

STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...
To empower the student community...*



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Theme 247

UNION BUDGET 2012 -13: PART II

A monthly publication from South Indian Bank



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Theme No. 247 : **Union Budget – 2012-13: PART -II**

A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. Last month we started our discussion on the background, basic features and proposals of Budget 2012-13. We continue our discussions through this issue.

What are the major proposals for the “Agriculture” sector?

“Agriculture” gets its continued focus through interest subvention. The scheme of additional interest subvention of 3% to provide short term loans to farmers at an effective rate of 4% is to be continued. The target for agricultural credit was raised by Rs. 1,00,000 crore to Rs.5,75,000 crore in 2012-13. Kissan Credit Card (KCC) to be modified as a smart card that can be used in ATMs. A short term RRB credit refinance fund to be set up for enabling RRBs to step up disbursement of short term crop loans to small and marginal farmers. The plan outlay for Department of Agriculture and Co-operation was increased by 18% and the outlay for RKVY (Rashtriya Krishi Vikas Yojana) was increased to Rs.9,217 crore. The budget has also allocated Rs.300 crore to Vidarbha Intensified Irrigation Development Programme under RKVY. The scheme of “Bringing Green Revolution to Eastern India”(BGREI) has helped in increasing production and productivity of paddy and as such the allocation for the same has been increased from Rs.400 crore to Rs. 1000 crore. The Government has also taken steps to create additional food grain storage capacity in the country. A new project with World Bank assistance with an outlay of Rs.2,242 crore is planned to improve productivity in the dairy sector. The budget has also provided Rs.500 crore to coastal aquaculture to improve production of fish.

What are the major missions for the Agricultural sector in the Twelfth plan?

The major missions in the Twelfth plan are

- National Food Security Mission
- National Mission on Sustainable Agriculture including Micro Irrigation
- National Mission on Oilseeds and Oil Palm.
- National Mission on Agricultural Extension and Technology.
- National Horticultural Mission
- National Mission for Protein Supplement.

The budget also envisages a new centrally sponsored scheme “National Mission on Food Processing” that is to be started in 2012-13, in consultation with State Governments. The

Parliamentary Standing Committee is reviewing the National Food Security Bill 2011. The national information utility for computerisation of Public Distribution System will become operational by December 2012.

What are the recommendations for the implementation of the irrigation projects?

- A flood management project approved by Ganga Flood Control Commission to be set up at a cost of Rs.439 crore for Kandi sub-division of Murshidabad district.
- A new “Irrigation and Water Resource Finance Company” to mobilise large resources to fund irrigation projects.
- Structural changes to “Accelerated Irrigation Benefit Programme” (AIBP) to maximise flow of benefit from investments in irrigation projects. The allocation for AIBP has been increased by 13% to Rs.14,242 crore.

What are the budget proposals on rural development?

- Allocation under RIDF (Rural Infrastructure Development Fund) enhanced to Rs.20,000 crore of which Rs.5,000 crore earmarked exclusively for creating warehousing facilities.
- The project allocation for rural drinking water and sanitation increased from Rs.11,000 crore to Rs.14,000 crore.
- PMGSY allocation increased by 20% to Rs.24,000 crore.
- Strengthening of panchayats through Rajiv Gandhi Panchayat Sashaktikaran Abhiyan.
- The scheme of “Backward Regions Grant Fund” to continue in the Twelfth Plan with an enhanced allocation by 22% to Rs.12,040 crore.
- The programme to address maternal and child malnutrition is to be rolled out during 2012-13 in 200 high burden districts.
- Allocation of Rs.3,915 crore made for National Rural Livelihood Mission.
- Increased allocation to ICDS (Integrated Child Development Service) of Rs.15,850 crore.
- Allocation of Rs.11,937 crore for the national programme for Mid day meals in schools.
- Allocation of Rs.750 crore to Rajiv Gandhi Scheme for Empowerment of Adolescent Girls.
- Allocation for Scheduled Castes Sub Plan and Tribal Sub Plan at an additional 18% and 17.6% respectively.
- Proposals to establish Bharat Livelihood Foundation of India through Aajeevika scheme and to allot more funds for “Women’s SHG’s Development Fund” and PMEGP.

What are the initiatives in Education, Skill Development & Social Security?

There is already a proposal in the Twelfth Plan to set up 6000 model schools at block level. There is increased allocation for schemes such as RTE-SSA, RMSA and a proposal for setting up a Credit Guarantee Fund to ensure better flow of funds to students. The projects approved by National Skill Development Corporation is to train 6.2 crore persons at the end of ten years. The budget has allocated Rs.10,000 crore for National Skill Development Fund. There is also a proposal to set up a Credit Guarantee Fund to improve the flow of credit for skill development. The Central Government will bear the cost of training one

lakh youth in J&K to provide skill training under “Himayat” scheme in the next 5 years. The budget also provides enhanced access to “Swavalamban” scheme, and enhanced pension under the ongoing Indira Gandhi National Widow Pension Scheme and Indira Gandhi National Disability Pension Scheme for BPL beneficiaries. The budget provides funds for residential quarters and office building for Central Armed Police Forces. A new scheme to create National Population Register within next two years is also proposed. Savings Bank account has been made attractive and “Swabhiman” campaign extended through Business Correspondent Model. UID mission to enrol another 40 crore persons. The Government promises to lay a White Paper on Black Money and to introduce a bill regarding Public Procurement Legislation and legislative measures for strengthening anti-corruption framework.

What are the budget estimates for 2012-13?

The gross tax receipts were estimated at Rs.10,77,612 crore and net tax to the centre at Rs.7,71,071 crore. The non tax revenue receipts and non-debt capital receipts were estimated at Rs.1,64,614 crore and Rs.41,650 crore respectively. Total expenditure was budgeted at Rs.14,90,925 crore with plan expenditure at Rs.5,21,025 crore and non-plan at Rs.9,69,900 crore. Fiscal deficit is to be 5.1% of GDP as against 5.9% last year and effective revenue deficit at 1.8% of GDP. The budget projected a transfer of Rs.3,65,216 crore to the various states and net market borrowing required to finance deficit is estimated at Rs.4,79,000 crore in 2012-13. The debt –GDP ratio is at 45.5% of GDP against Thirteenth Finance Commission target of 50.5%. The Net revenue loss is estimated at Rs.4,500 crore as a result of direct tax proposals and the net revenue gain of Rs.45,940 crores through indirect tax proposals. Larger allocation for infrastructure of Rs.60,000 crore and disinvestment target lowered from Rs.40,000 crore to Rs.30,000 crore. The budget estimates a 15% increase in capital expenditure from Rs.69,199 crore to Rs.79,579 crore.

What are the major Direct Taxes proposals?

- Exemption limit for general category of individual tax payers enhanced from Rs.1,80,000 to Rs.2,00,000
- Upper limit of 20% tax slab raised from Rs.8 lakh to Rs.10 lakh.
- Deduction of Rs.10,000 to individual tax payers for interest on Savings Bank Deposit.
- Deduction upto Rs.5,000 for preventive health check up.
- Senior Citizens, not having business income, exempted from paying advance tax.
- ECBs come at a cheaper rate than domestic borrowings by reducing rate of withholding tax on ECB interest payments from 20% to 5% for 3 years for certain sectors.
- Restriction of Venture Capital Funds only in specified sectors removed.
- Repatriation of dividends from foreign subsidiaries of Indian companies allowed at a lower tax rate of 15% upto March 31, 2013.
- Extension of weighted deduction of 200% in R&D expenditure and fresh 150% on expenditure incurred for agri-extension services and expenditure on skill development in manufacturing sector.

- Sunset dates for setting up of power sector undertakings extended by one year for claiming 100% deduction of profits for 10 years.
- Turnover limit of SMEs for compulsory tax audit and presumptive taxation raised from Rs.60 lakhs to Rs. 100 lakhs.
- Exemption of Capital Gains Tax on sale of residential property, if the sale consideration is used for subscription in equity of a manufacturing SME, for purchase of new plant & machinery.
- Reduction in securities transaction tax by 20% on cash delivery transactions.
- Extension of AMT (Alternate Minimum Tax) to all persons, other than companies, claiming profit linked deductions.
- Introduction of General Anti Avoidance Rule (GAAR) to counter aggressive tax avoidance scheme.
- Proposal to deter the generation and use of unaccounted money.

What are the major indirect tax proposals?

- Proposal to tax all services except 17 heads in the negative list. Exemption from service tax proposed for some sectors. Service tax rate raised from 10% to 12% and is expected to yield additional revenue of Rs.18,660 crore.
- Study team to examine possibility of a common tax code for central excise and service tax. Simplified refund scheme announced & Introduction of Revision Application Authority and Settlement Commission in service tax for dispute resolution.
- Standard rate of excise duty raised from 10% to 12%, merit rate from 5% to 6% and lower merit rate from 1% to 2% with few exemptions. Excise duty on large cars to be enhanced.
- Basic customs duty reduced for certain agricultural equipments and parts and full exemption for import for expansion or setting up of fertiliser projects upto March 31, 2015. Full exemption of basic customs duty and a concession of 1% to steam coal upto March 31,2014. LNG imports made duty free for power generation firms like NTPC and Reliance.
- Full exemption of import duty of specified equipments for road construction, parts of air craft and testing equipment for third party maintenance, repair and overhaul of civilian aircraft.
- Extension of concessional basic customs duty on specified life saving drugs/ vaccines, soya products to address protein deficiency, iodine, probiotics. LIC products dearer due to rise in service tax and increase in premium to sum assured ratio from 5% to 10%. Consumer goods to cost more.
- To increase the basic excise duty on cigarettes of more than 65 mm length and on beedis both hand rolled and machine rolled.
- Pan masala, gutkka, chewing tobacco etc are leviable to excise duty under the Compounded Levy Sceme.
- Baggage allowance for Indians travelling abroad increased from Rs. 25000/- to Rs. 35000/- and for children upto 10 years from Rs. 12000/- to Rs. 15000/-.





IN	Re.	OUT	Re.
Borrowing & Other Sources	0.29	Central Plan	0.22
Corporation Tax	0.21	Interest Obligation	0.18
Excise Duties	0.11	States' Share	0.17
Income Tax	0.11	Defence	0.11
Customs	0.10	Non-plan Expenditure	0.11
Non Tax Revenue	0.09	Subsidies	0.10
Service Tax/ Others	0.07	Plan Assistance (States/ UTs)	0.07
Capital Receipts (non-debt)	0.02	Non plan (States/ UTs)	0.04
TOTAL	1.00	TOTAL	1.00

Your comments and feedback on this publication may be sent to Staff Training College, The South Indian Bank Ltd., Thrissur 680 001 or by E.mail: ho2099@sib.co.in

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