

Union Budget 2012-13 Highlights

- Budget identifies five objectives relating to growth recovery, private investment, supply bottlenecks, malnutrition and governance matters
- GDP growth to be 7.6 per cent ($\pm$ 0.25 percent) during 2012-13
- Amendment to the FRBM Act proposed as part of Finance Bill. New concepts of “Effective Revenue Deficit” and “Medium Term Expenditure Framework” introduced
- Central subsidies to be kept under 2 per cent of GDP; to be further brought down to 1.75 per cent of GDP over the next 3 years.
- Proposed: Mobile based fertilizer management system; LPG transparency portal; scaling up and rolling out of Aadhar enabled payment for government schemes in at least 50 districts.
- Rs. 30,000 crore to be raised through disinvestment
- Efforts to reach broadbased consensus on FDI in multi-brand retail
- Rajiv Gandhi Equity Saving Scheme: to allow income tax deduction to retail investors on investing in equities
- Rs. 15,888 crore to be provided for capitalization of public sector banks and financial institutions
- A central “Know Your Customer” depository to be developed
- Swabhimaan: remaining habitations to be covered; to be extended to more habitations; ultra small branches to be set up in Swabhimaan habitations
- Investment in 12th Plan in infrastructure to go upto Rs. 50,00,000 crore; half of this is expected from private sector
- Tax Free Bonds of Rs. 60,000 crore to be allowed for financial infrastructure projects
- Allocation of Road Transport and Highways Ministry enhanced by 14 per cent to Rs. 25,360 crore
- Financial package of Rs. 3,884 crore for waiver of loans to handloom weavers and their cooperative societies; mega handloom clusters in Andhra, Jharkhand; weaver service centres in Mizoram, Nagaland and Jharkhand ; powerloom mega cluster in Maharashtra; Rs. 500 crore pilot schemes for geo-textiles in North-Eastern region
- Rs. 5,000 crore India Opportunities Venture Fund to help small enterprises
- Allocation to agriculture enhanced; RKVY gets Rs. 9,217 crore; BGREI gets Rs. 1,000 crore; Rs.2242 crore project to improve dairy productivity; Rs. 500 crore for coastal aquaculture

- Various other agricultural activities merged into 5 missions
- Target for agricultural credit raised to Rs. 5,75,000 crore
- Interest subvention for short-term crop loans to farmers at 7 per cent interest continues; additional 3 per cent for prompt paying farmers
- Rs. 200 crore for awards to incentivise agricultural research
- Provisions under rural housing fund increased to Rs. 4,000 crore from Rs. 3,000 crore
- Interest subvention of 1 percent on housing loans upto Rs. 15 lakh extended for one more year
- AIBP allocation raised by 13 per cent to Rs. 14,242 crore
- National Mission on Food Processing to be started in cooperation with State Governments
- Scheduled Caste Sub Plan allocation increases by 18 per cent to Rs. 37,113 crore; Tribal Sub Plan by 17.6 per cent to Rs. 21,710 crore
- Multi-sectoral programme to address maternal and child malnutrition in 200 high burden districts
- 58 per cent rise in allocation to ICDS, at Rs. 15,850 crore
- Rural drinking water and sanitation gets 27 per cent rise in allocation to Rs. 14,000 crore; PMGSY gets 20 per cent rise to Rs. 24,000 crore
- Projects covering length of 8800 km to be awarded under NHDP against 7,300 km during 2011-12
- RTE-SSA gets Rs. 25,555 crore allocation, showing an increase of 21 per cent; 6000 schools to be set up at block level as model schools in the 12th Plan; Credit Guarantee Fund to be set up for better flow of credit to students
- National Urban Health Mission is being launched
- 34 per cent increase in allocation to National Rural Livelihood Mission, to Rs. 3915 crore
- Rs. 1000 crore allocated for National Skill Development Fund
- Bharat Livelihood Foundation to be established to support livelihood interventions particularly in tribal areas
- Widow pension and disability pension raised from Rs. 200 to Rs. 300 per month
- Grant on death of primary breadwinner of a BPL family in the age group 18-64 years doubled to Rs. 20,000
- Defence services get Rs. 193407 crore; any further requirement to be met
- 4000 residential quarters to be constructed for Central Armed Police Forces
- UID-Aadhar to get adequate funds for enrolment of 40 crore persons, in addition to the 20 crore persons already enrolled
- White Paper on Black Money to be laid in the current session of Parliament
- Tax proposals mark progress in the direction of movement towards DTC and GST
- Income tax exemption limit raised from Rs.1,80,000 to Rs.2,00,000; upper limit of 20 per cent tax slab raised from Rs.8 lakh to Rs.10 lakh
- Interest from savings bank accounts deductible upto Rs.10,000; deduction of upto Rs.5,000 for preventive health check-up

- Senior citizens without business income exempt from advance tax
- Investment linked deduction of capital expenditure enhanced for certain businesses; new sectors eligible for investment linked deduction
- Turnover limit for compulsory tax audit for SMEs raised from Rs.60 lakh to Rs.1 crore
- STT on cash delivery reduced by 25 per cent to 0.1%
- General Anti Avoidance Rule being introduced to counter aggressive tax avoidance
- A number of measures proposed to deter generation and use of unaccounted money
- All services to attract service tax except those in the negative list
- Central Excise and Service Tax being harmonized
- Standard rate of excise duty raised from 10 per cent to 12 per cent; service tax rates raised from 10 per cent to 12 per cent; no change in peak customs duty of 10 per cent on non-agricultural goods
- Relief in indirect taxes to sectors under stress; agriculture, infrastructure, mining, railways, roads, civil aviation, manufacturing, health and nutrition, and environment get duty relief
- Certain cigarettes and bidis attract higher excise duty; large cars attract higher customs duty
- Excise imposed on unbranded jewellery also; measures to minimize impact on small artisans and goldsmiths; branded silver jewellery exempted from excise duty
- Net gain of Rs.41,440 crore due to taxation proposals
- Total expenditure budgeted at Rs. 14,90,925 crore; plan expenditure at Rs. 5,21,025 crore – 18 per cent higher than 2011-12 budget; non plan expenditure at Rs. 9,69,900 crore
- Fiscal deficit targeted at 5.1 per cent of GDP, as against 5.9 per cent in revised estimates for 2011-12
- Central Government debt at 45.5 per cent of GDP as compared to Thirteenth Finance Commission target of 50.5 per cent
- Medium-term Expenditure Framework Statement to be introduced; will set forth 3-year rolling target for expenditure indicators

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Union Budget 2012-13 Summary

BUDGET IDENTIFIES FIVE OBJECTIVES RELATING TO GROWTH, INVESTMENT,
SUPPLY BOTTLENECKS,
GOVERNANCE, AND REMOVING MALNUTRITION

AMENDMENT TO FRBM ACT INTRODUCED AS PART OF FINANCE BILL

CENTRAL SUBSIDIES TO BE KEPT UNDER 2 PER CENT OF GDP; TO BE FURTHER
BROUGHT DOWN TO 1.75 PER CENT OF GDP OVER THE NEXT 3 YEARS

Rs. 30,000 CRORE TO BE RAISED THROUGH DISINVESTMENT

EFFORTS TO REACH BROADBASED CONSENSUS ON FDI IN MULTI-BRAND
RETAIL

INVESTMENT IN 12TH PLAN IN INFRASTRUCTURE TO GO UPTO RS. 50,00,000
CRORE; HALF OF THIS IS EXPECTED FROM PRIVATE SECTOR

TARGET FOR AGRICULTURAL CREDIT RAISED TO RS. 5,75,000 CRORE

NATIONAL URBAN HEALTH MISSION IS BEING LAUNCHED

UID-AADHAR TO GET ADEQUATE FUNDS FOR ENROLMENT OF 40 CRORE
PERSONS

A NUMBER OF MEASURES PROPOSED TO DETER GENERATION AND USE OF
UNACCOUNTED MONEY

WHITE PAPER ON BLACK MONEY TO BE LAID IN CURRENT SESSION OF
PARLIAMENT

TAX PROPOSALS MARK PROGRESS IN THE DIRECTION OF MOVEMENT
TOWARDS DTC AND GST

INCOME TAX EXEMPTION LIMIT RAISED FROM RS.1,80,000 TO RS.2,00,000;
UPPER LIMIT OF 20 PER CENT TAX SLAB RAISED FROM RS.8 LAKH TO RS.10
LAKH

GENERAL ANTI AVOIDANCE RULE BEING INTRODUCED TO COUNTER
AGGRESSIVE TAX AVOIDANCE

STANDARD RATE OF EXCISE DUTY RAISED FROM 10 PER CENT TO 12 PER
CENT; SERVICE TAX RATES RAISED FROM 10 PER CENT TO 12 PER CENT; NO
CHANGE IN PEAK CUSTOMS DUTY OF 10 PER CENT ON NON-AGRICULTURAL
GOODS

FISCAL DEFICIT TARGETED AT 5.1 PER CENT OF GDP, AS AGAINST 5.9 PER
CENT IN REVISED ESTIMATES FOR 2011-12

CENTRAL GOVERNMENT DEBT AT 45.5 PER CENT OF GDP AS COMPARED TO
THIRTEENTH FINANCE COMMISSION TARGET OF 50.5 PER CENT

The Union Budget 2012-13 presented by the Finance Minister ShriPranab Mukherjee in Lok Sabha today identifies five objectives to be addressed effectively in the ensuing fiscal year. They include focus on domestic demand driven growth recovery; create conditions for rapid revival of high growth in private investment; address supply bottlenecks in agriculture, energy and transport sectors particularly in coal, power, national highways, railways and civil aviation; intervene decisively to address the problem of malnutrition especially in the 200 high-burden districts and expedite coordinated implementation of decisions being taken to improve delivery systems, governance, and transparency; and address the problem of black money and corruption in public life.

ShriPranab Mukherjee said that India's GDP growth in 2012-13 is expected to be 7.6 per cent +/-0.25 per cent. He said that in 2011-12, India's GDP is estimated to grow at 6.9 per cent after having grown at the rate of 8.4 per cent in each of the two preceding years. He said though the global crisis had affected India, it still remains among the front runners in economic growth. Shri Mukherjee said the slowdown is primarily due to deceleration in industrial growth. Stating that the headline inflation remained high for most part of the year, the Finance Minister expressed hope that it will moderate further in the next few months and remain stable thereafter.

Shri Mukherjee laid emphasis on striking a balance between fiscal consolidation and strengthening macroeconomic fundamentals. He announced introduction of amendments to the Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act) as part of the Finance Bill 2012. He said that concept of "Effective Revenue Deficit" and "Medium Term Expenditure Framework" statement are two important features of Amendment to FRBM Act in the direction of expenditure reforms. This statement shall set forth a three year rolling targets for expenditure indicators.

The Finance Minister called for a need to have a close look at the growth of revenue expenditure, particularly, on subsidies. He announced that from 2012-13 while subsidies related to food and for administering the Food Security Act will be fully provided for, all other subsidies would be funded to the extent that they can be borne by the economy without any adverse implications. He said that the Government will endeavor to restrict the expenditure on central subsidies under 2 per cent of GDP in 2012-13 and over the next three years, it would be further brought down to 1.75 per cent of GDP. Shri Mukherjee said that based on recommendations of the Task Force headed by ShriNandan Nilekani, a mobile-based Fertilizer Management System has been designed to provide end-to-end information on movement of fertilizers and subsidies which will be rolled out nation-wide during 2012. He said that transfer of subsidy to the retailer and eventually to the farmers will be implemented in subsequent phases which will benefit 12 crore farmer families.

On the tax reforms, the Finance Minister said that the Direct Taxes Code (DTC) Bill will be enacted at the earliest after expeditious examination of the report of the Parliamentary Standing Committee. He said drafting of model legislation for Centre and State Goods and Services Tax (GST) in concert with States is under progress. He added that the GST network will be set up as a National Information Utility and will become operational by August 2012.

On the disinvestment policy, Shri Mukherjee said that the Central Public Sector Enterprises (CPSEs) are being given a level playing field vis-à-vis private sector with regard to practices like buy-backs and listing at stock exchange. Stating that while in 2011-12, the Government will raise about Rs.14,000 crore from disinvestment as against a target of Rs.40,000 crore, the Finance Minister proposed to raise Rs.30,000 crore through disinvestment in 2012-13. He said at least 51 per cent ownership and management of CPSEs will remain with the Government.

Calling for strengthening investment environment, Shri Mukherjee said that efforts are on to arrive at a broad-based consensus in respect of decision to allow FDI in multi-brand retail up to 51 per cent. He proposed to introduce a new scheme called Rajiv Gandhi Equity Savings Scheme to allow for income tax deduction of 50 per cent to new retail investors who invest up to Rs.50,000 directly in equities and whose annual income is below Rs.10 lakh. The scheme will have a lock-in period of 3 years. Regarding capital markets, the Finance Minister proposed to allow Qualified Foreign Investors (QFIs) to access Indian Corporate Bond market. He also proposed simplifying the process of Initial Public Offer (IPO).

Shri Pranab Mukherjee said that the Government is committed to protect the financial health of Public Sector Banks and Financial Institutions. He proposed to provide Rs. 15,888 crore for capitalization of Public Sector Banks, Regional Rural Banks and other financial institutions including NABARD. He added that a Central Know Your Customer (KYC) depository will be developed in 2012-13 to avoid multiplicity of registration and data upkeep.

The Finance Minister informed that out of 73,000 identified habitations that were to be covered under "Swabhimaan" campaign for providing banking facilities by March 2012, about 70,000 habitations have been covered while the rest are likely to be covered by March 31, 2012. He added that as a next step Ultra Small Branches are being set up at these habitations. In 2012-13, Swabhimaan campaign will be extended to more habitations.

Emphasizing on infrastructure and industrial development, Shri Mukherjee said that during the 12th Plan, infrastructure investment will go up to Rs.50 lakh crore with half of this expected from private sector. Stating that in 2011-12 tax free bonds for Rs.30,000 crore were announced for financing infrastructure projects, he proposed to double it to raise Rs.60,000 crore in 2012-13. The Minister proposed to allow External Commercial Borrowings (ECB) to part finance Rupee debt of existing power projects.

The Finance Minister Shri Pranab Mukherjee announced a target of covering 8,800 km. under NHDP next year and increase in allocation of the Road Transport and Highways Ministry by 14 per cent to Rs.25,360 crore in 2012-13. He proposed to permit ECB for working capital requirements of the Airline Industry for a period of one year, subject to a total ceiling of US dollar 1 billion to address the immediate financial concerns of the Civil Aviation Sector. He added that a proposal to allow foreign airlines to participate up to 49 per cent in the equity of an air transport undertaking is under active consideration.

Expressing concern over shortage in housing sector, the Finance Minister proposed various measures to address the shortage of housing for low income groups in major cities and towns including ECB for low cost housing projects and setting up of a Credit Guarantee Trust Fund.

Regarding textile sector, the Finance Minister announced setting up of two more mega clusters, one to cover Prakasam and Guntur districts in Andhra Pradesh and other for Godda and neighboring districts in Jharkhand in addition to 4 mega handloom clusters already operationalized. He also proposed setting up of three Weavers Service Centres, one each in Mizoram, Nagaland and Jharkhand. The Minister proposed a Rs. 500 crore pilot scheme in twelfth plan for promotion and application of Geo-textiles in the North East. A powerloom Mega Cluster will be set up in Ichalkaranji in Maharashtra.

The Finance Minister proposed to set up a Rs.5000 crore India Opportunities Venture Fund with SIDBI to enhance availability of equity to Micro, Small and Medium Enterprises.

Stating that agriculture will continue to be a priority for Government, Shri Mukherjee proposed an increase by 18 per cent to Rs. 20,208 crore in the total Plan Outlay for the Department of Agriculture and Cooperation in 2012-13. He said that the outlay for Rashtriya Krishi Vikas Yojana (RKVY) is being increased to Rs. 9217 crore in 2012-13.

Underlining importance of timely access to affordable credit for farmers, the Finance Minister proposed to raise the target for agricultural credit to Rs.5,75,000 crore, which represents an increase of Rs. 1,00,000 crore over the target for the current year.. He said that a short term RRB Credit Refinance Fund is being set up to enhance the capacity of Regional Rural Banks to disburse short term crop loans to the small and marginal farmers. He added that Kisan Credit Card Scheme will be modified to make it a smart card which can be used at ATMs.

The Finance Minister said that in order to have a better out reach of the food processing sector, a new centrally sponsored scheme titled National Mission on Food Processing will be started in cooperation with the States in 2012-13.

The Finance Minister proposed an increase of 18 per cent to Rs.37,113 crore for Scheduled Castes Sub Plan and an increase of 17.6 per cent to Rs.21,710 crore for Tribal Sub Plan during 2012-13.

Regarding food security, Shri Mukherjee said that National Food Security Bill 2011 is before Parliamentary Standing Committee. He said a multi-sectoral programme to address maternal and child malnutrition in selected 200 high burdened districts is being rolled out during 2012-13. He further said that an allocation of Rs.15,850 crore has been made for ICDS scheme which is an increase of 58% and Rs.11,937 crore for National Programme of Mid-Day Meals in schools for the year 2012-13. He added that an allocation of Rs.750 crore is proposed for Rajiv Gandhi Scheme for Empowerment of Adolescent Girls, SABLA.

The allocation for rural drinking water and sanitation is proposed to be increased by over 27 per cent to Rs. 14,000 crore and for Pradhan Mantri Road Sadak Yojana by 20 per cent to Rs. 24,000 crore in 2012-13. He proposed to enhance the allocation under Rural Infrastructure

Development Fund to Rs. 20,000 crore with Rs.5,000 crore exclusively earmarked for creating warehousing facilities.

The Finance Minister proposed an increase in allocation by 21.7 per cent for Right to Education – SarvaShikshaAbhiyan to Rs.25,555 crore and by 29 per cent for RashtriyaMadhyamikShikshaAbhiyan to Rs. 3,124 crore, He proposed to set up a Credit Guarantee Fund to ensure better flow of funds to students.

Regarding health sector he proposed an increase in allocation for NRHM to Rs.20,822 crore in 2012-13. He also said that National Urban Health Mission is being launched.

The Finance Minister said that Mahatma Gandhi National Rural Employment Guarantee Scheme has had a positive impact. He proposed an allocation of Rs.3915 crore for National Rural Livelihood Mission (NRLM) which represents an increase of 34 per cent. He proposed to provide Rs.200 crore to enlarge the corpus to Rs.300 crore of the Women's SHG's Development Fund. He said the fund will also support the objectives of Aajeevika i.e. NRLM and will empower women SHGs to access bank credit. He also proposed to establish a Bharat Livelihoods Foundation of India through Aajeevika which will support and scale up civil society initiatives and interventions particularly in the tribal regions covering around 170 districts.

Allocation under National Social Assistance Programme (NSAP) is proposed to be raised by 37 per cent to Rs. 8447 crore. Under the Indira Gandhi National Widow Pension Scheme and Indira Gandhi National Disability Pension Scheme for BPL beneficiaries, the monthly pension amount per person is being raised from Rs. 200 to Rs.300.

The Finance Minister announced a provision of Rs.1,93,407crore for Defence Services including Rs.79,579 crore for capital expenditure. He said the allocation is based on present needs and any further requirement would be met.

Addressing Governance related issues, Shri Mukherjee said adequate funds are proposed to be allocated to complete enrolments of another 40 crore persons under UID Mission. Outlining the steps taken by the Government to address the issue of black money, the Minister proposed to lay a White Paper on Black Money in the current session of Parliament.

In the Budget Estimates for 2012-13, the Gross Tax Receipts are estimated at Rs.10,77,612 crore which is an increase of 15.6 per cent over the Budget Estimates and 19.5 per cent over the revised estimates for 2011-12. After devolution to States, the net tax to the Centre in 2012-13 is estimated at Rs. 7,71,071crore. The Non Tax Revenue Receipts are estimated at Rs.1,64,614crore and Non-debt Capital Receipts at Rs.41,650 crore. The total expenditure for 2012-13 is budgeted at Rs.14,90,925 crore. Of this Rs.5,21,025crore is the Plan Expenditure while Rs.9,69,900 crore is budgeted as Non Plan Expenditure.

The tax proposals are guided by the need to move towards the Direct Tax Code(DTC) in the case of direct taxes and Goods & Services Tax (GST) in the case of indirect taxes.

Individual income upto Rs.2 lakh will be free from income tax; income upto Rs.1.8 lakh was exempt in 2011-12. Income above Rs.5 lakh and upto Rs.10 lakh now carries tax at the rate of 20 per cent; the 20% tax slab was from Rs.5 lakh to Rs.8 lakh in 2011-12. A deduction of

upto Rs.10,000 is now available for interest from savings bank accounts. Within the existing limit for deduction allowed for health insurance, a deduction of upto Rs.5000 is being allowed for preventive health check-up. Senior citizens not having income from business will now not need to pay advance tax.

While no changes have been made in corporate taxes, the budget proposes a number of measures to promote investment in specific sectors. In order to provide low cost funds to some stressed infrastructure sectors, withholding tax on interest payments on external borrowings (ECBs) is being reduced from 20 percent to 5 per cent for 3 years. These sectors are - power, airlines, roads and bridges, ports and shipyards, affordable housing, fertilizer, and dam.

Investment linked deduction of capital expenditure in some businesses is proposed to be provided at 150 per cent as against the current rate of 100 per cent. These sectors include cold chain facility, warehouses for storing food-grains, hospitals, fertilizers and affordable housing. Bee keeping, container freight and warehousing for storage of sugar will now also be eligible for investment linked deduction.

The budget also proposes weighted deduction for R&D expenditure, agri-extension services and expenditure on skill development in the manufacturing sector.

For small and medium enterprises (SMEs) the turnover limit for compulsory tax audit of accounts as well as for presumptive taxation is proposed to be raised from Rs. 60 lakh to Rs. 1 crore. In order to augment funds for SMEs, sale of residential property will be exempt from capital gains tax, if the proceeds are used for purchase of plant and machinery, etc.

A General Anti-Avoidance Rule (GAAR) is being introduced in order to counter aggressive tax avoidance. Securities transaction tax (STT) is being reduced by 20 per cent on cash delivery transactions, from 0.125% to 0.1%. Alternative Minimum Tax is proposed to be levied from all persons, other than companies, claiming profit linked deductions.

The Finance Minister has proposed a series of measures to deter the generation and use of unaccounted money. In the case of assets held abroad, compulsory reporting is being introduced and assessment upto 16 years will now be allowed to be re-opened. Tax will be collected at source on trading in coal, lignite and iron ore; purchase of bullion or jewellery above Rs. 2 lakh in cash; and transfer of immovable property (other than agricultural land) above a specified threshold. Unexplained money, credits, investments, expenditures etc. will be taxed at the highest rate of 30 per cent irrespective of the slab of income.

The Finance Minister has made an effort to widen the service tax base, strengthen its enforcement and bring it as close as possible to the central excise. A common simplified registration form and a common return are being introduced for central excise and service tax.

All services will now attract service tax, except those in the negative list. The negative list has 17 heads and includes specified services provided by the government or local authorities, and services in the fields of education, renting of residential dwellings, entertainment

and amusement, public transportation, agriculture and animal husbandry. A number of other services including health care, and services provided by charities, independent journalist, sport persons, performing artists in folk and classical arts, etc are exempt from service tax. Film industry also gets tax exemption on copyrights relating to recording of cinematographic films.

Service tax rate is being increased from 10 per cent to 12 per cent, with consequential change in rates for services that have individual tax rates. The standard rate of excise duty for non-petroleum goods is also being raised from 10 per cent to 12 per cent. No change is proposed in peak rate of customs duty of 10 per cent on non-agricultural goods.

The Budget offers relief to different sectors of economy, especially those under stress. Import of equipment for fertilizer projects are being fully exempted from basic customs duty of 5 per cent for 3 years. Basic customs duty is also being lowered for a number of equipment used in agriculture and related areas.

In the realm of infrastructure, customs relief is being given to power, coal and railways sectors. While steam coal gets full customs duty exemption for 2 years (with the concessional counter-veiling duty of 1 per cent), natural gas, LNG and certain uranium fuel get full duty exemption this year. Different levels of duty concessions are being provided to help mining, railways, roads, civil aviation, manufacturing, health and nutrition and environment. So as to help modernization of the textile industry, a number of equipment are being fully exempted from basic customs duty, and lower customs duty is being proposed for some other items used by the textile industry.

Customs duty is being raised for gold bars and coins of certain categories, platinum and gold ore. Customs duty is to be imposed on coloured gem stones. Excise duty on certain categories of cigarettes and bidis, pan masala and chewing tobacco is being increased. Customs duty is being increased on completely built large cars/ SUVs/ MUVs of value exceeding \$40,000.

Silver jewellery will now be fully exempt from excise duty. Unbranded precious metal jewellery will attract excise duty on the lines of branded jewellery. Operations are being simplified and measures taken to minimize impact of this provision on small artisans and goldsmiths.

While direct tax proposals in the Budget will result in a net revenue loss of Rs.4,500crore, indirect taxes will result in a net revenue gain of Rs.45,940 crore. Thus, the tax proposals will lead to a net gain of Rs.41,440crore.

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DIP IN TAX REVENUE & INCREASED SUBSIDIES HIT FISCAL BALANCE

AMENDMENTS INTRODUCED TO FRBM ACT

The Union Finance Minister ShriPranab Mukherjee while presenting the Union Budget 2012-13 announced introduction of amendments to the Fiscal Responsibility and Budget Management Act, 2003 (FRBM Act). The two important features of this amendment in the direction of expenditure reforms are **Effective Revenue Deficit** and **Medium Term Expenditure Framework**. Effective Revenue Deficit is the difference between revenue deficit and grants for creation of capital assets. This will help in reducing consumptive component of revenue deficit and create space for increased capital spending. Medium Term Expenditure Framework sets forth a three year rolling target for expenditure indicators. Shri Mukherjee said the implementation of the FRBM Act at Centre and the corresponding Acts at State level was the pivot in the successful consolidation of fiscal balance prior to the global financial crisis of 2008. He said while implementing 12th Plan, recommendations of the Expert Committees to streamline and reduce the number of Centrally sponsored schemes, and to address Plan and non-Plan classifications, would be kept in view.

The Finance Minister Shri Mukherjee announced that the Central Plan Scheme Monitoring System would be expanded for better tracking and utilisation of funds.

Earlier, the Union Finance Minister ShriPranab Mukherjee, in his Budget speech pointed towards deterioration of fiscal balance in 2011-12 due to slippage in direct tax revenue collection and increased subsidies. He said profit margins came under strain due to higher interest rates and material costs, impacting growth in corporate taxes. Fearing the average price of crude oil to exceed US \$ 115 per barrel, Shri Mukherjee said this has necessitated higher outlay on subsidies than earlier projected. He said the continuing uncertainty in the global environment has made it necessary to strike a balance between fiscal consolidation and bolstering macro economic fundamentals to help absorb future shocks.

**UNVIABLE, INEFFECTIVE SUBSIDIES MAY BE REVISITED; CENTRAL
SUBSIDIES TO BE BROUGHT DOWN TO 1.75 PER CENT OF GDP IN THREE
YEARS**

FERTILIZER MANAGEMENT SYSTEM TO ROLL OUT THIS YEAR

AADHAAR- ENABLED PAYMENTS IN OVER 50 DISTRICTS IN SIX MONTHS

The Union Finance Minister Shri Pranab Mukherjee today announced the Government's commitment to fully provide for subsidies relating to the Food Security Act, but cautioned that some other subsidies which were incompatible with macroeconomic fundamentals of the economy, and were not reaching the intended beneficiaries, could be revisited.

Presenting the General Budget 2012-13 in the Lok Sabha here, the Finance Minister said efforts would be made to keep Central subsidies under 2 per cent of GDP, and that over the next three years it would be further brought down to 1.75 per cent of GDP. He said the focus would now be on better targetting and leakage-proof delivery of subsidies. Shri Mukherjee said, based on recommendation of task force headed by Shri Nandan Nilekani regarding direct transfer of subsidy, a mobile-based **Fertilizer Management System** has been designed to provide end-to-end information on movement of fertilizers and subsidies. This system would have a nation-wide roll out this year. Direct transfer of subsidy to the retailer, and eventually to the farmer, will be implemented in subsequent phases. He also announced an escalation in efforts to roll out Aadhaar-enabled payments for various Government schemes in at least 50 districts within the next six months.

The Finance Minister Shri Mukherjee informed that the Public Sector Oil Marketing Companies have launched LPG transparency portals to improve customer service and reduce leakage. A pilot project for selling LPG at market price and reimbursement of subsidy directly into the beneficiary's bank account is being conducted in Mysore. A similar pilot project on direct transfer of subsidy for kerosene into the bank accounts of beneficiaries has been initiated in Alwar district of Rajasthan. The Aadhaar platform has also been successfully used to validate PDS ration cards in Jharkhand.

DSM/BK/ska/23

GOVERNMENT KEEN ON EARLY ENACTMENT OF DTC BILL

MODEL LEGISLATION FOR GST ON THE ANVIL

NATIONAL INFORMATION UTILITY TO BE OPERATIONAL BY AUGUST

The Union Finance Minister ShriPranab Mukherjee today expressed firm commitment to enact the Direct Taxes Code (DTC) Bill at the earliest, after expeditious examination of the report of the Parliamentary Standing Committee. The Bill was introduced in Parliament in August 2010, and was to come into force from April 1 this year. However, the timeline could not be adhered to as the report of the Parliamentary Standing Committee on the matter was received only on March 9 this year.

Similarly, Shri Mukherjee said that the Constitution Amendment Bill, a preparatory step in the implementation of Goods and Services Tax (GST) was introduced in Parliament last March 2011 and is before the Parliamentary Standing Committee. He said till the recommendations of the Committee were received, drafting of model legislation for Centre and State GST in consultation with different States was going on.

The Finance MinisterShri Mukherjee said that the structure of GST Network (GSTN) has been approved by the Empowered Committee of State Finance Ministers, GSTN will be set up as a National Information Utility and will become operational by August 2012. The GSTN will implement common PAN-based registration, returns filing and payments processing for all States on a shared platform. The use of PAN as a common identifier in both direct and indirect taxes, will enhance transparency and check tax evasion.

DSM/BK/ska/40

**BUY BACKS, STOCK EXCHANGE LISTINGS ALLOWED TO PSUs IN
DIVESTMENTMODE**

RUPEES 30,000 CRORES TO RAISED THROUGH DISINVESTMENT

Heralding the Government's evolved approach to divestment of Central Public Sector Enterprises (CPSEs), the Union Finance Minister ShriPranab Mukherjee today said CPSEs are being given a level-playing field vis-à-vis the private sector with regard to practices like buy-backs and listing at stock exchange. Presenting the General Budget 2012-13 in Lok Sabha, he said the treasury management options for CPSEs have also been enhanced, resulting in improvement in the returns on public assets, support for transparent environment for the divestment process, besides unlocking the value and resources for all stakeholders.

The Finance Minister said, in 2011-12, as against a target of Rs 40,000 crore, the Government will raise about Rs 14,000 crore from disinvestment while for 2012-13, Rs 30,000 crore would be raised through disinvestment. He reiterated that while the Government is committed to enhancing people's ownership of CPSEs, at least 51 per cent ownership and management control will remain with it.

DSM/BK/ska/51

EXEMPTION LIMIT FOR INDIVIDUAL TAXPAYERS RAISED TO Rs. 2 LAKH

UPPER LIMIT OF 20 PER CENT TAX SLAB RAISED TO Rs. 10 LAKH

DEDUCTION UP TO Rs. 10,000 PROPOSED FOR SAVINGS BANK INTEREST

**SENIOR CITIZENS NOT HAVING INCOME FROM BUSINESS EXEMPTED FROM
PAYMENT OF ADVANCE TAX**

The exemption limit for the general category of individual taxpayers has been enhanced to Rs. 2,00,000 from Rs. 1,80,000 in the General Budget 2012-13, presented by the Union Finance Minister Shri Pranab Mukherjee in the Lok Sabha here today. This measure will provide tax relief upto Rs. 2,000 to every taxpayer in this category.

The Finance Minister, Shri Mukherjee introduced the DTC (Direct Taxes Code) rates for personal income tax, marking progress in the direction of movement towards DTC and GST (Goods and Services Tax).

It has also been proposed to raise the upper limit of 20 per cent tax slab from Rs. 8 lakh to Rs. 10 lakh. The proposed personal income tax slabs are:

Income upto Rs. 2 lakh	Nil
Income above Rs. 2 lakh and upto Rs. 5 lakh	10 per cent
Income above Rs. 5 lakh and upto Rs. 10 lakh	20 per cent
Income above Rs. 10 lakh	30 per cent

In another relief to the individual taxpayers, a deduction of upto Rs. 10,000 has been proposed for interest from savings bank accounts. This would help a large number of small taxpayers with salary incomes upto Rs. 5 lakh and interest from savings bank accounts upto Rs. 10,000 as they would not be required to file income tax returns.

It has also been proposed to allow deduction of Rs. 5,000 for preventive health check up.

For senior citizens not having income from business, it has been proposed to exempt them from payment of advance tax.

MEASURES INTRODUCED TO ALLOW CORPORATES TO ACCESS LOWER COST FUNDS; PROMOTE HIGHER LEVEL OF INVESTMENTS IN SEVERAL SECTORS

RATE OF WITHHOLDING TAX ON INTEREST PAYMENTS ON ECBs PROPOSED TO BE REDUCED TO 5 PER CENT FROM 20 PER CENT

RESTRICTION ON VENTURE CAPITAL FUNDS TO INVEST IN SPECIFIED SECTORS REMOVED

RATE OF INVESTMENT LINKED DEDUCTION OF CAPITAL EXPENDITURE PROPOSED TO BE ENHANCED TO 150 PER CENT; NEW SECTORS ADDED

In the General Budget 2012-13 presented by the Union Finance Minister Shri Pranab Mukherjee in the Lok Sabha here today, a slew of measures have been introduced to allow corporates to access low cost funds and also to promote higher level of investments in several sectors.

To provide low cost funds to stressed infrastructure sectors, the rate of withholding tax on interest payments on external commercial borrowings (ECBs) has been proposed to be reduced from 20 per cent to 5 per cent for three years. These sectors are power, airlines, roads and bridges, ports and shipyards, affordable housing, fertilizer and dams.

To promote higher level of investments, the restriction on Venture Capital Funds (VCFs) to invest only in nine specified sectors has been proposed to be removed. It has further been proposed to remove the cascading effect of Dividend Distribution Tax (DDT) in a multi-tier corporate structure.

The Finance Minister, Shri Mukherjee also proposed to continue to allow repatriation of dividends from foreign subsidiaries of Indian companies to India at a lower tax rate of 15 per cent as against the tax rate of 30 per cent for one more year i.e. upto March 31, 2013.

Further, the Finance Minister has proposed to provide, investment linked deduction of capital expenditure incurred in the businesses of cold chain facility, warehouses for storage of food grains, hospitals, fertilizers and affordable housing at the enhanced rate of 150 per cent, as against the current of 100 per cent.

Also new sectors have been proposed to be added for the purposes of investment linked deduction which include bee keeping and production of honey and beeswax, container freight station and inland container depots and warehousing for storage of sugar.

**SLEW OF MEASURES PROPOSED TO DETER GENERATION AND USE OF
UNACCOUNTED MONEY**

**TAX COLLECTION AT SOURCE ON CASH PURCHASE OF BULLION/JEWELLERY
ABOVE Rs. 2 LAKH**

TAX COLLECTION AT SOURCE ON TRADING IN COAL, LIGNITE AND IRON ORE

UNEXPLAINED MONEY TO BE TAXED AT 30 PER CENT

To deter the generation and use of unaccounted money, a series of measures have been proposed by the Union Finance Minister Shri Pranab Mukherjee in the General Budget 2012-13 presented by him in the Lok Sabha here today. The measures include:

- Introduction of compulsory reporting requirement in case of assets held abroad.
- Allowing for reopening of assessment upto 16 years in relation to assets held abroad.
- Tax collection at source on purchase, in cash, of bullion or jewellery in excess of Rs. 2 lakh.
- Tax deduction at source on transfer of immovable property (other than agricultural land) above a specified threshold.
- Tax collection at source on trading in coal, lignite and iron ore.
- Increasing the onus of proof on closely held companies for funds received from shareholders as well as taxing share premium in excess of fair market value.
- Taxation of unexplained money, credits, investments, expenditures etc., at the highest rate of 30 per cent irrespective of the slab of income.

**TO PROMOTE INVESTMENT, WEIGHTED DEDUCTION FOR EXPENDITURE IN
R&D AND AGRI-EXTENSION SERVICES PROPOSED**

SUNSET DATE FOR TAX EXEMPTION IN POWER SECTOR EXTENDED

In the General Budget 2012-13 presented by the Union Finance Minister ShriPranab Mukherjee in LokSabha here today, it has been proposed to provide weighted deduction for expenditure in several sectors with the objective of promoting investment and facilitating growth.

To promote investment in research and development (R&D), the Finance Minister, Shri Pranab Mukherjee said that it has been proposed to extend the weighted deduction of 200 per cent for R&D expenditure in an in-house facility beyond March 31, 2012 for a further period of five years.

It has also been proposed to provide weighted deduction of 150 per cent on expenditure incurred for agri-extension services in order to facilitate growth in the agriculture sector.

For the power sector, besides measures for accessing low cost funds, the Finance Minister Shri Mukherjee has proposed extension of the sunset date by one year for power sector undertakings so that they can be setup on or before March 31, 2013 for claiming 100 per cent deduction of profits for ten years. Additional depreciation of 20 per cent in the initial year is proposed to be extended to new assets acquired by power generation companies.

STT PROPOSED TO BE REDUCED BY 20 PER CENT

**GAAR PANEL MOOTED TO COUNTER AGGRESSIVE
TAX AVOIDANCE SCHEMES**

LEVY OF ALTERNATE MINIMUM TAX PROPOSED TO BE EXTENDED

In the General Budget 2012-13 presented by the Union Finance Minister Shri Pranab Mukherjee in Lok Sabha here today, it has been proposed to reduce the Securities Transaction Tax (STT) on cash delivery transactions by 20 per cent, from 0.125 per cent to 0.1 per cent, in order to reduce transaction costs in the capital markets.

In order to moderate the outgo on profit linked deductions, it has been proposed to extend the levy of Alternate Minimum Tax (AMT) on all persons other than companies, claiming profit linked deduction.

The Finance Minister, Shri Mukherjee has also proposed to introduce a General Anti Avoidance Rule (GAAR) in order to counter aggressive tax avoidance schemes, while ensuring that it is used only in appropriate cases, by enabling a review by a GAAR panel.

**MEASURES PROPOSED FOR SKILL DEVELOPMENT AND
AUGMENTING FUNDS FOR SMEs**

TURNOVER LIMIT FOR COMPULSORY TAX AUDIT RAISED TO Rs. ONE CRORE

In order to augment funds for SMEs (Small and Medium Enterprises), the Union Finance Minister Shri Pranab Mukherjee, in the General Budget 2012-13 presented in Lok Sabha here today, has proposed to exempt capital gains tax on sale of a residential property, if the sale consideration is used for subscription in equity of a manufacturing SME company for purchase of new plant and machinery.

Further, considering the shortage of skilled manpower in the manufacture sector and in order to generate employment, the Finance Minister, Shri Mukherjee has proposed to provide weighted deduction at the rate of 150 per cent of expenditure incurred on skill development in manufacturing sector in accordance with specified guidelines.

Providing relief to a large number of SMEs, it has been proposed to raise the turnover limit for compulsory tax audit of accounts as well as for presumptive taxation from Rs. 60 lakh to Rs. One crore.

DSM/AG/DB/46

GENERAL BUDGET 2012-13

**GROSS TAX RECEIPTS ESTIMATED AT RS.10,77,612 CRORE-19.5% INCREASE
OVER 2011-12 RE**

**INDIRECT TAX REVENUE GROWTH ESTIMATED AT 26.7% & DIRECT TAX
REVENUE GROWTH AT 13.9% OVER 2011-12.**

TOTAL EXPENDITURE ESTIMATED Rs. 14,90,925 CRORE

The Gross Tax Receipts in the General Budget 2012-13 are estimated at Rs. 10,77,612 crore which is an increase of 19.5% over the revised estimates for 2011-12. As a percentage of GDP, gross taxes are estimated at 10.6% in the BE 2012-13 as against 10.4% in BE 2011-12. The net tax to the Centre is estimated at Rs. 7,71,071 crore, after devolution to the States. The Non Tax Revenue Receipts are estimated Rs. 1,64,614 crore and Non-debt Capital Receipts at Rs.41,650 crore.

In the General Budget 2012-13, presented by the Union Finance Minister Shri Pranab Mukherjee in the Lok Sabha today, Corporation Tax with Rs.3,73,227 crore will be the major contributor in the Revenue Receipts. Income Tax, Customs, Union Excise Duties and Service Tax will yield Rs. 1,95,786 crore, Rs.1,86,694 crore, Rs.1,94,350 crore and Rs.1,24,000 crore respectively. Receipts due to Wealth Tax will contribute Rs.1,244 crores whereas Taxes on UTs are estimated to contribute Rs.2310 crore. Direct tax revenue growth is estimated at 13.9% over 2011-12 RE and Indirect tax revenue growth estimated at 26.7% over 2011-12.

On the Non Tax Revenue side, Dividend and Profits will contribute Rs.50,153 crore and interest receipts Rs.19,231 crore. Other Non Tax Revenue Receipts will be Rs.91,207 crore. Rs.40,000 crore is estimated to be from Telecom Spectrum auction.

Capital receipts are pegged at Rs. 5,55,241 crore.

The Total expenditure for 2012-13 is budgeted at Rs. 14,90,925 crore. Of this, the Plan Expenditure is budgeted at Rs.5,21,025 crore which is 18% higher than the Budget Estimates of 2011-12. This is higher than the 15% increase projected in the approach to the Twelfth Plan for 2012-13.

Revenue Plan Expenditure is estimated as Rs.4,20,513 crore of which central plan will have Rs.3,03,528 crore. Capital Plan Expenditure will be Rs.1,00,512 crore of which Rs.87,499 will be under the Central Plan. Thus, total budget support for Central Plan in 2012-13 will be Rs. 3,91,027 crore and Assistance for State & UT Plans to the tune of Rs.1,29,998 crore.

The Non-plan expenditure is budgeted at Rs. 9,69,900 crore which is 8.7% higher than the RE for 2011-12 and 18.8% higher than the BE for 2011-12. This increase is mainly on account of higher provision for major subsidies. Interest payments and pre-payment premium will account

for Rs.3,19,759crore, the highest in the Non Plan Expenditure heads. Subsidies will account for Rs. 1,90,015crore whereas Rs. 1,13,829 crore will go for the Defence Services and Rs.63,183 for pensions. Plan and non plan allocation for the Defence Services will be Rs.1,93,408Crore.

Rs.35,611 crore is budgeted for Police, Rs. 20,784 crore for Social Services and Rs. 24,105 crore for Economic Services like agriculture, industry, power, transport , communications and S&T etc. Rs.21,382crore has been budgeted for Non plan revenue expenditure on Other General Services. Grants to States & UTs are estimated at Rs.64,211crore. In the non plan Capital Expenditure Rs. 79,579 crore has been budgeted for the Defence Services as against Rs. 66,144 crore in 2011-12 (RE). Rs.23,971crore is earmarked for other non plan Capital Outlay.

DSM/RS/JR/45

FISCAL DEFICIT TO BE BROUGHT DOWN TO 5.1% OF GDP IN 2012-13 FROM 5.9% IN 2011-12

The Fiscal Deficit in the Union Budget 2012-13 has been pegged at Rs.5,13,590 Crore which is 5.1% of the GDP. In 2011-12 RE, it was 5.9% of the GDP and Rs.5,21,980 Crore in absolute terms. After taking into account other items of financing, the net market borrowings through dated securities through finance this deficit is Rs.4,79,000 Crore. With this the total debt stock at the end of 2012-13 would work out at 45.5% of GDP as compared to the 13th Finance Commission target of 50.5% of GDP. The effective revenue deficit in BE 2012-13 works out to Rs.1,85,752 Crore which is 1.8% of GDP.

This has been achieved due to various steps taken by the Government for fiscal consolidation despite fall in the direct tax collections by Rs.32,000 Crore and the Government absorbing duty reduction in petroleum sector with annual revenue loss of Rs.49,000 Crore in the year 2011-12. The Government also had to incur higher expenditure on petroleum and fertilizer subsidy to insulate people from the rising prices.

DSM/RS/JR/26

PLAN OUTLAY FOR AGRICULTURE & COOPERATION INCREASED BY 18%

The agriculture sector continues to get priority in the new budget also. The Finance Minister ShriPranab Mukherjee presenting the budgetary proposals for 2012-13 in Lok Sabha today, announced an increase of 18% in the Plan Outlay for the Department of Agriculture & Cooperation. There is an increase in the allocation from Rs. 17123 crore in 2011-12 to Rs. 20208 crores in 2012-13.

The Finance Minister Shri Mukherjee also announced an increase in the allocation for RashtriyaKrishiVikasYojana (RKVY) from Rs. 7860 crore in 2011-12 to Rs. 9217 crore in 2012-13. Expressing satisfaction at the success of bringing Green Revolution to Eastern India by way of increasing the production and productivity of paddy, the Finance Minister proposed to increase the allocation for this scheme from Rs. 400 crore in 2011-12 to Rs. 1000 crore in 2012-13. Shri Mukherjee informed the House that the States in eastern India have reported additional paddy production of seven million tonnes in Kharif 2011.

Expanding the RashtriyaKrishiVikasYojana, the Finance Minister Shri Mukherjee also proposed to allocate Rs. 300 crore to Vidarbha Intensified Irrigation Development Programme. The new allocation is aimed at bringing in more farming areas under protective irrigation.

NEW MISSIONS PROPOSED IN THE 12TH FIVE YEAR PLAN AMALGAMATING HOST OF ACTIVITIES IN THE AGRICULTURE FIELD

Onsetting the Agenda for agriculture in the 12th Five Year Plan, the Finance Minister ShriPranab Mukherjee announced revamping of five Missions as part of his budgetary proposals in Lok Sabha today. The Government intends to merge various activities into a set of missions to address the needs of agricultural development.

The National Food Security Mission aims to bridge the yield gap in respect of paddy, wheat, pulses, millet and fodder. The ongoing Integrated Development of Pulses Villages, Promotion of Nutri-cereals and Accelerated Fodder Development Programme would now become a part of this Mission.

The Finance Minister said that National Mission on Sustainable Agriculture including Micro Irrigation is being taken up as a part of the National Action Plan on climate change. The Rainfed Area Development Programme is to be merged in this Mission.

The Finance Minister Shri Mukherjee hoped that the National Mission on Oilseeds and Oil Palm will increase production and productivity of oilseeds and oil palm.

In the new proposals, the National Mission on Agricultural Extension and Technology focuses on adoption of appropriate technologies by farmers for improving productivity and efficiency in farm operations.

The National Horticulture Mission will now also promote horticulture diversification including an initiative on saffron.

The Finance Minister said that the Mission for Protein Supplement is being strengthened. He announced that with a view to improving the productivity in the dairy sector, a Rs. 2,242 crore project is being launched with World Bank assistance. Shri Mukherjee said that to broaden the scope of production of fish to coastal aquaculture, apart from fresh water aquaculture, the outlay in 2012-13 is being stepped up to Rs. 500 crore. He assured that suitable allocations are also being made for poultry, piggery and goat rearing.

The food processing sector has been growing at an average rate of over 8 per cent over the past 5 years. In order to have a better outreach and to provide more flexibility to suit local needs, it has been decided that a new centrally sponsored scheme titled “National Mission on Food Processing” would be started in cooperation with the State Governments in 2012-13.

FARMERS HAVE REASONS TO SMILE: AGRICULTURE CREDIT INCREASED TO Rs. 5,75,000 CRORE, FARMERS TO GET A SMART CARD TO GET EASY MONEY FROM ATMs

The Finance Minister ShriPranabMukherjee has proposed to raise the target for agricultural credit in 2012-13 to Rs. 5,75,000 crore. This represents an increase of Rs. 1,00,000crore over the target for the current year. By this step, the Finance Minister has tried to ensure that the farmers' need of timely access to affordable credit is redressed.

As per the budgetary proposals, the interest subvention scheme for providing short term crop loans to farmers at 7 per cent interest per annum will be continued in 2012-13. An additional subvention of 3 per cent will be available to prompt paying farmers. In addition, the same interest subvention on post harvest loans up to six months against negotiable warehouse receipt will also be available. This will encourage the farmers to keep their produce in warehouses.

The Finance Minister Shri Mukherjee proposed to allocate Rs. 10,000 crore to NABARD for refinancing the Regional Rural Banks (RRBs). ShriMukerjee said that a short term RRB credit Refinance Fund is being set up to enhance the capacity of Regional Rural Banks to disburse short term crop loans to the small and marginal farmers.

In a bonanza to the Kisan Credit Card(KCC) holders, the Finance Minister proposed a modification in the KCC scheme. The KCC will now be transformed into smart card which could be used at ATMs also. Thus making it an effective instrument for making agricultural credit available to the farmers in the simplest available way.

To promote agricultural research the Finance Minister has proposed to set aside a sum of Rs. 200 crore.

The Finance Minister announced to operationalise a Government owned Irrigation and Water Resource Finance Company to mobilize large resources to fund irrigation projects.

**CURBING THE BLACK MONEY A PRIORITY CONCERN FOR THE GOVERNMENT;
NUMBER OF PROACTIVE STEPS TO TACKLE THE MALAISE ANNOUNCED; WHITE
PAPER TO BE LAID IN CURRENT SESSION ITSELF: FM**

The Budget proposals envision a multi-pronged strategy to prevent the generation and circulation of black money and its illegitimate transfer outside India. Laying a special emphasis on the issue, the Finance Minister ShriPranab Mukherjee also proposed to lay a white paper on black money on the Table of the House in the current session of Parliament. Shri Mukherjee has announced an advancement in tracking the trail of black money menace. The following has been already done:

1. 82 Double Taxation Avoidance Agreements (DTAA) and 17 Tax Information Exchange Agreements (TIEA) have been finalized and information regarding bank accounts and assets held by Indians abroad has started flowing in. In some cases prosecution will be initiated;
2. Dedicated exchange of information cell for speedy exchange of tax information with treaty countries is fully functional in CBDT;
3. India became the 33rd signatory of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters; and
4. Directorate of Income Tax Criminal Investigation has been established in CBDT.

To ensure transparency and efficiency in the public procurement process, a Bill is to be introduced in the Budget Session of Parliament as announced by the Finance Minister today as part of his budget speech. The Finance Minister also informed the House that the following legislative measures for strengthening anti-corruption framework are in various stages of enactment:

1. Prevention of Money Laundering (Amendment) Bill, 2011 introduced in Parliament with a view to bring certain provisions of the act in line with global standards;
2. Benami Transactions (Prohibition) Bill, 2011 is currently being examined by the Standing Committee on Finance. It would replace the 'Benami Transactions (Prohibition) Act, 1988; and
3. National Drugs and Psychotropic Substances (Amendment) Bill, 2011 introduced in Parliament with a view to strengthen legal provisions for implementation of the national policy on Narcotic Drugs and Psychotropic Substances.

**AADHAARENROLMENTS TO RISE BY 40 CRORES IN THE NEXT YEAR,
ADEQUATE FUNDS ASSURED**

The Finance Minister ShriPranab Mukherjee has expressed confidence that the UID-Aadhaar platform is now ready to support the payments of MG-NREGA; old age, widow and disability pensions; and scholarships directly to the beneficiary accounts in selected areas. Presenting the Union Budget for the year 2012-13, the Finance Minister informed the Lower House of Parliament that the enrolments into the other system have already crossed 20 crore and the Aadhaar numbers generated upto date has crossed 14 crore. He proposed to allocate adequate funds to complete another 40 crore enrolments starting from April 1, 2012.

DSM/DK/LS/29

**Rs. 50 LAKH CRORE ALLOCATED TO INFRASTRUCTURE IN TWELFTH PLAN;
50% EXPECTED FROM PRIVATE SECTOR**

**TAX FREE BONDS FOR FINANCING INFRASTRUCTURE DOUBLED TO Rs. 60,000
CRORE**

MORE SECTORS ELIGIBLE FOR VIABILITY GAP FUNDING

While presenting the Union Budget 2012-13 here today in Lok Sabha, Shri Pranab Mukherjee, Finance Minister proposed allocation of Rs. 50 lakh crore towards infrastructure investment during the Twelfth Plan period. About half of this is expected to come from the private sector, he stated.

As part of the General Budget, the Finance Minister doubled the tax free bonds for financing infrastructure projects to Rs. 60,000 crore. The tax free bonds for 2011-12 were for Rs. 30,000 crore. During 2012-13, the tax free bonds include Rs. 10,000 crore each for NHAI, IRFC, IIFCL and power sector, and Rs. 5,000 crore each for HUDCO, National Housing Bank, SIDBI, and ports.

The Finance Minister announced inclusion of more sectors in the list of sectors eligible for Viability Gap Funding (VGF) under the scheme for support to Public Private Partnership (PPP) in infrastructure. These sectors are irrigation (including dams, channels and embankments), terminal markets, common infrastructure in agriculture markets, soil testing laboratories and capital investment in fertilizer. Furthermore, oil and gas/LNG storage facilities, oil and gas pipelines, fixed network for telecommunication and telecommunication towers are also made eligible sectors for VGF.

Shri Mukherjee announced that a harmonized master list of infrastructure has been approved by the Government. This will help in removing ambiguity in the policy and regulatory domain and encourage investment in the infrastructure sector, he stated.

In order to provide ease of access of credit to infrastructure projects, India Infrastructure Finance Company Limited (IIFCL) has set up a structure for credit enhancement and take-out finance. Towards the same aim, a consortium for direct lending and grant of in-principle approval to infrastructure developers before bid submission for PPP projects has also been created.

**HARMONIZED MASTER LIST OF INFRASTRUCTURE APPROVED
INFRASTRUCTURE DEBT FUND OF RS. 8000 CRORE LAUNCHED
DEFENCE PSUs CAN FORM JVs FOR PPPs**

Presenting the General Budget 2012-13 in Lok Sabha here today, Shri Pranab Mukherjee, Finance Minister stated that a harmonized master list of infrastructure has been approved by the Government. This will help in removing ambiguity in the policy and regulatory domain and encourage investment in the infrastructure sector, he stated.

The Finance Minister, Shri Mukherjee informed that an Infrastructure Debt Fund with an initial size of Rs. 8000 crore has been launched earlier this month to tap the overseas markets for long term pension and insurance funds, for financing infrastructure projects. In order to provide ease of access of credit to infrastructure projects, India Infrastructure Finance Company Limited (IIFCL) has set-up a structure for credit enhancement and take-out finance. Towards the same aim, a consortium for direct lending and grant of in-principle approval to infrastructure developers before bid submission for PPP projects has also been created.

The Finance Minister stated that the Government has approved guidelines under which defence Public Sector Undertakings adopting the PPP mode, can establish joint venture companies. This, he mentioned, will serve the two-fold objective of achieving substantive self-reliance in the defence sector while leading to production of state-of-the-art defence goods.

DSM/MV/LMP/19

14% HIKE IN ALLOCATION FOR ROAD TRANSPORT & HIGHWAYS

ECB TO BE ALLOWED FOR CAPITAL EXPENDITURE ON O&M OF TOLL ROADS

8,800 KM TARGET SET FOR NHDP

The allocation for the Ministry of Road Transport & Highways has been enhanced to Rs. 25,360 crore, in 2012-13 which is a 14% hike from the previous allocation. This was announced by ShriPranab Mukherjee, Finance Minister while presenting the General Budget 2012-13 here today.

The Finance Minister proposed to allow External Commercial Borrowings (ECB) for capital expenditure on the maintenance and operation of tolled roads and highways, as long as it is part of the original project. This is with a view to encourage PPPs in the road sector, he mentioned.

The Finance Minister, Shri Mukherjee has set the target of 8,800 km for the highways to be constructed under the NHDP during 2012-13. He stated that the Ministry of Road Transport & Highways is geared up to achieve the target of awarding projects for 7,300 km under NHDP during 2011-12. This would be 44% higher than the figure of 5,082 km awarded during 2010-11. The Finance Minister informed that out of the 44 projects awarded during 2011-12, 24 projects have fetched a premium.

DSM/MV/LMP/24

**ECB FOR WORKING CAPITAL ALLOWED IN CIVIL AVIATION
DIRECT IMPORT OF ATF BY INDIAN CARRIERS PERMITTED
49% PARTICIPATION IN EQUITY BY FOREIGN AIRLINES UNDER
CONSIDERATION**

Presenting the General Budget 2012-13 in Lok Sabha today, the Union Finance Minister, Shri Pranab Mukherjee proposed permission of External Commercial Borrowings (ECB) for working capital requirement of the airline industry for one year subject to total ceiling of US \$ 1 billion. The Finance Minister said that this was to address the immediate financing concerns of the Civil Aviation sector, which is facing financial crisis.

In order to reduce the cost of Aviation Turbine Fuel (ATF), which largely contributes to the high operating cost of the civil aviation sector, the Finance Minister stated that the Government has permitted direct import of ATF by Indian Carriers, as actual users.

Shri Mukherjee informed that a proposal to allow 49% equity participation by foreign airlines engaged in operation of scheduled in non-scheduled air transport services is under active consideration of the Government.

DSM/MV/LMP/32

ECB ALLOWED FOR LOW COST HOUSING

Rs. 4,000 CRORE ALLOCATED FOR RURAL HOUSING FUND

INDIRECT FINANCE UNDER PRIORITY SECTOR DOUBLED

Presenting the General Budget 2012-13 in Lok Sabha here today, Shri Pranab Mukherjee, Finance Minister announced various majors for mitigating shortage of housing for low income groups. The Finance Minister proposed allowing External Commercial Borrowings (ECB) for low cost affordable housing projects and setting-up of a Credit Guarantee Trust Fund to ensure improved flow of institutional credit for housing loans.

The Finance Minister, Shri Mukherjee informed that provisions under the Rural Housing Fund are proposed to be enhanced from Rs. 3000 crore to Rs. 4000 crore. He also proposed enhancement of limit of indirect finance under priority sector from Rs. 5 lakh to Rs. 10 lakh.

The Finance Minister announced extension of the scheme of interest subvention of 1 percent on housing loan up to Rs. 15 lakh where the cost of the house does not exceed Rs. 25 lakh for another year.

DSM/MV/LMP/54

**FINANCIAL PACKAGE OF RS. 3884 CRORE FOR WAIVER OF HANDLOOM LOANS
TWO MEGA HANDLOOM CLUSTERS TO BE SET UP IN ANDHRA PRADESH AND
JHARKHAND**

**RS.500 CRORE GEO-TEXTILE PILOT SCHEME AND WEAVERS' SERVICE
CENTRE FOR NORTH-EAST**

While presenting the Union Budget 2012-13 here today in Lok Sabha, Shri Pranab Mukherjee, Finance Minister announced a financial package of Rs. 3884 crore for waiver of loans of handloom waiver and their co-operative societies. The Finance Minister has also announced setting-up of two mega handloom clusters covering Prakasam and Guntur districts in Andhra Pradesh, and Godda and neighbouring districts in Jharkhand. A powerloom mega cluster is proposed to be set-up in Ichalkaranji in Maharashtra with a Budget allocation of Rs. 70 crore in order to address the need of the local artisans and weavers.

The Finance Minister, Shri Mukherjee announced that a Rs. 500 crore pilot scheme for promotion and application of Geo-textiles will be set up in the North-Eastern region. In addition, three Weavers' Service Centers are proposed to be set up in Mizoram, Nagaland and Jharkhand. These centers provide technical support to poor handloom weavers, he stated.

DSM/MV/LMP/52

**ECBS TO PART FINANCE POWER PROJECT DEBT
INTER-MINISTERIAL GROUP FOR PERIODICAL GROUP OF ALLOCATED COAL
MINES**

While presenting the General Budget 2012-13 here today in Lok Sabha, Shri Pranab Mukherjee, Finance Minister proposed permission of External Commercial Borrowings (ECB) in the power sector in order to partly finance the Rupee debt of existing power plants.

Shri Mukherjee stated that an inter-ministerial group is being constituted to undertake periodical review of allocated coal mines and to make recommendations on de-allocations, if required.

The Finance Minister informed that to address the concern of fuel supply constraints, Coal India Limited (CIL) has been advised to sign fuel supply agreement with power plan that have entered into long term Power Purchase Agreements with DISCOMs and will get commissioned on or before March 31st 2015.

DSM/MV/LMP/53

**RS. 5000 CRORE INDIA OPPORTUNITIES VENTURE FUND WITH SIDBI
ANNOUNCED**

**TWO SME EXCHANGES LAUNCHED IN MUMBAI
MINISTRIES AND CPSES TO MAKE MINIMUM OF 20% PURCHASE FROM MSES**

While presenting the General Budget 2012-13 in LokSabhahere today, ShriPranab Mukherjee, Finance Minister announced setting-up of a Rs. 5000 croreIndia Opportunities Venture Fund with SIDBI. This is in order to enhance availability of equity to the Micro, Small and Medium Enterprises, he stated.

The Finance Minister, Shri Mukherjee informed that two SME exchanges have been launched in Mumbai recently to enable these enterprises greater access to finance. The Finance Minister further stated that SMEs are the building blocks of the country economy and they rely primarily on loans from banks and informal sources to raise capital.

With the aim of promoting market access of Micro and Small Enterprises (MSEs), the Government has approved a policy under which Ministries and CPSEs are required to make a minimum of 20% of their annual purchase from MSEs. 4% of this purchase will be earmarked for procurement from MSEs owned by SC/ST entrepreneurs.

DSM/MV/LMP/55

**DELHI-MUMBAI INDUSTRIAL CORRIDOR RECEIVES US \$ 4.5 BILLION
FROM JAPAN**

While presenting the General Budget 2012-13 in Lok Sabha here today, the Union Finance Minister, Shri Pranab Mukherjee informed that the Japanese Prime Minister has announced US \$ 4.5 billion for the Delhi-Mumbai Industrial Corridor (DMIC). In September last year, the Government approved Central assistance to the tune of Rs. 18,500 crore for a period of five years for the project, the Minister added. The DMIC is being developed on either side of the Western Dedicated Rail Freight Corridor.

DSM/MV/LMP/56

**GOVERNMENT TAKES STEPS TO FINALIZE PRICING AND INVESTMENT
POLICIES FOR UREA**

While presenting the General Budget 2012-13 in Lok Sabha here today, the Union Finance Minister, Shri Pranab Mukherjee informed that various steps have been taken by the Government to finalize pricing and investment policies for urea. Shri Mukherjee said that for potassic-phosphatic (P&K) fertilizer, use of Single Super Phosphate (SSP) will be encouraged through greater extension work. The Finance Minister informed that as the fertilizer is manufactured entirely in the domestic sector, enhance production will bring down the country's dependence in P&K import. Furthermore, he stated that with the implementation of the investment policy in this sector, it is expected that the country will become self-sufficient within the next five years.

DSM/MV/LMP/57

MANUFACTURING SECTOR PROVIDED RELIEF IN CUSTOMS DUTY

CUSTOMS DUTIES ON IMPORTED PLANT AND MACHINERY FOR IRON ORE PLANTS REDUCED TO 2.5 PER CENT

The Union Finance Minister ShriPranab Mukherjee while presenting the Union Budget for 2012-13 has announced to reduce basic customs duties on plant and machinery imported for setting-up of iron ore pellet plants or iron ore beneficiation plants from 7.5 percent to 2.5 percent. In his Budget Speech in LokSabha today, the Finance Minister proposed to reduce basic customs duty on coating material for manufacturing of electrical steel from 7.5 percent to 5.0 percent. On nickel ore and concentrate and nickel oxide/ hydroxide, the duties have been reduced to NIL from 2.5 percent or 7.5 percent. In other proposals, export duty on chromium ore has been enhanced from Rs. 3,000/- per tonne to 30 percent ad valorem. Basic customs duty on non-alloy, flat rolled steel has been proposed to enhance from 5 percent to 7.5 percent.

Shri Mukherjee said that relief has been proposed for sectors such as steel, textiles, branded readymade garments, low-cost medical devices, labour intensive sectors producing items of mass consumption and matches produced by semi-mechanised units. He proposed to fully exempt automatic shuttle-less looms from basic customs duty of 5 per cent. Similarly, full exemption on basic duty is being accorded to automatic silk reeling and processing machinery as well as its parts.

Full exemption from basic customs duties has been proposed on waste paper, LCD and LED TV Panels and parts of memory card for mobile phones in the Budget 2012-13.

HEALTH AND NUTRITION GETS MAJOR BOOST IN THE BUDGET 2012-13;

SIX LIFE SAVING DRUGS EXEMPTED FROM EXCISE DUTY

The Union Finance Minister ShriPranab Mukherjee, while presenting the Union Budget for 2012-13, has proposed to extend concessional basic customs duty of 5 per cent with full exemption from excise duty/ CVD to six specified life-saving drugs/ vaccines in this year's budget. He proposed to reduce basic customs duty on soya protein concentrate and isolated soya protein to 10 per cent from the present 30 per cent or 15 per cent respectively. Basic customs duty and excise duty reduced on iodine from 6 per cent to 2.5 per cent. On probiotics, the basic customs duty is now 5 per cent reduced from 10 per cent.

DSM/YSK/nb/4

**CONCESSIONS AND EXEMPTIONS EXTENDED TO ENERGY SAVING DEVICES,
PLANTS AND EQUIPMENTS REQUIRED FOR SOLAR THERMAL PROJECTS**

Presenting the Budget in the Lok Sabha today, the Union Finance Minister Shri Pranab Mukherjee has proposed concessions and exemptions for encouraging the consumption of energy-saving devices, plant and equipment needed for solar thermal projects. The Finance Minister proposed to fully exempt a coating chemical used for compact fluorescent lamps from basic customs duty. Excise duty on LED lamps is also being reduced to 6 per cent. Concession from basic customs duty and special CVD is being extended to certain items imported for manufacture for hybrid or electric vehicle and battery packs for such vehicles. Specified parts required for the manufacture of hybrid vehicles enjoy full exemption from basic customs duty and special CVD with concessional excise duty / CVD of 6 per cent.

Shri Mukherjee proposed to increase basic customs duty on import of gold and other precious metals as a measure for reducing current account deficit. It has been proposed to impose basic customs duty of 2 per cent on cut and polished, coloured gem stones at par with diamonds.

EXCISE DUTY ON ‘DEMERIT’ GOODS HIKED AS A MEASURE FOR ADDITIONAL RESOURCE MOBILISATION

The Union Budget 2012-13 proposes to increase excise duty on ‘demerit’ goods such as certain cigarettes, hand rolled bidis, pan masala, gutka, chewing tobacco, unmanufactured tobacco and zarda scented tobacco. While presenting the Budget in Parliament today, the Finance Minister Shri Mukherjee proposed to enhance cess on crude petroleum oil produced in India to Rs. 4500/- per metric tonne from Rs. 2500/- per metric tonne under the COIL Industries Development Act.

In order to further garner additional resources, the Finance Minister has proposed to enhance basic customs duties on completely built units of large cars/ Multi-Utility Vehicles/ Sports Utility Vehicles having engine capacity above prescribed threshold from 60 percent to 75 per cent ad valorem.

UNION BUDGET FOCUSES ON RATIONALISATION MEASURES IN INDIRECT TAXES

INDIRECT TAXES RESULT IN NET REVENUE GAIN OF Rs. 45,940 CRORE

Presenting the General Budget for 2012-13 in Lok Sabha today, the Union Finance Minister Shri Pranab Mukherjee has announced various rationalization measures like

- Excise duty rationalized for packaged cement, whether manufactured by mini-cement plants or others.
- Levy of excise duty of 1 per cent on branded precious metal jewellery to be extended to include unbranded jewellery. Operations simplified and measures taken to minimize impact on small artisans and goldsmiths.
- Branded Silver jewellery exempted from excise duty.
- Chassis for building of commercial vehicle bodies to be charged excise duty at an ad valorem rate instead of mixed rate.
- Import of foreign-going vessels to be exempted from CVD of 5 per cent retrospectively.
- Duty-free allowances increased for eligible passengers and children upto 10 years.
- Proposals relating to Customs and Central excise to result in net revenue gain of Rs.27,280 crore.
- Indirect taxes estimated to result in net revenue gain of Rs.45,940 crore.
- Net gain of Rs.41,440 crore in the Budget due to various taxation proposals.

BUDGET AIMS AT CREATING ENABLING ATMOSPHERE FOR ALL SECTIONS

BAGGAGE ALLOWANCE INCREASED IN THE BUDGET

Presenting the Union Budget 2012-13 in the Lok Sabha today, the Union Finance Minister Shri Pranab Mukherjee has proposed to increase the duty-free baggage allowance for eligible passengers of Indian origin from Rs.25,000 to Rs. 35,000 and for children upto 10 years from Rs.12,000 to Rs.15,000. The baggage allowance was last revised in 2004.

The Finance Minister Shri Mukherjee said in his Budget Speech that the current year was a challenge for Indian economy but India has thrived under such challenges and will continue to do so. He said that the aim of his budget is to create an enabling atmosphere for corporates, farmers, entrepreneurs and workers to take initiatives for robust growth. He further said that the budget also aims to ensure that the benefits of growth reach all sections of population.

RAJIV GANDHI EQUITY SAVINGS SCHEME LAUNCHED

A new scheme called Rajiv Gandhi Equity Savings scheme is proposed in the Union Budget 2012-13 to encourage flow of saving in financial instruments and improve the depths of domestic capital market.

The Union Finance Minister ShriPranab Mukherjee in his Budget speech in Lok Sabha today said that the scheme allows for income tax deduction of 50 per cent to new retail investors, who invest up to Rs 50,000 directly in equities and whose annual income is below Rs 10 lakhs. The scheme will have lock-in period of three years. The details will be announced in due course.

DSM/RC/SKS/13

SEVERAL STEPS PROPOSED TO DEEPEN THE REFORMS IN CAPITAL MARKET

The Union Finance Minister ShriPranab Mukherjee while presenting the General Budget 2012-13 in the Lok Sabha today has proposed a series of steps in deepening the reforms in Capital Market. These include:

- Allowing Qualified Foreign Investors (QFIs) access to Indian Corporate Bond market.
- Simplification of process of issuing Initial Public Offers (IPOs) and lowering of cost.
- Mandatory for companies to issue IPOs of Rs 10 crore and above in electronic form.
- Allowing Electronic Voting facility to provide opportunities for wider shareholder participation.
- Two-way fungibility in Indian Depository Receipts (IDRs) permitted subject to a ceiling.

GOVERNMENT UNDERTAKES FINANCIAL SECTOR LEGISLATIVE REFORMS

The Union Finance Minister ShriPranab Mukherjee while presenting the Union Budget 2012-13 in the Lok Sabha today said that government proposes to take forward the process of Financial Sector Legislative Reforms. Announcing this during his Budget speech, the Union Finance Minister ShriPranab Mukherjee stated that following bills will be moved in the current Budget session of the Parliament.

- The Micro Finance Institutions (Development and Regulation) Bill, 2012.
- The National Housing Bank (Amendment) Bill, 2012.
- The small Industries Development Bank of India (Amendment) Bill, 2012.
- National Bank for Agriculture and Rural Development (Amendment) Bill, 2012.
- Regional Rural Banks (Amendment) Bill, 2012.
- Indian Stamp (Amendment) Bill, 2012.
- Public Debt Management Agency of India Bill, 2012.

**RS 15,888 CRORE PROVIDED FOR CAPITALIZATION OF PUBLIC SECTOR
BANKS/RRBS AND OTHER FINANCIAL INSTITUTIONS**

A provision of Rs 15,888 crore has been kept in the Union Budget 2012-13 for Capitalization of Public Sector Banks, Regional Rural Banks (RRBs) and other Financial Institutions including NABARD. Making the announcement during his Budget Speech in the Lok Sabha today, the Union Finance Minister Shri Pranab Mukherjee said that government was also considering the possibility of creating a financial holding company which will raise resources to meet the Capital requirements of Public Sector Banks.

DSM/RC/SKS/9

**FINANCIAL INCLUSION SCHEME 'SWABHIMAAN' TO BE EXTENDED TO
HABITATIONS WITH POPULATION OF MORE THAN 1000 IN NORTH
EASTERN AND HILLY STATES AND MORE THAN 2000 IN OTHER
HABITATIONS AS PER CENSUS 2011**

The Union Finance Minister ShriPranab Mukherjee has proposed to extend the 'Swabhimaan' campaign to habitations with population of more than 1000 in North Eastern and hilly States and to other habitations which have crossed population of 2,000 as per Census 2011.

Announcing this during his Budget speech the Finance Minister Shri Mukherjee informed that out of 73,000 identified habitations that were to be covered by March 2012, about 70,000 habitations have been covered so far under the 'Swabhimaan' campaign. As a next step, Ultra Small Branches are being set up at these habitations, where Business Correspondents would deal with cash transactions.

In 2010-11, 'Swabhimaan' campaign was launched to extend Banking facilities through Business Correspondents to habitations having populations in excess of 2000.

**SCHEME FOR CAPITALISATION OF FINANCIALLY WEAK RRBs EXTENDED
BY ANOTHER TWO YEARS**

The Union Finance Minister ShriPranab Mukherjee proposed to extend the scheme of capitalization of financially weak RRBs by another 2 years to enable all the States to contribute their share. Announcing this during his Budget speech, Shri Mukherjee informed that the process of capitalization of financially weak RRBs has been completed in respect of 12 RRBs by the end of February, 2012.

The Finance Minister Shri Mukherjee also informed that of the 82 RRBs in India, 81 have successfully migrated to Core Banking solutions (CBS) and have also joined the national Electronic Fund Transfer system.

DSM/RC/SKS/20

**EFFORTS TO ARRIVE AT A BROAD BASED CONSENSUS ON ALLOWING
FDI IN MULTI-BRAND RETAIL TRADE UP TO 51%**

Government is making efforts to arrive at a broad based consensus in consultation with the State governments in respect of the decision to allow FDI in multi-brand retail trade up to 51%.

The Union Finance Minister ShriPranab Mukherjee in his Budget speech in the LokSabha said that at present, FDI in single brand and in cash and carry whole trade is permitted to the extent of 100%. The decision in respect of allowing FDI in multi-brand retail trade up to 51% has been held in abeyance. Shri Mukherjee said that organized retail helps in reducing cost of intermediation due to economies of scale, benefiting both consumer and producers.

DSM/RC/SKS/44

ADVANCE PRICING AGREEMENT INTRODUCED

With a view to bring down Tax litigation and provide Tax certainty to the foreign investors, the government has introduced the Advance Pricing Agreement (APA) in the Finance Bill 2012. While presenting the Budget 2012-13 in Lok Sabha today Shri Mukherjee said that in Globalized Economy with expanding cross border production chains, APA can significantly bring down tax litigation and provide tax certainty to foreign investors. Though APA has been included in the DTC Bill, 2010 the government has brought forward its implementation by introducing it in the Finance Bill 2012.

DSM/RC/SKS/49

**SERVICE TAX EXEMPTED ON COPYRIGHTS RELATING TO RECORDING OF
CINEMATOGRAPHIC FILMS**

There is something to cheer about for the film industry in the Union Budget 2012-13. While presenting the Union Budget 2012-13 in Lok Sabha today, the Finance Minister Shri Pranab Mukherjee said that the year 2012 marked the beginning of the Centenary year of Indian Cinema. To add to the spirit of the celebration, he proposed to exempt the industry from Service Tax on copyrights relating to recording of cinematographic films.

DSM/MG/RS/10

SERVICE TAX EXEMPTED FOR ITEMS ON NEGATIVE LIST

HEALTH CARE, SERVICES PROVIDED BY CHARITIES, RELIGIOUS PERSONS, INDEPENDENT JOURNALISTS, SPORTSPERSONS AMONG OTHERS ALSO EXEMPTED FROM SERVICE TAX

In his Budget Speech, the Union Finance Minister ShriPranab Mukherjee said that the Government has proposed to tax all services except those in the negative list. The list comprises 17 heads. The important inclusions in the negative list comprise all services provided by the Government or local authorities, except a few specified services where they compete with private sector. The list also includes pre-school and school education, recognized education at higher levels and approved vocational education, renting of residential dwellings, entertainment and amusement services and a large part of public transportation including inland waterways, urban railways and metered cabs. Presenting the Union Budget 2012-13 in Lok Sabha today, the Union Finance Minister ShriPranab Mukherjee said that agriculture and animal husbandry enjoy a very important place in our lives. Practically all services required for cultivation, breeding, production, processing or marketing up to the stage the produce is sold in the primary markets are covered by the list.

The Finance Minister Shri Mukherjee further stated that in addition to the negative list, there is a list of exemptions which include health care, services provided by charities, religious persons, sportspersons, performing artists in folk and classical arts, individual advocates providing services to non-business entities, independent journalists, and services by way of animal care or car parking.

The Finance Minister Shri Mukherjee also announced exemption of the services of business facilitators and correspondents to banks and insurance companies. Construction

services relating to specified infrastructure, canals, irrigation works, post-harvest infrastructure, residential dwelling, and low-cost mass housing up to an area of 60 sq.mtr. under the Scheme of Affordable Housing in Partnership are also included in the exemptions. Shri Mukherjee also proposed to raise the exemption for the monthly charges payable by a member to a housing society from Rs. 3,000 to Rs. 5,000.

DSM/MG/RS/12

**ONE PAGE COMMON RETURN FOR CENTRAL EXCISE AND SERVICE TAX
PROPOSED**

As a measure of harmonization between Central Excise and Service Tax, the Government has made a number of alignments. This was announced by the Finance Minister ShriPranab Mukherjee while presenting the Union Budget 2012-13 in LokSabha today. These include a common simplified registration form and a common return for Central Excise and Service Tax, to be named EST-1. This common return will comprise only one page, which will be a significant reduction from the 15 pages of the two returns at present.

DSM/MG/RS/16

SERVICE TAX RATE RAISED FROM 10 PER CENT TO 12 PER CENT

The Service tax rate has been marginally raised from 10 per cent to 12 per cent. Presenting the Union Budget 2012-13 in Lok Sabha today, the Union Finance Minister Shri Pranab Mukherjee said that to maintain a healthy fiscal situation, the Government has raised the service tax with consequential changes in rates from services that have individual tax rates. Shri Mukherjee said that this is expected to yield an additional revenue of Rs. 18,600 crore. Meanwhile, the share of services in GDP has increased to 59 per cent, the Minister added.

DSM/MG/RS/42

DUTY ON LARGE CARS ENHANCED FROM 22 PER CENT TO 24 PER CENT

Large cars currently attract excise duty depending on their engine capacity and length. While presenting the Union Budget 2012-13 in Lok Sabha today, the Finance Minister Shri Pranab Mukherjee proposed to enhance the duty from 22 per cent to 24 per cent. In the case of cars that attract a mixed rate of duty of 22 per cent + Rs 15,000 per vehicle, he proposed to increase the duty and switch over to an *ad valorem* rate of 27 per cent.

DSM/MG/RS/41

BASIC CUSTOMS DUTY REDUCED IN AGRICULTURE & RELATAED SECTORS

Carrying forward the initiatives taken for agriculture and agro-processing sectors, the Government proposed to reduce basic customs duty from 7.5 per cent to 2.5 per cent on sugarcane planter, root or tuber crop harvesting machine and rotary tiller and weeder and parts for the manufacture of these. The Union Finance Minister Shri Pranab Mukherjee announced this while presenting the Union Budget 2012-13 in Lok Sabha today. He also announced to reduce basic customs duty from 7.5 per cent to 5 per cent on specified coffee plantation and processing machinery. The basic customs duty was also reduced on some water soluble fertilizers and liquid fertilizers, other than urea, from 7.5 per cent to 5 per cent and from 5 per cent to 2.5 per cent.

Giving substantial relief to the fertilizer sector Shri Mukherjee announced that imports of equipment for initial setting-up or substantial expansion of fertilizer projects are being fully exempted from basic customs duty of 5 per cent for a period of three years up to March 31, 2015.

**FULL EXEMPTION FROM BASIC CUSTOMS DUTY GIVEN TO CERTAIN
INFRASTRUCTURE SECTORS**

The Finance Minister ShriPranab Mukherjee has announced full exemption from basic customs duty and a concessional CVD of 1 per cent to Steam coal for a period of two years till March 31, 2014. While presenting the Union Budget 2012-13 in Lok Sabha today Shri Mukherjee also proposed full exemption from basic duty to Natural Gas and Liquified Natural Gas and Uranium concentrate, Sintered Uranium Dioxide in natural and pellet form.

Full exemption from import duty on specified equipment imported for road construction by contractors of Ministry of Road Transport and Highways, NHAI and State Governments is being extended to contracts awarded by Metropolitan Development Authorities. Tunnel boring machines and parts for their assembly are covered by this exemption. Shri Mukherjee proposed to allow their import free of duty without end-use condition.

COMPUTERISED PDSTO BECOME OPERATIONAL BY DECEMBER 2012

The Union Finance Minister ShriPranab Mukherjee said that the government is determined to create food security for all targeted people especially the poor and vulnerable segments of our society. While presenting the Union Budget for the year 2012-13 in Lok Sabha today Shri Mukherjee said that so as to realize the objectives of the National Food Security Bill, a national information utility for computerization of PDS is being created which will become operational by December, 2012.

DSM/VK/AKA/6

PANCHAYATS TO BE STRENGTHENED THROUGH RAJIV GANDHI PANCHAYAT SASHAKTIKARAN ABHIYAN

Rural Development and Panchayati Raj continues to be major thrust areas for the Government to ensure sustainable and more inclusive growth of the country. Emphasizing this during presentation of Budget 2012-13, the Union Finance Minister ShriPranab Mukherjee announced a major initiative to strengthen Panchayats across the country through **RAJIV GANDHI PANCHAYAT SASHAKTIKARAN ABHIYAN (RGPSA)**. Shri Mukherjee announced continuance of **Backward Regions Grant Funds** scheme in 12th plan with enhanced allocation of Rs.12,040 crores, an increase of 22 percent over the BE 2011-12. Attributing poor sanitation and water quality, the main reasons contributing to malnourishment, the Finance Minister Shri Mukherjee proposed to increase the budgetary allocation for rural drinking water and sanitation from Rs. 11,000 crores in 2011-12 to Rs. 14,000 crores in 2012-13. For creating warehousing facilities in rural areas, the Finance Minister Shri Mukherjee proposed to earmark an amount of Rs. 5,000 crores from the enhanced allocation of Rs. 20,000 crores under Rural Infrastructure Development Fund (RIDF).

DSM/VK/AKA/22

MULTISECTORAL PLAN TO FIGHT MALNUTRITION IN 200 HIGH BURDEN DISTRICTS

Government is fully prepared to meet the nutritional challenges being faced by the country. Presenting the Budget 2012-13 in Lok Sabha today, the Union Finance Minister Shri Pranab Mukherjee announced Multisectoral Nutrition Augmentation Programme to combat malnutrition. Intervening decisively to address the problem of maternal and child malnutrition, the Finance Minister Shri Mukherjee announced a multi-sectoral programme in selected 200 high burden districts. Continuing to lay more emphasis on Integrated Child Development Services, Shri Mukherjee announced a hike of 58 percent in the budgetary allocation for this scheme compared to last year. Similarly he proposed to hike the allocation for National Programme of Mid Day Meals in Schools from Rupees 10,380 crores in 2011-12 to Rupees 11,937 crores in 2012-13. The Finance Minister proposed an allocation of Rupees 750 crores for Rajiv Gandhi Scheme for Empowerment of Adolescent Girls, SABLA.

DSM/VK/AKA/47

GOVERNMENT TO ACHIEVE VACCINE SECURITY

To keep the pressure up on disease eradication and prevention, the government plans to set up new vaccine units in the country and modernize the existing ones. Announcing this while presenting Union Budget 2012-13, the Finance Minister ShriPranab Mukherjee proposed to set up a new integrated vaccine unit near Chennai. Buoyed by no polio case in the last one year, the Finance Minister Shri Mukherjee was emphatic that the government will achieve vaccine security. The Finance Minister Shri Mukherjee enlarged the scope of Accredited Social Health Activist's (ASHA) activities to include prevention of Iodine Deficiency Disorders, ensure 100 percent immunisation and better spacing of children. The Finance Minister Shri Mukherjee said that PradhanMantriSwasthyaSurakshaYojana is being expanded to cover upgradation of seven more Government Medical Colleges.

DSM/VK/AKA-58

**SWARNAJAYANTI GRAM SWAROJGAR YOJANA
RESTRUCTURED INTO
NATIONAL RURAL LIVELIHOOD MISSION**

Swarnajayanti Gram SwarojgarYojana (SGSY) has been restructured into National Rural Livelihood Mission (NRLM) to provide self employment opportunities. Announcing this while presenting Union Budget in LokSabha today, the Finance Minister ShriPranab Mukherjee proposed to increase the allocation of NRLM by over 34 percent to Rs. 3,915 crores in 2012-13. The Finance Minister Shri Mukherjee also proposed to provide Rs. 200 crores to Women's SHG's Development Fund to enlarge the corpus to Rs. 300 crores. The Finance Minister Shri Mukherjee also proposed to establish a Bharat Livelihoods Foundation of India through Aajeevika. Highlighting the positive impacts of Mahatma Gandhi National Rural Employment Guarantee Scheme (MG-NERGA), the Finance Minister Shri Mukherjee said that the need for bringing about greater synergy between MG-NERGA and agriculture & allied rural livelihoods is being addressed.

DSM/VK/AKA/60

GENERAL BUDGET 2012-13

LUMPSUM GRANT UNDER NATIONAL FAMILY BENEFIT SCHEME DOUBLED;

In order to strengthen the social security and fulfill the needs of weaker sections, the Union Finance Minister ShriPranab Mukherjee announced a hike of 37 percent in the allocation for National Social Assistance Programme (NSAP) from Rs. 6,158 crore in 2011-12 to Rs. 8447 crore in 2012-13. In the Union Budget 2012-13 Shri Mukherjee announced the hike of monthly pension for BPL beneficiaries under Indira Gandhi Widow Pension Scheme and Indira Gandhi National Disability Pension Scheme from Rs. 200 to Rs. 300. The Finance Minister Shri Mukherjee also proposed to double the lumpsum grant given on the death of the primary bread winner of a BPL family in the age group 18 to 64 years from Rs. 10,000 to Rs. 20,000 under the National Family Benefit Scheme.

DSM/VK/AKA/61