



STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

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

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Student's corner
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FEBRUARY 2018

Theme 315

“UNION BUDGET & RAILWAY BUDGET 2018-19”

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Theme No: 315: “Union Budget & Railway Budget 2018-19”

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

The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly meeting of the “Forum”. This month the topic for discussion is “Union Budget & Railway Budget 2018-19”

India achieved an average growth of 7.5% during the last three years. Presently the Indian economy is a 2.5 trillion dollar economy – seventh largest in the world. On Purchasing Power Parity (PPP) basis, it is the third largest economy. To continue this momentum, the budget is primarily focused on growth, revitalizing rural and fiscal economy with strong sector focus on agriculture, infrastructure, healthcare and education towards a new and emerging India contributing strongly to the global economy. In a gist the major announcement in the budget were – Rs 15 lakh crores for farmers, Rs 6 lakh crores INFRA push, Equity gains tax back – LTCG (Long term capital gain), Tax cuts only for SMEs, 50 crores get health cover and 1.6 crores Jobs opportunity. These sectors are discussed in detail below:

1. Briefly highlights the steps taken for the promotion of Agricultural and Rural India?

- a) MSP (Minimum Support Price) for all unannounced kharif crops will be one and half times of their production cost like majority of rabi crops: Institutional Farm Credit raised to 11 lakh crore in 2018-19 from 8.5 lakh crore in 2014-15.
- b) “Operation Greens” launched to address price fluctuations in potato, tomato and onion for the benefit of farmers and consumers.
- c) Kisan Credit Card extended to fisheries and animal husbandry farmers to meet their working capital needs and a dedicated fund of Rs 10,000 crore announced for the sectors.
- d) Government to work out a mechanism for purchase of surplus solar electricity generated by farmers after meeting their irrigation requirements and selling it to distribution companies at reasonably remunerative rates.

- e) 100 percent tax exemption to companies registered as Farmer Producer companies having an annual turnover upto Rs 100 Crores, for five years from 2018-19.
- f) Government is spending Rs 16,000 crore under the Pradhan Mantri Saubhagya Yojana to provide electricity connection free of charge to poor households.
- g) Free LPG connections is provided to 5 crore poor women, under the Prime Minister's Ujjwala scheme which is targeted to reach 8 crore.

2. Highlight the key developments in the Tax proposal of Budget 2018-19?

Corporate Tax

Tax rate of 25% to companies having turnover up to Rs 250 Crore in the financial year 2016-17. Companies whose turnover above Rs 250 crores will remain in 30% slab.

Personal Tax

- i) Income-tax slabs/rate and surcharge on income-tax for individual is unchanged.
- ii) Education cess of 3% to be replaced with Health and Education cess of 4%
- iii) A standard deduction of Rs 40,000/- is allowed in place of transport allowance and reimbursement of miscellaneous medical expenses. However, the transport allowance at enhanced rate is available to differently - abled persons and the other medical reimbursement benefits in case of hospitalization etc., is available for employees.
- iv) Benefits to Senior Citizen:
 - a) Interest income on deposits with banks and post offices is exempted upto Rs 50,000/- and TDS need not be deducted on such income. The interest exemption benefit is available for all fixed deposits schemes and recurring deposit schemes.
 - b) The health insurance premium or the medical expenditure limit is increased upto Rs 50,000 as per the Section 80D.
 - c) Deduction for medical expenditure in respect of certain critical illness is enhanced to Rs 80,000 for senior citizens and to Rs 1 lakh for very senior citizens.

Capital Gain

LTCG exceeding Rs 1 lakh arising from transfer of equity shares in a company or units of an equity oriented mutual fund is taxed at 10 percent without indexation benefit for resident and without foreign currency fluctuation benefit for non-resident.

Indirect Tax

The Education Cess, Secondary and Higher Education Cess on imported goods, is replaced with Social Welfare Surcharge, at the rate of 10% of the aggregate duties of Customs, on imported goods, to provide for social welfare schemes of the Government. The imported goods which were exempted from Education Cesses is exempt from this Surcharge.

To control cash economy, payments exceeding Rs. 10,000 in cash made by trusts and institutions to be disallowed and would be subject to tax. Further, in order to improve TDS compliance by these entities, 30% of the amount shall be disallowed where tax is not deducted and the same shall be taxed.

3. What are the incentives available for Infrastructure and Railway sector in the Budget?

a) Infrastructure:

Infrastructure is the growth driver of economy. The country needs massive investments estimated to be in excess of Rs 50 lakh crore in infrastructure to supplement the growth of GDP. Integration of the nation with a network of roads, airports, railways, ports and inland waterways facilitates the economic growth.

Budget has prioritized Urbanization as one of its key agenda and to support it two programmes – Smart Cities Mission and the AMRUT is framed.

Smart Cities Mission aims to build 100 Smart Cities with state-of-the-art amenities. An outlay of Rs 2.04 lakh crore is allocated. To preserve and revitalize the heritage cities in India, National Heritage City Development and Augmentation Yojana (HRIDAY) is established. The AMRUT programme focuses on providing water supply to all households in 500 cities.

b) Railways:

The Government focused more on strengthening the network and enhancing carrying capacity of the Railways. Safety is one of the thrust areas for this year's Railway budget. The technologies like Fog safe, Train Protection and Warning System are used to enhance safety.

Stations with more than 25000 footfalls is provided with escalators. All railway stations and trains will be gradually provided with wi-fi. CCTVs to be installed in all stations and trains to enhance security of passengers. Modern trains with state-of-the-art amenities and features to be introduced during 2018-19.

4. What are the initiatives taken in Budget for the promotion of MSMEs sector?

- a) For 2018-19, a target of Rs 3 lakh crore for lending under MUDRA scheme is fixed. The scheme is launched in April, 2015 and sanctioned Rs 4.6 lakh crore in credit from 10.38 crore MUDRA loan applications.
- b) Government to contribute 12% of the wages of the new employees in the EPF for all the sectors for the next three years. The facility of fixed term employment will be extended to all sectors.
- c) To incentivize employment of more women in the formal sector and to enable higher take-home wages, women employees' contribution is reduced to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution.
- d) To onboard public sector banks and corporates on Trade Receivables Discounting System (TReDS) platform which will considerably ease the cash flow challenges faced by the MSMEs in getting the bills discounted on time and at competitive rates.

5. List out the schemes announced in budget for Health and Social security.

A National Health Protection Scheme is launched to cover over 10 crore poor and vulnerable families providing coverage upto Rs 5 lakh per family per year for secondary and tertiary care hospitalization.

Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY) provides life insurance cover of Rs 2 lakh for premium of Rs 330/- per annum. Similarly Pradhan Mantri Suraksha Bima Yojana provides personal accident cover of Rs 2 lakh for a premium of Rs 12 per annum. The scope of this scheme will be extended further to cover all poor households, including SC/ST households.



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