

Topic of the week for discussion: 5th to 11th March 2015

Topic: Union Budget 2015: What it finally offers

Finance Minister Arun Jaitley presented the first full year Budget of the PM Narendra Modi-led NDA government on 28th February 2015, in Parliament.

And it received mixed and extreme reviews from various sections of society. While many are lauding the bold and growth oriented budget, the others are criticizing the non deliverance of direct benefits.

In the event, it turned out to be anticlimactic: a solid affair with an emphasis on growth and investment in infrastructure, lots of tax reforms and a welcome lack of populist bad ideas. But expectations were running high, and there is no doubt that many will feel that this was not the defining moment for the Indian economy that they had anticipated.

Some of the key Highlights, with the mixed reviews, are:

- Wealth Tax has been abolished and replaced with additional 2% surcharge on super rich, corporate tax cut by 5 per cent to 25 per cent over four years starting April 2016, which is a point of elation for the corporate. Service tax increased to 14 per cent, which will definitely be a burden on already high priced goods and services. Otherwise no change in tax slabs for common public.
- GAAR (General Anti-Avoidance Rule), which limits the avoidance of taxes, has been deferred by 2 years to April 2017 for implementation.
- AIIMS in Jammu and Kashmir, Punjab, Tamil Nadu, Himachal Pradesh, Bihar and Assam, IIT in Karnataka & Dhanbad, IIMs for Jammu and Kashmir and Andhra Pradesh. Nothing for the students' loans though.
- Allocation of Rs. 2, 46,726 crore to Defense, which is an increase of 9.87 per cent over last year. Focus on Make in India for quick manufacturing of Defense equipment.
- A Boost to tourism by announcing Visa on Arrival for 150 countries.
- As in welfare schemes, budget announced creation of Six crore toilets across the country under the Swachh Bharat Abhiyan, Housing for all by 2020, and Rs. 5,000 crore additional allocation for MGNREGA.
- It also announced Rs. 70,000 crore to Infrastructure sector and Tax-free bonds for projects in rail road and irrigation.
- Disinvestment is in the agenda, Government targets Rs 410 billion (\$6.7 billion) from stake sales in companies in 2015/16.
- Fiscal deficit seen at 3.9% of GDP in 2015/16, GDP growth seen at between 8% and 8.5% y/y and consumer inflation to remain close to 5% by March, by opening room for more monetary policy easing.



Topic
Introduction

- A curb on black money and leakages via subsidies is a major agenda in this years' budget. In this regard, Quoting PAN a must for all purchases above Rs 1 lakh, Non-filing of returns, or filing of returns with inadequate information will attract rigorous imprisonment
- Govt proposes to do away with different types of foreign investment and replace them with composite caps.

Moreover, this budget empowers states. It mentions that the Centre share 42 per cent of the divisible pool with the States, which is 10 percentage points higher than what is the case now. Though it would lead to a sharp drop in its own share of revenues at a time of fiscal pressures, the Centre has sent out an unequivocal signal of its commitment to the principle of 'cooperative federalism'.

Though Finance Minister boosts of a growth oriented budget, many critics still see many shortcomings in this budget. To mention, lack of a clear plan to create jobs to harness benefit from demographic dividend of the India and lift its major population out of poverty.

At the end of the day, a Budget is merely a quantitative expression of a financial plan for a defined time period with clearly defined revenues and expenses. Perhaps in India, we have unrealistic expectations of what the fiscal Budget should be.

Read further:

<http://indiabudget.nic.in/budget2014-2015%28I%29/ub2014-15/bh/bh1.pdf>

<http://in.reuters.com/article/2015/02/28/india-budget-highlights-idININBUDGET20150228>

<http://www.financialexpress.com/article/economy/live-budget-2015-reactions-arun-jaitley-all-set-for-speech-in-parliament/48768/>

<http://blogs.economictimes.indiatimes.com/cursor/union-budget-2015-an-impression-of-implementing-a-larger-consistent-economic-strategy/?intenttarget=no>