

# STUDENTS' ECONOMIC FORUM

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



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Theme 275

## UNION BUDGET 2014-15 : PART II

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Theme No. 275 : UNION BUDGET 2014-15 PART II

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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”. This month we continue our discussions on the union budget 2014-15.

**What are the announcements for the financial sector?**

**Capital Market:** Government in consultation with stakeholders, implement some important recommendations of the Financial Sector Legislative Reforms Commission like the enactment of the Indian Financial Code which is considered necessary for better governance and accountability. The budget proposes

1. To advise financial sector regulators to take early steps for a vibrant, deep and liquid corporate bond market and deepen the derivatives market by eliminating restrictions.
2. To extend a liberalized facility of 5% withholding tax to all bonds issued by Indian corporate abroad for all sectors and extends the validity of the scheme to 30.06.2017.
3. To liberalize the ADR/GDR regime by allowing issuance on all permissible securities.
4. To allow international settlement of Indian debt securities.
5. Revamping Indian Depository Receipt & introducing Bharat Depository Receipt.
6. To clarify the tax treatment on income of foreign fund with fund managers in India.
7. Uniform KYC norms & inter-usability of KYC records across the financial sector.
8. Single operating demat account to transact all financial assets through this one account.
9. For smooth convergence with the International Financial Reporting Standards (IFRS), it is proposed to adopt the new Indian Accounting Standards by Indian companies from the FY 2015-16 voluntarily and from the FY 2016-17 on a mandatory basis.

**Banking:**

1. The Government, in principle agrees to the suggestions for consolidation of PSBs.
2. Launching the Financial Inclusion Mission on 15 August this year to empower the weaker sections of the society, including women, small and marginal farmers and labourers. Two bank accounts in each household to be opened with eligibility for credit.
3. Banks will be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector

Lending (PSL).

4. RBI will create a framework for licensing small banks and other differentiated banks. Differentiated banks serving niche interests, local area banks, payment banks etc. are contemplated to meet credit and remittance needs of small businesses, unorganized sector, low income households, farmers and migrant work force.
5. Six new Debt Recovery Tribunals to be set up at Chandigarh, Bengaluru, Ernakulam, Dehradun, Siliguri & Hyderabad and an effective way out for revival of stressed assets.

#### **Insurance Sector:**

1. Take up the pending insurance laws (amendment) Bill for consideration
2. Bridge the regulatory gap under Prize Chits & Money Circulation(Banning) Act, 1978.

#### **Small Savings:**

1. A special small savings instrument for educating and marriage of the Girl Child
2. A National Savings Certificate with insurance cover for the benefits of the small saver.
3. The annual ceiling for PPF scheme is enhanced to ₹ 1.5 lakh p.a. from ₹ 1 lakh

#### **What are the suggestions for defence and internal security?**

It is proposed to allocate an amount of ₹ 2,29,000 crore for Defence. 1) **One Rank One Pension** to address the pension disparities with ₹ 1,000 crore. 2) **Modernization:** Budget proposes to increase the capital outlay for Defence by ₹ 5,000 crore 3) **Internal Security:** A) Scheme for modernization of state police forces - Rs.3000 crore B) strengthening border infrastructure - ₹ 2,250 crore C) ₹ 990 crore for the socio economic development of the villages along the borders. D) ₹ 150 crore for Marine Police Station, Jetties.

#### **What are the estimates in the budget?**

Non- Plan expenditure estimates for the FY are ₹ 12,19,892 crore. Plan allocation is ₹ 5,75,000 crore ,mainly in Agriculture, Health & Education, Rural Roads & National Highways, Railways, Clean energy initiatives, Water resources & River conservation. Total expenditure estimated at ₹ 17,94,892 crore. Gross Tax receipts are estimated at ₹ 13,64,524 crore with central govt. share of ₹ 9,77,258 crore. Non Tax Revenues for the current FY will be ₹ 2,12,505 crore and capital receipts (excl: borrowings) will be ₹ 73,952 crore.

#### **What are the tax proposals?**

##### **Direct Taxes:**

1. Tax exemption limit in personal income tax increased by ₹ 50,000 from ₹ 2 lakh to ₹ 2.5 lakh in the case of individual taxpayers , below the age of 60 years and from ₹ 2.5 lakh to ₹ 3 lakh in the case of senior citizens. No change proposed in the rate of surcharge. The education cess for all taxpayers shall continue at 3%.
2. Investment limit under section 80C of the IT Act increased from ₹ 1 lakh to ₹ 1.5 lakh.
3. Deduction of interest on loan ( self occupied house)increased from ₹ 1.5 lakh to ₹ 2 lakh.
4. Investment allowance at the rate of 15 percent to a manufacturing company that

- invests more than ₹ 25 crore in any year in new plant and machinery for three years
5. Tax holiday of 10 years to the undertakings which begin generation, distribution and transmission of power by 31.03.2017.
  6. Income arising to foreign portfolio investors on securities to be treated as capital gains.
  7. Concessional rate of 15% on foreign dividends to continue.
  8. Eligible date of borrowing in foreign currency extended from 30.06.2016 to 30.06.2017 for concessional tax rate of 5% on interest payments and available to all types of bonds.
  9. Increase in the rate of tax on long term capital gains from 10% to 20% on transfer of mutual fund units and period of holding from 12 months to 36 months for this purpose.
  10. The Government will review the Direct Tax Code in its present shape and take a view.

**Indirect Taxes : A) Customs:**

1. Reduction in the basic customs duty (BCD) on a) Fatty acids, crude palm stearin, RBD and other palm stearin, specified industrial grade crude oils from 7.5% to Nil b) Crude glycerin from 12.5% to 7.5% and crude glycerin used in the manufacture of soaps from 12.5% to Nil c) Steel grade limestone and steel grade dolomite from 5% to 2.5% d) Battery waste and battery scrap from 10% to 5% e) Coal tar pitch from 10% to 5% f) Specified inputs for manufacture of spandex yarn from 5% to Nil g) reformat from 10% to 2.5% h) on ethane, propane, ethylene, propylene, butadiene and ortho-xylene from 5% to 2.5% i) on methyl alcohol and denatured ethyl alcohol from 7.5% to 5% j) and on crude naphthalene from 10 % to 5% percent.
2. Imposition of BCD at 10% on specified telecommunication products that are outside the purview of the IT Agreement with exemption for all inputs/components used in the manufacture of personal computers from 4% special additional duty (SAD)
3. Imposition of education cess on imported electronic products to provide parity.
4. Exemption of 4% SAD on PVC sheet and ribbon used for the manufacture of smart cards.
5. Reduction in BCD on LCD and LED TV panels of below 19 inches from 10% to Nil and exemption from BCD specified inputs used in their manufacture.
6. Increase BCD on imported flat-rolled products of stainless steel from 5% to 7.5%.
7. Exemption from BCD: a) specified inputs for use in the manufacture of EVA sheets and back sheets b) flat copper wire for the manufacture of PV ribbons.
8. Concessional BCD of 5% to machinery and equipment required for setting up of a project for solar energy production.
9. Reduction in BCD from 10% to 5% on forged steel rings used in the manufacture of bearings of wind operated electricity generators.
10. Exemption in the SAD of 4 percent on parts and raw materials required for the manufacture of wind operated generators.
11. Concessional BCD of 5% on machinery and equipment required for setting up of compressed biogas plants.
12. Rationalization of the duty structure on all non-agglomerated coal at 2.5% BCD & 2%

CVD (Counter Vailing Duty).

13. Increase in BCD on metallurgical coke from Nil to 2.5% in line with duty on coking coal.
14. Rationalization of BCD on ship breaking scrap and melting scrap of iron or steel by reducing the basic customs duty on ships imported for breaking up from 5% to 2.5%.
15. Rationalization of BCD on semi-processed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones at 2.5%.
16. Exemption to pre-forms of precious and semi-precious stones from basic customs duty.
17. Increase in the duty free entitlement in Readymade Garments for import of trimmings, embellishments and other specified items from 3% to 5% of the value of their exports.
18. Increase in the export duty on bauxite from 10 % to 20%.
19. Increase in the free baggage allowance from ₹ 35,000 to ₹ 45,000.

**B)Excise:** Concession on excise duty to capital goods, consumer durables and automobile sectors, extended beyond 30th June 2014 for a period of 6 months up to 31st Dec 2014.

1. Reduction in excise duty on food processing and packaging machinery from 10% to 6%.
2. Reduction in the excise duty from 12% to 6% on footwear of retail price exceeding Rs 500 per pair but not exceeding ₹ 1,000 per pair
3. Withdrawal of the concessional excise duty (2% without Cenvat benefit and 6% with Cenvat benefit) on smart cards and levy a uniform excise duty at 12%.
4. To develop renewable sources of energy, exemption from excise duty: a) EVA sheets and solar back sheets and specified inputs used in their manufacture b) solar tempered glass used in the manufacture of solar photovoltaic cells and modules c) flat copper wire for the manufacture of PV ribbons for use in solar cells and modules d) machinery and equipment required for setting up of a project for solar energy production e) forged steel rings used in the manufacture of bearings of wind operated generators f) machinery & equipment required for setting up of compressed biogas plants
5. Excise duty 2% without Cenvat benefit & 6% with Cenvat benefit on sports gloves.
6. Increase in the specific excise duty on cigarettes, cigars, cheroots and cigarillos in the range of 11% to 72%, 12% to 16% on pan masala, 50 % to 55% on unmanufactured tobacco and from 60% to 70% on gutkha and chewing tobacco. Additional duty of excise at 5% on aerated waters containing added sugar.
7. Increase in the Clean Energy Cess from ₹50 per tonne to ₹ 100 per tonne.

**C)Service Tax:** The budget emphasizes to broaden the tax base in Service Tax by trimming the negative list. 1) Exemptions withdrawn for services by air-conditioned contract carriages & testing of newly developed drugs on human bodies. 2) Reduction in tax incidence to Indian shipping industry to encourage transport of goods through coastal vessels. 3)Cenvat credit for rent-a-cab and tour operators. 4)Exemption on cotton. 5) Exemptions to services provided by common bio-medical waste treatment facilities.



# BUDGET AT A GLANCE 2014-15

(Figures in ₹ Crore)

	2012- 2013 Actuals	2013- 2014 Budget Estimates	2013- 2014 Revised Estimates	2014- 2015 Budget Estimates
Revenue Receipts	8,77,613	10,56,331	10,29,252	11,67,131
Capital Receipts	5,32,754	6,08,967	5,61,182	5,96,083
Total Receipts	14,10,367	16,65,297	15,90,434	17,63,214
Non- Plan Expenditure	9,96,742	11,09,975	11,14,902	12,07,892
Plan Expenditure	4,13,625	5,55,322	4,75,532	5,55,322
Total Expenditure	14,10,367	16,65,297	15,90,434	17,63,214
Revenue Deficit	3,65,896	3,79,838	3,70,288	3,82,923
Fiscal Deficit	4,90,597	5,42,499	5,24,539	5,28,631
Primary Deficit	1,77,428	1,71,814	1,44,473	1,01,620

Source : <http://indiabudget.nic.in>

## Sacred Rivers :

Water Resources and cleaning of Ganga Linking of Rivers : ₹ 100 crore allotted for preparation of the Detailed Project Reports. Integrated Ganga Conservation Mission called "Namami Gange" and set aside a sum of ₹ 2,037 crore for this purpose.

Development of Ghats and beautification of Riverfront: ₹ 100 crore for Ghat development and beautification of river front at Kedarnath, Haridwar, Kanpur, Varanasi, Allahabad, Patna and Delhi in the current financial year.

## Sports & Youth :

Budget provides a sum of ₹ 200 crore for upgrading the indoor and outdoor sports stadiums to international standards in Jammu and in Kashmir Valley. ₹ 100 crore is set aside to set up a sports university in Mysore and another ₹100 crore for the training of our sports women and men for the forthcoming Asian and Commonwealth games.

**Youth:** Career centres will be set up for providing information about job availability and for extending counseling facilities to the youth for selecting the jobs best suited to their ability and aptitude with an initial outlay of ₹100 crore. In order to promote leadership skills, "A Young Leaders Programme" with an initial allocation of ₹ 100 crore is planned.

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*Your comments and feedback on this publication may be sent to Staff Training College,  
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