passport services.</li> <li>• Web based interactive Pension Disbursement System for Defence Pensioners will be established.</li> <li>• To rationalise the number of tribunals and merge tribunals wherever appropriate.</li> </ul>	<p>Maximum governance and minimum government has been the moto and it is heartening to see the Government constantly striving to move in that direction.</p>

<b>Prudent Fiscal Management</b>	Ensure optimal deployment of resources and preserve fiscal stability	<ul style="list-style-type: none"> <li>Fiscal deficit for 2017-18 targeted at 3.2% of GDP.</li> </ul>	Government remains committed to walk on the path of fiscal prudence. Focus should remain on undertaking quality expenditure.
<b>Tax Administration</b>	Simplifying the Tax Regime and Honouring the honest	<ul style="list-style-type: none"> <li>Maximise efforts for e-assessment in the coming year</li> <li>Concessional withholding rate of 5% charged on interest earned by foreign entities in external commercial borrowings or in bonds and Government securities is extended to 30.6.2020. This benefit is also extended to Rupee Denominated (Masala) Bonds.</li> <li>For the purpose of carry forward of losses in respect of start-ups, the condition of continuous holding of 51% of voting rights has been relaxed subject to the condition that the holding of the original promoter/promoters continues. Also the profit (linked deduction) exemption available to the start-ups for 3 years out of 5 years is changed to 3 years out of 7 years.</li> <li>MAT credit is allowed to be carried forward up to a period of 15 years instead of 10 years at present.</li> <li>In order to make MSME companies more viable, income tax for companies with annual turnover upto Rs 50 crore is reduced to 25%.</li> </ul>	The reduction in corporate tax for MSMEs with an annual turnover under 50 crore is a positive announcement. The Government is earnestly attempting to widen the ambit of the formal economy.
<b>Transparency in Electoral Funding</b>		<ul style="list-style-type: none"> <li>Maximum amount of cash donation, a political party can receive, will be Rs 2000/- from one person.</li> <li>Amendment to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame.</li> </ul>	This is an epochal move and reflects Government's willingness to undertake reforms in the most difficult areas as well.

Source: Compiled from Budget Highlights, India Budget 2017-18

### ***Fiscal prudence remains a priority for the Government...***

The government has enhanced budgetary expenditure in critical areas like infrastructure, agricultural schemes etc, however, at the same time it has underlined its commitment to stick to the path of fiscal consolidation. The targeted fiscal deficit to GDP ratio of 3.5% has been adhered to in 2016-17.

Further, the FRBM Review Committee chaired by Mr N K Singh had submitted its report to the Government in January 2017. The Committee recommends a fiscal deficit to GDP ratio of 3.0% over the next three years and also introduces the concept of an 'Escape Clause' which allows for deviations up to 0.5% of GDP from the stipulated fiscal deficit target. The Committee recommends a Debt to GDP of 60% for the General Government by 2023 (40% for Central Government & 20% for State Governments).

Taking a note of the present circumstances and giving cognizance to the suggestions made by FRBM Review Committee, the Hon'ble Finance Minister has pegged fiscal deficit to GDP ratio at 3.2% for the year 2017-18 and at 3.0% for 2018-19. This is a slight deviation from the target suggested by the Committee and is in light of the need to undertake higher public expenditure given the backdrop of weak private investments.

In fact, FICCI had also recommended for a slight relaxation in fiscal deficit for 2017-18 from the 3.0% target set out in the medium term fiscal strategy last year. This was suggested keeping in mind the need for a greater push to productive and social expenditure. FICCI would like to reiterate that the quality of expenditure remains of paramount importance.

### Expenditure Side

➤ Total expenditure has been budgeted to increase by 6.6% in the fiscal year 2017-18. In 2016-17, this was budgeted at 10.8%, while the revised estimates indicate a growth of 12.8%. Both, revenue and capital expenditure noted an increase in growth based on revised estimates as compared to the budgeted growth for 2016-17. However, the rise was greater in capital expenditure which reported a growth of 17.7% in 2016-17 revised estimate as against the budgeted growth of 3.9%. For the fiscal year 2017-18, revenue expenditure is budgeted to increase by 5.9%, while capital expenditure is budgeted to increase by 10.7%.

**Table 3: Trends in Receipts and Expenditure (in Rs crore)**

	2014-15 (Actuals)	2015-16 (Actuals)	2016-17 (BE)	2016-17 (RE)	2017-18 (BE)	2017-18 RE over 2016-17 RE (%)	2016-17 RE over 2015-16 RE (%)	2016-17 RE over 2015-16 RE (%)
<b>REVENUE RECEIPTS</b>	<b>1101473</b>	<b>1195025</b>	<b>1377022</b>	<b>1423563</b>	<b>1515771</b>	<b>6.5</b>	<b>18.0</b>	<b>14.2</b>
Tax Revenue	903515	943765	1054101	1088793	1227014	12.7	14.9	11.2
Non-Tax Revenue	197858	251260	322921	334770	288757	-13.7	29.5	24.9
<b>CAPITAL RECEIPTS</b>	<b>484448</b>	<b>541886</b>	<b>587843</b>	<b>531986</b>	<b>616117</b>	<b>15.8</b>	<b>-11.6</b>	<b>-2.3</b>
Internal Debt-Market Borrowings (Net)	445138	404050	425181	347218	348226	0.3	-13.6	5.8
External Assistance(Net)	12933	12748	19094	14873	15789	6.2	29.5	66.3
Recovery of Loans*	13738	30835	10634	11071	11932	7.8	-41.4	-43.8
Small Savings(Net)	32226	52465	22108	90377	100157	10.8	69.2	-58.6
State Provident Funds(Net)	11920	11858	12000	13000	14000	7.7	18.2	9.1
Disinvestment of equity in public sector enterprises	37737	42132	56500	45500	72500	59.3	79.7	123.2
Other items of Capital receipts (Net)	-69243	-12202	99737	9948	53513	437.9	-82.6	74.2

<b>TOTAL- RECEIPTS</b>	<b>1585921</b>	<b>1736911</b>	<b>1978060</b>	<b>1955549</b>	<b>2131888</b>	<b>9.0</b>	<b>9.5</b>	<b>10.8</b>
<b>Total Expenditure</b>	<b>1663673</b>	<b>1790783</b>	<b>1978060</b>	<b>2014407</b>	<b>2146735</b>	<b>6.6</b>	<b>12.8</b>	<b>10.8</b>
Revenue Expenditure	1466992	1537761	1731037	1734560	1836934	5.9	12.1	11.8
Capital Expenditure	196681	253022	247024	279847	309801	10.7	17.7	3.9
<b>Deficit on Revenue Account</b>	<b>365519</b>	<b>342736</b>	<b>354015</b>	<b>310997</b>	<b>321163</b>			
<b>Primary deficit</b>	<b>108281</b>	<b>91133</b>	<b>41233</b>	<b>51204</b>	<b>23254</b>			
Fiscal deficit	510725	532792	533904	534273	546332			
<b>Fiscal Deficit as % of GDP</b>	<b>4.1</b>	<b>3.9</b>	<b>3.5</b>	<b>3.5</b>	<b>3.2</b>			

Source: India Budget 2017-18

➤ The total subsidies in 2017-18 are expected to amount to Rs 2, 72,276 crore which is 4.5% higher vis-à-vis revised estimate for the previous year. While petroleum subsidy has been estimated at Rs. 25,000 crore in 2017-18, which is 9.2% lower than the revised estimate of 2016-17, allocation for food subsidy is likely to go up by about 7.5% in the same year. No change is anticipated in the allocation towards fertilizer subsidy in 2017-18.

**Table 4: Trend in Subsidies (in Rs crore)**

Indicators (Rs Crore)	2015-16 (Actuals)	2016-17 (BE)	2016-17 (RE)	2017-18 (BE)	2017-18 BE over 2016- 17 RE (%)	2016-17 RE over 2015- 16 RE (%)	2016-17 BE over 2015- 16 RE (%)
<b>Major Subsidies</b>	241833.2	233834.6	232704.7	240338.6	3.3	-3.8	-3.3
<b>Fertiliser Subsidy</b>	72415.2	70000.0	70000.0	70000.0	0.0	-3.4	-3.4
<b>Food Subsidy</b>	39419.0	134834.6	135173.0	145338.6	7.5	-3.0	-3.3
<b>Petroleum Subsidy</b>	29999.0	29000.0	27531.7	25000.0	-9.2	-8.2	-3.3
<b>Total - Subsidies</b>	264105.5	263141.4	260485.5	272275.6	4.5	1.0	2.1

Source: India Budget 2017-18

➤ The government remains committed towards providing a thrust to economic growth by increasing its expenditure, especially on the infrastructure sector.

## Revenue Side

➤ The total receipts are budgeted to increase by 9.0% in 2017-18. In the fiscal year 2016-17, the growth in total receipts was budgeted at 10.8%, however the revised estimates put across a poorer performance reporting a growth rate of 9.5%. The fall in total receipts has come on the back of lower than expected collections from capital receipts. Growth in both, tax as well as non-tax revenue, accelerated during 2016-17.

➤ The growth in tax revenues and non-tax revenues is budgeted at 12.7% and (-) 13.7% respectively for 2017-18. Growth in tax revenue is anticipated to remain healthy. The budgeted growth for tax revenue in 2016-17 was 11.2%, while the revised estimate reported a growth of 14.9%. On the other hand, a fall is expected in non-tax revenue during 2017-18 on account of lower transfer of dividends and limited revenue expected from telecom receipts.

**Table 5: Trend in Major Tax Receipts (in Rs crore)**

Tax Revenue (in crores of Rupees)	Actual 2015-2016	Budget 2016-2017	Revised 2016-2017	Budget 2017-2018	2017-18 BE over 2016-17 BE (%)	2016-17 BE over 2015-16 BE (%)	2016-17 BE over 2015-16 BE (%)
Corporation Tax	453228.3	493923.5	493923.5	538744.7	9.1	9.0	9.0
Taxes on Income	287637.1	353173.7	353173.7	441255.3	24.9	18.1	18.1
Customs	210338.0	230000.0	217000.0	245000.0	12.9	3.6	9.8
Union Excise Duties	288072.9	318669.5	387368.6	406900.0	5.0	36.3	12.2
Service Tax	211414.3	231000.0	247500.0	275000.0	11.1	17.9	10.0

Source: India Budget 2017-18

➤ Capital receipts are estimated to increase by 15.8% in 2017-18. The disinvestment receipts are targeted at Rs 72,500 crore for the fiscal year 2017-18. This is 59.3% higher than the revised target of Rs 45,500 crore for 2016-17. The budget numbers had put forth a target of Rs 56,500 crore for disinvestment for the year 2016-17. However, the disinvestment proceeds so far in the year 2016-17 stand at about Rs 30,000 crore.

➤ In Union Budget 2017-18, the government has proposed to list railways PSEs like IRCTC, IRFC, and IRCON at the stock exchange. Also, government seeks to continue to use ETF as a divestment vehicle and expects to launch another ETF with diversified CPSE stocks in 2017-18.



- The likely implementation of GST from July 2018 should help in enhancing indirect tax revenue. However, a downside risk emanates from the likely rise in oil prices, which could trigger fuel duty cuts and significantly lower the tax collections from petrol and diesel.
- Further, the Government is committed to bring black money holders to books and has taken several measures to push digital payments. The move is expected to generate additional revenues for the government. Further, the Finance Minister reiterated the Government's stance on bringing in greater accountability and transparency in governance. Measures announced to clean political and electoral funding in the country are a testimony to that. Steps towards ease of doing business and tax benefits to individual tax payers are expected to lead to an improved tax compliance in the medium to long run.

## **Part B**

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## **Taxation**

## Direct Tax Proposals

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- For Individuals, Hindu Undivided Families (HUFs) and Association of Persons (AOP), the tax rate to be reduced from 10% to 5% in respect of income between Rs. 250,000 and Rs. 500,000.
- For senior citizens (60 years to 80 years) tax rate to be reduced from 10% to 5% in respect of incomes between Rs. 300,000 and Rs. 500,000.
- Surcharge of 10% of tax introduced for incomes between Rs. 50 lakhs to Rs. 1 crore in case of Individuals, HUFs and AOP.
- Tax rebate available to eligible resident individuals reduced from Rs. 5,000 to Rs. 2,500 in respect of incomes below Rs. 350,000.
- Corporate tax rate reduced to 25% for companies with a turnover of less than Rs. 50 crore in FY 2015-16. No other change in corporate tax rates.
- The limit of deduction by way of contribution to the National Pension Scheme (NPS) for individuals (other than salaried individuals) increased to 20% of gross total income from the existing limit of 10%.
- Exemption provided in respect of partial withdrawal from NPS upto 25% of the contribution made.
- Annual Letting Value of building or land appurtenant thereto held as stock in trade (and not let out) will be taxed after a period of one year from the end of the financial year in which the completion certificate for the same is received.
- Set-off of loss under the head 'Income from House Property' against income from other heads is restricted to Rs. 200,000.
- Deduction in respect of profit of units operating in a Special Economic Zone (SEZ) to be restricted to the total income of the taxpayer.
- Any expenditure incurred in cash exceeding Rs. 10,000 for the acquisition of any asset to be ignored for the purposes of determination of actual cost of such asset.
- Any payment in cash above Rs. 10,000 to a person in a day to be denied deduction.
- Rate of 'presumptive income' reduced from 8% to 6% in respect of receipts through banking channels.
- Cash donations above Rs. 2,000 will not be allowed as deduction under section 80G.
- Cash transactions of Rs. 300,000 or more are prohibited. Person receiving cash of Rs. 300,000 or more is subject to penalty of an equal amount.
- Currently, eligible start-ups have an option to claim 100% tax holiday for any three consecutive years out of five assessment years since incorporation. This time limit of five years is to be increased to seven years.

- To promote development of the affordable housing sector, following relaxations are proposed:
  - While computing the size of residential unit "carpet area" to be considered instead of "built-up area";
  - The restriction of 30 square meters on the size of residential units to apply only to projects located within the municipal limits of Chennai, Delhi, Kolkata or Mumbai;
  - The time limit for completing the project to be increased from existing three years to to five years.
- Accumulated losses of closely held companies lapse in case of a change in shareholding beyond 51%. This provision has been relaxed in the case of start-ups. This is subject to the condition that the original shareholders continue to hold their shares from the year in which loss is incurred, to the year in which the loss is proposed to be set-off. Thus, any change in shareholding of start-ups due to capital infusions by new investors will not affect accumulated losses. This relaxation applies only to losses incurred during the period of seven years from the date of incorporation.
- Individuals and HUFs carrying on business or profession no longer required to maintain books of account if their income is below Rs. 250,000 and sales/turnover/gross receipts is below Rs. 25 lakhs.
- Any person opting for the presumptive taxation scheme for specified businesses is not required to get his books of accounts audited if his total sales, turnover or gross receipts in business for the previous year does not exceed Rs. 2 crore.
- Book profits for MAT to be computed in line with Indian Accounting Standards (Ind AS) with effect from AY 2017-18 for companies to which Ind AS applies.
- MAT/AMT credit allowed to be carried forward for 15 years (from the existing 10 years).
- Foreign Tax Credit in excess of MAT to be ignored for MAT/AMT carry forward purposes.
- The provisions of indirect transfer will not be applicable to Category-I or Category-II FPIs (with retrospective effect from AY 2012-13).
- Concessional withholding tax rate of 5% on interest payment in case of rupee denominated bonds issued to FPIs will now be available for interest payable upto 1 July 2020.
- Transactions between two domestic related parties outside the scope of Specified Domestic Transaction provisions, except where one of the parties is claiming a profit-linked deduction.
- In order to align the transfer pricing provisions in line with OECD transfer pricing guidelines and international best practices, the assessee shall be required to carry out secondary adjustments where a primary adjustment to the transfer price has been made in certain circumstances. Where primary adjustment exceeds Rs. 1 crore and funds have not been brought into India, such amount will be treated as an advance made and interest will be imputed thereon in the prescribed manner.

- Thin capitalization rules are proposed to be introduced in respect of interest (and other similar) payments exceeding Rs. 1 crore paid to associated enterprises (not applicable to banking and insurance companies). Key aspects are as under:-
  - Deduction of such interest is restricted to actual interest paid / payable or 30% of EBITDA, whichever is lower; and
  - Excess interest paid will be allowed to be carried forward for 8 years.
- Exemption for long term capital gains on sale of listed shares will not be available for shares acquired on or after 1 October 2004 without payment of Securities Transaction Tax (STT). However, to protect the exemption in genuine cases where STT could not have been paid, such as acquisition of shares in an IPO, FPO, bonus, rights issue, preferential allotment to foreign investors, etc., appropriate exceptions will be notified.
- A relaxation has been provided from capital gains on deemed transfer of immovable property in JDAs in the hands of individuals and HUFs. The incidence of capital gains in such cases is deferred to the year in which the certificate of completion is issued for the whole or part of the project. It is also provided that the cash consideration (if any) received along with stamp duty value of the share in the project (land/building) as on the date of completion shall be the full value of consideration for computing the gains. However, in case the share in the project is transferred before completion, capital gains taxation will apply on such sale.
- In case of transfer of unquoted equity shares, gains will be calculated based on Fair Market Value (FMV) if the consideration received is lower than the FMV. The manner of determining FMV will be prescribed.
- Conversion of preference shares into equity shares will not trigger capital gains tax. In such cases, the cost of acquisition and the period of holding of such equity shares shall be the same as that of the original preference shares.
- Land and buildings will qualify as long term capital assets if held for two years. The base year for imputing fair value as the cost of acquisition for computing capital gains changed from 1 April 1981 to 1 April 2001.
- Transfer of rupee denominated bonds by one non-resident to another will not trigger capital gains. The benefit of exclusion of rupee appreciation on redemption of rupee denominated bonds has been extended to secondary holders (this was earlier available only to subscribers of such bonds).
- Long term capital gains to the extent of Rs. 50 lakhs are exempt, if the taxpayer invests the whole or any part of capital gains in certain specified bonds of the National Highways Authority of India/Rural Electrification Corporation. It is proposed to widen the scope of this provision to also cover other bonds (having redemption period greater than three years) as may be notified by the Central Government.
- The provisions of section 56(2)(vii) – relating to receipt of cash and other specified property without adequate consideration by individuals/HUFs and provisions of section 56(2)(vii)(a) - relating to receipt of shares of closely held companies will not apply from FY 17-18 onwards. Going forward, any specified property (including immovable property, listed/unlisted shares), received without adequate

consideration by any assessee, will now be taxed under the head 'income from other sources. Business reorganizations and other specified exclusions are carved out from the above provision.

- If a registered trust has adopted or undertaken modifications of its objects which are not in conformity with the conditions of registration, such trust must now obtain a fresh registration by making an application within a period of thirty days from the date of such adoption or modifications.
- Exemption to income of trusts / political parties will not be available unless the trust/political party has furnished its return of income for the previous year under consideration, within the specified time limit. Political parties cannot accept cash donations exceeding RS. 2,000.
- Income of the Chief Minister's Relief Fund and the Lieutenant Governor's Relief Fund will be exempt from tax with retrospective effect from 1 April 1998.
- Voluntary contribution towards corpus by any fund or trust or institution or university or educational institution or any hospital or other medical institution to any registered trust or institution shall not be treated as application of income to the objects of such donors.
- Individuals or HUF (other than those liable to tax audit) shall be liable to withhold tax of 5% in case of rent payments exceeding RS. 50,000 per month paid to a resident.
- Payment of money under a JDA to individuals or HUF liable to withholding tax at the rate of 10%.
- Taxes shall be withheld at the rate of 2% on the payment for professional or technical services, made to a payee engaged only in the business of operation of call centre.
- Concessional withholding tax rate of 5% on interest payment in case of moneys borrowed in foreign currency from non-residents will now be available for borrowings made before 1 July 2020. Similar benefit has been extended to interest payable to a non-resident on 'masala bonds' with retrospective effect from AY 2016-17.
- No withholding tax in case of payments in the nature of insurance commission where the payee furnishes a declaration in the prescribed form (with effect from 1 June 2017).
- Time limit to file revised returns reduced to 12 months from the end of the relevant financial year.
- Filing of belated return of income to attract a late filing fee. Maximum late filing fee of Rs. 10,000 proposed.
- Interest at 0.5% per month payable on TDS refunds due to a deductor.
- Penalty of Rs. 10,000 (per report/certificate) to be imposed on merchant bankers/ registered valuers/accountants for furnishing incorrect information in any report or certificate.

- Specified buyers such as Central and State Governments, Embassy, High Commission, local authority, Public Sector Company engaged in business of carrying passengers etc. exempted from provision of tax collection at source on purchase of motor vehicle.
- Buyers (other than non-residents not having permanent establishment) subject to tax collection at source shall furnish Permanent Account Number, failing which, tax to be collected at source shall be higher of, twice the rate specified or 5%.
- No interest on deferment of advance tax payable, if shortfall is on account of dividend income which is subject to additional tax of 10%.
- Time limit for completion of regular assessment proceedings to be reduced in a phased manner from AY 2018-19 onwards:-
  - AY 2018-19: 18 months from the end of the relevant AY (from existing 21 months)
  - AY 2019-20: 12 months from the end of the relevant AY (from existing 21 months)
- Return of income has to be processed within the prescribed time-limit (and refunds are to be issued) unless prior approval of higher authorities is sought by the Assessing Officer. This is effective in respect of the return of income filed for AY 2017-18 and onwards.
- Credit for foreign taxes not granted earlier (on the basis that such tax payment was in dispute) will be granted by way of rectification of the relevant intimation/ assessment order upon settlement of dispute subject to furnishing of evidence of tax payment/ settlement of dispute within the prescribed time frame.
- The Central Board of Direct Taxes empowered to issue necessary directions in respect of levy of penalty for non-compliance with provisions relating to deduction / collection of taxes at source.
- The Authority for Advance Ruling for income-tax, central excise, customs and service tax will be merged.
- It is proposed to tax all categories of taxpayers who receive income by way of dividend in excess of Rs. 10 lakhs at the rate of 10%. The provisions of this section will not be applicable to domestic companies and certain funds, trusts, institutions, etc.
- Gross income received from transfer of carbon credits proposed to be taxed at 10%. No expenditure or allowance can be claimed against such income under the Act.
- The amendment made in the Finance Act, 2016 extending the concessional rate of 10% on long term capital gains arising to non-residents from the sale of private company shares has been made retrospectively applicable from FY 2012-13 onwards.

## Indirect Tax Proposals

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### I - CUSTOMS DUTY

The effective rate of customs duty remains unchanged at 29.44%.

#### Key changes in Basic Custom Duty (BCD) for certain products

The changes introduced in customs duty rates aim at boosting the Make in India initiative and rationalising the inverted duty structure.

(Effective from 2 February 2017)

S. No.	Tariff description	Old Rate	New Rate
1	Parts for manufacture of LED lights or fixtures*	Applicable BCD	5%
2	Micro ATMs, miniaturised Point of Sale (POS) devices, etc.	Applicable BCD	Nil
3	Parts and components to manufacture micro ATMs*	Applicable BCD	Nil
4	Vinyl Polyethylene Glycol*	10%	7.5%
5	Liquefied Natural Gas (LNG)	5%	2.5%
6	2-Ethyl Anthraquinone for use in the manufacture of hydrogen peroxide*	7.5%	2.5%

#### Legislative changes

(Effective from the date of enactment of the Finance Bill, 2017 unless otherwise specified)

- Time limit for filing the Bill of Entry:
  - The Bill of Entry to be filed by the next day following the day (excluding holidays) of arrival of carrier of goods at a customs station.
  - Earlier, the Bill of Entry was allowed to be filed any time after the delivery of the import manifest or import report.
  - Charges may be imposed for late presentation of the Bill of Entry as may be separately prescribed at a later date.
- Payment of import duty:
  - In the case of self-assessment, import duty is to be paid on the date of presentation of the Bill of Entry.
  - Interest is payable by the importer in case of failure to pay import duty on the date of presentation of the Bill of Entry.



- Earlier, the import duty was to be paid within two days (excluding holidays) from the date on which the Bill of Entry was returned to the importer for payment of duty.
- 'Beneficial Owner' has been defined to mean any person on whose behalf the goods are being imported/exported or who exercises effective control over such goods to enable such beneficial owner to file the Bill of Entry.
- Imported goods which cannot be cleared/removed within a reasonable time:
  - In case of imported goods entered for warehousing, a facility has been provided for temporary storage in a public warehouse.
  - In case of imported goods entered for home consumption, a facility for temporary storage is restricted to a public warehouse only (earlier, storage in a private warehouse was also permitted).
- Notified Foreign Post Office and International Courier Terminal to be considered as Customs Station. The Board is empowered to notify Foreign Post Offices and International Courier Terminals;
- Unjust enrichment will not be attracted in case of refund of Customs Duty paid in excess by the importer before an order permitting clearance of goods for home consumption is made, where:-
  - such excess payment is evident from the B/E in case of self assessed B/E; or
  - the duty actually payable is reflected in the reassessed B/E in case of reassessment.
- The person-in-charge of a conveyance that enters India from any place outside India or departs from India to a place outside India is mandated to deliver to the proper officer, the passenger and crew arrival / departure manifest and passenger name record information of arriving / departing passenger before arrival / departure of the conveyance;
- Limit of duty free import of eligible items for manufacture of leather footwear or synthetic footwear or other leather products for use in the manufacture of such goods for export has been increased from 3 per cent to 5 per cent of FOB Value of said goods exported during the preceding financial year;
- The Customs Duty exemption limit for goods imported through parcels, packets and letters has been changed from duty based (Rs 100 per consignment) to CIF value based (not exceeding Rs1000 per consignment)

Considering that GST shall be implemented in the coming Financial Year, no major amendments are proposed under the Central Excise Law and Service Tax Law in Union Budget 2017.

## II - CENTRAL EXCISE DUTY

The effective rate of Excise Duty (ED) remains unchanged at 12.5%.

### Key changes in ED for certain products

(Effective from 2 February 2017)

S. No.	Tariff Description	Old Rate	New Rate
1	Solar tempered glass used in the manufacture of*- – Solar photovoltaic cells or modules – Solar power generating equipment or systems – Flat plate solar collectors – Solar photovoltaic module and panel for water pumping and other applications	0%	6%
2	Parts/raw material used in the manufacture of*- – Solar photovoltaic cells or modules – Solar power generating equipment or systems – Flat plate solar collectors Solar photovoltaic module and panel for water pumping and other applications	12.5%	6%
3	– Micro ATMs  – Fingerprint reader/scanner – Iris scanner – Miniaturised POS card reader for mPOS (other than mobile phones or tablet computers) – Parts and components used in the manufacture of the goods mentioned above*	Applicable ED	0%
4	– Parts used in the manufacture of LED lights, LED lamps or fixtures*	Applicable ED	6%

\*Subject to actual user condition

#### Other changes in exemptions

(Effective from 2 February 2017)

- Exemption to POS devices and all goods used for the manufacture of POS devices valid till 31 March 2017 has been extended to 30 June 2017

#### Other areas

- Clarification has been issued that explanation to Section 5A of Central Excise Act, 1944 is applicable only with respect to the removal of goods from Export Oriented Units (EOUs) to Domestic Tariff Area (DTA); Exemption for procurement by EOU is available

### **III - SERVICE TAX**

Effective rate of service tax remains unchanged at 15%.

#### **Exemptions introduced**

(Effective from the enactment of Finance Bill, 2017)

- One time upfront amount paid from 1 June 2007 to 21 September 2016 on the grant of long-term lease of industrial plots (30 years or more) by State Government Industrial Development Corporations/Undertaking to industrial units (Effective retrospectively from 1 June 2007 to 21 September 2016 ). Service tax paid during the period from 1 June 2007 to 21 September 2016 may be claimed as refund within a period of six months from the date on which Finance Bill, 2017 receives the assent of the President.
- Indian Institutes of Management for specified non-residential courses as well apart from residential courses;
- Viability gap funding ('VGF') payments by Government to selected airline operators for transportation of passengers originating or terminating in a Regional Connectivity Scheme ('RCS') airport for a period of 1 year from commencement of operations in such airport
- Life insurance services provided by Army, Naval and Air Force group insurance funds to defence personnel. Refund application to be filed within the prescribed period – Effective from September 10, 2004;

#### **Changes in Service Tax (Determination of Value) Rules, 2006**

(Effective from enactment of Finance Bill, 2017)

- With effect from 1 July 2010, the value of land or undivided share of land is to be excluded from the total contract value in case of works contract involving the transfer of goods, service and land; Where the actual property value is not ascertainable, a different percentage has been prescribed for determining the works contract service value.

#### **Others**

(Effective from the enactment of Finance Bill, 2017)

- Research and Development Cess Act, 1986 is repealed and consequently, the service tax notification granting service tax exemption to the extent of Research and Development Cess paid is also withdrawn. Tax would be payable on the full value of service imported and a corresponding change in eligibility of available CENVAT credit.

### **IV - CENTRAL VALUE ADDED TAX (CENVAT)**

Changes in CENVAT Credit Rules

(Effective from 2 February 2017)

- Banks and financial institutions including Non-Banking Financial Companies (NBFCs) are required to include the value of interest or discount earned on extending deposits, loans or advances for computing the reversal of CENVAT credit as per the proportionate reversal method prescribed under Rule 6 (3) and 6 (3A) of CENVAT Credit Rules, 2004. Earlier, the value of interest or discount earned on extending deposits, loans or advances was excluded from the value of services under Explanation I to Rule 6 (3D) of the CENVAT Credit Rules, 2004.
- The time limit for the grant of permission for transfer of CENVAT credit in the case of shifting of factory/premise has been notified to be three months from the date of application. Such time limit may be extended by a period not exceeding six months.

#### **V - OTHERS**

##### **• Settlement Commission:**

- Any non-assessee can also now make an application to the Settlement Commission in respect of a show cause notice issued to him in a case relating to an assessee, which is also before the Settlement Commission;
- Settlement Commission either suo-moto or on an application, can now amend its order within 3 months of its passing, to rectify any error apparent on the face of record;

##### **• Authority for Advance Rulings (AAR)**

- AAR has been merged with AAR under the Income Tax Act, 1961.
- Pending applications and proceedings under the erstwhile AAR are to be transferred to the proposed AAR under the Income Tax Act, 1961 at the stage they stand on the date the Finance Bill, 2017 receives the assent of the President.
- The time limit of 90 days prescribed earlier for the disposal of cases by the AAR has been increased to six months.

#### **VI - GOODS AND SERVICE TAX (GST)**

- The Finance Minister, while presenting the Budget, did not specify a definitive way forward or a roadmap for the implementation of GST. However, he reiterated that preparatory work for this path-breaking reform has been a top priority of the government.
- The GST Council has conducted nine meetings post the enactment of the Constitution (One Hundred and First Amendment) Act, 2016 which resulted in the finalisation of their recommendations on almost all issues such as rate structure, threshold exemption, parameters for composition scheme, details for compensation to states, examination of the draft Model GST Law, draft Integrated GST (IGST) Law and the Compensation Law and administrative mechanism for GST based on consensus.
- Furthermore, the Finance Minister reported that the preparation of Information Technology (IT) systems for GST is on schedule and that the extensive efforts to reach out to trade and industry will start from 1 April 2017.

- He also mentioned that the implementation of GST is likely to bring more taxes to both Central and State governments because of the widening tax net and that the government shall continue to strive to achieve the goal of implementation of GST as per schedule without compromising on the spirit of cooperative federalism.

## Part C

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### Sectoral Analysis

## Agriculture

Budget Expectations	Budget Announcements	Implications
	<p><b>Agriculture Credit:</b></p> <ul style="list-style-type: none"> <li>• Target for agricultural credit in 2017-18 has been fixed at a record level of Rs.10 lakh crore</li> <li>• Efforts would be taken to ensure adequate flow of credit to the under serviced areas, the Eastern States and Jammu &amp; Kashmir.</li> <li>• Farmers will also benefit from 60 days' interest waiver announced on 31 Dec 2016.</li> <li>• Government will support NABARD for computerization and integration of all 63,000 functional Primary Agriculture Credit Societies (PACS) with the Core Banking System of District Central Cooperative Banks. This will be done in 3 years at an estimated cost of Rs. 1,900 crore.</li> </ul>	<p>Integration of all 63,000 functional PACS with the Core Banking System will not only improve efficiency of delivery and recovery of credit, but will also reduce losses of PACS, and will help improve their viability.</p>
<p>⚡ For the success of the Pradhan Mantri Fasal Bima Yojana scheme, the state as well as the central government should make provision for timely subsidy to insurance companies.</p> <p>⚡ Bring investment in newer technologies for implementation of the</p>	<p><b>Crop Insurance:</b></p> <ul style="list-style-type: none"> <li>• Coverage under Fasal Bima Yojana scheme will be increased from 30% of cropped area in 2016-17 to 40% in 2017-18 and 50% in 2018-19 for which a budget provision of Rs. 9000 crore has been made</li> <li>• The sum insured under this Yojana has more than doubled from Rs. 69,000 crore in Kharif 2015 to Rs.1,41,625 crore in Kharif 2016.</li> </ul>	<p>Increasing the budget allocation under the Fasal Bima Yojana Scheme is a positive step. The focus however now should be on the implementation of the scheme and technology adoption.</p>

<p>scheme at ground level including investments in automatic weather stations or rain gauges.</p>		
	<p><b>Soil health cards:</b></p> <ul style="list-style-type: none"> <li>Govt to set up mini-labs in Krishi Vigyan Kendras for soil sample testing and ensure 100% coverage of all 648 KVKs in the country.</li> <li>In addition, 1000 mini labs will be set up by qualified local entrepreneurs. Government will provide credit linked subsidy to these entrepreneurs.</li> </ul>	<p>This will not only increase the pace of soil testing and issue of soil health cards, but will also help in better targeting of fertilizer subsidy.</p> <p>Encouraging entrepreneurs for promotion of soil health cards is also a good step.</p>
	<p><b>Irrigation:</b></p> <ul style="list-style-type: none"> <li>As announced by the Honourable Prime Minister, the Long Term Irrigation Fund already set up in NABARD to be augmented by 100% to take the total corpus of this Fund to Rs. 40,000 crore.</li> <li>Dedicated Micro Irrigation Fund will be set up in NABARD to achieve the goal of 'per drop more crop' with an initial corpus of Rs. 5,000 crore</li> </ul>	<p>This is a welcome effort, but the focus should be on timely disbursement of funds.</p>
<p>✚ Agri marketing: Unleashing full potential of e-NAM to provide greater selling choice to farmers and reduce transaction costs and improve quality for buyers.</p>	<p><b>Post-Harvest:</b></p> <ul style="list-style-type: none"> <li>The coverage of National Agricultural Market (e-NAM) will be expanded from the current 250 markets to 585 APMCs. Assistance up to a ceiling of Rs. 75 lakh will be provided to every e-NAM market for establishment of cleaning, grading and packaging facilities.</li> </ul>	<p>Expansion of e NAM to 585 APMCs will lead to more choice for farmers in marketing of produce.</p>



	<ul style="list-style-type: none"> <li>• States would be urged to denotify perishables from APMC.</li> <li>• A model law on contract farming to be prepared and circulated among the States for adoption.</li> <li>• An expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market for commodities trading. e-NAM would be an integral part of such framework.</li> </ul>	<p><b>Linking spot and future market for agri commodities is a forward looking move and should be rolled out expeditiously for the benefit of farmers.</b></p>
	<p><b>Dairy:</b></p> <ul style="list-style-type: none"> <li>• A Dairy Processing and Infrastructure Development Fund would be set up in NABARD with a corpus of Rs. 8,000 crore over 3 years. Initially, the Fund will start with a corpus of Rs. 2,000 crore.</li> </ul>	<p><b>Infrastructure fund will help in the growth of the Dairy sector, which is a major contributor to rural income.</b></p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>📌 Government support for promotion of <b>Custom Hiring Centres for farm machinery</b> in the form of project subsidies.</li> <li>📌 To alleviate the problem of food grain losses (i.e. 8-10%) every year due to post harvest wastages. <ul style="list-style-type: none"> <li>○ Provide appropriate incentives for <b>warehousing facilities</b> and allied benefits to the post-harvest ecosystem such as engaging private sector in procurement operations, restoring capital subsidy under the Grameen Bhandaran Yojana, investing in solar technology applications for cold chain, etc.</li> </ul> </li> </ul>		

## Banking Sector

Budget Announcements	Implications
<ul style="list-style-type: none"> <li>The bill relating to resolution of financial firms will be introduced in the current Budget Session of Parliament.</li> </ul>	<p>This will contribute to stability and resilience of our financial system and will also protect the consumers of various financial institutions.</p> <p>Together with the Insolvency and Bankruptcy Code, a resolution mechanism for financial firms will ensure comprehensiveness of the resolution system in our country.</p>
<ul style="list-style-type: none"> <li>Setting up of a Computer Emergency Response Team for the Financial Sector (CERT-Fin) which will work in close coordination with all financial sector regulators and other stakeholders.</li> </ul>	<p>Setting up of CERT-Fin at a time when India is promoting digitisation in a big way will ensure cyber security that is critical for safeguarding the integrity and stability of our financial sector.</p>
<p>⬇ In line with the 'Indradhanush' roadmap, Rs. 10,000 crore has been provided for recapitalisation of Banks in 2017-18. Additional allocation will be provided, as may be required.</p>	<p>The amount is not sufficient and we hope that in due course the government will enhance the allocation for recapitalisation of banks. This is important as the NPA levels in the banks are quite high.</p>
<p>⬇ The government proposes to increase the lending target to INR 2.44 lakh crores from INR 1.22 lakh crores under Pradhan Mantri Mudra Yojana (PMMY).</p>	<p>The scheme has contributed immensely in providing funds to the unfunded. Increasing the lending target will enable small business units to meet their funding needs adequately.</p>
<p><b>Digital Thrust</b></p> <ul style="list-style-type: none"> <li>⬇ The government will launch two new schemes to promote the usage of BHIM; these are, Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.</li> <li>⬇ It also proposes to launch Aadhar Pay, a merchant version of Aadhar Enabled Payment System.</li> <li>⬇ Banks have been targeted to introduce additional 10 lakh new PoS terminals by March 2017. They will be encouraged to introduce 20 lakh</li> </ul>	<p>The announcements clearly reflect government's concerted efforts in moving towards a less cash economy, furthering the financial inclusion agenda and giving impetus to enterprises to become a part of the formal economy.</p>

<p>Aadhar based PoS by September 2017.</p> <ul style="list-style-type: none"> <li>✚ Government will encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.</li> <li>✚ The digital payment infrastructure and grievance handling mechanisms shall be strengthened.</li> <li>✚ The government proposes to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems. Necessary amendments are proposed to this effect in the Finance Bill 2017.</li> </ul>	
<b>Unmet Demand</b>	
<ul style="list-style-type: none"> <li>✚ Deduction on contribution towards Recognized Provident Fund / Superannuation Fund <ul style="list-style-type: none"> <li>○ The limit of 27% prescribed under Rule 87 of the Income Tax Act in respect of employer's contribution to a fund should be done away with for entities administering defined benefit schemes of pension, the terms of which are duly approved by the Government and the banks be permitted to contribute full amounts to the pension/superannuation fund as per the actuarial valuation.</li> </ul> </li> <li>✚ Extend Provisions of Section 43D to 'Non Performing Securities' <ul style="list-style-type: none"> <li>○ Section 43D of the Act provides that in the case of a scheduled bank, income by way of interest in relation to prescribed categories of bad or doubtful debts, shall be chargeable to tax in the previous year in which it is credited by the scheduled bank to its profit and loss account; or in which it is actually received by the bank, whichever is earlier. A suitable amendment may be brought into the law to provide that the provision is applicable to non-performing investments as well.</li> </ul> </li> <li>✚ Creation of National Asset Management Company(NAMCO) to effectively tackle the issue of large NPAs</li> <li>✚ Threshold Limit for Applicability of TDS on Interest <ul style="list-style-type: none"> <li>○ The threshold limit for deduction of TDS on interest other than interest on securities be increased from Rs. 10,000 to Rs. 100,000 where the payer is a banking company.</li> </ul> </li> <li>✚ Exclusion of Interest paid to NBFC from the Provisions of Section 194A of the Act <ul style="list-style-type: none"> <li>○ This will provide level playing field to NBFCs similar to banking companies, LIC, UTI, public financial institution etc., which are also exempted from the purview of this Section.</li> </ul> </li> <li>✚ Deduction under Section 36(1) (viiia) be extended to Housing Finance Companies <ul style="list-style-type: none"> <li>○ Housing Finance Companies, registered with the National Housing Bank (NHB) - a subsidiary of Reserve Bank of India, are not covered under Section 36(1)(viiia) though they are subject to similar prudential norms.</li> </ul> </li> <li>✚ Deduction under Section 80C for Deposits placed with Housing Finance Companies <ul style="list-style-type: none"> <li>○ Section 80C (xxi) of the Act allows deduction on term deposits placed with a scheduled bank by an individual for a period of</li> </ul> </li> </ul>	

not less than 5 years. However, the deposits placed by the retail investors with Housing Finance Companies are not considered for deduction under section 80C of the Act. It is recommended that a similar deduction under section 80C of the Act be allowed in respect of deposits placed with a Housing Finance Company.

## Capital Goods

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✚ Extension of 'Customs Duty' reduction on critical components to all other categories of metalworking machine tools</li> <li>✚ Customs Duty on CNC systems, ball-screws and linear guides and all categories of metalworking machine tools [under HSS Code 8456 to 8463] should be reduced to 2.5%.</li> </ul>	<ul style="list-style-type: none"> <li>• Basic customs duty on ball screws and liner motion guides has been reduced from 7.5% to 2.5%</li> <li>• Basic customs duty on CNC systems has been reduced from 10% to 2.5%.</li> </ul>	<p><b>This will make domestic machine tools industry more competitive.</b></p>
<ul style="list-style-type: none"> <li>✚ Continued budgetary support to the Department of Heavy Industry (DHI) by allocating more funds to enhance competitiveness in the Indian Capital Goods Sector Scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Allocation of funds for Enhancement of Competitiveness in the Indian Capital Goods Sector Scheme increased from Rs. 60 crore to Rs.150 crore for the year 2017 - 2018</li> </ul>	<p><b>This will help in technology development in the sector.</b></p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>✚ <b>Project Imports under heading 98.01 of Customs Tariff Act</b>  <u>Present Position</u> <ul style="list-style-type: none"> <li>○ The customs duty for equipment like boiler, turbine, generator, transformer, switch gear etc. was increased from 7.5% to 10% in the Union Budget 2016-17. However, under the Project Imports Scheme, all the goods imported for the purpose of setting up of project or substantial expansion of existing projects under heading 98.01 of Custom Tariff Act, 1975 are subjected to concessional rate of duty instead of merit assessment of imported goods. In this regard, power projects are inter-alia covered under the concessional rate of Basic Customs Duty (BCD) @ 5% through Customs Notification No. 12/2012 dated 17th March 2012.</li> <li>○ Concessional rate of Customs Duty @ 5% (under Project Imports Regulation, 1986) needs to be withdrawn and the merit rate of 10% should be implemented on all equipment / items required for setting up of Power Project (s).</li> </ul> </li> </ul>		

**⚡ Disadvantages suffered by the domestic industry related to Power Projects vis-à-vis foreign suppliers**

**Present Position**

- Customs Duty (CD) @ 5%, CVD @ 12.50%, Special Additional Duty (SAD) @ 4% and Education Cess @ 3% is applicable under Project Import for supplies to Power Projects, excluding Nuclear Power Projects, and including Mega Power projects which are not included in the Customs notification no. 49/2012-Cus dated 10.09.2012, and Excise notification no. 34/2012-Central Excise dated 10.09.2012.
- Customs duty (CD) @ 10%, CVD – "Nil", and SAD @ 4% needs to be made uniformly applicable on all imported equipment for power generation projects along with simultaneous Excise Duty exemption to the domestic manufacturers.

**OR**

- The Excise Duty on the domestic supplies to such Power Projects needs to be refunded.

**⚡ Level Playing Field for Domestic Capital Goods Industry**

To encourage domestic capital goods manufacturing, to offset a part of the cost disadvantages faced by the domestic Capital Goods manufacturers

- Remove all exemptions of Zero and 5%, i.e. impose customs duty – CD 10% + CVD 12.5%. Whenever, the final product like power, crude oil, etc. is not excisable, our recommendation is to impose customs duty – CD 10% + CVD NIL.
- Accord full deemed export benefits to the domestic manufacturer in both scenarios.

**⚡ CENVAT Credit of Excise Duty / CVD paid on Capital Goods**

- In terms of Rule 4(2) of the CENVAT Credit Rules, 2004, maximum 50% CENVAT credit is allowed in respect of capital goods in the first year and the balance there after.
- For better cash flow management and to reduce the administrative process, full credit may be allowed in the first year itself for all types of assesses. This would be in line with the provisions on CENVAT credit in respect of inputs.

**⚡ Customized software supplied electronically – VAT & Service Tax charged**

- Software in packaged form electronically downloaded and / or License Fees (right to use whether temporary or permanent) should be treated as Goods.
- Customized software should be treated as service with appropriate abatements.

## Chemicals & Petrochemicals

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>To reduce the basic customs duty on LNG from 5% to 2.5%, being a very key input for the Petrochemical industry.</li> </ul>	<ul style="list-style-type: none"> <li>Basic customs duty on LNG cut to 2.5% from 5%</li> </ul>	<p>It is a primary feedstock for the chemical industry and hence reduction in customs duty would lead to lowering of input cost for the sector.</p>
<ul style="list-style-type: none"> <li>To facilitate the domestic production by rationalizing the duty structure.</li> </ul>	<ul style="list-style-type: none"> <li>Import duty on Orthoxylene reduced from 2.5 % to nil.</li> </ul>	<p>It has multiple uses in facilitating polyester industry as also glass-reinforced thermoset engineering applications.</p>
	<ul style="list-style-type: none"> <li>Customs and excise duty on Anthraquinone reduced from 7.5% to 2.5%</li> </ul>	<p>Used in manufacture of hydrogen peroxide, which is a basic chemical input to pharma industry.</p>
	<ul style="list-style-type: none"> <li>Customs and excise duty on Vinyl Polyethylene Glycol (VPEG) reduced from 10% to 7.5%</li> </ul>	<p>Used in manufacture of Poly Carboxylate Ether, which is a basic input for pharma industry.</p>
	<ul style="list-style-type: none"> <li>Basic customs duty on Nylon Mono Filament Yarn for use in monofilament long line system for tuna fishing, subject to certain specified conditions reduced from 7.5% to 5%.</li> </ul>	<p>Will help the synthetic yarn industry.</p>
	<ul style="list-style-type: none"> <li>Basic customs duty on Medium Quality Terephthalic Acid (MTA) &amp; Qualified Terephthalic Acid (QTA) reduced from 7.5% to 5%.</li> </ul>	<p>Used as input for polyester production including polyester fibre, polyethylene terephthalate (PET) bottle resin and polyester film.</p>

	<ul style="list-style-type: none"> <li>Irrigation corpus increased from Rs.20,000 crore to Rs.40,000 crore.</li> </ul>	<b>Will help the Plastic Industry involved in mirco/drip irrigation.</b>
	<ul style="list-style-type: none"> <li>Target for agricultural credit in 2017-18 has been fixed at a record level of Rs.10 lakh crore</li> </ul>	<b>Will help Chemical and Plastic industry involved in crop protection chemicals, plasticulture ( mirco/drip irrigation), fertilizers</b>
	<ul style="list-style-type: none"> <li>The issue of mis-declaration in imports of PVC resins in India has been pending resolution for reasons of errors in the relevant Indian Customs Manual. In this Finance bill, this has been addressed and HS codes at 8 digit levels have been very clearly explained"</li> </ul>	<b>Will help the PVC industry</b>

#### Unmet Demand

##### Rationalisation of Duties

- o Duty on polymers like PE, PP, PVC, PS may be raised from 7.5% to 10%.
- o Import duty on PET (HS code: 39076010, 39076020, 39076090) be raised from 5% to 7.5% (10%, if duty on polymers is raised to 10%)
- o Duty on ABS (HS code : 39033000) and SAN (hs CODE : 39032000) be increased from 7.5% to 10%
- o DUTY on PTA (HS code : 29173600) and MEG (HS code : 29053100) be raised from 5% to 7.5%.
- o Import Duty on POY (HS code : 54024600), FDY (HS code : 54024700), PTY (HS code : 54023300), IDY (HS code : 54022090), TOW (HS code : 55012000) and PSF/FF (HS Code : 55032000) be raised from the existing 5% to 7.5%
- o Import Duty on Isobutylene Isoprene Rubber (IIR) (HS Code : 40023100) and Halo Butyl Rubber (Halo Isobutene Isoprene Rubber HIIR; HS code : 40023900) be raised from 5% to 10%
- o Import Duty on Naphtha be reduced from 5% to 2.5%.
- o Import Duty on Mixed Petroleum Gases (HS code : 27112900) and Kerosene (HS code : 27101910) be reduced from 5% to 2.5%
- o Import Duty on LNG for captive power generation (HS code: 27111100) be at lease be lowered to 2.5%.
- o Import Duty on EDC (HS code : 29031500), VCM (HS code : 29032100) and Styrene (HS code : 29025000) be brought down from 2% to 0%
- o Reduction in Import Duty on ethanol alcohol/methyl alcohol and acetic acid to zero percent.
- o Reduction in Import Duty of Titanium Dioxide to 7.5
- o Reduction in Excise Duty on pesticides to 4%.



- ✦ **Synthetic Fibre industry** - Intermediate Excise Duty regime i.e. Excise Duty rate of 2-6% with entire textiles chain in CENVAT be introduced. The present duty of 12.5% be reduced to 6% on MMF and its raw materials. The fibre forward chain which is currently Zero duty be brought under 2% excise across the Textiles Value Chain. Further Customs duty structure should be a cascading structure i.e. the duty differential should be progressive at each stage of value chain. To save highly unorganized weaving industry from cheap Chinese imports, increase Customs duty on fabric falling under Chapters 54, 55 and 60 (made of manmade fibres) to 20% from the present 10%.
- ✦ **Cluster Approach to the Chemical industry** - Facilitate Chemical clusters with common facilities in the form of effluent treatment/incineration/testing and other logistic/infra facilities such as chemical storage tanks, /boilers etc. can facilitate the sector, by reducing the cost of production, while facilitating environmental monitoring
- ✦ **Technology Upgradation Fund** for Chemical sector.

## Defence & Aerospace

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✦ Increase in Defence Allocation</li> </ul>	<ul style="list-style-type: none"> <li>✦ For Defence expenditure excluding pensions, a sum of Rs. 2,74,114 crore including Rs. 86,488 crore for Defence capital has been provided.</li> <li>✦ The total revenue expenditure budgeted is Rs 1, 86, 626 crore which is an absolute increase of Rs 24, 867 crore from last year.</li> </ul>	<p>While there has been an overall increase in the revenue budget pertaining to defence, this number includes the OFB and DRDO expenses which is Rs 26, 629 crore.</p> <p>So therefore the overall budget outlay for defence procurement under the revenue budget has gone down to Rs 1, 60, 996 crore.</p> <p>Given the force modernization programme and the committed liabilities of the previous year the actual budget outlay for the armed forces will be much less.</p> <p>In addition, GST and Custom Duties may erode about 16% of the allocation by way of taxes.</p>
<ul style="list-style-type: none"> <li>✦ Export Promotion</li> </ul>	<ul style="list-style-type: none"> <li>• Not Addressed</li> </ul>	Nil
<ul style="list-style-type: none"> <li>✦ Providing Tax Benefits/incentives for R&amp;D incentives in Defence</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate tax relief for MSMEs from 30% to 25% for companies with annual turnover of Rs. 50 crore.</li> </ul>	MSMEs in the Defence Sector will benefit from this tax provision
<ul style="list-style-type: none"> <li>✦ Conversion of Buy &amp; Make Contracts to Make-in-India</li> </ul>	<ul style="list-style-type: none"> <li>• No Addressed</li> </ul>	Nil
<b>Unmet Demand</b>		

- ✚ Inverted Duty Structure for imports vs. domestic production to promote Make in India
- ✚ No relief under Direct Taxes since infrastructure status not accorded to National Defence Industrial Base, though accorded to affordable housing
- ✚ No Export promotion scheme for Defence Exports
- ✚ CAPEX barely enough to meet the ongoing programmes leaving very little for new programmes

## E-Commerce

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>Increased digital transactions</li> </ul>	<ul style="list-style-type: none"> <li>The Government will launch two new schemes to promote the usage of BHIM; these are - Referral Bonus Scheme for individuals and a Cashback Scheme for merchants.</li> </ul>	<p>The move would strengthen the digital payment interface system of the country. The BHIM app will unleash the power of mobile phones for digital payments and financial inclusion. 125 lakh people have adopted the BHIM app so far.</p>
<ul style="list-style-type: none"> <li>Aadhar Pay, a merchant version of Aadhar Enabled Payment System</li> </ul>	<ul style="list-style-type: none"> <li>Aadhar Pay will be launched shortly. Increased digital transactions will enable small and micro enterprises to access formal credit.</li> </ul>	<p>The digital payment infrastructure will be strengthened. E-commerce will receive further boost with increase in digital transactions.</p>
<ul style="list-style-type: none"> <li>Boost to the start-ups and entrepreneurial set ups associated with the sector</li> </ul>	<ul style="list-style-type: none"> <li>Reduction in the Corporate Tax for MSMEs and increase in the Pradhan Mantri Mudra Yojana</li> </ul>	<p>The move would encourage SMEs to evaluate new entrepreneurial opportunities including in the e-commerce space.</p>
	<ul style="list-style-type: none"> <li>The Budget 2017 has proposed the much awaited amendments in the provisions of Section 79 of the Income Tax Act, which regulates eligibility to carry forward losses in the event of more than 49% change in beneficial shareholding in a year.</li> </ul>	<p>While this is a welcome move, the benefit will accrue only to a small set who fulfil the conditions of being an "eligible start-up" (incorporated within 1st day of April 2016 but before the 1st day of April, 2019; turnover upto Rs.25 crore in a year during 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2021) as per the definition given in Section 80-IAC of the Act.</p> <p>Most successful start-ups have to incur huge expenses to attain substantive turnover and the period of incurring losses can be more than 7 years also.</p>

#### Unmet Demand

- ✦ It is recommended that the amendment in the provisions of Section 79 of the Income Tax Act should not restrict the benefit to only those companies which qualify to be an eligible start-up as referred to in Section 80-IAC. Further, the time limit of incurring the loss during the period of 7 years from the date of incorporation should either not be stipulated or expanded to 10 years.
- ✦ ESOPs (employee stock option plans) - It had been recommended that ESOPs (employee stock option plans) that private company provide to key employees should not be taxed at the time of exercise and they should be taxed when there is a liquidity event (like and IPO or an acquisition or any private sale arrangement).

## Education

### School Education

Budget Expectations	Budget Announcements	Implications
	<ul style="list-style-type: none"> <li>Proposed to introduce a system of measuring annual learning outcomes in our schools.</li> <li>Emphasis will be given on science education and flexibility in curriculum to promote creativity through local innovative content.</li> </ul>	<p>A framework if put in place, would help establish standards of Governance, Transparency and Self-Regulation and can be used to classify schools into different categories based on a variety of input and output measures.</p> <p>Emphasis on science and flexibility in curriculum would cater to diverse needs, interests, creativity, talents and potential of students.</p> <p>This would also encourage shift from content to context based teaching and learning and equip learners to meet the ever evolving needs and challenges of 21st century.</p>
<ul style="list-style-type: none"> <li>Strategic initiatives to make school systems ICT enabled</li> </ul>	<ul style="list-style-type: none"> <li>An Innovation Fund for Secondary Education will be created to encourage local innovation for ensuring universal access, gender parity and quality improvement.</li> <li>This will include ICT enabled learning transformation.</li> <li>The focus will be on 3479 educationally backward blocks</li> </ul>	<p>Technology will bring in asynchronicity and will allow students to learn at their own pace; however, autonomy must be granted to start such programs without territorial restrictions in terms of assessment.</p> <p>It would democratize availability of opportunity and act as a great leveller.</p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>Education services should be declared as zero-rated supply under the GST; Zero rating is the scenario where the output is taxed at zero rate and the credit of taxes paid on procurements is allowed as refund.</li> </ul>		

- ✦ Make service tax exemption for 'auxiliary educational services' including services of development of course content, ICT, and outsourced manpower as was in force prior to July 2014.
- ✦ Use central funds strategically to spur policy reform in states; 'State Policy Reform Fund' to incentivise states that implement measures such as merit-based selection and promotions.
- ✦ Education quality and capacity building of existing institutions; Setting up of specialized research and training institutes with focus on areas such as standardized assessments, school leadership training, early literacy & numeracy, pedagogy etc.
- ✦ Increase 50% spending on the teacher education scheme as this is critical for strengthening teacher education institutes across states.

## Higher Education

Budget Announcements	Implications
<ul style="list-style-type: none"> <li>Plans to establish a National Testing Agency as an autonomous and self-sustained premier testing organisation to conduct all entrance examinations for higher education institutions.</li> <li>This would free CBSE, AICTE and other premier institutions from these administrative responsibilities so that they can focus more on academics</li> </ul>	<p>This is a welcome announcement; however, it could lead to more government control over admissions. Clarity is also needed on whether the multitude of exams for students to prepare for and write will continue to be there or will be consolidated.</p>
<ul style="list-style-type: none"> <li>To undertake reforms in the UGC. Good quality institutions would be enabled to have greater administrative and academic autonomy.</li> <li>Colleges will be identified based on accreditation and ranking, and given autonomous status.</li> <li>A revised framework will be put in place for outcome based accreditation and credit based programmes.</li> </ul>	<p>It is a positive step towards recognizing the efforts of independent institutions, however there shall be transparency in selecting the agencies which will assess the “outcomes”. UGC “reforms” have been discussed for a long time; there is a need for a well-defined roadmap for this.</p> <p>The Government’s plans to incentivize or recognize the Indian institutions delivering world class quality education needs to be mentioned.</p> <p>Clarity is also needed on how the Government would be attracting Global Universities to set up campuses in India.</p> <p>Budget has remained silent on scholarship schemes especially for students aspiring to study abroad.</p>
<ul style="list-style-type: none"> <li>To leverage information technology and launch SWAYAM platform with at least 350 online courses.</li> <li>This would enable students to virtually attend the courses taught by the best faculty; access high quality reading resources; participate in discussion forums; take tests and earn academic grades.</li> <li>Access to SWAYAM would be widened by linkage with DTH</li> </ul>	<p>This is indeed a welcome announcement. This will help the learner to get access to world class content, useful insights and they can proactively engage with other learners and educators.</p> <p>The initiative will also help young learners in their career advancements</p>



<p>channels, dedicated to education.</p>	<p>Students seeking employment or are employed, can continue with their learning progression</p> <p>Integrating with DTH will ensure its reach to masses and will help in creating "mass awareness" about these courses.</p> <p>Clarity however is needed on whether these courses will be made available in regional languages as well and whether the SWAYAM platform could be used for college degree credits.</p>
<ul style="list-style-type: none"> <li>• Two AIIMS will be set up in Jharkhand and Gujarat.</li> <li>• The Government will undertake structural transformation of the Regulatory framework for medical education.</li> </ul>	<p>The structural transformation of the regulator in medical education will help to remove the distortions that exist today and will also help private sector investment not dependant on capitation fees or selling of their seats.</p> <p>However setting up of two more AIIMS need to be re-examined in view of the paucity of faculty.</p>
<p><b>Unmet Demand</b></p>	
<ul style="list-style-type: none"> <li>✚ Tax break should be given to corporates which nominate their employees for higher education either through the continuing education model or a full time programme. The fees paid by corporate for employees' education should qualify for investment in human resources and hence exempted for tax purposes. All such investments should be considered as "Investments in Building National Wealth", and hence eligible for 200% investment allowance for income-tax purposes.</li> <li>✚ All donations (and not just restricted only to research funding) to qualified Higher Educational Institutions should be eligible for 200% tax deduction.</li> <li>✚ New or existing educational institutions making a fresh investment of Rs.75 crore or above should be eligible for a preferred and long term Loan facility with interest rates at par with Base Rates or Prime Lending Rates of the commercial banks or financial institutions and for a tenor of up to 15 years with step up repayment plan.</li> <li>✚ Provide tax relief to the tune of 50% to Universities/Higher Educational Institutions that spend on the capacity development and training</li> </ul>	

of their staff.

- ✦ Higher Educational Institutions should be free to set up campuses overseas and a line of credit of at least US\$ 500m should be set up by the Exim Bank, as a part of India's diplomatic efforts and use of soft power.
- ✦ As college fees have increased tremendously, income taxpayers should be allowed a deduction against gross total income upto a minimum of Rs.1, 00,000 per child for fees paid for higher education.

## Electronics

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✚ Imposition of SAD on Populated PCBs of Mobile Handsets to be deferred till budget to enable industry to prepare in the interim.</li> </ul>	<ul style="list-style-type: none"> <li>• Special Additional Duty (SAD) of 2% has been proposed for the Populated Printed Circuit Boards (PCBs) for use in the manufacture of mobile phones, subject to actual user conditions.</li> </ul>	<p><b>This would promote more value addition in the country.</b></p>
<ul style="list-style-type: none"> <li>✚ Boost to the Modified Special Incentive Package Scheme (M-SIPS) scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Increased allocation to M-SIPS scheme to give stimulus to Electronics manufacturing</li> </ul>	<p><b>Increased allocation on schemes like MSIPS to give boost to domestic manufacturing of electronics</b></p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>✚ BCD rate on ACE goods to be increased from the current rate of 10% to 15%, so that import of these goods is discouraged. This would encourage domestic manufacturing of these goods in India.</li> <li>✚ Rationalization of duties for other ITA products [specifically laptops and desktops] and server at par with smart phones / tablets would encourage domestic manufacture of IT products in India, in line with the "Make in India" and "Digital India" and "Skill India" program of the Government.</li> <li>✚ Weighted Deduction under Section 35 of the Act – Research &amp; Development               <ul style="list-style-type: none"> <li>○ Section 35, 35(2AA) and 35(2AB) of the Income Tax Act provides for weighted deduction of expenditure incurred on scientific research and development. In the Finance Act 2016, the deductions have been revised downwards from 125% to 100%, 150% to 100%, 175% to 150%, 200% to 150% and 200% to 100% under various provisions of the act u/s 35 going forward.</li> <li>○ The old regime of weighted deduction shall be restored to give a greater acceleration to in-house R&amp;D in India.</li> </ul> </li> <li>✚ Correction of duty inversion on Car Audio Equipment (HS Code: 85272100)</li> </ul>		

## Environment

Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✚ Pilot plants for environment friendly disposal of solid waste and conversion of biodegradable waste to energy are being set up at New Delhi and Jaipur railway stations.</li> <li>✚ Five more such solid waste management plants are now being taken up.</li> </ul>	<p><b>These steps will further help towards the government's drive towards cleanliness and help make India a much cleaner and environment friendly place.</b></p> <p><b>We will receive effective collection and disposal of solid waste, healthy and disease free environment.</b></p>
<ul style="list-style-type: none"> <li>✚ Open Defecation Free (ODF) villages are now being given priority for piped water supply.</li> </ul>	<p><b>This will incentivise villages to become ODF and also ensure that no slippage of ODF villages happens - a good way to contribute to achieving sustainable sanitation.</b></p>
<ul style="list-style-type: none"> <li>✚ For imparting new training to the people in rural areas, mason training will be provided to five lakh people by 2022, with an immediate target of training at least 20,000 by 2017-2018</li> </ul>	<p><b>It is a very important move to create the much required army of masons for sanitation. It will be crucial to ensure that high quality standards for the training is provided including in sewage and waste treatment as this is intricately linked with sustainable sanitation.</b></p>
<ul style="list-style-type: none"> <li>✚ By 2019 all coaches of Indian Railways will be fitted with Bio-Toilets</li> </ul>	<p><b>An important step towards ensuring environment sustainability. Both demand side and supply side constraints would need to be addressed like market assessment of suppliers/vendors and available technologies to provide economies of scale. Campaigns to generate awareness among commuters on use and maintenance of bio-toilets would ensure successful implementation.</b></p>
<b>Unmet Demand (Environment)</b>	
<ul style="list-style-type: none"> <li>✚ Technology Up-gradation Fund for Chemicals Industry should support setting up of common chemicals infrastructure (e.g. effluent treatment plants, chemical waste disposal plants, etc.), which would benefit industries and the environment. From this fund, support may be extended to the chemical industry for technology up-gradation at lower rate of interest.</li> <li>✚ Levy of a clean energy cess on coal should be exempted for manufacturers who adopt clean technology and make best use of the green energy at considerable investment. Alternately, these manufacturers should be allowed to avail credit of the Cess paid as a CENVAT Credit.</li> </ul>	

## FMCG

Budget Expectations	Budget Announcements	Implications
	<ul style="list-style-type: none"> <li>Allocation to MGNREGA increased From Rs.38, 000 crore to Rs.48, 000 crore in 2017-18. Highest ever allocation for MGNREGA to double farm income.</li> </ul>	Will lead to increase in rural incomes thereby increasing the purchasing power and hence demand for FMCG products
<ul style="list-style-type: none"> <li>Reduction in the custom duties</li> </ul>	<ul style="list-style-type: none"> <li>Basic customs duty on LNG reduced from 5% to 2.5%</li> </ul>	Stimulus to manufacturing units
	<ul style="list-style-type: none"> <li>Basic customs duty on Cashew nut, roasted, salted or roasted and salted increased from 30% to 45%</li> </ul>	Will lead to increase in prices of the mentioned imported products. This is a protection measure for domestic companies.
<ul style="list-style-type: none"> <li>Renewal of the taxation slabs</li> </ul>	<ul style="list-style-type: none"> <li>Corporate tax reduced for companies with turnover less than Rs.50 crore to 25%</li> </ul>	To provide boost to SMEs and MSMEs
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>MAT Rate reduction</li> <li>Deduction u/s 32AC                             <ul style="list-style-type: none"> <li>It had been expected that deduction u/s 32 AC will be extended further as this provides impetus to corporates to make substantial investment in plant &amp; machinery.</li> </ul> </li> <li>Ease of doing Business                             <ul style="list-style-type: none"> <li>A stringent timeline should had been set to give effect to the orders ('OGE') or pass rectification order under section 154 of the Act. Else a higher rate of interest should have been prescribed to be credited to the assessee.</li> </ul> </li> </ul>		

## Food Processing

Budget Announcements	Implications
<p><b>Model law in contract farming:</b></p> <ul style="list-style-type: none"> <li>It will integrate farmers who grow fruits and vegetables with agro processing units for better price realisation and reduction of post-harvest losses.</li> </ul>	<p>It is a positive announcement for the Food Processing Industry as now they can directly engage with farmers to produce processable food variety as per industry requirement.</p>
<p><b>To set up Dairy Development Infrastructure Fund:</b></p> <ul style="list-style-type: none"> <li>It would be set up in NABARD with a corpus of Rs. 8,000 crore over 3 years.</li> </ul>	<p>It will help in upgrading much needed infrastructure facility of milk processing units, further it will have multiplier effect on the rural economy and the dairy sector</p>
<p><b>Clubbing of National Agriculture Market (e-NAM) with APMC</b></p> <ul style="list-style-type: none"> <li>The coverage of e-NAM will be expanded from the current 250 markets to 585 APMCs.</li> <li>Assistance up to a ceiling of Rs. 75 lakh will be provided to every e-NAM market for establishment of cleaning, grading and packaging facilities.</li> </ul>	<p>It will reduce post-harvest losses by streamlining back end infrastructure</p> <p>Supply chain issues of food processing units will get minimised as it will ensure timely availability of raw material round the year.</p> <p>With improved quality of farmers' produce, industry will get raw material of highest quality which will increase end product value.</p>
<p><b>Infrastructure Support to Agro-Food sector:</b></p> <ul style="list-style-type: none"> <li>Railways will implement end to end integrated transport solutions for perishable commodities through logistics players, who would provide both front and back end connectivity.</li> </ul>	<p>Boost in infrastructure will help food processing industry in meeting end to end food. Perishable foods can now be easily transported across the country which will ensure availability of raw material at processing units</p> <p>This shall help reducing wastages and value addition of perishable produce.</p>
<p><b>Taxes:</b></p>	

<ul style="list-style-type: none"> <li>• Indirect Taxes : Increased basic custom duty from 30% to 45% for cashew nut, roasted, salted or roasted and salted</li> </ul>	<p><b>It will protect domestic industry and food processing units of concerned commodities.</b></p>
<p><b>Unmet Demand</b></p>	
<ul style="list-style-type: none"> <li>✚ Processing of whole pulses into split pulses should be covered under negative list of service tax</li> <li>✚ Increase in Value of Excise Exemption Limit for Biscuits</li> <li>✚ Extension of Concessional Rate of Excise Duty On Capital Goods for Food Processing Industry</li> <li>✚ Export of value added products made from imported edible oils</li> <li>✚ Duty Free Import of Oil Seeds</li> </ul>	

## Gems & Jewellery

### Unmet Demand

- It was expected that the Customs Duty on gold will be brought back to the pre-2013 levels of 2% with the significant drop in Current Account Deficit. As per the estimates of GFMS Reuters, over the last 3 years since 2013, over 500 tonnes of gold has been smuggled into the country - which means that the high Custom's Duty policy has resulted in generation of over Rs. 1,50,000 crore of black money by the smugglers which get channelized into nefarious activities. With the drive to remove black money across the board, Customs Duty on gold also needs to be brought back to 2% levels immediately.
- The gems & jewellery Sector suffers from the problem of multiple regulators because of gold's unique role as a store of value and also as an ornament and hence it was expected that a setting-up of a Gold Board would be announced to help the sector grow to its full potential in the US\$ 300 billion Global Jewellery market.
- The Gems & Jewellery sector which accounts for over 6-7% of the GDP and over 14% of the export earnings is a truly "Make in India" success story employing over 50 lakh labour force directly. There is an urgent need to address all the concerns of the Gems & Jewellery Sector holistically so that India's distinct advantage in the global market is not lost to China or the South East Asian countries.



## Governance, Commodities, Capital Markets, Ease of Doing Business related to Corporate Laws

Budget Announcements	Implications
<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>Political donations received by political parties in cash capped. Parties can accept only Rs. 2,000 in cash (previously Rs. 20,000) from any one source. Would help reduce political funding in cash and generation of black money.</li> <li>All political parties would need to file Annual Income Tax Returns.</li> <li>An amendment is being proposed to the Reserve Bank of India Act to enable the issuance of electoral bonds in accordance with a scheme that the Government of India would frame in this regard. Under this scheme, a donor could purchase bonds from authorised banks against cheque and digital payments only. They shall be redeemable only in the designated account of a registered political party.</li> </ul>	<p>This measure will help enhance transparency in line with the tenets of good governance. The demonetisation move was an attack on the stock of black money and your measures on electoral funding will help attack the root cause of corruption in India.</p>
<p><b>Cash transactions limited to Rs. 3 Lakh</b></p>	<p>Another measure to enhance transparency and curb usage of cash. Also a dampener for dabba trading in commodities and a positive policy push for Commodity Derivative exchanges.</p>
<p><b>Commodity Markets</b></p> <ul style="list-style-type: none"> <li>An expert committee to be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market for commodities trading.</li> </ul>	<p>This will give impetus to overall commodity eco-system in the form of improved price discovery, reduction of role of middle-men, etc.</p>
<p><b>Capital Market</b></p> <ul style="list-style-type: none"> <li>Foreign Portfolio Investors (category 1 and 2 of alternative investment funds) would be exempt from indirect transfer provisions. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a</li> </ul>	<p>Positive policy announcement providing tax relief to FPIs; would attract Foreign Portfolio Investors. Listing of more PSUs would increase the depth of the capital market; providing more options to investors. An additional instrument for trading; would help increase the depth of securities market.</p>

<p>result of or arising out of redemption or sale of investment in India which is chargeable to tax in India.</p> <ul style="list-style-type: none"> <li>• India CPSEs like IRCTC, IRFC, IRCON to be listed on the exchanges in a time bound manner. Government will continue to use ETF as a vehicle for further disinvestment of shares. A new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.</li> <li>• Listing and trading of Security Receipts issued by a securitization company or a reconstruction company under the SARFAESI Act would be permitted in SEBI registered stock exchanges.</li> </ul>	
<p><b>Ease of Doing Business (related to corporate laws)</b></p> <ul style="list-style-type: none"> <li>• Abolition of the Foreign Investment Promotion Board (FIPB).</li> <li>• Negotiable Instruments Act to be amended to ensure that holders of dishonoured cheques get their payments.</li> <li>• Last years' budget had announcement to introduce a bill to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts. After extensive stakeholders' consultations, we have decided that the required mechanism would be instituted as part of the Arbitration and Conciliation Act 1996. An amendment Bill will be introduced in this regard.</li> </ul>	<p><b>Another step in liberalisation of Foreign Investment Policy. 90% of FDI is already under automatic route, leading to hassle-free and faster foreign inflows.</b></p> <p><b>Further thrust on payments to be made through banking channels.</b></p> <p><b>Better enforcement and faster resolution of disputes in infrastructure sector.</b></p>

## Health Insurance

### Unmet Demands

- ✚ Increase in tax exemption in 80D from Rs.15000 to Rs.20000 to all and to Rs.35000 for tax payee above 50 years of age.
- ✚ Service tax for health insurance to be waived off for senior citizens.
- ✚ Universal Health Insurance scheme -  
  
The Government to make the Universal Health Insurance programme a non-taxable service, so that it acts as an enabler for uninsured population to get immediate access to quality healthcare and increase the health insurance coverage penetration soon.
- ✚ Compulsory health insurance with Aadhar Card / driving License and linked to Electricity Bill payment so that insurance payment defaulting is lesser of a concern.
- ✚ While there are many government run health schemes in few states, they are mostly for BPL population. Suggestion to open it to APL also.
- ✚ To encourage the growth of the health insurance industry, the Government should waive service tax that is chargeable on insurance premiums for both corporate and retail policies. For this, the government should provide a 10 year service tax exemption on health insurance premiums for both corporations and individuals. Alternately, at least the corporates should be allowed to seek an input credit against the service tax paid on group medi-claim policy.
- ✚ Self-funded plan should be treated at par with fully insured health plans and the Perquisite tax at the hands of the employees should be waived off in case of Self-insured plans, as is currently available to fully-insured policyholders.
- ✚ Health Care Financing and Delivery Model for the country to be introduced.
- ✚ Self-funded plan to be treated at par with fully insured health plans.

## Healthcare Sector

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✚ Increase budget share of healthcare sector</li> </ul>	<ul style="list-style-type: none"> <li>Allocation for Ministry of Health and Family Welfare increased from Rs.39,688 crore in 2016-17 to Rs.48,853 crore in 2017-18</li> </ul>	<p>The 23.1% increase in allocation for the health sector will be a major boost for the sector.</p>
	<ul style="list-style-type: none"> <li>The Government has prepared an action plan to eliminate Kala-Azar and Filariasis by 2017, Leprosy by 2018 and Measles by 2020 and Tuberculosis by 2025.</li> <li>Similarly, action plan has been prepared to reduce IMR from 39 in 2014 to 28 by 2019 and MMR from 167 in 2011-13 to 100 by 2018-2020.</li> <li>Mahila Shakti Kendra will be set up at village level with an allocation of Rs.500 crore in 14 lakh ICDS Anganwadi centres. A nationwide scheme for financial assistance to pregnant women has already been announced by Honourable Prime Minister on 31st December, 2016. Under this scheme, Rs.6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children</li> </ul>	<p>This shows that the government is increasing its focus on eradicating diseases under the area of Public Health and is committed to improving the healthcare parameters in the country.</p> <p>Focus on maternal and child health is an important way forward for achieving the sustainable development goals.</p>
	<ul style="list-style-type: none"> <li>1.5 lakh Health Sub Centres will be transformed into Health and Wellness Centres.</li> </ul>	<p>Focus on wellness will help in the promotion of preventive healthcare. However, this should be done in a PPP mode for better outcomes.</p>
	<ul style="list-style-type: none"> <li>Taxes and duties increased on tobacco and tobacco products including cigarettes, gutka, bidis etc</li> </ul>	<p>This move will help in prevention of respiratory and non-communicable diseases that is a major cause of mortalities in the country</p>
	<ul style="list-style-type: none"> <li>Steps will be taken to create additional 5,000 Post</li> </ul>	<p>DNB courses are already being executed by</p>

	<p>Graduate seats per annum.</p> <ul style="list-style-type: none"> <li>In addition, steps will be taken to roll out DNB courses in big District Hospitals; strengthen PG teaching in select ESI and Municipal Corporation Hospitals; and encourage reputed Private Hospitals to start DNB courses.</li> </ul>	<p>private hospitals. However, increase in PG seats and private sector participation in medical education is a welcome step which will help in bridging the gap for specialist doctors in the country. We also need to take similar steps for nurses, paramedics and allied healthcare workers.</p>
	<ul style="list-style-type: none"> <li>Two new All India Institutes of Medical Sciences (AIIMS) will be set up in the States of Jharkhand and Gujarat</li> </ul>	<p>This is a good step. However, execution is the key and AIIMS that have been established earlier need to be made fully functional. The shortage of human resources in healthcare in the country also needs to be addressed.</p>
	<ul style="list-style-type: none"> <li>For senior citizens, Aadhar Based Smart Cards containing their health details will be introduced. A beginning will be made through a pilot in 15 districts during 2017-18</li> <li>Hospitals to have facilities for digital payments, including BHIM App</li> </ul>	<p>This will not only enable our country to provide more care to the geriatric population but also help in promoting digital health and Electronic Health Record (EHR) in the country. Similar steps need to be taken for the rest of the population in near future.</p> <p>Cashless and digital transactions will bring in more transparency in the system.</p>
	<ul style="list-style-type: none"> <li>Under the BharatNet Project, OFC has been laid in 1,55,000 kms. Allocation for BharatNet Project has been increased to Rs.10,000 crore in 2017-18. By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, with Wi-Fi hot spots and access to digital services at low tariffs. A DigiGaon initiative will be launched to provide tele-medicine, education and skills through digital technology.</li> </ul>	<p>Initiatives such as promoting telemedicine through Bharat Net – the fibre optic backbone, will ensure that most gram panchayats in the country can have access to quality healthcare through second opinion services.</p>
<p><b>Unmet Demand</b></p>		

While the government has focused a lot on public health issues, not much has been done for private sector investment in healthcare including PPP, even though private sector provides nearly 80% of outpatient and 60% of inpatient care in the country. The following measures are necessary for further penetration into tier-II and tier-III cities:

- ✦ **Raise the Tax exemption on Preventive Health check-up from the current Rs.5,000 per person to a maximum of Rs.20,000 under section 80-D of Income Tax Act 1961.** With the huge impact on NCDs (Non-communicable diseases) on the Indian population it is absolutely imperative to increase the focus on prevention and preventive healthcare.
- ✦ **Provide Long-term financing:** Healthcare was included in the harmonized master list of Infrastructure sub sectors by the RBI in 2012. This includes hospitals, diagnostics and paramedical facilities. Also, IRDA has included healthcare facilities under the social infrastructure in the expanded definition of 'infrastructure facility'. In spite of this, long term financing options are still not available for healthcare providers. This is hampering the expansion of healthcare providers in the country.

There is also a need to lower the rate of interest on loans from the banks.

- ✦ **Reduction in Input Service Tax:** Clinical Establishments are indirectly being subject to levy of service tax for use of various services which in fact increase the cost of treatment of medical services. Scope of healthcare support services should be expanded to include pathological services, dermatology, infrastructure and logistics support, in order to reduce the input tax.
- ✦ **Restoration of Weighted Deduction under Section 35AD:** Currently, a 150% weighted deduction under section 35AD of the Act in respect to the capital expenditure (other than land/ goodwill/ financial instrument) is available to a taxpayer engaged in building and operating a hospital with at least hundred beds which has commenced its operations on or after April 1, 2012. However, with effect from April 1, 2017, deduction under section 35AD of the Act is restricted to 100% of the expenditure only. It is recommended that the weighted deduction available to a taxpayer engaged in building and operating a hospital be restored to help reduce the cost of burden on the patient.

#### ✦ **Tax Incentives**

- (i) Extend the benefit of deduction under Section 35AD of the Act to a 50 bedded specialty center which is focused on treatment of Non-communicable diseases (NCDs).
- (ii) The healthcare business requires making continuous investments to upgrade existing capabilities. It is imperative to provide for a tax incentive in terms of substantial expansion to upgrade existing capabilities in an existing hospital. It is recommended that the deduction under section 35AD of the Act may be extended to provide benefits to hospitals incurring substantial expansion.

#### ✦ **Tax Incentives for Specified Activities**

- (i) Digitization - To boost the 'Digital India' initiative of the government, financial incentives/grants should be provided to institutions that are willing to move towards maintenance of Electronic Health Records (EHR) and Health IT Systems. 250% deduction on

investment made for the implementation of EHR should be extended.

(ii) Accreditation - To incentivise hospitals and diagnostic laboratories to undergo accreditation, there should be 100% deduction on approved expenditure incurred for securing accreditation from National Accreditation Board for Hospitals and Healthcare Providers (NABH) and National Accreditation Board for Testing and Calibration of Laboratories (NABL) respectively.

(iii) Remote care - 250% deduction for approved expenditure incurred on operating technology enabled healthcare services like telemedicine, remote radiology etc. should be allowed for improving accessibility, affordability & quality healthcare in remote areas.

## Homeland Security

Budget Expectations	Budget Announcements	Implications
<p>⬇ Lower Countervailing Duty (CVD)/ Excise duties as well as lower Service Charge of 'Electronic Security Equipment' and finally resulting in their being included in the lower-most slabs of GST.</p>	Not Addressed	<p>Electronic Security Equipment are 'Life Safety' products and services, whose usage needs to be widely encouraged.</p>
<p>⬇ The Depreciation rates of 'Electronic Security Equipment' (such as Burglar &amp; Fire Alarms, CCTV Cameras &amp; Recorders, Identification and Access Control Systems, Vehicle Tracking Systems, along with associated hardware and software etc.) should be covered at par with Computer Equipment and Software.</p>	Not Addressed	<p>This will <i>discourage</i> organisations to modernise their security infrastructure in line with the changing requirements.</p>
<p>⬇ There should be same rules applicable for public procurement of goods and services for internal security from Private as well as Government entities/ PSUs. For instance, Govt. organisations do POC and establish the requirements through private companies. However, when it comes to awarding the contract, Government/ Academic organisations are awarded the project on nomination basis. As in the current framework/policy, it is easy to award contract between Government to Government or Government to Academia.</p>	Not Addressed	<p>This will discourage private sector to offer products and solutions which could meet the modernisation and advancement of various internal security and state police forces.</p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>⬇ Lower CVD/ Excise duties as well as lower most slabs in GST for 'Electronic Security Equipment' manufacturers</li> <li>⬇ The Depreciation rates of 'Electronic Security Equipment' should be covered at par with Computer Equipment and Software.</li> <li>⬇ Same rules/ policies for public procurement of goods and services for internal security from Private as well as Government / PSUs</li> </ul>		



## Information Technology and Telecommunication (IT & Telecom)

Budget Expectations	Budget Announcements	Implications
<p>✦ <b>Digital Infrastructure</b> The Government is making a strong push for a less cash and digital transaction-based economy which would lead to a digital remonetisation process.</p> <p>✦ A digital infrastructure, aided by appropriate policies and tax regime, regulations, as well as the ecosystem for digital transactions, is an essential part of this new policy move.</p>	<ul style="list-style-type: none"> <li>• By the end of 2017-18, high speed broadband connectivity on optical fibre will be available in more than 1,50,000 gram panchayats, under BharatNet.</li> <li>• Announcements to promote Digital Economy               <ul style="list-style-type: none"> <li>○ A <b>DigiGaon initiative</b> to provide tele-medicine, education and skills through digital technology</li> <li>○ <b>Digital Inclusion fund</b>, to promote the digital economy of India.</li> <li>○ Web based interactive <b>Pension Disbursement System</b> for Defence Pensioners</li> <li>○ For senior citizens, <b>Aadhar based Smart Cards</b> containing their health details</li> <li>○ SMS based <b>Clean My Coach Service</b></li> <li>○ 10 lakh new <b>POS terminals</b> by March 2017 and encouraged to introduce 20 lakh Aadhar based POS by September 2017</li> <li>○ A <b>Centralised Defence Travel System</b></li> <li>○ <b>IT system for GST</b></li> </ul> </li> </ul>	<p>Improved digital infrastructure with <b>Digital Economy</b> will promote accountable, transparent society. Improved governance and public services/facilities.</p> <p><b>BharatNet Project</b>, will allow access to digital services/ wifi hotspots at a low tariff.</p> <p>The Mission will target 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards. Digital payments will get a boost through this focus.</p>

	<ul style="list-style-type: none"> <li>○ New schemes to promote <b>BHIM digital payment app</b></li> </ul>	
<p>✚ Lack of an independent body to settle disputes resulting in expensive and lengthy litigation for large IT companies. It is expected that constitution of an independent arbitration committee will discourage litigation and incentivize settlements over dispute and this panel may also arbitrate on matters that span different Ministries or departments</p>	<ul style="list-style-type: none"> <li>• Over the years, the number of tribunals has multiplied with overlapping functions. It is proposed to rationalise the number of tribunals and merge tribunals wherever appropriate</li> <li>• Cyber security is critical for safeguarding the integrity and stability of our financial sector. For the same, a Computer Emergency Response team for our Financial Sector (CERT-Fin) will be established. It will work in close coordination with all financial sector regulators and other stakeholders.</li> </ul>	<p>The clear roadmap and new tribunals would provide clarity on the matter. And, it will help in building a smooth mechanism to streamline dispute resolutions.</p>
<p>✚ The Modified Special Incentive Package Scheme (M-SIPS) policy incentivises for companies manufacturing domestically by providing 20-25% subsidy on capital expenditure. However, approvals under the scheme have been on hold for the last couple of months. More clarity and extension of such incentive would be necessary.</p>	<ul style="list-style-type: none"> <li>• For creating an eco-system to make India a global hub for electronics manufacturing a provision of Rs.745 crore in 2017-18 made in incentive schemes like M-SIPS and EDF.</li> </ul>	<p>New provisions and incentive schemes will provide a boost in telecom equipment manufacturing in India.</p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>• <b>Amortisation of spectrum fees</b></li> </ul> <p>Under section 35ABB of the Act, amortisation of license fee in case of telecommunication service is provided. In order to provide clarity and avoid any future litigation and controversy, it is proposed to insert a new section 35ABA in the Act to provide for the tax treatment of spectrum fee.</p> <p>Further clause 16 of the Bill seeks to insert a new section 35ABA in the Income-tax Act relating to expenditure for obtaining the right to use the spectrum for telecommunication services. The proposed section seeks to provide that any capital expenditure incurred and</p>		

actually paid by an assessee on the acquisition of any right to use spectrum for telecommunication services shall be allowed as a deduction in equal instalments over the period starting from the year in which such payment has been made and ending in the year in which the useful life of spectrum comes to an end.

- **Equalisation Levy**

The imposition of an equalisation levy on cross-border online services such as advertising adds to the tax burden of Indian entities and will particularly harm India's fledgeling start-up and SME sector by raising the cost of doing business within the country. This would affect India's ambition of becoming a global start-up hub. Since the digital economy is increasingly becoming the economy itself, it is difficult, if not impossible, to separate the digital economy from the rest of the economy for tax purposes, and it is expected that the Government can avoid/reduce this levy as this may lead to an unfavorable environment for foreign investments into India.

## Insurance Sector

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>Enhance threshold limit for TDS on Insurance Commission.</li> </ul>	<ul style="list-style-type: none"> <li>Exemption to individual insurance agents from the requirement of TDS subject to their filing a self-declaration that their income is below taxable limit.</li> <li>As on today, a TDS of 5% is being deducted from commission payable even if the income of some of them may be below taxable limit.</li> </ul>	<p>Distribution plays a very important role for increasing insurance penetration. Tax benefits extended to Insurance agents, who play an important role in distribution, would attract more people to join this profession. This in turn would help in enhancing the reach of insurance in India.</p>
<b>Pension Sector</b>		
<ul style="list-style-type: none"> <li>More steps to make NPS attractive to the masses</li> </ul>	<ul style="list-style-type: none"> <li>The self-employed individuals shall be eligible for deduction up to 20% of the gross total income in respect of contribution made to National Pension System Trust.</li> </ul>	<p>This will help in increasing the popularity of the scheme which is critical for the success of NPS in India.</p>
<ul style="list-style-type: none"> <li>Enhanced Tax Sops for NPS</li> </ul>	<ul style="list-style-type: none"> <li>In order to provide further relief to an employee subscriber of NPS, it is proposed to amend the section 10 (12A) so as to provide exemption to partial withdrawal not exceeding 25% of the contribution made by an employee in accordance with the terms and conditions specified under Pension Fund Regulatory and</li> </ul>	<p>This step will also help enhance the attractiveness of NPS.</p>

	Development Authority Act, 2013 and regulations made there under. Current provision provides that payment from National Pension System (NPS) trust to an employee on closure of his account or opting out shall be exempt up to 40% of total amount payable to him.	
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## Medical Devices and Medical Equipment

Budget Expectations	Budget Announcements	Implications
	<ul style="list-style-type: none"> <li>• New rules will be formulated for medical devices, which will help in reducing costs of such devices. 'These rules will be internationally harmonized and attract investment into this (medical devices) sector'</li> </ul>	<p><b>Medical Device price control should not discourage investment and expenditure in R&amp;D, which is a critical element of this sector. Globally there is distinct difference between the Rules which govern safety and efficacy of medical devices in market use and the mechanism followed for affordable access of medical devices which are based on reimbursements. A capping on Medical Device pricing without procedure cost mechanism is not likely to increase affordability of medical devices in India.</b></p> <p><b>A Rule based price control, if executed, could be detrimental to aspirations of Make in India.</b></p>
<b>Unmet Demand</b>		
<p><b>✚ Customs Duty on Finished Products</b></p> <ul style="list-style-type: none"> <li>○ Customs Duty on import of finished products should be prescribed at a very low level while nil customs duty should be specified for the import of raw materials / parts / sub-assemblies required for ultimate local manufacturing of instruments / devices and consumables.</li> </ul>		
<p><b>✚ Custom duty on Spare parts</b></p> <ul style="list-style-type: none"> <li>○ Currently the rate of customs duty on most of the spare parts of medical equipment is higher than the duty rate on equipment. While the basic duty rate on equipment is 7.5%, the basic rate of duty on spare parts is 10%. The compounded duty rate difference is almost above 10%. Since spare parts are used to run the equipment it should be treated like equipment only. The exemption may also be extended to parts, accessories, consumables or assembly components, whether required for manufacturing or to be assembled at site of use. This will remove classification disputes and allow the industry to get the desired exemption.</li> </ul>		
<p><b>✚ Lack of Demand Stimulation</b></p> <ul style="list-style-type: none"> <li>○ Announcement on allocating a higher spend on public health is missing in the budget</li> <li>○ Announcement of roll out of the much awaited PM's health scheme offering 1L coverage to every household is still awaited.</li> </ul>		

- With a very sub optimal per capita spend on Medical Devices (we spend US\$ 3, as compared to Brazil's US\$ 28, Russia's US\$ 43 and China's US\$ 178 per capita on med tech – the realistic market size is small in global comparison.

✚ Rationalise Inverted Duty: Rationalise duty on import of inputs used in medical device and medical equipment manufacturing to ease manufacturing costs in India and give a boost to manufacturing.

✚ **Reconsideration of Duty Hikes on medical devices and equipment's (Special cases):**

- a. Reduce Import duty of LINACs from 18.94% to 11.64%
- b. Reduce Import duty on Magnetic Resonance Imaging (MRI) from 18.94% to 11.64%
- ✚ Reduce Customs duty on specified medical devices from 18.94% to 12.04%

## Micro Small and Medium Enterprise (MSME)

Budget Expectations	Budget Announcements	Implications
<p><b>DIRECT TAXES:</b></p> <ul style="list-style-type: none"> <li>✦ Income Tax Benefit on Capital Investment</li> <li>✦ Accumulated CENVAT Credit of Supplies on Deemed Export Basis</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Corporate Tax:</b> MSMEs with annual turnover upto Rs.50 crore will have to pay only 25% tax as against 30% tax</li> <li>• <b>Presumptive Tax:</b> Presumptive taxation criteria for small businesses having turnover upto Rs.2 crore has been reduced to 6% from 8%</li> </ul>	<p><b>MSME will immensely benefit from the announcement of reduced corporate tax which will certainly reduce the tax burden and as well as ease the demonetization effect on MSMEs.</b></p> <p><b>Moreover, MSMEs having turnover upto Rs.2 crore can save upto 40% on their tax liability which is good news for millions of small businesses across the country.</b></p>
	<ul style="list-style-type: none"> <li>• <b>Increase in the lending target of Mudra Scheme:</b> Doubled the lending target of Pradhan Mantri Mudra Yojana and has set up the lending target at Rs 2.44 lakh crore for 2017-18.</li> <li>• Encouraged SIDBI to focus more on non-collateral funding</li> </ul>	<p><b>The move will benefit millions of micro &amp; small business aspirants as well as support several other entrepreneurs to reap the benefits of the Scheme as the leading target set for the previous year had already been achieved which would lead to further job creation &amp; growth.</b></p>
<b>Unmet Demand</b>		
<p><b>INDIRECT TAXES: (Till implementation of GST).</b> Issues relating to the following points have not been addressed.</p> <ul style="list-style-type: none"> <li>✦ Increase in exemption limit for levy of service tax</li> <li>✦ Rate of Central Sales Tax</li> <li>✦ Single Excise Registration for a Unit having multiple manufacturing units</li> <li>✦ Service Tax for Rentals on Immovable Property for Units in MSME Sector</li> <li>✦ Date of Payment of Service Tax</li> <li>✦ Payment of Service Tax by MSMEs on Realization of Proceeds</li> </ul>		



## Mines & Metals

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✚ Reduction of Custom Duty on Natural Gas from current 5%</li> </ul>	<ul style="list-style-type: none"> <li>• Basic Customs Duty on Liquefied Natural Gas is reduced from 5% to 2.5%</li> </ul>	<p>The reduction of basic customs duty on LNG would help increase the availability of natural gas to gas based steel plants and would reduce input cost.</p>
<ul style="list-style-type: none"> <li>✚ Reduction in customs duty on coking coal to NIL from current 2.5%</li> </ul>	Not Addressed	<p>The Import Duty on Coking Coal @ 2.5% was imposed in 2014. The Clean Environment Cess was increased from Rs. 200 to Rs. 400 per MT in 2016 which equates to approx. 7.5% import duty on Coking Coal. The total effective import duty on Coking Coal is now approx. 10%, whereas it is 5% on imported Coke, which is the finished product manufactured from Coking Coal. Approximately, 1.5 MT of Coking Coal is used to make 1 MT of Coke.</p>
<ul style="list-style-type: none"> <li>✚ Reduction of basic custom duty on metallurgical Coke to NIL from current 5%</li> </ul>	Not Addressed	<p>The continuation of customs duty at 5% could increase the imports of metallurgical coke making it dependent on overseas market for imports at higher price.</p>
<ul style="list-style-type: none"> <li>✚ Increasing Peak Duty Rates of Stainless Steel Flat Products from 15% to 25%</li> </ul>	Not Addressed	<p>Rising imports could impact the domestic industry.</p>
<ul style="list-style-type: none"> <li>✚ Increasing Customs Duty on Stainless Steel Products to 15% from current 7.5%</li> </ul>	Not Addressed	<p>The imports of stainless steel products could continue to rise and occupy higher share in the domestic market.</p>
<ul style="list-style-type: none"> <li>✚ Increase in Customs Duty on Copper Products from 5% to 7.5%</li> </ul>	Not Addressed	<p>The imports could continue to rise from FTA countries impacting existing excess capacity.</p>
<ul style="list-style-type: none"> <li>✚ Basic Customs Duty on primary Aluminium (HS 7601) and downstream Aluminium Products (HS 7603-7616) should be increased from 7.5/10% to 15%</li> </ul>	Not Addressed	<p>The imports of aluminium products could continue to rise which could lead to low capacity utilization.</p>

## Oil & Gas Sector

Budget Expectations	Budget Announcements	Implications
	<ul style="list-style-type: none"> <li>Integration of public sector oil companies to create a behemoth which can compete internationally.</li> </ul>	This will enable India to have a company that can match in size with some of the global majors, drive efficiencies, improve technical capabilities and increase our capacity to make larger investments for acquiring oil and gas assets
	<ul style="list-style-type: none"> <li>Proposed to set up strategic crude oil reserves at 2 more locations, namely, Chandikhole in Odisha and Bikaner in Rajasthan.</li> </ul>	This will strengthen the Energy Sector thereby securing the country's energy needs and take India's strategic reserve capacity to 15.33 million tonnes.
	<ul style="list-style-type: none"> <li>Customs duty on liquefied natural gas (LNG) has been reduced to 2.5% from 5%.</li> </ul>	LNG will replace polluting fuels like FO and Naphtha thus helping to reduce the carbon footprint of the economy
⬇ Exemption of service tax on Oil & Gas Exploration	No announcement	International majors will refrain from making large investments for exploration in the country.
⬇ Rationalise cess on Crude Oil	No announcement	The sharp rally in oil prices over the past couple of months has seen the price of the fuel rise to US\$55-60 a barrel. At these levels, the 20% cess translates into excess burden to the Oil producers.
⬇ Removal of service tax on Cash Calls	No announcement	Industry continues to feel anxious about paying service tax on cash calls to the operators.
⬇ Inclusion of petroleum products and natural gas under GST ambit	No announcement	Adverse impact on the government's mission to increase the PNG penetration to 1 crore households and increase the share of gas in primary energy to 15%.

## Pharmaceutical Industry

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Budget Announcements	Implications
<ul style="list-style-type: none"><li>Amendment in D&amp;C Rules to ensure affordable drugs and promote generic medicines</li></ul>	<b>Amendment in D&amp;C Rules is already in progress and will help in the area of Clinical Research and Export of Pharmaceuticals.</b>
<ul style="list-style-type: none"><li>Opening of 1.5 Lakh Health Care Centres</li></ul>	<b>This will boost the Healthcare in rural areas.</b>
<ul style="list-style-type: none"><li>Action plan for Eradication of disease like Kala Azar, Leprosy, TB &amp; Measles</li></ul>	<b>Eradication of disease like Kala Azar, Leprosy, TB &amp; Measles in a phased manner is a welcome step.</b>
<ul style="list-style-type: none"><li>Opening of 2 new AIIMS in Jharkhand &amp; Gujarat</li></ul>	<b>Opening of AIIMS in Jharkhand &amp; Gujarat is a welcome step.</b>
<ul style="list-style-type: none"><li>New rules for regulating medical devices will also be formulated to attract investments.</li></ul>	<b>Fresh rules involving Medical devices shall encourage the indigenous manufacturing of the same.</b>

## Real Estate Sector

Budget Expectations	Budget Announcements	Implications
<p>✚ Infrastructure Status for Affordable Housing</p>	<ul style="list-style-type: none"> <li>In-order to accomplish the mission for Housing for All by 2022, Affordable Housing has been given infrastructure status</li> <li>Under PMAY (Pradhan Mantri Awaas Yojana – Gramin) FM has allocated Rs. 23,000 crore for building 1 crore houses for poor living in Kutcha houses by 2019.</li> </ul>	<p><b>It will facilitate higher investment in affordable housing</b>  <b>It will reduce the cost of borrowings of a real estate developer and will attract investments.</b>  <b>Increase in fund allocation will attract long term investments and will help in achieving the mission.</b></p>
<p>✚ Taxability of unsold flats in the hands of real estate developers</p>	<ul style="list-style-type: none"> <li>For constructed buildings which are stock-in-trade and are unoccupied, will be subject to tax on notional rental income only after one year of the end of the year in which completion certificate is received by developer.</li> </ul>	<p><b>This will provide breathing time to real estate developers in-order to liquidate their inventory.</b></p>
<p>✚ Change of area statement from built-up to carpet for profit-linked income tax exemption for promoters of affordable housing schemes</p>	<ul style="list-style-type: none"> <li>Under the scheme for profit-linked income tax deduction for promotion of affordable housing, carpet area instead of built up area of 30 and 60 Sq.mtr. will be counted.</li> <li>The 30 Sq.mtr. limit will apply only in case of municipal limits of 4 metropolitan cities while for the rest of the country including in the peripheral areas of metros, limit of 60 Sq.mtr. will apply</li> <li>This scheme is extended to the period of 5 years from 3 years.</li> </ul>	<p><b>Change of area statement is a good move in favour of consumers and will boost the affordable housing scheme.</b></p> <p><b>Extension of period will boost the confidence of the real estate developers.</b></p>
<p>✚ Alteration in mode of computation of Long Term Capital Gain Tax (LTCG)</p>	<ul style="list-style-type: none"> <li>The holding period for considering LTCG Tax from immovable property have been reduced from 3 to 2 years.</li> <li>Also, the base year for indexation is proposed to be shifted from 1.4.1981 to 1.4.2001 for all classes of assets including immovable property.</li> </ul>	<p><b>This move will significantly reduce the capital gain tax liability while encouraging the mobility of assets.</b></p>

	<ul style="list-style-type: none"> <li>For Joint Development Agreement signed for development of property, the liability to pay capital gain tax will arise in the year the project is completed.</li> <li>It plans to extend the basket of financial instruments in which the capital gains can be invested without payment of tax.</li> </ul>	<p><b>Joint Development Agreement is a welcome move and will bring more clarity to the existing provision.</b></p> <p><b>Introduction of new financial instruments will bring more choices for the investors.</b></p>
<ul style="list-style-type: none"> <li>Reducing the lending rates for Housing Loans</li> </ul>	<ul style="list-style-type: none"> <li>The National Housing Bank will refinance individual housing loans of about Rs. 20,000 crore in 2017-18.</li> <li>Interest subvention for housing loans has already been announced.</li> </ul>	<p><b>This will further reduce banks' lending rates for housing loans and hence will boost the demand for housing. This is a good step for reviving the real estate sector.</b></p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>Industry status for Real Estate</li> <li>Deduction of interest paid on borrowed capital from Rs.2,00,000 to Rs.3,00,000</li> <li>Raise the limit for deduction of principal payment</li> <li>Reduction in Effective Corporate Tax Rate/ MAT (Minimum Alternate Tax)</li> <li>Revival of Section 80IB (10)</li> </ul>		

## Renewable Energy

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✦ Launch of incentive schemes to promote domestic manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>The BCD on Solar tempered glass for use in the manufacture of solar cells/panels/modules has been exempted.</li> <li>CVD for parts/raw materials for use in the manufacture of solar tempered glass for use in solar photovoltaic cells/modules, solar power generating equipment or systems, flat plate solar collector, solar photovoltaic module and panel for water pumping and other applications, subject to actual user condition has been reduced from 12.5% to 6%</li> </ul>	<p>Reduction in Customs Duty on inputs and raw materials will help in reducing costs and the changes in CV duty will address the problem of duty inversions in certain sectors in India and will help in boosting domestic manufacturing in solar energy sector.</p>
	<ul style="list-style-type: none"> <li>In solar energy, for the second phase of Solar Park development for additional 20,000 MW capacity is proposed.</li> </ul>	<p>This will enable the achievement of 100 GW solar target by 2022, overall increased solar capacity addition in the country</p>
	<ul style="list-style-type: none"> <li>It is proposed to feed about 7,000 railway stations with solar power in the medium term. A beginning has already been made in 300 stations. Works will be taken up for 2,000 railway stations as part of 1000 MW solar mission.</li> </ul>	<p>Promoting Renewable Energy in Mass transport Systems, will result in lot of energy reductions and cost savings in the long run.</p>
	<ul style="list-style-type: none"> <li>Allocation for incentive schemes like M-SIPS and EDF has been raised to Rs. 745 crore in 2017-18</li> </ul>	<p>Enable the creation of an eco-system to make India a global hub for electronics manufacturing. This could benefit solar cell</p>

Budget Expectations	Budget Announcements	Implications
		and module manufacturers.
	<ul style="list-style-type: none"> <li>• A Concessional Withholding rate of 5% is being charged on interest earned by foreign entities in ECBs also on the bonds in Government Security, This concession earlier available till June 30, 2017 has been extended to June 30, 2020 and includes Rupee Denominated Masala Bonds.</li> </ul>	<p>This will incentivize low cost long-term foreign borrowings by Indian companies and in case of Masala Bonds it will incentivize growth of domestic debt capital markets, in turn potentially benefiting green bonds as well.</p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>✚ Extension of Tax Holiday for another 10 years</li> <li>✚ 80% Accelerated Depreciation (AD) benefit to be reinstated</li> <li>✚ Incentives to promote domestic solar manufacturing by reforms in policies and inclusion of initiatives like Technology Up-Gradation Fund available in the textile sector to solar sector as well</li> <li>✚ Clarity on the SEZ units under the GST regime</li> <li>✚ Allocation of funds for a separate green line of credit for Wind Turbine exports as the lines of credit already provided by EXIM bank is not sufficient</li> <li>✚ Increasing subsidy for rooftop solar installations and concessional interest rates of 4-5% for individuals installing rooftop solar plants</li> <li>✚ Reinstating of Generation Based Incentives (GBI) for Wind Sector</li> <li>✚ Interest Subvention for OEMs of Wind sector</li> <li>✚ Continuation of 80 IA Benefit</li> </ul>		

## Retail & Internal Trade

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✚ Simplification of the laws related to labour operations</li> </ul>	<ul style="list-style-type: none"> <li>• The Government to amend, simplify labour laws</li> </ul>	<p>Simplification of labour laws will encourage businesses.</p>
<ul style="list-style-type: none"> <li>✚ Taking perishables out from the purview of APMC</li> </ul>	<ul style="list-style-type: none"> <li>• Market reforms to be undertaken, states to be asked to denotify perishables from APMC</li> </ul>	<p>Enhance ease of doing business for food retailers. States should be approached now for which strong advocacy is required.</p>
<ul style="list-style-type: none"> <li>✚ Shops and Establishment Bill</li> </ul>	<ul style="list-style-type: none"> <li>• Model Shops and Establishment Bill to open up additional opportunities for employment of women</li> </ul>	<p>The bill could open up additional opportunities for employment of women, 24X7 opening hours of the stores, easier shift policies and ease of online registration.</p> <p>There is a need to develop the traction with state governments on model shops and establishment act.</p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>✚ Creation of Retail and Entertainment Zones.</li> <li>✚ Transfer Pricing Issues - Issues faced by the industry commonly relate to annual marketing, franchisee fees, advertising and sales promotion spend, royalty payments and the tolerance band for computation of arm's length price.</li> <li>✚ Employment Incentives - The retail sector is expected to offer huge employment opportunities but would be required to incur massive employment related costs. The Budget should have provided stimulus in the form of weighted deduction for employment costs incurred.</li> </ul>		



## Skill Development

Budget Expectations	Budget Announcements	Implications
<p>✦ Enhance funding flow in skill development programmes. Present financial allocation is not enough to achieve skill targets keeping common cost norms in consideration and its huge operational challenge of reconciling delivery at scale with quality provision.</p>	<ul style="list-style-type: none"> <li>• Skill Acquisition &amp; Knowledge Awareness Program called SANKALP with outlay of Rs. 4000 crore will be introduced to provide market training to 3.5 crore youths.</li> </ul>	<p>Fusion of fund through new scheme is laudable and encouraged. However finer details of the scheme is awaited to ascertain the scope of this scheme.</p> <p>The budget is very positive and we welcome it, however government should also look at creating a roadmap for students passing out from college every year with a GER of 25%.</p>
	<ul style="list-style-type: none"> <li>• Skill India Mission will be extended. Outreach of Pradhan Mantri Kaushal Kendra (PMKK) to be increased from present 60 centres to all 606 districts in the country</li> </ul>	<p>Encouraging move. Considering the limited focus on quality and standards adopted in various VET institutions, setting up PMKK centre in each administrative centre of country will set quality benchmark for rest of the centres in the district.</p> <p>We are also hopeful that budget allocation for infrastructure sector would create more jobs for youth.</p>
	<ul style="list-style-type: none"> <li>• 100 India International Skill Development centres would be set up across the country.</li> </ul>	<p>Encouraging move. Through this initiative, government intends to create a cadre of highly skilled individuals who are recognized and respected in different parts of the world. These centres are envisaged to provide complete training and certification programme to youth intending to migrate overseas for work.</p>
<b>Unmet Demand</b>		

- ✚ Add academic institutions in the target group definition in the Ministry of Finance notification released on 27.12.2013 regarding NSQF. This will lead competency based skilling and blur the differentiating lines between skill and education in India. This will impact Academic Institutions (Schools/Colleges/Boards etc) to comply with NSQF to eligible to receive government fund.
- ✚ Expenditure borne by the institutes to establish training facility required for Apprenticeship Training should be considered for weighted tax deduction of 150% as allowed for other skill development initiatives under section 35CCD of Income Tax Act.
- ✚ The reward money under Recognition of Prior Learning under Pradhan Mantri Kaushal Vikas Yojna should be increased from present Rs. 3000 to Rs. 8000 per job role. This will create massive pool factor for certifying the existing workforce largely in unorganized sector.
- ✚ There has been huge delay in payment by center to state Governments, leading to cash crunch under various training programme supported under SDI courses under MSDE. This delay of access to funds is detrimental to private sector players who do not have cash flows to absorb the delays in training reimbursements.

## Sports and Youth Affairs

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✦ Budget Allocation for Sports and associated activities should be increased</li> </ul>	<ul style="list-style-type: none"> <li>• Increased from Rs. 1608.10 crore in 2016-17 vs Rs. 1943.21 crore. in 2017-18</li> </ul>	<p><b>Increased allocation of around 20% is positive</b></p>
<ul style="list-style-type: none"> <li>✦ Mass Participation Program Budget Increment</li> </ul>	<ul style="list-style-type: none"> <li>• Khelo India budget increased from Rs. 118.10 cr. in 2016-17 vs Rs. 350 cr. in 2017-18</li> </ul>	<p><b>Increased allocation is positive for the sector.</b></p>
<ul style="list-style-type: none"> <li>✦ Winter Sports Development</li> </ul>	<ul style="list-style-type: none"> <li>• Himalayan Region Sports Festival Scheme has been allocated an amount of Rs. 15 crore for 2017-18</li> </ul>	<p><b>Separate allocation of Rs.15 crore is a positive move</b></p>
<ul style="list-style-type: none"> <li>✦ Encouragement of Para sports persons</li> </ul>	<ul style="list-style-type: none"> <li>• Allocation for Para Sports Person has been reduced from Rs. 4 crore in 2016-17 to Rs. 10 lakh in 2017-18.</li> </ul>	<p><b>This is negative</b></p>
<b>Unmet Demand</b>		
<ul style="list-style-type: none"> <li>✦ No Separate budget for :               <ul style="list-style-type: none"> <li>○ Training for Olympic Games Preparation.</li> <li>○ Sports infrastructure development</li> <li>○ Sports skills development</li> <li>○ Development of Women and Para Sports</li> </ul> </li> <li>✦ No benefit under Income Tax Act on the lines of Section 80IA for entities investing in construction, management and creation of tangible sports assets such as stadiums, academies, sports science &amp; medicine institutions, playgrounds and the manufacturing of sports, health &amp; fitness equipment &amp; apparel, and intangible assets such as training and capacity building, event management, sports and physical education.</li> </ul>		

## Textiles

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>✚ Release funds for the Remission of State Levies (ROSL) under the recently announced Apparel and Garments package.</li> </ul>	<ul style="list-style-type: none"> <li>• Rs.1500 crore is allocated for the same.</li> </ul>	<p><b>This will make our textiles exports more competitive and help the industry compete in the world market.</b></p>
<ul style="list-style-type: none"> <li>✚ Allocate funds under the Amended Technology Upgradation Fund Scheme (ATUFS) and Scheme for Skill Development</li> </ul>	<ul style="list-style-type: none"> <li>• Rs.2000 crore is allocated for ATUFS and Rs.170 crore for skill development in the sector.</li> </ul>	<p><b>This will make the sector competitive and enhance investments.</b></p>
<b>Unmet Demands</b>		
<ul style="list-style-type: none"> <li>✚ <b>Excise Duty on Man Made Fibres</b> <ul style="list-style-type: none"> <li>○ Excise duty on man-made fibres/yarns should be reduced to 8% from the present duty of 12.5%.</li> <li>○ In case GST is to be made effective, there should be no exemptions and the rate should be common across the Textile Value Chain preferably the lower rate.</li> </ul> </li> <li>✚ <b>Extension of Investment Allowance Deduction u/s 32AC beyond 31st March, 2017</b> <ul style="list-style-type: none"> <li>○ Continuation of this deduction is very much required to support generation of new employment and "Make in India" initiative. Therefore, deduction for investment in new plant and machinery for manufacture or production of an article or thing should be extended for minimum 3 more years.</li> </ul> </li> <li>✚ <b>Removal of Import Duty on Dissolving Grade (DG) Pulp (HS Code 4702.0000)</b> <ul style="list-style-type: none"> <li>○ Viscose Fibre imports from ASEAN attract NIL duty under ASEAN FTA, while pulp has 2.5% duty making it a case of Inverted duty structure. It is therefore recommended that the Import Duty on RGWP be brought down to NIL.</li> </ul> </li> <li>✚ <b>Continuation of Research &amp; Development Deduction u/s 35 (2AB)</b> <ul style="list-style-type: none"> <li>○ Reduction of this deduction from Assessment year 2018-19 to 2020-21 to 150% of actual expenditure and from the assessment year 2021-22 onwards to 100% of actual expenditure will hurt the industry very badly and give the edge to China in the field of exports. This deduction should be restored to 200% for maintaining the sustainability of the Industry.</li> </ul> </li> </ul>		

✚ **Raw Materials for Textiles Customs duty on Catalysts and Chemicals**

- Separate HS codes for Spin Finish Oil and Titanium Dioxide used for the textiles sector and reduction in customs duty to 5%. Reduction in customs duty on VP latex to 5%.

✚ **Job Work for Apparel Exporter**

- It is stated u/s 43A that the approval of commissioner by way of special order and subject to conditions as may be specified by him will be required for job work. It is suggested that the procedural rules relating to job work for exporters should not be applicable as manufacturing of apparel entails different sub processes which are labour intensive and hence spread across various units and the decision of job work is sometimes taken at the last moment when the export shipment is getting delayed
- Goods are permitted to be supplied from the place of business of a job worker provided the principal declares the place of business of job worker as his additional place of business except when such goods may be notified in this behalf. It is suggested that Apparel sector exports should be notified for the purpose of section 43A (1)(b)(ii) which permits removal of goods directly from the place of business of a job worker for the purpose of sale.

## Transport Infrastructure

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>Creation of a Railway Safety Fund</li> </ul>	<ul style="list-style-type: none"> <li>For passenger safety, a Rashtriya Rail Sanraksha Kosh will be created with a corpus of Rs. 1 lakh crore over a period of 5 years</li> </ul>	<p>Rail safety has emerged as a major concern in the recent times. The creation of Railway Safety Fund "Rashtriya Rail Sanraksha Kosh" will support safety upgrades in the operations.</p> <p>The dedicated Safety Fund would be used specifically for works and projects directed at ensuring zero accidents by 2020.</p>
<ul style="list-style-type: none"> <li>Exemption of taxes for import of LNG</li> </ul>	<ul style="list-style-type: none"> <li>Basic customs duty on LNG to be reduced from 5% to 2.5%.</li> </ul>	<p>India's domestic production of natural gas is not enough to cater to the increasing demand and large scale imports are required to augment the supply of natural gas for use in priority sectors. The reduction of customs duty is a step towards promoting gas based economy.</p>
<ul style="list-style-type: none"> <li>Incentives for developing infrastructure at airports</li> </ul>	<ul style="list-style-type: none"> <li>Select airports in Tier 2 cities will be taken up for operation and maintenance in the PPP mode.</li> </ul>	<p>Public Private Partnership (PPP) is an important approach for development of infrastructure in the country. Continuous private participation will be necessary to bridge the investment gap and also to guide the airport sector towards greater commercial sustainability.</p>
	<ul style="list-style-type: none"> <li>A new Metro Rail Policy will be announced with focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software. A new Metro Rail Act will be enacted by rationalising the</li> </ul>	<p>Metro rail is emerging as an important mode of urban transportation. This will facilitate greater private participation, investment in construction &amp; operation and open up new job opportunities for our youth.</p>

	existing laws.	
	<ul style="list-style-type: none"> <li>• Service charge on e-tickets booked through IRCTC has been withdrawn</li> </ul>	The exemption of service tax on tickets booked electronically through the IRCTC website would reduce the cost of such tickets vis-a-vis tickets booked through railway counters and other travel websites. The removal of service tax is a significant initiative to encourage digital platforms, cashless transactions and customer convenience.
	<ul style="list-style-type: none"> <li>• Airport Authority of India Act will be amended to enable effective monetisation of land assets</li> </ul>	Airports Authority of India owns extensive land in and around the airport. Allowing AAI to unlock land will provide them enough resources to fund airport expansion plans in the country. The resources, so raised, will be utilised for airport upgradation and better passenger services.
	<ul style="list-style-type: none"> <li>• Pradhan Mantri Gram Sadak Yojana PMGSY will have an allocation of Rs.27,000 crore</li> </ul>	Pradhan Mantri Gram Sadak Yojana has an objective of providing all-weather road connectivity to rural habitations which are not connected at present. The rise of budgetary allocation is a significant initiative to boost the rural economy enabling employment generation, trade, more efficient supply chains and lower inventory costs.
	<ul style="list-style-type: none"> <li>• 2,000 kms of coastal connectivity roads have been identified for construction and development</li> </ul>	The development of coastal connectivity roads will facilitate better connectivity with ports and remote villages. It is an important step towards development of integrated transportation network in India.
<b>Unmet Demand</b>		

- ✚ Amendment of Section 80-IA regarding upgrading existing infrastructure
- ✚ Abolish MAT on infrastructure companies
- ✚ Restoration of Section 10(23G)
- ✚ Government should facilitate adequate tax reforms which would enable development of maintenance, repair and overhaul MRO infrastructure in India



## Water

Budget Expectations	Budget Announcements	Implications
<p>✦ Plasticulture (viz: the use of plastics in agriculture, horticulture, water-management, food grains storage and related areas) can play an important role in facilitating judicious usage of water. There is need to encourage this sector to enable it to realize its potential and contribute to the national economy.</p>	<ul style="list-style-type: none"> <li>• A Long Term Irrigation Fund has already been set up in NABARD. Honourable Prime Minister has announced an addition of Rs. 20,000 crore to its corpus. This will take the total corpus of this Fund to Rs.40,000 crore.</li> <li>• A dedicated Micro Irrigation Fund will be set up in NABARD to achieve the goal, 'per drop more crop'. The Fund will have an initial corpus of Rs. 5,000 crore.</li> </ul>	<p><b>It is estimated that appropriate application of micro-irrigation technologies can result in water saving up to 50-70%.</b></p>
	<ul style="list-style-type: none"> <li>• During 2017-18, another 5 lakh farm ponds will be taken up.</li> </ul>	<p><b>This single measure will contribute greatly to drought proofing of gram panchayats.</b></p>
	<ul style="list-style-type: none"> <li>• The budget proposes to provide safe drinking water to over 28,000 arsenic and fluoride affected habitations in the next four years. This will be a sub mission of the National Rural Drinking Water Programme (NRDWP).</li> </ul>	<p><b>This will provide access to safe drinking water and reduce the occurrence of arsenic and fluoride related diseases. It will also help in achieving the Sustainable Development Goals for India.</b></p>
<b>Unmet Demand</b>		
<p>✦ The goods / services required for setting up of Sewerage Projects should be exempted from payment of excise duty and Swachh Bharat Cess (with its cascading impact) to reduce the cost of setting up of such projects. This has not been considered.</p>		

### Women Empowerment

Budget Expectations	Budget Announcements	Implications
<ul style="list-style-type: none"> <li>Support Women Entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>Government plans to empower over two and a half lakh SC, ST &amp; women entrepreneurs through Stand-up India initiative. Fourteen different sectors have been identified under the Vanbandhu Kalyan Yojana for the empowerment of tribal people.</li> </ul>	<p>Will allow for better child care.</p> <p>Allocation for women and children will help achieve the goal of poverty alleviation and providing adequate healthcare.</p> <p>Skilling will encourage more women participation in the work force</p> <p>This will help further the growth agenda in the rural areas.</p>
<ul style="list-style-type: none"> <li>Maternity Benefits</li> </ul>	<ul style="list-style-type: none"> <li>Under Maternity Benefit Scheme Rs.6,000 each will be transferred directly to the bank accounts of pregnant women who undergo institutional delivery and vaccinate their children.</li> </ul>	
<ul style="list-style-type: none"> <li>Empowering Rural women</li> </ul>	<ul style="list-style-type: none"> <li>Mahila Shakti Kendra will be set up with an allocation of Rs.500 crore in 14 lakh ICDS Anganwadi Centres. This will provide one stop convergent support services for empowering rural women with opportunities for skill development, employment, digital literacy, health and nutrition</li> </ul>	
<ul style="list-style-type: none"> <li>Skill development for Women</li> </ul>	<ul style="list-style-type: none"> <li>The allocation for women skill development has been hiked to Rs.1.84 lakh crore and the proposal of setting up of 100 India-international skill centre will enhance skill development and create employability avenues for women. Another commendable initiative is the allocation of Rs.500 crore for setting up Mahila Shakti Kendra at village level, which will aim at empowering women.</li> </ul>	
	<ul style="list-style-type: none"> <li>Participation of women in MNRGA has increased to 55%.</li> </ul>	



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