

## **Budget 2014-2015**

**Speech of**

**Arun Jaitley**

*Minister of Finance*

**July 10, 2014**

**Madam Speaker,**

I rise to present the Budget for the year 2014-15.

### **I. STATE OF THE ECONOMY**

2. The people of India have decisively voted for a change. The verdict represents the exasperation of the people with the status-quo. India unhesitatingly desires to grow. Those living below the poverty line are anxious to free themselves from the curse of poverty. Those who have got an opportunity to emerge from the difficult challenges have become aspirational. They now want to be a part of the neo middle class. Their next generation has the hunger to use the opportunity that society provides for them. Slow decision making has resulted in a loss of opportunity. Two years of sub five per cent growth in the Indian economy has resulted in a challenging situation. We look forward to lower levels of inflation as compared to the days of double digit rates of food inflation in the last two years. The country is in no mood to suffer unemployment, inadequate basic amenities, lack of infrastructure and apathetic governance.

3. The slowdown in India broadly reflects the trend in many economies. In contrast to the aftermath of the crisis of 2008-09 when restoration of growth in advanced economies was the primary concern, the continuing slowdown being presently witnessed in many emerging economies has posed a threat to a sustained global recovery. Fortunately, there are green shoots of recovery being seen in the global economy. As per IMF, the world economy is projected to grow at 3.6 per cent in 2014 vis-à-vis 3.0 per cent in 2013, with the Euro area expected to register a positive growth after the contraction witnessed in 2012 and 2013. However, the performance of the US economy with attendant implication for the unconventional monetary policy stance and global financial conditions is pivotal to the fate of global recovery in the coming years. These are the head winds

against which the Indian economy would have to maneuver its way to attain high growth trajectory.

4. As Finance Minister I am duty bound to usher in a policy regime that will result in the desired macro-economic outcome of higher growth, lower inflation, sustained level of external sector balance and a prudent policy stance. The Budget is the most comprehensive action plan in this regard. In the first Budget of this NDA government that I am presenting before the august House, my aim is to lay down a broad policy indicator of the direction in which we wish to take this country. The steps that I will announce in this Budget are only the beginning of a journey towards a sustained growth of 7-8 per cent or above within the next 3-4 years along with macro-economic stabilization that includes lower levels of inflation, lesser fiscal deficit and a manageable current account deficit. Therefore, it would not be wise to expect everything that can be done or must be done to be in the first Budget presented within forty five days of the formation of this Government.

5. While higher growth is a sine qua non, we cannot be oblivious of the fact that there is a large population of this country which is below the poverty line. It is the poor who suffer the most. We have to ensure that our anti-poverty programs are well targeted. The growing aspirations of the people will be reflected in the development strategy followed by the Government led by the Prime Minister Shri Narendra Modi and its mandate of "Sab ka Saath Sab ka Vikas". Allow me to assure this House that we have taken up the challenge in the right earnest. We shall leave no stone unturned in creating a vibrant and strong India.

6. The prevailing economic situation presents a great challenge. It calls for a conscious choice to be made by all of us. Should we allow this drift to carry on and watch helplessly? Should we allow our future to suffer because of our indecisiveness? Should we be victims of mere populism or wasteful expenditure? To me, the response and the remedy are both clear. The task before me today is very challenging because we need to revive growth, particularly in manufacturing and infrastructure to raise adequate resources for our developmental needs. On the other hand, the task is simple if we accept the principle that we cannot spend beyond our means. We need to introduce fiscal prudence that will lead to fiscal consolidation and discipline. Fiscal prudence to me is of paramount importance because of considerations of inter-generational equity. We cannot leave behind a legacy of debt for our future generations. We cannot go on spending today which would be financed by taxation at a future date. There is an urgent need to generate more resources to fuel the economy. For this, the tax to GDP ratio must be improved and non-tax revenues increased. We must remember that the decline in fiscal deficit from 5.7 per cent of GDP in 2011-12 to 4.8 per cent in 2012-13

and 4.5 per cent in 2013-14 was mainly achieved by reduction in expenditure rather than by way of realization of higher revenue. Although, the external sector witnessed a turn-around with the year ending with a Current Account Deficit of 1.7 per cent of the GDP against 4.7 per cent in 2012-13, this was mainly achieved through restriction on non-essential imports and slowdown in overall aggregate demand. Going forward, we must continue to be watchful of the CAD.

7. My predecessor has set up a very difficult task of reducing fiscal deficit to 4.1 per cent of the GDP in the current year. Considering that we had two years of low GDP growth, an almost static industrial growth, a moderate increase in indirect taxes, a large subsidy burden and not so encouraging tax buoyancy, the target of 4.1 per cent fiscal deficit is indeed daunting. Difficult, as it may appear, I have decided to accept this target as a challenge. One fails only when one stops trying. My Road map for fiscal consolidation is a fiscal deficit of 3.6 per cent for 2015-16 and 3 per cent for 2016-17. I am conscious of the fact that Iraq crisis is leaving an impact on oil prices and the situation in the middle-east continues to be volatile. Monsoon this year appears more unpredictable. While inflation has remained at elevated levels relative to what is perceived as acceptable, there has been a gradual moderation in WPI recently, from a high of 7.35% in 2012-13 and 5.98% in 2013-14. But we are still not out of the woods. We also must address fully the problem of black money which is curse of our economy. Faced with these adversities we have no option but to undertake some bold steps in order to enhance economic activity and spur growth in the economy. These steps are only the beginning of our effort to revive the growth spirit of the Indian Economy. They are directional.

### **Expenditure Management Commission**

8. My Government is committed to the principle of “Minimum Government Maximum Governance”. To achieve this goal, time has come to review the allocative and operational efficiencies of Government expenditure to achieve maximum output. The Government will constitute an Expenditure Management Commission, which will look into various aspects of expenditure reforms to be undertaken by the Government. The Commission will give its interim report within this financial year. I also propose to overhaul the subsidy regime, including food and petroleum subsidies, and make it more targeted while providing full protection to the marginalized, poor and SC/STs. A new urea policy would also be formulated.

### **GST**

9. The debate whether to introduce a Goods and Services Tax (GST) must now come to an end. We have discussed the issue for the past many years. Some

States have been apprehensive about surrendering their taxation jurisdiction; others want to be adequately compensated. I have discussed the matter with the States both individually and collectively. I do hope we are able to find a solution in the course of this year and approve the legislative scheme which enables the introduction of GST. This will streamline the tax administration, avoid harassment of the business and result in higher revenue collection both for the Centre and the States. I assure all States that government will be more than fair in dealing with them.

### **Tax Administration**

**10.** The sovereign right of the Government to undertake retrospective legislation is unquestionable. However, this power has to be exercised with extreme caution and judiciousness keeping in mind the impact of each such measure on the economy and the overall investment climate. This Government will not ordinarily bring about any change retrospectively which creates a fresh liability. Hon'ble Members are aware that consequent upon certain retrospective amendments to the Income Tax Act 1961 undertaken through the Finance Act 2012, a few cases have come up in various courts and other legal fora. These cases are at different stages of pendency and will naturally reach their logical conclusion. At this juncture I would like to convey to this August House and also the investors community at large that we are committed to provide a stable and predictable taxation regime that would be investor friendly and spur growth. Keeping this in mind, we have decided that henceforth, all fresh cases arising out of the retrospective amendments of 2012 in respect of indirect transfers and coming to the notice of the Assessing Officers will be scrutinized by a High Level Committee to be constituted by the CBDT before any action is initiated in such cases. I hope the investor community both within India and abroad would repose confidence on our stated position and participate in the Indian growth story with renewed vigour.

### **Advance Ruling and Other Tax Related Measures**

**11.** Tax demand of more than ₹ 4 lakh crore is under dispute and litigation before various Courts and Appellate authorities. This is one of the serious concerns of all taxpayers in this country. In order to reduce litigation in direct taxes, I propose to make certain legislative and administrative changes.

**12.** Currently, an advance ruling can be obtained about the tax liability of a non-resident from the Authority for Advance Rulings. This facility is not available to resident taxpayers except Public Sector Undertakings. I propose to enable resident taxpayers to obtain an advance ruling in respect of their income tax liability above a defined threshold. I also propose to strengthen the Authority for Advance Rulings by constituting additional benches. I further propose to enlarge

the scope of the Income-tax Settlement Commission so that taxpayers may approach the Commission for settlement of disputes. This would continue to be once in a lifetime opportunity for any taxpayer.

**13.** As an administrative measure, I propose to set up a High Level Committee to interact with trade and industry on a regular basis and ascertain areas where clarity in tax laws is required. Based on the recommendations of the Committee, the Central Board of Direct Taxes and the Central Board of Excise and Customs shall issue appropriate clarifications, wherever considered necessary, on the tax issues within a period of two months.

**14.** Transfer Pricing is a major area of litigation for both resident and non-resident taxpayers. I have proposed certain changes in the Transfer Pricing regulations, which I would spell out in Part-B of my speech.

**15.** I hope these measures would go a long way in improving the confidence of taxpayers in the tax system and would provide certainty and clarity in tax laws.

### **FDI**

**16.** The policy of the NDA Government is to promote Foreign Direct Investment (FDI) selectively in sectors where it helps the larger interest of the Indian Economy. FDI in several sectors is an additionality of resource which helps in promoting domestic manufacture and job creation. India today needs a boost for job creation. Our manufacturing sector in particular needs a push for job creation.

**17.** India today is the largest buyer of Defence equipment in the world. Our domestic manufacturing capacities are still at a nascent stage. We are buying substantial part of our Defence requirements directly from foreign players. Companies controlled by foreign governments and foreign private sector are supplying our Defence requirements to us at a considerable outflow of foreign exchange. Currently we permit 26 per cent FDI in Defence manufacturing. The composite cap of foreign exchange is being raised to 49 per cent with full Indian management and control through the FIPB route.

**18.** The Insurance sector is investment starved. Several segments of the Insurance sector need an expansion. The composite cap in the Insurance sector is proposed to be increased up to 49 per cent from the current level of 26 per cent, with full Indian management and control, through the FIPB route.

**19.** To encourage development of Smart Cities, which will also provide habitation for the neo-middle class, requirement of the built up area and capital conditions for FDI is being reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively with a three year post completion lock in.

20. To further encourage this, projects which commit at least 30 per cent of the total project cost for low cost affordable housing will be exempted from minimum built up area and capitalisation requirements, with the condition of three year lock-in.

21. FDI in the manufacturing sector is today on the automatic route. The manufacturing units will be allowed to sell its products through retail including E-commerce platforms without any additional approval.

### **Bank Capitalization**

22. Financial stability is the foundation of a rapid recovery. Our banking system needs to be further strengthened. To be in line with Basel-III norms there is a requirement to infuse ₹ 2,40,000 crore as equity by 2018 in our banks. To meet this huge capital requirement we need to raise additional resources to fulfill this obligation. While preserving the public ownership, the capital of these banks will be raised by increasing the shareholding of the people in a phased manner through the sale of shares largely through retail to common citizens of this country. Thus, while the government will continue to have majority shareholding, the citizens of India will also get direct shareholding in these banks, which currently they hold indirectly. We will also examine the proposal to give greater autonomy to the banks while making them accountable.

### **PSU Capital Expenditure**

23. To give a thrust to investment in the economy, PSUs will also play their part constructively. I am assured that the PSUs will invest through capital investment a total sum of ₹ 2,47,941 crores in the current financial year to create a virtuous investment cycle.

### **Smart Cities**

24. As the fruits of development reach an increasingly large number of people, the pace of migration from the rural areas to the cities is increasing. A neo middle class is emerging which has the aspiration of better living standards. Unless, new cities are developed to accommodate the burgeoning number of people, the existing cities would soon become unlivable. The Prime Minister has a vision of developing 'one hundred Smart Cities', as satellite towns of larger cities and by modernizing the existing mid-sized cities. To provide the necessary focus to this critical activity, I have provided a sum of ₹7,060 crore in the current fiscal.

### **e-Visa**

25. Tourism is one of the larger job creators globally. Many economies world over are supported by tourism. In order to give a major boost to tourism in India, the facility of Electronic Travel Authorization (e-Visa) would be introduced in a

phased manner at nine airports in India where necessary infrastructure would be put in place within the next six months. The countries to which the Electronic Travel authorisation facility would be extended would be identified in a phased manner. This would further facilitate the visa on arrival facility.

### **REITs & InvITs**

26. Real Estate Investment Trusts (REITS) have been successfully used as instruments for pooling of investment in several countries. I intend to provide necessary incentives for REITS which will have pass through for the purpose of taxation. As an innovation, a modified REITS type structure for infrastructure projects is also being announced as Infrastructure Investment Trusts (InvITs), which would have a similar tax efficient pass through status, for PPP and other infrastructure projects. These structures would reduce the pressure on the banking system while also making available fresh equity. I am confident these two instruments would attract long term finance from foreign and domestic sources including the NRIs.

### **Kissan Vikas Patra**

27. Kissan Vikas Patra (KVP) was a very popular instrument among small savers. I plan to reintroduce the instrument to encourage people, who may have banked and unbanked savings to invest in this instrument.

### **Skill India**

28. A national multi-skill programme called Skill India is proposed to be launched. It would skill the youth with an emphasis on employability and entrepreneur skills. It will also provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths, weavers etc. Convergence of various schemes to attain this objective is also proposed.

### **Pradhan Mantri Krishi Sinchayee Yojana**

29. Bulk of our farm lands are rain fed and dependent on monsoons. Therefore, there is a need to provide assured irrigation to mitigate risk. To improve access to irrigation we propose to initiate the scheme “Pradhan Mantri Krishi Sinchayee Yojana”. I propose to set aside a sum of ₹ 1,000 crore for this purpose.

### **Swatchh Bharat Abhiyan**

30. The need for sanitation is of utmost importance. Although the Central Government is providing resources within its means, the task of total sanitation cannot be achieved without the support of all. The Government intends to cover every household by total sanitation by the year 2019, the 150th year of the Birth anniversary of Mahatma Gandhi through Swatchh Bharat Abhiyan.

### **Shyama Prasad Mukherji Rurban Mission**

31. Gujarat has demonstrated successfully the Rurban development model of urbanization of the rural areas, through which people living in the rural areas can get efficient civic infrastructure and associate services. Shyama Prasad Mukherji Rurban Mission will be launched to deliver integrated project based infrastructure in the rural areas, which will also include development of economic activities and skill development. The preferred mode of delivery would be through PPPs while using various scheme funds for financing.

### **Deendayal Upadhyaya Gram Jyoti Yojana**

32. Power is a vital input for economic growth and the Government is committed to providing 24x7 uninterrupted power supply to all homes. “Deen Dayal Upadhyaya Gram Jyoti Yojana” for feeder separation will be launched to augment power supply to the rural areas and for strengthening sub-transmission and distribution systems. I propose to set aside a sum of ₹ 500 crore for this purpose.

### **Statue of Unity**

33. Government of Gujarat has embarked upon the mission to build the largest statue of Sardar Vallabh Bhai Patel. Sardar Patel stands as the symbol of the unity of the country. To support the Gujarat Government in this initiative to erect the Statue of Unity, I propose to set aside a sum of ₹ 200 crore.

## **II. PLAN & BUDEGTARY ALLOCATIONS**

34. I now turn to budgetary allocations. While announcing the allocations, I want to reiterate my Government’s firm commitment to strengthen the federal structure of the country and our resolve to work closely with the state governments for the larger good of the people.

### **Welfare of Scheduled Castes/Scheduled Tribes**

35. Government is committed to the welfare of SCs and STs. This year an amount of ₹ 50,548 crore is proposed under the SC Plan and ₹ 32,387 crore under TSP.

36. To provide credit enhancement facility for young start up entrepreneurs from Scheduled Castes, who aspire to be part of the neo-middle class, I propose to set aside a sum of ₹ 200 crore which will be operationalised through a scheme by IFCI.

37. For the welfare of the tribals “Van Bandhu Kalyan Yojana” is being launched with an initial allocation of ₹ 100 crore.



## **Welfare of Senior Citizens**

### ***Varishtha Pension Bima Yojana***

**38.** NDA Government during its last term in office had introduced the Varishtha Pension Bima Yojana (VPBY) as a pension scheme for senior citizens. Under the scheme a total no. of 3.16 lakh annuitants are being benefitted and the corpus amounts to ₹ 6,095 crore. I propose to revive the scheme for a limited period from 15 August, 2014 to 14 August, 2015 for the benefit of citizens aged 60 years and above.

**39.** A large amount of money is estimated to be lying as unclaimed amounts with PPF, Post Office, saving schemes etc. These are mostly out of investments belonging to the senior citizens and on their demise, remain unclaimed for want of relevant payment instructions. I propose to set up a committee to examine and recommend how this amount can be used to protect and further financial interests of the senior citizens. The committee will give its report not later than December this year.

**40.** Government is fully committed to the social security and welfare of employees serving in the organized sector. The Government is notifying minimum pension of ₹ 1,000 per month to all subscriber members of EP Scheme and has made an initial provision of ₹ 250 crore in the current financial year to meet the expenditure. Further, increase in mandatory wage ceiling of subscription to EPS from ₹ 6,500 to ₹ 15,000 has been made and a provision of ₹ 250 crore has been provided in the current budget. For the convenience of the subscribers, EPFO will launch the “Uniform Account Number” Service for contributing members to facilitate portability of Provident Fund accounts.

## **Empowerment of the Differently Abled Persons**

**41.** Government will make all out efforts to create a more inclusive society for Persons with Disabilities to enable them to enjoy equal opportunities to lead an empowered life with dignity. I propose to extend the scheme for Assistance to Disabled Persons for purchase/fitting of Aids and Appliances (ADIP) to include contemporary aids and assistive devices. It is also proposed to establish National level institutes for Universal Inclusive Design and Mental Health Rehabilitation and also a Centre for Disability Sports.

### ***Incentives for the Visually Challenged***

**42.** The Braille Presses in the Government and private sector are not able to meet the demand of Braille Text books for the visually impaired students. It is proposed to provide assistance to the State Governments to establish fifteen new Braille Presses and modernize ten existing Braille Presses in the current financial year. Government will also print currency notes with Braille like signs to assist the visibly challenged persons.

### **Women & Child Development**

43. Women's safety is a concern shared by all the honourable members of this House. We need to test out different approaches that can be validated and scaled up quickly. An outlay of ₹ 50 crores will be spent by Ministry of Road Transport & Highways on pilot testing a scheme on "Safety for Women on Public Road Transport". A sum of ₹ 150 crores will also be spent by Ministry of Home Affairs on a scheme to increase the safety of women in large cities. It is also proposed to set up "Crisis Management Centres" in all the districts of NCT of Delhi this year in all government and private hospitals. The funding will be provided from the Nirbhaya Fund.

#### ***Beti Bachao, Beti Padhao Yojana***

44. It is a shame that while the country has emerged as a major player amongst the emerging market economies, the apathy towards girl child is still quite rampant in many parts of the country. Therefore I propose to launch Beti Bachao, Beti Padhao Yojana which will be a focused scheme which would help in generating awareness and also help in improving the efficiency of delivery of welfare services meant for women. I propose to set aside a sum of ₹ 100 crore for this.

#### ***Gender Mainstreaming***

45. Government would focus on campaigns to sensitize people of this country towards the concerns of the girl child and women. The process of sensitization must begin early, therefore, the school curriculum must have a separate chapter on gender mainstreaming.

### **Rural Development**

#### ***Pradhan Mantri Gram Sadak Yojana***

46. Pradhan Mantri Gram Sadak Yojana initiated during the NDA-I under the stewardship of Prime Minister Atal Behari Vajpayee has had a massive impact in improvement of access for Rural population. It is time to reaffirm our commitment to a better and more energetic PMGSY under the dynamic leadership of Prime Minister Shri Narendra Modi. I propose to provide a sum of ₹ 14,389 crore.

#### ***MGNREGA***

47. The Government is committed to providing wage and self-employment opportunities in rural areas. However, wage employment would be provided under MGNREGA through works that are more productive, asset creating and substantially linked to agriculture and allied activities.

### ***National Livelihood Mission***

48. Aajeevika, the National Rural Livelihood Mission (NRLM), aims to eliminate rural poverty through sustainable livelihood options. Under this mission, Women SHGs are provided bank loans at 4% on prompt repayment in 150 districts and at 7% in all other districts. I propose to extend the provision of bank loan for women SHGs at 4% in another 100 districts. I also propose to set up a “Start Up Village Entrepreneurship Programme” for encouraging rural youth to take up local entrepreneurship programs. I am providing an initial sum of ₹ 100 crore for this.

### ***Rural Housing***

49. The Rural Housing Scheme has benefited a large percentage of rural population who have availed credit through Rural Housing Fund (RHF). Accordingly, I propose to increase the allocations for the year 2014-15 to ₹ 8,000 crore for National Housing Bank (NHB) with a view to expand and continue to support Rural Housing in the country.

### ***Watershed Development***

50. To give an added impetus to watershed development in the country, I propose to start a new programme called “Neeranchal” with an initial outlay of ₹ 2,142 crores in the current financial year.

### ***Panchayati Raj***

51. Backward Region Grant Fund (BRGF) is being implemented in 272 backward districts in 27 States, to fill up the critical gaps in development of basic infrastructure facilities and for capacity building of Panchayats/ Gram Sabhas in backward areas. It is proposed to restructure the BRGF to address intra-district inequalities to ensure that backward sub-districts units within States receive adequate support.

### ***Safe Drinking Water***

52. Many of our drinking water sources have excess impurities like flouride, arsenic and manmade contaminations due to untreated sewage, industrial effluents and leaching of pesticides and fertilizers. It is proposed to earmark ₹ 3,600 crore under National Rural Drinking Water Programme for providing safe drinking water in approximately 20,000 habitations affected with arsenic, fluoride, heavy/ toxic elements, pesticides/ fertilizers through community water purification plants in next 3 years.

### **Health and Family Welfare**

53. To move towards “Health for All”, the two key initiatives i.e. the Free Drug Service and Free Diagnosis Service would be taken up on priority.

54. In order to achieve universal access to early quality diagnosis and treatment to TB patients, two National Institutes of Ageing will be set up at AIIMS, New Delhi and Madras Medical College, Chennai. A national level research and referral Institute for higher dental studies would be set up in one of the existing Dental institutions.

55. It is a matter of great satisfaction that all the six new AIIMS at Jodhpur, Bhopal, Patna, Rishikesh, Bhubaneswar and Raipur, which are part of Pradhan Mantri Swasthya Suraksha Yojana, have become functional. A plan to set up four more AIIMS like institutions at Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poorvanchal in UP is under consideration. I propose to set aside a sum of ₹ 500 crore for this. Presently 58 government medical colleges have been approved. It is also proposed to add 12 more government medical colleges. In addition, dental facilities would also be provided in all the hospitals.

56. For the first time, the Central Government will provide central assistance to strengthen the States’ Drug Regulatory and Food Regulatory Systems by creating new drug testing laboratories and strengthening the 31 existing State laboratories.

57. In keeping with the Government’s focus on improving affordable healthcare and to augment the transfer of technology for better health care facilities in rural India, fifteen Model Rural Health Research shall be set up in the states, which shall take up research on local health issues concerning rural population.

### **Education**

#### ***School Education***

58. Elementary education is one of the major priorities of the Government. There is a residual gap in providing minimal school infrastructure facilities. Government would strive to provide toilets and drinking water in all the girls school in first phase. An amount of ₹ 28,635 crore is being funded for Sarva Shiksha Abhiyan and ₹4,966 crore for Rashtriya Madhyamik Shiksha Abhiyan. A School Assessment Programme is being initiated at a cost of ₹ 30 crore. To infuse new training tools and motivate teachers, “Pandit Madan Mohan Malviya New Teachers Training Programme” is being launched. I am setting aside an initial sum of ₹ 500 crore for this.

59. To take advantage of the reach of the IT, I propose to allocate a sum of ₹100 crore for setting up virtual classrooms as Communication Linked Interface for Cultivating Knowledge (CLICK) and online courses.

### ***Higher Education***

60. The country needs a large number of Centres of higher learning which are world class. I propose to set up Jai Prakash Narayan National Centre for Excellence in Humanities in Madhya Pradesh. I also intend to set up five more IITs in the Jammu, Chattisgarh, Goa, Andhra Pradesh and Kerala. Five IIMs would be set up in the States of Himachal Pradesh, Punjab, Bihar, Odisha and Maharashtra. I propose to set aside a sum of ₹ 500 crore for this.

61. Government also proposes to ease and simplify norms to facilitate education loans for higher studies.

### ***Digital India***

62. There is an imminent need to further bridge the divide between digital “haves” and “have-nots”. For this it is proposed to launch a pan India programme “Digital India”. This would ensure Broad band connectivity at village level, improved access to services through IT enabled platforms, greater transparency in Government processes and increased indigenous production of IT hardware and software for exports and improved domestic availability. Special focus would be on supporting software product startups. A National Rural Internet and Technology Mission for services in villages and schools, training in IT skills and E-Kranti for government service delivery and governance scheme is also proposed. I have provided a sum of ₹ 500 crore for this purpose.

63. A programme for promoting “Good Governance” would be launched and I propose to set aside a sum of ₹ 100 crore for this.

### ***Information and Broadcasting***

64. So far around 400 permissions for setting up of a Community Radio Stations have been issued. To encourage the growth in this sector, a new plan scheme is being taken up with an allocation of ₹ 100 crore. This scheme would support about 600 new and existing Community Radio Stations.

65. Film & Television Institute, Pune and Satyajit Ray Film & Television Institute, Kolkata are proposed to be accorded status of Institutes of national importance and a “National Centre for Excellence in Animation, Gaming and Special Effects will be set up.

### ***Urban Development***

#### ***Urban Renewal***

66. It is time that our cities and towns undergo urban renewal and become better places to live in. While developing housing and other infrastructure, both physical and economic, which can have local variations, four fundamental

activities must underpin such development. These are provision of safe drinking water and sewerage management, use of recycled water for growing organic fruits and vegetable, solid waste management and digital connectivity. It is the vision of this Government that at least five hundred (500) such habitations must be provided support, while harnessing private capital and expertise through PPPs, to renew their infrastructure and services in the next ten years.

### ***Pooled Municipal Debt Obligation Facility***

**67.** Pooled Municipal Debt Obligation Facility: This facility was set up in 2006 with participation of several Banks to promote and finance infrastructure projects in Urban Area on shared risk basis. Present corpus of this facility is ₹5,000 Crores. This Government has a major focus of providing good infrastructure, including public transport, solid waste disposal, sewerage treatment and drinking water in the urban areas. In keeping with the Hon'ble Prime Minister's vision for urban areas it is proposed to enlarge it to ₹ 50,000 Crores with extension of the facility by five years to March 31, 2019.

### ***Urban Transportation***

**68.** Urban Metro Projects have proven to be very useful in decongesting large cities. For two million plus cities, planning of metro projects must begin now. Government will encourage development of metro rail systems, including light rail systems, in the PPP mode, which will be supported by the Central Government through VGF. In the current financial year, I propose to set aside a sum of ₹ 100 crore for Metro Projects in Lucknow and Ahmedabad.

### ***Housing for All***

**69.** Our government is committed to endeavour to have housing for all by 2022. For this purpose, I intend to extend additional tax incentive on home loans to encourage people, especially the young, to own houses.

**70.** I propose setting up a Mission on Low Cost Affordable Housing which will be anchored in the National Housing Bank. Schemes will be evolved to incentivize the development of low cost affordable housing. I propose to allocate this year also a sum of ₹ 4,000 crores for NHB with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/LIG segment. I have already outlined some other incentives such as easier flow of FDI in this sector. Government is willing to examine other suggestions that would spur growth in this sector.

**71.** I also propose to add inclusion of slum development in the list of Corporate Social Responsibility (CSR) activities to encourage the private sector to contribute more towards this activity.

### ***Malnutrition***

72. A national programme in Mission Mode is urgently required to halt the deteriorating malnutrition situation in India, as present interventions are not adequate. A comprehensive strategy including detailed methodology, costing, time lines and monitorable targets will be put in place within six months.

### **Minorities**

73. A programme for the up gradation of skills and training in ancestral arts for development for the minorities called “Up gradation of Traditional Skills in Arts, Resources and Goods” would be launched to preserve the traditional arts and crafts which are rich heritage.

74. An additional amount of ₹ 100 crores for Modernization of Madarsas has been provided to the Department of School Education.

## **III. AGRICULTURE**

75. Farming as an activity contributes nearly 1/6th to our National GDP and a major portion of our population is dependent on it for livelihood. It has risen to the challenge of making India largely self-sufficient in providing food for a growing population. To make farming competitive and profitable, there is an urgent need to step up investment, both public and private, in agro-technology development and creation and modernization of existing agri-business infrastructure. Indian Agricultural Research Institute, Pusa has been at the forefront of research in this area. However, since independence only one such centre has been established. Government will establish two more such institutions of excellence on similar pattern in Assam and Jharkhand with an initial sum of ₹100 crore in the current financial year. In addition, an amount of ₹ 100 crores is being set aside for setting up an “Agri-Tech Infrastructure Fund”.

76. It is also proposed to establish Agriculture Universities in Andhra Pradesh and Rajasthan and Horticulture Universities in Telangana and Haryana. An initial sum of ₹ 200 crores has been allocated for this purpose.

77. Deteriorating soil health has been a cause of concern and leads to sub optimal utilization of farming resources. Government will initiate a scheme to provide to every farmer a soil health card in a Mission mode. I propose to set aside a sum of ₹ 100 crore for this purpose and an additional ₹ 56 crores to set up 100 Mobile Soil Testing Laboratories across the country. There have also been growing concerns about the imbalance in the utilization of different types of fertilizers resulting in deterioration of the soil.

78. Climate change is a reality which all of us have to face together. Agriculture as an activity is most prone to the vagaries of climate change. To

meet this challenge, I propose to establish a “National Adaptation Fund” for climate change. As an initial sum an amount of ₹ 100 crore will be transferred to the Fund.

79. We are committed to sustaining a growth of 4% in Agriculture and for this we will bring technology driven second green revolution with focus on higher productivity and include “Protein revolution” as an area of major focus.

80. As a very large number of landless farmers are unable to provide land title as guarantee, institutional finance is denied to them and they become vulnerable to money lenders’ usurious lending. I propose to provide finance to 5 lakh joint farming groups of “**Bhoomi Heen Kisan**” through NABARD in the current financial year.

81. Price volatility in the agriculture produce creates uncertainties and hardship for the farmers. To mitigate this I am providing a sum of ₹ 500 crore for establishing a Price Stabilization Fund.

82. The farmers and consumers’ interest will be further served by increasing competition and integrating markets across the country. To accelerate setting up of a National Market, the Central Government will work closely with the State Governments to re-orient their respective APMC Acts., to provide for establishment of private market yards/ private markets. The state governments will also be encouraged to develop Farmers’ Markets in town areas to enable the farmers to sell their produce directly.

83. I also propose to set aside a sum of ₹ 50 crores for the development of indigenous cattle breeds and an equal amount for starting a blue revolution in inland fisheries.

### ***Agriculture Credit***

84. Banks are providing strong credit support to the agriculture sector. A target of ₹ 8 lakh crore has been set for agriculture credit during 2014-15 which, I am confident, the banks will surpass this.

### ***Interest Subvention Scheme for Short Term Crop Loans***

85. Under the Interest Subvention Scheme for short term crop loans, the banks are extending loans to farmers at a concessional rate of 7%. The farmers get a further incentive of 3% for timely repayment. I propose to continue the Scheme in 2014-15.

### ***Rural Infrastructure Development Fund***

86. NABARD operates the Rural Infrastructure Development Fund (RIDF), out of the priority sector lending shortfall of the banks, which helps in creation



of infrastructure in agriculture and rural sectors across the country. I propose to raise the corpus of RIDF by an additional ₹ 5,000 crores from the target given in the Interim Budget to ₹ 25,000 crores in the current financial year.

#### ***Warehouse Infrastructure Fund***

**87.** Increasing warehousing capacity for increasing the shelf life of agriculture produces and thereby the earning capacity of the farmers is of utmost importance. Keeping in view the urgent need for availability of scientific warehousing infrastructure in the country, I propose an allocation of ₹ 5,000 crore for the fund for the year 2014-15.

#### ***Creation of Long Term Rural Credit Fund***

**88.** The share of long term investment credit in agriculture is going down as compared to short term crop loan. This is severely hampering the asset creation in agriculture and allied activities. In order to give a boost to long term investment credit in agriculture, I propose to set up “Long Term Rural Credit Fund” in NABARD for the purpose of providing refinance support to Cooperative Banks and Regional Rural Banks with an initial corpus of ₹ 5,000 crore.

#### ***Allocation of STCRC (Refinance) Fund***

**89.** The Short Term Cooperative Rural Credit (STCRC) – Refinance Fund was announced in Union Budget 2008-09 with initial corpus of ₹ 5,000 crore. In order to ensure increased and uninterrupted credit flow to farmers and to avoid high cost market borrowings by NABARD, I propose to allocate an amount of ₹50,000 crore for STCRC Fund during 2014-15.

#### ***Producers Development and Upliftment Corpus (PRODUCE)***

**90.** The issue of profitability of small holding based agriculture has assumed importance in view of increasing proportion of small and marginal farmers in the country. I propose to supplement NABARD’s Producers’ organization development fund for Producer’s development and upliftment called PRODUCE with a sum of ₹ 200 crore which will be utilized for building 2,000 producers organizations across the country over the next two years.

#### ***Food Security***

**91.** Government is committed to reforms in the food sector. Restructuring FCI, reducing transportation and distribution losses and efficacy of PDS would be taken up on priority.

**92.** Government is also committed to provide wheat and rice at reasonable prices to the weaker sections of the society. Even if due to inadequate rainfall

there is a marginal decline in agriculture production, stocks in the Central pool are adequate to meet any exigency. Government shall, when required, undertake open market sales to keep prices under control.

### **Kisan TV**

93. Kisan TV, dedicated to the interests of the agriculture and allied sector will be launched in the current financial year. This will disseminate real time information to the farmers information regarding new farming techniques, water conservation, organic farming etc. I propose to set aside a sum of ₹ 100 crore for this purpose.

## **IV. INDUSTRY**

94. The eBiz platform aims to create a business and investor friendly ecosystem in India by making all business and investment related clearances and compliances available on a 24x7 single portal, with an integrated payment gateway. All Central Government Departments and Ministries will integrate their services with the eBiz platform on priority by 31 December this year.

95. A National Industrial Corridor Authority, with its headquarters in Pune, is being set up to coordinate the development of the industrial corridors, with smart cities linked to transport connectivity, which will be the cornerstone of the strategy to drive India's growth in manufacturing and urbanization. I have provided an initial corpus of ₹ 100 crore for this purpose.

96. The Amritsar Kolkata Industrial master planning will be completed expeditiously for the establishment of industrial smart cities in seven States of India. The master planning of three new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka will also be completed.

97. The perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor would be completed with the provision for 20 new industrial clusters.

98. Kakinada, its adjoining area and the port will be developed as the key drivers of economic growth in the region with a special focus on hardware manufacturing.

99. Exports cannot be exponentially increased unless the states play a very active role in export promotion by providing good infrastructure and full facilitation. It will be our endeavor to engage with the states to take India's exports to a higher growth trajectory. It is proposed to establish an Export promotion Mission to bring all stakeholders under one umbrella.

### **Special Economic Zones**

**100.** The Government is committed to revive the Special Economic Zones (SEZs) and make them effective instruments of industrial production, economic growth, export promotion and employment generation. For achieving this, effective steps would be undertaken to operationalize the Special Economic Zones, to revive the investors' interest to develop better infrastructure and to effectively and efficiently use the available unutilized land.

### **Apprenticeship**

**101.** Comparing the size of the Indian economy, the performance of the Apprenticeship Training Scheme is not satisfactory and a large number of training facilities in the industry are unutilized. Apprenticeship Act will be suitably amended to make it more responsive to industry and youth. We will also encourage MSMEs to avail of the benefits of this scheme.

### **Micro, Small and Medium Enterprises sector**

**102.** SMEs form the backbone of our Economy. They account for a large portion of our industrial output and employment. The bulk of service sector enterprises are also SMEs. Most of these SMEs are Own Account Enterprises. Most importantly a majority of these enterprises are owned or run by SCs, STs and OBCs. Financing to this sector is of critical importance, particularly as it benefits the weakest sections. There is need to examine the financial architecture for this sector. I propose to appoint a committee with representatives from the Finance Ministry, Ministry of MSME, RBI to give concrete suggestions in three months.

**103.** Promotion of entrepreneurship and start-up Companies remains a challenge. While there have been some efforts to encourage, one principal limitation has been availability of start-up capital by way of equity to be brought in by the promoters. In order to create a conducive eco-system for the venture capital in the MSME sector it is proposed to establish a ₹ 10,000 crore fund to act as a catalyst to attract private Capital by way of providing equity, quasi equity, soft loans and other risk capital for start-up companies.

**104.** To establish technology centre network to promote innovation, entrepreneurship and agro-industry, I propose to set up a fund with a corpus of ₹200 crore.

**105.** The definition of MSME will be reviewed to provide for a higher capital ceiling. A programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery will also be put in place.

**106.** Entrepreneur friendly legal bankruptcy framework will also be developed for SMEs to enable easy exit. A nationwide “District level Incubation and Accelerator Programme” would be taken up for incubation of new ideas and providing necessary support for accelerating entrepreneurship.

### **Textiles**

**107.** I propose to set up a Trade Facilitation Centre and a Crafts Museum with an outlay of ₹ 50 crore to develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi, where I also intend to support a Textile mega-cluster. I also propose to set up six more Textile mega-clusters at Bareilly, Lucknow, Surat, Kuttch, Bhagalpur, Mysore and one in Tamil Nadu. I am allocating a sum of ₹ 200 crore for this purpose.

**108.** I also propose to set up a Hastkala Academy for the preservation, revival, and documentation of the handloom/handicraft sector in PPP mode in Delhi. I have set aside a sum of ₹ 30 crore for this purpose.

**109.** I propose to start a Pashmina Promotion Programme (P-3) and a programme for the development of other crafts of Jammu & Kashmir. I am setting aside a sum of ₹50 crore for this purpose.

## **V. INFRASTRUCTURE**

**110.** India has emerged as the largest PPP market in the world with over 900 projects in various stages of development. PPPs have delivered some of the iconic infrastructure like airports, ports and highways which are seen as models for development globally. But we have also seen the weaknesses of the PPP framework, the rigidities in contractual arrangements, the need to develop more nuanced and sophisticated models of contracting and develop quick dispute redressal mechanism. An institution to provide support to mainstreaming PPPs called 3P India will be set up with a corpus of ₹500 crores.

### **Shipping**

**111.** A policy for encouraging the growth of Indian controlled tonnage will be formulated to ensure increase in employment of the Indian seafarers. Development of ports is also critical for boosting trade. Sixteen new port projects are proposed to be awarded this year with a focus on port connectivity. ₹ 11,635 crore will be allocated for the development of Outer Harbour Project in Tuticorin for phase I. SEZs will also be developed in Kandla and JNPT. A comprehensive policy will also be announced to promote Indian ship building industry in the current financial year.

### **Inland Navigation**

**112.** Development of inland waterways can improve vastly the capacity for the transportation of goods. A project on the river Ganga called ‘Jal Marg Vikas’ (National Waterways-I) will be developed between Allahabad and Haldia to cover a distance of 1620 kms, which will enable commercial navigation of at least 1500 tonne vessels. The project will be completed over a period of six years at an estimated cost of ₹ 4,200 crore.

### **New Airports**

**113.** Despite increase in air connectivity air travel is still out of reach of a large number of aspirational Indians. Scheme for development of new airports in Tier I and Tier II will be launched for implementation through Airport Authority of India or PPPs.

### **Roads sector**

**114.** Roads sector constitutes a very import artery of communication in the country. The sector had taken shape from 1998-2004 under NDA-I. The sector again needs huge amount of investment along with debottlenecking from maze of clearances. I propose investment in National Highways Authority of India and State Roads of an amount of ₹37,880 crores, which includes ₹ 3,000 crores for the North East. During CFY a target of NH construction of 8500 km will be achieved.

**115.** A modern nation needs multiple sources of transport. A country of the size of India must have a transport network which can ensure faster travel across cities which are geographically distant. This will also improve the supply chain in transporting goods across cities. We will initiate work on select expressways in parallel to the development of the Industrial Corridors. For project preparation NHAI shall set aside a sum of ₹ 500 crore.

### **Power**

**116.** To promote cleaner and more efficient thermal power, I propose to allocate an initial sum of ₹ 100 crore for preparatory work for a new scheme “Ultra-Modern Super Critical Coal Based Thermal Power Technology.”

### **Coal**

**117.** Comprehensive measures for enhancing domestic coal production are being put in place along with stringent mechanism for quality control and environmental protection, which includes supply of crushed coal and setting up of washeries. The existing impasse in the coal sector will be resolved and adequate quantity of coal will be provided to power plants which are already commissioned or would be commissioned by March 2015, to unlock dead investments. An

exercise to rationalize coal linkages which will optimize transport of coal and reduce cost of power is underway.

### **New & Renewable Energy**

**118.** New and Renewable energy deserves a very high priority. It is proposed to take up Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, and Laddakh in J&K. I have set aside a sum of ₹ 500 crores for this. We are launching a scheme for solar power driven agricultural pump sets and water pumping stations for energizing one lakh pumps. I propose to allocate a sum of ₹ 400 crores for this purpose. An additional ₹ 100 crore is set aside for the development of 1 MW Solar Parks on the banks of canals. Implementation of the Green Energy Corridor Project will be accelerated in this financial year to facilitate evacuation of renewable energy across the country.

### **Petroleum & Natural Gas**

**119.** It is my Government's intention to accelerate production and exploitation of Coal Bed Methane reserves. The possibility of using modern technology to revive old or closed wells will also be explored to maximize production from such fields.

**120.** The usage of PNG will be rapidly scaled up in a Mission mode as it is "clean" and efficient to deliver.

**121.** We have at present about 15,000 km of gas pipeline systems in the country. In order to complete the gas grid across the country, an additional 15,000 km of pipelines are required. It is proposed to develop these pipelines using appropriate PPP models. This will help increase the usage of gas, domestic as well as imported, which, in the long-term will be beneficial in reducing dependence on any one energy sources.

### **Mining**

**122.** It is my Government's intention to encourage investment in mining sector and promote sustainable mining practices to adequately meet the requirements of industry without sacrificing environmental concerns. The current impasse in mining sector, including, iron ore mining, will be resolved expeditiously. Changes, if necessary, in the MMDR Act, 1957 would be introduced to facilitate this.

### **Revision of Royalty Rate**

**123.** There have been requests from several State Governments to revise rate of Royalty on minerals. Hon'ble Members are aware that rate of Royalty can be revised after a period of three years. Last revision took place in August, 2009. Therefore, another revision, which is due, will be undertaken to ensure greater revenue to the State Governments.

## VI. FINANCIAL SECTOR

### Capital Market

**124.** Financial sector is at the heart of the growth engine. Globalization helps channelize external savings to India to bridge the resource gap but also renders the financial sector vulnerable to the vagaries of the global economy. We have seen this in the recent past in ample measure. It is essential to strengthen and modernize the legislative regulatory framework. There are 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. It will be my endeavor to complete the ongoing process of consultations with all the stakeholders expeditiously on this. It is also essential to have a modern monetary policy framework to meet the challenge of an increasingly complex economy. Government will, in close consultation with the RBI, put in place such a framework.

**125.** While the impact of the above measures will be felt in the medium term, towards the same objective, I propose to:

- i. Advise financial sector regulators to take early steps for a vibrant, deep and liquid corporate bond market and deepen the currency derivatives market by eliminating unnecessary restrictions.
- ii. Extend a liberalized facility of 5% withholding tax to all bonds issued by Indian corporate abroad for all sectors and extend the validity of the scheme to 30.06.2017.
- iii. Liberalize the ADR/GDR regime to allow issuance of depository receipts on all permissible securities.
- iv. Allow international settlement of Indian debt securities.
- v. Completely revamp the Indian Depository Receipt (IDR) and introduce a much more liberal and ambitious Bharat Depository Receipt (BhDR).
- vi. Clarify the tax treatment on income of foreign fund whose fund managers are located in India to resolve a long-standing problem. Details will be presented in Part B.

**126.** The Indian capital markets have been a source of risk capital for a growing India. I propose to take a number of measures to further energize these markets including:

- i. Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector.

- ii. Introduce one single operating demat account so that Indian financial sector consumers can access and transact all financial assets through this one account.

**127.** As part of strengthening the regulatory framework for commodity markets, the Warehouse Development and Regulatory Authority (WD&RA) has begun a transformation plan to invigorate the warehousing sector and significantly improve post-harvest lending to farmers against negotiable warehouse receipts. This plan will be implemented with vigor.

**128.** There is an urgent need to converge the current Indian accounting standards with the International Financial Reporting Standards (IFRS). I propose for adoption of the new Indian Accounting Standards (Ind AS) by the Indian companies from the financial year 2015-16 voluntarily and from the financial year 2016-17 on a mandatory basis. Based on the international consensus, the regulators will separately notify the date of implementation of AS Ind for the Banks, Insurance companies etc. Standards for the computation of tax would be notified separately.

### **Banking**

**129.** There have been some suggestions for consolidation of Public Sector Banks. Government, in principle, agrees to consider these suggestions.

**130.** To provide all households in the country with banking services, a time bound programme would be launched as Financial Inclusion Mission on 15 August this year. It would particularly focus to empower the weaker sections of the society, including women, small and marginal farmers and labourers. Two bank accounts in each household are proposed to be opened which will also be eligible for credit.

**131.** Long term financing for infrastructure has been a major constraint in encouraging larger private sector participation in this sector. On the asset side, banks will be encouraged to extend long term loans to infrastructure sector with flexible structuring to absorb potential adverse contingencies, sometimes known as the 5/25 structure. On the liability side, 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).

**132.** After making suitable changes to current framework, a structure will be put in place for continuous authorization of universal banks in the private sector in the current financial year. 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.



**133.** The rising Non Performing Assets of Public Sector Banks is a matter of concern for the Government. Six new Debt Recovery Tribunals would be set up at Chandigarh, Bengaluru, Ernakulum, Dehradun, Siliguri and Hyderabad. Government will work out effective means for revival of other stressed assets.

### **Insurance Sector**

**134.** Benefits of insurance in India have not reached a large section of the people and insurance penetration and density are very low. The Government would work towards addressing this situation in multi-pronged manner with the support of all stake holders concerned. This would include suitable incentives, using banking correspondents, strengthening micro-offices opened by public sector insurance. It is also proposed to take up the pending insurance laws (amendment) Bill for consideration of the Parliament.

**135.** As part of the legislative initiatives under financial sector reforms, it is proposed to bridge the regulatory gap under the Prize Chits and Money Circulation Scheme (Banning) Act, 1978. This step is expected to facilitate effective regulation of companies and entities which have duped a large number of poor and vulnerable people in this country.

### **Small Savings**

**136.** To address the concerns of decline in savings rate and improving returns for small savers, I propose to revitalize small savings.

**137.** My Government attaches utmost importance to the welfare of Girl Child. A special small savings instrument to cater to the requirements of educating and marriage of the Girl Child will be introduced. A National Savings Certificate with insurance cover will also be launched to provide additional benefits for the small saver.

**138.** In the PPF Scheme, annual ceiling will be enhanced to ₹1.5 lakh p.a. from ₹ 1 lakh at present.

## **VII. DEFENCE & INTERNAL SECURITY**

**139.** There can be no compromise with the defence of our country. I therefore propose to allocate an amount of ₹ 2,29,000 crore for the current financial year for Defence.

### ***One Rank One Pension***

**140.** We reaffirm our commitment to our brave soldiers. A policy of “One Rank One Pension” has been adopted by the Government to address the pension

disparities. We propose to set aside a further sum of ₹ 1,000 crore to meet this year's requirement.

### ***Modernization***

**141.** Modernization of the armed forces is critical to enable them to play their role effectively in the Defence of India's strategic interests. I, therefore, propose to increase the capital outlay for Defence by ₹ 5,000 crore over the amount provided for in the interim Budget. This includes a sum of ₹ 1,000 crore for accelerating the development of the Railway system in the border areas. Urgent steps would also be taken to streamline the procurement process to make it speedy and more efficient.

### ***War Memorial***

**142.** The country is deeply indebted to the officers and the jawans of the armed forces for having made huge sacrifices to defend its honour. In doing so a very large number of them gave up their lives. It is a privilege for the nation to erect a befitting memorial in their memory. I am happy to announce that a War Memorial will be constructed in the Princes Park. It will be supplemented by a War Museum. I am allocating a sum of ₹ 100 crore for this purpose.

### ***The Defence Production***

**143.** In the year 2011 a separate fund was announced to provide necessary resources to public and private sector companies, including SMEs, as well as academic and scientific institutions to support research and development of Defence systems that enhance cutting-edge technology capability in the country. However, beyond the announcement, no action was taken. Therefore, I propose to set aside an initial sum of ₹ 100 crore to set up a Technology Development Fund to support this objective.

### ***Internal Security***

**144.** The scheme for modernization of state police forces would be reviewed. I propose to enhance the allocation from a sum of ₹ 1,847 crore in the BE of 2013-14 to ₹ 3,000 crore in the current financial year. I am also allocating adequate funds for carrying out small but much needed developmental activities as Additional Central Assistance for Left Wing Extremist Affected districts.

**145.** In order to strengthen and modernize border infrastructure, a sum of ₹ 2,250 crore has been set aside. In addition, a sum of ₹ 990 crore has been allocated for the socio economic development of the villages along the borders. A sum of ₹ 150 crore has also been ear-marked for the construction of Marine Police Station, Jetties, for the purchase of boats etc.

### **National Police Memorial**

**146.** The nation is equally indebted to the officers and the jawans of the Police forces, including the central armed police forces, who are constantly engaging with the enemy within and in the process sacrificing their lives in the line of duty. I announce the construction of a befitting National Police Memorial. I propose to set aside a sum of ₹ 50 crores for this purpose in the current financial year.

### **VIII. CULTURE & TOURISM**

**147.** India's rich cultural, historical, religious and natural heritage provides a huge potential for the development of tourism and job creation as an Industry. I propose to create 5 tourist circuits around specific themes and set aside a sum of ₹ 500 crore for this purpose.

**148.** National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD) shall be launched in this financial year. A sum of ₹ 100 crore is being set aside for this purpose.

**149.** National Heritage City Development and Augmentation Yojana (HRIDAY) will also be launched for conserving and preserving the heritage characters of these cities. To begin with I propose to launch this programme in the cities such as Mathura, Amritsar, Gaya, Kanchipuram, Vellankani and Ajmer. I propose to set aside a sum of ₹ 200 crore for this purpose. The Project will work through a partnership of Government, academic institutions and local community combining affordable technologies.

**150.** Archeological sites preservation requires urgent attention lest our ancient heritage is lost to all future generations. For this purpose, I intend to set aside a sum of ₹ 100 crore.

**151.** Sarnath-Gaya-Varanasi Buddhist circuit would also be developed with world class tourist amenities to attract tourists from all over the world.

**152.** Goa has emerged as a major international convention centre. It has also been declared as the permanent venue for International Film Festival of India. There is an urgent need to develop world class convention facilities. This can best be done in close collaboration with the private sector. Government of India will fully support this initiative to develop the facilities in PPP mode through the VGF scheme.

### **Water Resources and cleaning of Ganga**

#### ***Linking of Rivers***

**153.** Rivers form the lifeline of our country. They provide water not only for producing food for the multitudes but also drinking water. Unfortunately the

country is not uniformly blessed with perennial rivers. Therefore, an effort to link the rivers can give rich dividends to the country. It is time that we made a serious effort to move in this direction. To expedite the preparation of the Detailed Project Reports, I propose to set aside a sum of ₹ 100 crore.

### ***Sacred Rivers***

154. Substantial amount of money has been spent in the conservation and improvement of the Ganga, which has a very special sacred place in the collective consciousness of this country. However, the efforts have not yielded desired results because of the lack of concerted effort by all the stakeholders. I propose to set up Integrated Ganga Conservation Mission called “Namami Gange” and set aside a sum of ₹ 2,037 crores for this purpose.

### ***Development of Ghats and beautification of Riverfront***

155. Our Riverfronts and Ghats are not only places of rich historical heritage but many of these are also sacred. To start this process in the country, I propose to set aside a sum of ₹ 100 crore for Ghat development and beautification of river front at Kedarnath, Haridwar, Kanpur, Varanasi, Allahabad, Patna and Delhi in the current financial year.

### ***NRI Ganga Fund***

156. NRIs have been a very important contributor to the development process in India, in areas such as education, health and preservation of culture. In this context, to harness their enthusiasm to contribute towards the conservation of the river Ganga, NRI Fund for Ganga will be set up which will finance special projects.

## **Science and Technology**

### ***Technology Research Centres***

157. The Department of Science & Technology has some of country’s leading research centres in the areas such as nanotechnology, materials science and bio-medical device technology. The government will strengthen at least five such institutions as Technical Research Centres to make them more effective in the innovation space through Public Private Partnerships.

### ***Stimulating Investment In Biotechnology***

158. The development of biotech clusters in Faridabad and Bengaluru will be scaled up and taken to the highest international quality. This effort will include global partnerships in accessing model- organism resources for disease biology, stem cell biology and for high-end electron microscopy.

**159.** The nascent agri-biotech cluster in Mohali will be scaled up to include plant-genetic and phenotype platforms. Secondary agriculture will be a major thrust in Mohali through collaborations in the public and private sector. In addition, two new clusters, in Pune and Kolkata will be established.

**160.** Global partnerships will be developed under India's leadership to transform the Delhi component of the International Centre for Genetic Engineering and Biotechnology (ICGEB) into a world-leader in life sciences and biotechnology.

### ***Indian Space Programme***

**161.** Several major space missions are planned for 2014-15 which include the experimental flight of India's future heavy capacity launcher GSLV Mk-III, one commercial launch of PSLV and two more navigational satellites.

**162.** Our Mars Orbiter spacecraft is in its 300 days long voyage to Planet Mars along the designated helio-centric trajectory. Mars Orbiter Spacecraft is expected to be orbiting around Mars on September 24, 2014.

### **Sports and Youth Affairs**

#### ***Sports***

**163.** Sports are an integral part of growing up and personality development. Unfortunately, in our country, sports have not been main-streamed to date. Government will set up national level Sports Academies for major games in different parts of the country to mainstream sports. Academies with international level facilities for training of accomplished athletes and for nurturing best talent in the country at junior and sub-junior level will also be set up for Shooting, Archery, Boxing, Wrestling, Weightlifting and various Track and field events.

**164.** Jammu & Kashmir has a lot of sporting talent which is not finding expression due to inadequate sports facilities. I propose to provide a sum of ₹200 crore for upgrading the indoor and outdoor sports stadiums to international standards in Jammu and in Kashmir Valley.

**165.** I also propose to set up a sports university in Manipur. For this I am providing a sum of ₹ 100 crore in the current financial year.

**166.** Unique sports traditions have developed in the Himalayan region in the countries and the states that are a part of it. To promote these, India will start an annual event to promote these games and would invite countries such as Nepal and Bhutan also to participate in addition to the Indian states such as J&K, Uttarakhand, Himachal Pradesh, Sikkim and the North Eastern States.

167. I also propose to set aside a sum of ₹ 100 crore for the training of our sports women and men for the forthcoming Asian and Commonwealth games.

### ***Youth***

168. Employment exchanges will be transformed into career centres and in addition for providing information about job availability. These centers will also extend counseling facilities to the youth for selecting the jobs best suited to their ability and aptitude. I have set aside a sum of ₹ 100 crore for this purpose.

169. Youth of India are pragmatic and forward looking and wish to be leaders in all fields. In order to promote leadership skills, I propose to set up “A Young Leaders Programme” with an initial allocation of ₹ 100 crore.

## **IX. OTHER PROPOSALS**

### **Displaced Kashmiri Migrants**

170. Displaced Kashmiri migrants require our special support for rehabilitation. For this, I intend to provide a sum of ₹ 500 crore in the current financial year.

### **Conservation of Himalayas**

171. There is a great need to increase the capacity in the country for Himalayan Studies. I propose to set up a National Centre for Himalayan Studies in Uttarakhand with an initial outlay of ₹ 100 crore.

### **Academy for Customs**

172. It is proposed to set up the National Academy for Customs & Excise at Hindupur in Andhra Pradesh.

### **North Eastern States**

#### ***Organic Food***

173. North Eastern Region of India has tremendous potential for development of organic farming. With a growing global demand for organic food, people living in the NE states can reap rich harvest from development of commercial organic farming. To facilitate this, I propose to provide a sum of ₹ 100 crore for this purpose in the current financial year.

#### ***North East Railway Connectivity***

174. North Eastern Region has suffered from under development and a sense of isolation due to lack of proper connectivity. Development of rail system is

urgently required to bridge this gap. I intend to expedite the development of rail connectivity in the region and for this purpose I propose to set aside an additional sum of ₹ 1,000 crore over and above the amount provided for in the interim Budget.

### ***24x7 Channel for the North East***

**175.** TV is a very powerful tool for the expression of cultural identities and for creating greater awareness of the richness of the diversity of our country. To provide a strong platform to rich cultural and linguistic identity of the North-East, a new 24x7 channel called “Arun Prabha” will be launched.

### **Andhra Pradesh and Telangana**

**176.** My Government is committed to addressing the issues relating to development of Andhra Pradesh and Telangana in the AP Re-organization Act, 2014. Provision has been made by various Ministries/Departments to fulfill the obligation of Union Government for both the States.

### **National Capital Territory of Delhi**

**177.** NCT of Delhi faces large in-migration every year. Delhi is plagued by frequent transmission related problems and issues of water distribution and supply. In order to overcome this and make Delhi a world class city, I propose to provide ₹ 200 crore for power reforms and ₹ 500 crore for water reforms.

**178.** In addition, to solve the long term water supply issues to the capital region, construction of long pending Renuka Dam would be taken up on priority. I have provided an initial sum of ₹ 50 crore for this.

### **Andaman and Nicobar Island and Puducherry**

**179.** Andaman and Nicobar Island are part of our rich cultural heritage. In order to tide over communication related problems of the Island, I propose to allot a sum of ₹ 150 crore.

**180.** Similarly, I propose to provide ₹ 188 crore to Puducherry for meeting commitments for Disaster preparedness.

## **X. BUDGET ESTIMATES**

**181.** I now turn to the Budget estimates for Main Budget 2014-15. We have inherited a legacy, wherein, continuance of fiscal consolidation cannot be compromised while providing for the essential items. However, we have mandate to fulfill for the people. Keeping this in mind we have prepared the estimates of expenditure and receipts for Financial Year 2014-15.

**182.** Non-Plan expenditure estimates for the Financial Year are ₹ 12,19,892 crore. While preparing Non-Plan estimates due care has been taken to fully provide for all the essential activities. Additional amounts have been provided for fertilizer subsidy and capital expenditure of Armed Forces.

**183.** While preparing estimates of plan expenditure, attention was paid to the absorptive capacity of the Department and on achieving greater outcome with the same financial outlay. In 2013-14, plan funds to the tune of ₹ 4,53,085 crore could be utilised. Plan allocation of ₹ 5,75,000 crore in the Main Budget 2014-15 mark an increase of 26.9% over actuals for 2013-14 and have been targeted towards Agriculture, capacity creation in Health and Education, Rural Roads and National Highways Infrastructure, Railways network expansion, clean energy initiatives, development of water resources and river conservation plans. Further thorough convergence of programmes greater impact from the money spent will be achieved.

**184.** Total expenditure estimates thus stands at ₹ 17,94,892 crore.

**185.** To finance this expenditure, it is estimated that Gross Tax receipts will be ₹ 13,64,524 crore. After devolving the share of states, share of centre will be ₹ 9,77,258 crore. Non Tax Revenues for the current Financial Year will be ₹ 2,12,505 crore and capital receipts other than borrowings will be ₹ 73,952 crore.

**186.** With the above estimates, fiscal deficit will be 4.1% of GDP and Revenue deficit will be 2.9 per cent of GDP.

**187.** Hon'ble Members will recall that it was the initiative of the previous NDA Government under Shri Atal Bihari Vajpayee, which had made compulsory 10% allocation of plan funds for North Eastern Region and had made them Non-lapsable in nature. From the current Budget, we have introduced a Statement which will separately show plan allocation made for North Eastern Region. In Financial Year 2014-15, an allocation of ₹ 53,706 crore has been made for North Eastern Region. We have further made an allocation of ₹ 98,030 crore for women and ₹ 81,075 crore for child welfare.



## PART B

### XI. TAX PROPOSALS

**188.** Madam Speaker, I shall now present my tax proposals.

**189.** Taxes are important for every economy to fund Government expenditure on security and welfare of its people. In the interim Budget 2014-15, my predecessor had set revenue collection targets for direct taxes as well as indirect taxes, which appear to be ambitious. I propose to retain these targets and it shall be my endeavour to achieve the same. The impact of the tax changes now proposed have of course been factored into the Budget Estimates, 2014-15.

**190.** While preparing the tax proposals, I had to encounter the challenge of an extremely limited fiscal space. Nonetheless, I propose to introduce measures to revive the economy, promote investment in manufacturing sector and rationalize tax provisions so as to reduce litigation as well as to address the problem of inverted duty structure in certain areas. I also propose to give relief to individual taxpayers and to certain sectors of the economy.

#### Direct Taxes

**191.** Let me begin with direct taxes.

**192.** Madam Speaker, I do not propose to make any change in the tax rate. However, with a view to provide relief to small and marginal taxpayers and senior citizens, I propose to increase personal income tax exemption limit by ₹50,000 that is, from ₹2 lakh to ₹2.5 lakh in the case of individual taxpayers who are below the age of 60 years. Similarly, I also propose to raise the exemption limit from ₹2.5 lakh to ₹3 lakh in the case of senior citizens.

**193.** I do not propose to make any change in the rate of surcharge either for the corporates or the individuals, HUFs, firms etc.

**194.** The education cess for all taxpayers shall continue at 3 percent.

**195.** In the year 2012-13 the gross domestic savings were 30.1% of the GDP as compared to 33.7% in the year 2009-10. Increase in savings and their productive use leads to higher economic growth. The households are the main contributors to savings. Therefore, to encourage domestic investment in long

term savings, I propose to increase the investment limit under section 80C of the Income-tax Act from ₹ 1 lakh to ₹ 1.5 lakh.

**196.** Housing continues to be an area of concern for middle and lower middle class due to high cost of financing. Therefore, to reduce this burden, I propose to increase the deduction limit on account of interest on loan in respect of self occupied house property from ₹ 1.5 lakh to ₹ 2 lakh.

**197.** Infrastructure and construction sectors have a significant role in the economy. Growth in these sectors is necessary to revive the economy and generate jobs for millions of our young boys and girls. As stated earlier and with a view to attract large scale investment in these sectors, I have provided a conducive tax regime for Infrastructure Investment Trusts and Real Estate Investment Trusts to be set up in accordance with regulations of the Securities and Exchange Board of India.

**198.** The manufacturing sector is of paramount importance for the growth of our economy. This sector has multiplier effect on creation of jobs. Last year, an incentive in the form of investment allowance to a manufacturing company that invests more than ₹ 100 crore in plant and machinery during the period from 01.04.2013 to 31.03.2015 was announced. Considering the need to incentivize smaller entrepreneurs, I propose to provide 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. This benefit will be available for three years i.e. for investments upto 31.03.2017. The Scheme announced last year will continue to operate in parallel till 31.03.2015.

**199.** I also propose to extend the investment linked deduction to two new sectors, namely, slurry pipelines for the transportation of iron ore, and semiconductor wafer fabrication manufacturing units. This will boost investment in these two critical sectors.

**200.** Supply of power continues to be a major area of concern for the country. Therefore, instead of annual extensions, I propose to extend the 10 year tax holiday to the undertakings which begin generation, distribution and transmission of power by 31.03.2017. This stability in our policy will help the investors to plan their investments better.

**201.** Foreign Portfolio Investors (FPIs) have invested more than ₹ 8 lakh crore (about 130 billion US \$) in India. One of their concerns is uncertainty in taxation on account of characterization of their income. Moreover, the fund managers of these foreign investors remain outside India under the apprehension that their presence in India may have adverse tax consequences. With a view to put an end

to this uncertainty and to encourage these fund managers to shift to India, I propose to provide that income arising to foreign portfolio investors from transaction in securities will be treated as capital gains.

**202.** The concessional rate of tax at 15 percent on dividends received by Indian companies from their foreign subsidiaries has resulted in enhanced repatriation of funds from abroad. I propose to continue with this concessional rate of 15 percent on foreign dividends without any sunset date. This will ensure stability of taxation policy.

**203.** In order to augment low cost long term foreign borrowings for Indian companies, I propose to extend the eligible date of borrowing in foreign currency from 30.06.2016 to 30.06.2017 for a concessional tax rate of 5 percent on interest payments. I also propose to extend this tax incentive to all types of bonds instead of only infrastructure bonds. I hope this measure will enable the companies to step up their investments in India.

**204.** In order to reduce litigation on transfer pricing issues, I propose to make certain changes in Transfer Pricing regulations.

- (1) An Advance Pricing Agreement (APA) scheme was introduced in the year 2012. It has received good response. I propose to strengthen the administrative set up of APA to expedite disposal of applications. Further, I propose to introduce a “Roll Back” provision in the APA scheme so that an APA entered into for future transactions may also be applied to international transactions undertaken in previous four years in specified circumstances.
- (2) In order to align Transfer Pricing regulations in India with the best available practices, I propose to introduce range concept for determination of arm’s length price. However, the arithmetic mean concept will continue to apply where number of comparable is inadequate. The relevant data is under analysis and appropriate rules will be prescribed.
- (3) As per existing provisions of Transfer Pricing Regulations, only one year data is allowed to be used for comparable analysis with some exception. I propose to amend the regulations to allow use of multiple year data.

Necessary legislative amendments to give effect to the above proposals including those relating to the Authority for Advance Rulings and Income-tax Settlement Commission will be moved in the current session of the Parliament.

**205.** In the case of Mutual Funds, other than equity oriented funds, the capital gains arising on transfer of units held for more than a year is taxed at a concessional rate of 10% whereas direct investments in banks and other debt instruments attract a higher rate of tax. This allows tax arbitrage opportunity. This arbitrage has hardly benefitted retail investors as their percentage is very small among such Mutual Fund investors. With a view to remove this tax arbitrage, I propose to increase the rate of tax on long term capital gains from 10 percent to 20 percent on transfer of units of such funds. I also propose to increase the period of holding in respect of such units from 12 months to 36 months for this purpose.

**206.** In the year 2003, the tax liability on income by way of dividends was shifted from the shareholder to the company. The shareholder was required to pay tax on the gross dividends, but now the company pays tax on the dividend amount net of taxes. Similarly, in the case of Mutual Fund, income distribution tax is paid on the income distributed net of taxes. I propose to remove this anomaly both in the case of the company and the Mutual Fund.

**207.** Currently, where an assessee fails to deduct and pay tax on specified payments to residents, 100 percent of such payments are not allowed as deduction while computing his income. This has caused undue hardship to taxpayers, particularly where the rate of tax is only 1 to 10%. Hence, I propose to provide that instead of 100 percent, only 30% of such payments will be disallowed.

**208.** The Direct Taxes Code Bill, 2010 has lapsed with the dissolution of the 15th Lok Sabha. Having considered the report of the Standing Committee on Finance and the views expressed by the stakeholders, my predecessor had placed a revised Code in the public domain in March, 2014. The Government shall consider the comments received from the stakeholders on the revised Code. The Government will also review the DTC in its present shape and take a view in the whole matter.

**209.** Income-tax Department is expected to function not only as an enforcement agency but also as a facilitator. A number of Aykar Seva Kendras (ASK) have been opened in different parts of the country. I propose to extend this facility by opening 60 more such Seva Kendras during the current financial year to promote excellence in service delivery.

**210.** The focus of any tax administration is to broaden the tax base. Our policy thrust is to adopt non intrusive methods to achieve this objective. In this direction, I propose to make greater use of information technology techniques.

**211.** Net Effect of the direct tax proposals is revenue loss of ₹ 22,200 crore.

### **Indirect Taxes**

**212.** I now turn to indirect taxes and shall begin with customs duties.

**213.** Manufacturing sector is under stress due to a variety of reasons. To boost domestic manufacture as also to address the issue of inverted duties, I propose to reduce the basic customs duty (BCD) on:

- Fatty acids, crude palm stearin, RBD and other palm stearin, specified industrial grade crude oils from 7.5 percent to Nil for manufacture of soaps and oleo-chemicals;
- Crude glycerin from 12.5 percent to 7.5 percent and crude glycerin used in the manufacture of soaps from 12.5 percent to Nil;
- Steel grade limestone and steel grade dolomite from 5 percent to 2.5 percent;
- Battery waste and battery scrap from 10 percent to 5 percent;
- Coal tar pitch from 10 percent to 5 percent;
- Specified inputs for manufacture of spandex yarn from 5 percent to Nil.

**214.** In order to encourage new investment and capacity addition in the chemicals and petrochemicals sector, I propose to reduce the basic customs duty on reformat from 10 percent to 2.5 percent; on ethane, propane, ethylene, propylene, butadiene and ortho-xylene from 5 percent to 2.5 percent; on methyl alcohol and denatured ethyl alcohol from 7.5 percent to 5 percent; and on crude naphthalene from 10 percent to 5 percent.

**215.** The demand for electronics is growing very fast. To boost domestic production and reduce our dependence on imports, I intend to take the following steps:

- Impose basic customs duty at 10 percent on specified telecommunication products that are outside the purview of the Information Technology Agreement;
- Exempt all inputs/components used in the manufacture of personal computers from 4 percent special additional duty (SAD);
- Impose education cess on imported electronic products to provide parity between domestically produced goods and imported goods;
- Exempt 4 percent SAD on PVC sheet and ribbon used for the manufacture of smart cards.

**216.** Cathode ray TVs are used by weaker sections who cannot afford to buy more expensive flat panel TVs. I propose to exempt colour picture tubes from basic customs duty to make cathode ray TVs cheaper. The duty concession will help revive manufacturing of TVs in the SME sector and create employment opportunities. At the same time, to encourage production of LCD and LED TVs below 19 inches in India, I propose to reduce the basic customs duty on LCD and LED TV panels of below 19 inches from 10 percent to Nil. Further, to encourage manufacture of LCD and LED TV panels, I propose to exempt from basic customs duty specified inputs used in their manufacture.

**217.** The domestic stainless steel industry is presently suffering from severe under-utilization of capacity. To give an impetus to the stainless steel industry, I propose to increase the basic customs duty on imported flat-rolled products of stainless steel from 5 percent to 7.5 percent.

**218.** We need to maximize our utilization of solar power. The existing duty structure incentivizes imports rather than domestic manufacture of solar photovoltaic cells and modules. Therefore, I propose to exempt from basic customs duty:

- specified inputs for use in the manufacture of EVA sheets and back sheets;
- flat copper wire for the manufacture of PV ribbons.

A concessional basic customs duty of 5 percent is also being extended to machinery and equipment required for setting up of a project for solar energy production.

**219.** To promote wind energy, I propose to reduce the basic customs duty from 10 percent to 5 percent on forged steel rings used in the manufacture of bearings of wind operated electricity generators. Also, I propose to exempt the SAD of 4 percent on parts and raw materials required for the manufacture of wind operated generators. Further, I propose to prescribe a concessional basic customs duty of 5 percent on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).

**220.** I have only highlighted some of the proposals in the Budget 2014-15. I am sure these measures would incentivize value addition, generate income and create more jobs in India.

**221.** I have also undertaken several tax rationalization measures. At present, coal attracts customs duties at different rates. I propose to rationalize the duty structure on all non-agglomerated coal at 2.5 percent basic customs duty and 2 percent CVD. Henceforth, anthracite coal, bituminous coal, coking coal, steam

coal and other coal will attract the same duty. This will eliminate all assessment disputes and transaction costs associated with testing of various parameters of coal.

**222.** Metallurgical coke is manufactured out of coking coal. The basic customs duty on metallurgical coke is being increased from Nil to 2.5 percent in line with the duty on coking coal.

**223.** Ships imported for breaking up attract basic customs duty at 5 percent. As against this, melting scrap of iron or steel attracts basic customs duty at 2.5 percent. I propose to rationalize the duty 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 percent to 2.5 percent.

**224.** Semi-processed, half cut or broken diamonds are presently exempt from basic customs duty. As against this, cut and polished diamonds and coloured gemstones attract basic customs duty of 2 percent. To prevent mis-use and avoid assessment disputes, the basic customs duty on semi-processed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones is being rationalized at 2.5 percent. To encourage exports, pre-forms of precious and semi-precious stones are being fully exempted from basic customs duty.

**225.** To encourage exports of readymade garments I propose to increase the duty free entitlement for import of trimmings, embellishments and other specified items from 3 percent to 5 percent of the value of their exports.

**226.** Considering the need to conserve our natural resources, I propose to increase the export duty on bauxite from 10 percent to 20 percent.

**227.** The free baggage allowance under the baggage rules was last revised in 2012. As a measure of passenger facilitation, I propose to increase the free baggage allowance from ₹ 35,000 to ₹ 45,000.

**228.** I shall now deal with excise duties.

**229.** To provide a fillip to the capital goods, consumer durables and automobile sectors, and given our commitment to revive economic growth, I have already extended the excise duty concessions beyond 30th June 2014 for a period of 6 months up to 31st December 2014. We expect the industry to show positive results in the coming months.

**230.** In continuation, I have a few more proposals to boost domestic production. Minimization of harvest and post harvest losses of agricultural produce is an important measure for tackling food inflation and ensuring food security. The

losses in fruits and vegetables are mainly due to lack of adequate processing capacity. To incentivize expansion of processing capacity, I propose to reduce the excise duty on specified food processing and packaging machinery from 10 percent to 6 percent.

**231.** As a measure of relief to the footwear industry, most of which are in SME sector, I propose to reduce the excise duty from 12 percent to 6 percent on footwear of retail price exceeding ₹ 500 per pair but not exceeding ₹ 1,000 per pair. Footwear of retail price up to ₹ 500 per pair will continue to remain exempted.

**232.** I propose to withdraw the concessional excise duty (2 percent without Cenvat benefit and 6 percent with Cenvat benefit) on smart cards and levy a uniform excise duty at 12 percent. Consequently, imports will attract higher CVD. This will help domestic industry.

**233.** To develop renewable sources of energy, I propose to exempt from excise duty:

- EVA sheets and solar back sheets and specified inputs used in their manufacture;
- solar tempered glass used in the manufacture of solar photovoltaic cells and modules;
- flat copper wire for the manufacture of PV ribbons for use in solar cells and modules;
- machinery and equipment required for setting up of a project for solar energy production;
- forged steel rings used in the manufacture of bearings of wind operated generators;
- machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).

**234.** To set at rest an on-going dispute, I propose to exempt PSF and PFY manufactured from plastic waste and scrap including PET bottles from excise duty with effect from 29th June, 2010 to 7th May, 2012. I also propose to levy prospectively a nominal duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit on such PSF and PFY.

**235.** To encourage sports, I propose to prescribe a concessional excise duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit on sports gloves.



**236.** While undertaking all these measures, I also need to mobilize resources. Accordingly, I propose to increase the specific excise duty on cigarettes in the range of 11 percent to 72 percent. Similar increases are proposed on cigars, cheroots and cigarillos. Likewise, the excise duty is being increased from 12 percent to 16 percent on pan masala, from 50 percent to 55 percent on unmanufactured tobacco and from 60 percent to 70 percent on gutkha and chewing tobacco. I also propose to levy an additional duty of excise at 5 percent on aerated waters containing added sugar. These are healthy measures and I hope everyone would welcome them from the point of view of human and fiscal health.

**237.** Clean Energy Cess is presently levied on coal, peat and lignite for the purposes of financing and promoting clean energy initiatives and funding research in the area of clean energy. I propose to expand the scope of purposes of levying the said cess to include financing and promoting clean environment initiatives and funding research in the area of clean environment. To finance these additional initiatives, I propose to increase the Clean Energy Cess from ₹ 50 per tonne to ₹100 per tonne.

**238.** I shall now deal with service tax.

**239.** In recent times, among indirect taxes, service tax has shown the highest rate of growth. Since my overall objective is to prepare the indirect tax regime for a smooth transition to Goods and Services Tax, changes have been kept minimal at this stage. The twin objectives in this sector of indirect taxes are to widen the tax base and enhance compliance. My proposals in relation to Service Tax are in line with these objectives.

**240.** To broaden the tax base in Service Tax, it is necessary to prune the negative list and exemptions to the extent possible. Accordingly, the negative list has been reviewed and service tax leviable currently, on sale of space or time for advertisements in broadcast media, is being extended to cover such sales on other segments like online and mobile advertising. Sale of space for advertisements in print media however would remain excluded from service tax. Similarly, tax is being proposed on the service provided by radio-taxis to place them on par with rent-a-cab service. These new levies will come into effect from a date to be notified after the passing of the Finance Bill.

**241.** In furtherance of the effort to broaden the tax base, certain exemptions are being withdrawn, including those extended to services by air-conditioned contract carriages and technical testing of newly developed drugs on human participants.

**242.** To spur growth in certain sectors, I have tried to correct the bottlenecks which have been brought to my knowledge. Indian shipping industry had been

representing that they are losing business in a tough global scenario, due to a provision in the Place of Provision of Services Rules, which is now being addressed through an amendment. Similarly, to encourage growth in the transport of goods through coastal vessels, the tax incidence is being reduced. In response to the request of the tourism sector, services provided by Indian tour operators to foreign tourists in relation to a tour wholly conducted outside India is being taken out of the tax net. A long standing demand of this sector has been to allow Cenvat credit for services of rent-a-cab and tour operators. I now propose to allow credit in the same line of business.

**243.** I had to accept a few requests for exemptions from the social sector, since exemption-induced distortion would be comparatively less in such sectors. At the request of the Ministry of Agriculture, service tax on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled, is being exempted to bring it on par with certain other agricultural produce. Services provided by the Employees' State Insurance Corporation for the period prior to 1st July 2012 is being exempted.

**244.** For the benefit of the common man, the exemption presently available for specified micro insurance schemes is being expanded to cover all life micro-insurance schemes where the sum assured does not exceed ₹ 50,000 per life insured. Since taxes should not come in the way of safe disposal of medical and clinical wastes, services provided by common bio-medical waste treatment facilities are being exempted.

**245.** Certain changes are also proposed for bringing about greater clarity and for reducing litigation regarding the scope of exemptions. These include functions ordinarily entrusted to a municipality and services in relation to education.

**246.** There are a few more decisions which entail small gains or losses of revenue. Certain amendments are also being proposed in the Customs and Central Excise Acts and in the Finance Act, 1994 relating to service tax. These changes are reflected in the budget documents.

**247.** My tax proposals on the indirect taxes side are estimated to yield ₹ 7,525 crore.

**248.** I have some more proposals which are in the nature of facilitating trade and resolving disputes. I shall highlight only a few.

**249.** Faster clearance of import and export cargo reduces transaction costs and improves business competitiveness. To help achieve these objectives, measures are being initiated to extend the existing 24x7 customs clearance facility

to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods.

**250.** It is also proposed to implement an 'Indian Customs Single Window Project' to facilitate trade. Under this, importers and exporters would lodge their clearance documents at a single point only. Required permissions, if any, from other regulatory agencies would be obtained online without the trader having to approach these agencies. This would reduce interface with Governmental agencies, dwell time and the cost of doing business.

**251.** The scheme of Advance Ruling in indirect taxes is being expanded to cover resident private limited companies. This will allow these companies to seek advance ruling in respect of new activities being proposed to be undertaken by them. The scope of Settlement Commission is being enlarged to facilitate quick dispute resolution.

**252.** To expedite the process of disposal of appeals, amendments have been proposed in the Customs and Central Excise Acts with a view to freeing appellate authorities from hearing stay applications and to take up regular appeals for final disposal.

**253.** Madam Speaker, with these words I commend the Budget to the House.

