Newspaper Analysis and Summarry– 01st March 2015

NATIONAL

In his first full budget since the NDA came to power last May, Arun Jaitley manages to combine the pragmatic and the political – *The Hindu*

Allocating Rs. 70,000 crore for public spending on infrastructure to stimulate growth in the economy, Union Budget 2015-16 proposed a 5 per cent cut in corporate tax, abolished wealth tax and replaced it with an additional 2 per cent surcharge on the tax collected from the super-rich with incomes in excess of Rs. 1 crore.

Presenting the Modi government's first full-year budget in Parliament on Saturday, Union Finance Minister Arun Jaitley said the corporate tax was proposed to be lowered from 30 per cent to 25 per cent over the next four years and would go hand in hand with a rollback in sops and exemptions companies enjoyed.

"The credibility of the Indian economy has been re-established, the world is predicting that it's India's chance to fly. As the PM has mentioned many times — we are a round-the-clock, round-the-year government," Mr. Jaitley said.

The budget raised excise duty and service tax rates, pushing up retail prices of several goods and services.

Mr. Jaitley left untouched personal income tax rates for 2015-16, but rewarded the middle class with a higher limit for deduction of Rs. 25,000 on health insurance premium against the existing Rs. 15,000.

The limit will go up from Rs. 20,000 to Rs 30,000 for senior citizens. The deduction of Rs. 30,000 for medical treatment spending is proposed for those over 80 years old without health insurance cover.

The proposals, said Mr. Jaitley, would not only promote health care but also enhance the savings rate in the economy.

Locally made mobile handsets, tablets, microwave ovens and packaged fruits are likely to be cheaper on reductions proposed in various duties and taxes. Mr. Jaitley proposed a 25 per cent hike in the duty on cigarettes, cigars and cheroots. The key construction industry input, cement, too is likely to become costlier.

The service tax plus education cess is proposed to be hiked from 12.36 per cent to 14 per cent which is likely to increase costs of air travel, eating out and beauty services.

Universal healthcare still far from reality, says IMA chief – *The Hindu*

'Disappointing' -- is how the health sector has described Finance Minister Arun Jaitley's Union Budget, stating that the medical fraternity had expected the health allocation to be increased to at least 2.5 per cent of the GDP along with separate allocation for disease outbreaks, rare diseases, rural posting of doctors, and free emergency treatment for all.

"We have also been demanding that health be given infrastructure status, which has been completely disregarded yet again," said Indian Medical Association (IMA) office-bearer K. K. Aggarwal.

IMA national president A. M. Pillai said that a total allocation of Rs. 33,150 crore for health would not make universal healthcare a reality.

The Association said: "The increase in service tax to 14 per cent is not in the interest of the common man, and we hope that the service tax exemption in the health sector is not taken away. Also, there are no provisions made in the budget for free drugs, investigations or emergency care," said Dr. Pillai.

Maintaining that overall this has been a forward-looking and stable budget, Suneeta Reddy, managing director, Apollo Hospitals Enterprise Limited, said: "By linking financial inclusion (Jan Dhan Yojna), social security and health insurance agendas, the Finance Minister has provided a holistic roadmap for greater access for all in the future."

"The health exemptions, particularly, for the elderly, are a major boost ," she said. She, however, cautioned that a lot more needs to be done in terms of providing physical and educational infrastructure that supports the healthcare sector.

"This has to be done in partnership with and by giving incenti ves to the private sector that has been providing nearly 70 per cent of the additional beds in India," she said. Poonam Muttreja, executive director, Population Foundation of India (PFI), said this is a growth-oriented budget with focus on boosting economic development through structural changes and reforms.

"However, the social sector did not get as much attention as was expected from the first full-fledged budget of the Modi government. Healthcare was conspicuous by its absence and revolutionary announcements that were required did not materialise,'' Ms. Muttreja said.

The health sector has welcomed the increase in tax on cigarette stating that it will be helpful in curbing consumption. Binoy Mathew, Voluntary Health Association of India (an NGO working in the area of tobacco control), said: "Why does beedi remain exempted from any tax hike? The number of beedi smokers has more than doubled when compared with that of cigarette smokers. The beedi industry kills users and exploits the manufacturer (beedi rollers). It is truly sad that the government turns a blind eye to that segment."

Ameera Shah, managing director and CEO, Metropolis Healthcare Ltd., said that India has had a history of underutilising the health budget and the Finance Minister has failed to address this huge gap. Allocation of funds is an issue, but the larger issue is there being no proper system to make sure that the budget is used in the right arena. "The Finance Minister has rightly linked cleanliness and Swachh Bharat Abhiyan with preventive healthcare. But, preventive healthcare is a bigger concept and should be taken up in isolation rather than combining it with other elements. The right thing to do would be to link preventive healthcare with the increasing burden of non-communicable diseases,'' she added.

Foreign Secretary begins his SAARC yatra – *The Hindu*

Foreign Secretary S. Jaishankar begins part one of his "SAARC yatra" on Sunday, on a visit that will test his diplomatic skills, particularly as he travels to Pakistan to engage the government for the first time since talks were cancelled last year.

According to sources, the Pakistan government is planning to take up cross-LoC firing in recent months, accusing India of "unprovoked" firing as well as allegations of India's "military build-up" along the border and the LoC during the talks. India has accused Pakistan of more than 600 instances of "ceasefire violations" in Jammu and Kashmir since January 2014, but Pakistan's Army Chief Raheel Sharif claimed during a visit to the LoC on Thursday that "repeated Indian ceasefire violations on the (International) Boundary and the LoC in the recent past was a distraction for Pakistan from its campaign versus terrorism," and that India could expect a "befitting response."

Mr. Jaishankar will land in Thimphu by a special flight on Sunday, followed by Dhaka on Monday, from where he will travel to Islamabad on Tuesday and Kabul on Wednesday. Even as senior government officials sought to dub it a "SAARC yatra, not a Pak (Pakistan) yatra", Pakistan will be the focus, given that it is the only SAARC country India doesn't have an active engagement with at present.

In Islamabad, officials called Mr. Modi's decision to send the Foreign Secretary a "welcome development" even as they are "cautious but optimistic" that the visit will bear any fruits, saying all initiatives to take the relationship forward would now depend on India, given that India cancelled the process last year. "We have made it clear we will not run behind the Indian government for talks," senior member and spokesperson for the ruling PML-N, Senator Tariq Azim Khan, told The Hindu . "And the perception in Pakistan is that the talks have come out of President Obama's meeting with PM Modi, rather than only from India's initiative." Mr. Jaishankar will also engage with Pakistan on SAARC issues as it takes over the Chairmanship of the South Asian grouping.

Ahead of the Foreign Secretary's meeting, a track-II conference of retired officials, parliamentarians and journalists (including from The Hindu) from India and Pakistan met with Prime Minister Nawaz Sharif's advisor on foreign affairs Tariq Fatemi. A statement by the group said it hoped Mr. Jaishankar's visit to Islamabad and "the resumption of dialogue would be the start of a sustained effort towards building a peaceful, friendly and cooperative relationship," by picking up the thread from "the Simla agreement and the Lahore declaration."

The Foreign Secretary's first stop in Thimphu is likely to be the smoothest part of his visit, given that he arrives there within months of visits by Prime Minister Modi, and President Pranab Mukherjee, as well as visits to India by Bhutan's Prime Minister Tshering Tobgay. In Dhaka, he is expected to discuss the issues of the Land Boundary Agreement, which is expected to be tabled in Parliament for clearance, as well as the Teesta water settlement, given the nod by West Bengal Chief Minister Mamata Banerjee during her visit to Dhaka last week. Prime Minister Modi is understood to have told Sheikh Hasina about his intention to visit Dhaka "very soon" when he spoke to her ahead of the Foreign Secretary's visit.

Mr. Jaishankar's visit to Kabul will be equally significant as it comes ahead of President Ashraf Ghani's trip to India at the end of March, and ahead of an imminent announcement on talks between the Afghan government and the Taliban. Government officials have played down speculation that Mr. Ghani's government has tilted towards China and Pakistan, given his visits to Beijing and Islamabad in recent weeks, maintaining that India's commitments to Afghanistan as a strategic partner and major donor remain strong.

In the next phase of the SAARC yatra, Mr. Jaishankar will visit Nepal, Sri Lanka and the Maldives, each of which has seen significant political developments in the past few weeks, and will have his work cut out for him, as he prepares to take forward the government's "neighbourhood first" policy initiatives across the region.

CEA thrust on govt. spending – *The Hindu*

Last December, Chief Economic Advisor Arvind Subramanian called for cranking up public spending for growth in the wake of the private sector's capacity to invest being constrained in the Mid-Year Economic Analysis, which introduced 'Modinomics' to the budget discussions in the Finance Ministry.

He also proposed that the Ministry abandon over-emphasis on fiscal consolidation. For creating the additional fiscal space for funding infrastructure investment, Union Finance Minister Arun Jaitley moved amendments to the Fiscal Responsibility and Budget Management (FRBM) Act in the Finance Bill in Saturday's budget. "Rushing into, or insisting on, a pre-set time-table for fiscal consolidation pro-cyclically would, in my opinion, not be pro-growth," Mr. Jaitley said in his speech.

"I want to underscore that my government still remains firm on achieving the medium term target of 3 per cent of GDP, but that journey has to take account of the need to increase public investment," Mr. Jaitley said in his budget speech.

The government managed to keep the fiscal deficit within the target of 4.1 per cent of the GDP for 2014-15, but for the next three years, it has new targets of 3.9 per cent for 2015-16, 3.5 per cent for 2016-17, and 3.0 per cent for 2017-18.

Jan Dhan platform for universal social security – *The Hindu*

Finance Minister Arun Jaitley on Saturday said the Jan Dhan Yojna could be more than just a successful financial inclusion scheme and could be a platform for effective delivery of public resources and creation of a social security network for all Indians. The Finance Minister said that in a short period of 100 days, 12.5 crore families had been given bank accounts and brought into the financial mainstream. He said the government would use this as a platform to introduce a universal social security framework, something unprecedented in the history of India.

As part of this framework, the government will launch the Pradhan Mantri Suraksha Bima Yojna, which will offer coverage of up to Rs. 2 lakh in case of accidents — for a premium of just Rs. 12 a year. The Atal Pension Yojana will provide a defined pension according to the individual's contribution of which 50 per cent will be made by the government. The Pradhan Mantri Jeevan Jyoti Bima Yojana will similarly offer coverage of up to Rs 2 lakh in case of natural and accidental deaths for an annual premium of Rs. 330.

"These social security schemes reflect our commitment to utilise the Jan Dhan platform, to ensure that no Indian citizen will have to worry about illness, accidents, or penury in old age," Mr. Jaitley said. For nearly 10.5 crore of the population above 60 years, of which about 1 crore are above 80 years old, the government has decided to set up a Senior Citizens' Welfare Fund. It will also introduce a new scheme for providing physical aids and assisted living devices for senior citizens living below the poverty line. "Success of Jan Dhan Yojana is gladdening. Building on that, key schemes are announced that will comprehensively transform the lives of the poor," Prime Minister Narendra Modi tweeted.

PDMA to monitor utilisation of public funds – *The Hindu*

The Government's intention to set up a Public Debt Management Agency (PDMA) is not only required for the development of the bond market in the country, but it would also prevent leakages of public funds.

The Finance Minister said that one vital factor in promoting investment in India, including in the infrastructure sector, is the deepening of the Indian Bond market, which we have to bring at the "same level as our world class equity market".

"I intend to begin this process this year by setting up a Public Debt Management Agency (PDMA) which will bring both India's external borrowings and domestic debt under one roof.

The Finance Minister will not be able to make this happen unless the bonds are tradable in the country. "Primarily this agency will structure the debt requirement, monitor the utilisation and the cost of the debt," said Riaz Thingna, Partner, Walker Chandiok & Co LLC.

After this process this agency will collect and publish information of public debt. Then it will purchase and re-issue various bonds. "This agency will be further responsible to make payment of interest and repayment also to the bond holders," Mr. Thingna added.

According to him, this would streamline the entire government debt structure. Later, the agency will be able to do the risk analysis of the debt and completely monitor the debt, its cost, its use and its repayment. Once the agency is able to structure all these, they will be able to go to the next level of free trading in these bonds like the equity market.

Mr. Thingna added: "This is required for fiscal discipline and it is going to control the level of public debt and monitor the utilisation of debt." At this stage how the agency will function or the powers of the agency are not defined.

Comprehensive 'Bankruptcy Code' proposed – *The Hindu*

In a bid to improve the ease of doing business environment in the country, Finance Minister Arun Jaitley on Saturday said the government will unveil a comprehensive Bankruptcy Code in the current fiscal.

"Bankruptcy law reform, that brings about legal certainty and speed, has been identified as a key priority for improving the ease of doing business," he said in the Budget 2015-16 presented to Parliament.

"SICA [Sick Industrial Companies Act] and BIFR [Bureau for Industrial and Financial Reconstruction] have failed in achieving these objectives. We will bring a comprehensive Bankruptcy Code in fiscal 2015-16, that will meet global standards and provide necessary judicial capacity," he said.

Long realisation cycle

Highlighting that a significant part of the working capital requirement of a MSME arises due to long receivables realisation cycles, he said the government is in the process of establishing an electronic Trade Receivables Discounting System (TReDS) financing of trade receivables of MSMEs, from corporate and other buyers, through multiple financiers.

"This should improve the liquidity in the MSME sector significantly," he said. — PTI

8 schemes delinked from Central support – *The Hindu*

The government has decided to delink eight Centrally Sponsored Schemes (CSS), including National e-Governance Plan, Backward Regions Grant Funds, Modernisation of Police Forces and Rajiv Gandhi Panchayat Sashaktikaran Abhiyaan (RGPSA), from its support.

As many as 24 CSS will run with the changed sharing pattern and 31 programmes will get full support of the Centre in 2015-16.

As per the General Budget 2015-16, there are 31 schemes to be fully sponsored by the Union Government, 8 schemes have been delinked from support of the Centre and 24 schemes will now be run with the changed sharing pattern.

According to the Budget 2015-16, Centre has decided to support the CSS fully which is aimed at delivering benefits to socially disadvantaged group.

In case of some CSS, the Centre and State funding patterns will undergo a change with States to contribute higher share.

The plan outlay of 2015-16 reflects the compositional shift in the allocations for various programmes and schemes in view of high devolution.

As much as 42 per cent of union taxes will go to States as per the recommendation of 14th Finance Commission. The government has decided to accept this recommendation.

The 8 schemes delinked from Centre's support are: National e-Governance Plan, Backward Regions Grant Funds, Modernisation of Police Forces, Rajiv Gandhi Panchayat Sashaktikaran Abhiyaan (RGPSA), Scheme for Central Assistance to the States for developing export infrastructure, Scheme for setting up of 6000 Model Schools, National Mission on Food processing and Tourist Infrastructure. — PTI

Springboard for a high growth – *The Hindu*

Budget 2015-16, with its strong focus on growth, job creation and infrastructure, meets the expectations of an aspirational nation. From the macroeconomic perspective, the country's economy arguably stands at a far more positive juncture than at the time of the previous budget. However, with flagging investments and restrained savings as well as subdued sentiments on the part of both investors and consumers, there was need to bolster the mood of the nation.

Finance Minister Arun Jaitley has imparted much comfort to consumers by encouraging savings activity and providing strong platforms for social security. While boosting consumer confidence, such steps would also add to investible resources and expand the infrastructure pipeline. The government has further committed to inflation targeting at 6 per cent in partnership with the Reserve Bank of India and this would help keep interest rates at a moderate level. As the economy heads towards an 8-plus per cent rate of GDP growth targeted for next year, we can envision a period of double digit growth rates, going forward.

The Finance Minister has further laid out a medium-term vision that aims at providing basic amenities to all citizens, including housing, economic opportunities, physical and social infrastructure, and so on. Targets have been clearly demarcated for the year 2022 when India completes 75 years of Independence. CII has been working on a vision of India@75 for several years, which aligns with the government's intentions.

The Finance Minister has acknowledged that maintaining the fiscal deficit target was challenging under the circumstances of enhanced allocation of revenues to States, upcoming Pay Commission, and introduction of Goods and Services Tax. Hence, he has prudently extended the fiscal consolidation target by one year, targeting fiscal deficit at 3.9 per cent of GDP for 2015-16. The added fiscal space is promised for infrastructure and capital investments, which would bridge the widening gap in availability of facilities like roads, power, and irrigation. Such enhanced public sector investment would also help to 'crowd in' private sector investments.

The key emphasis in the budget thus has been the infrastructure build-up. The Finance Minister announced the creation of a National Investment and Infrastructure Fund which would add Rs 20,000 crore annually and enable it to raise debt and invest in infrastructure finance companies.

Importantly, private sector participation in infrastructure projects is facilitated through several means, including revisiting the PPP model to rebalance allocation of risk between the public and private sectors. Regulatory reforms are also promised by the introduction of a law for a common approach to regulation. CII had earlier recommended placing infrastructure projects for bidding after obtaining all approvals and administrative clearances which would reduce risk for private sector bidders, and the announcement of this in the budget through a 'plug-and-play' mechanism would greatly facilitate the auction process. Industry is particularly enthused by the strong emphasis on start-ups and Micro, Small and Medium Enterprises (MSME) sector.

The FM announced the creation of a Micro Units Development Refinance Agency (MUDRA) with a fund of Rs 20,000 crore and a credit guarantee corpus of Rs 3,000 crore to refinance micro-finance institutions and increase lending to new and existing entrepreneurs. The electronic Trade Receivables Discounting System would also add to working capital for MSMEs. The FM has promised an exit scheme through a new bankruptcy law which would enable failing enterprises to bail out in a systematic manner. Start-ups are also sought to be encouraged through a fund entitled SETU or Self-Employment and Talent Utilisation to help incubate technology-driven enterprises.

Visionary move for green energy – *The Hindu*

The Union Budget presented by Finance Minister Arun Jaitley on Saturday was a momentous occasion for renewable energy with the announcement of a visionary goal of 175-gigawatt capacity by 2022. This makes India one of the most aspirational markets for renewable energy.

The 175-GW goal includes a target of 100 GW from solar energy, keeping in mind the fact that its cost is rapidly coming down. Solar energy is much more valuable since it is predictable daytime electricity and can be distributed, reducing the burden on transmission and distribution infrastructure. We believe solar electricity will become the cheapest source of power and it is heartening to the government to build a strong vision for its growth from the current 3 GW to 100 GW.

The Finance Minister proposed to increase the clean energy cess from Rs. 100 to Rs. 200 a tonne of coal, etc., to finance clean environment initiatives, which is a significant step in the right direction and will give the government funds to support green energy initiatives. This demonstrates India's commitment to fighting climate change and sets an example for other countries.

While the growth forecast for many major economies is being reduced, the Indian budget has several provisions to ensure that the country remains unscathed and grows faster. A slew of measures were announced to boost the infrastructure sector and expedite implementation of big-ticket projects. Allowing infrastructure sectors such as rail, road and irrigation to raise fresh capital through tax-free bonds will solve liquidity constraints for these projects and reduce cost of capital. A committee is being appointed to propose pre-approved guidelines for big projects and such projects now need not wait for tens of prior approvals to start the work. This would be a milestone change as projects can be implemented without delays and can access cheaper capital as the project risks reduce.

While the budget has been visionary and has laid out the targets clearly, the details of how the government proposes to support achieving these targets needs to be further developed. To help achieve the ambitious target of 1,00,000 MW of solar capacity by 2022, the industry has been advocating for a range of measures such as bringing solar sector within the ambit of priority sector lending with a separate sectoral cap, allowing tax-free infrastructure bonds for solar power, implementation of an interest subvention scheme to support solar-related manufacturing and power projects and reducing the hedging cost for solar ECBs. However, none of these proposals has been accepted in the current budget, and we hope the government will continue to give due consideration to these with a view to making the ambitious targets achievable.

Ports to set sail on corporatisation – *The Hindu*

Union Finance Minister Arun Jaitley has asked major ports to go in for corporatisation and become companies under the Companies Act.

Presenting the Union Budget, he said the private sector had shown that minor ports could be an attractive investment.

"Ports in the public sector need to both attract such investment as well as leverage the huge land resources lying unused with them. To enable us to do so, ports in public sector will be encouraged to corporatise, and become companies under the Companies Act," he said.

A senior port official said the proposal was mainly aimed at new ports (Jawaharlal Nehru Port Trust) having fewer employees.

"It is a policy decision, and we are weighing the pros and cons. Ours is a logistics port, and we do not have a huge land bank. Moreover, the decision to go for corporatisation has to be examined by the Shipping Ministry," said a Chennai Port official. The Kamarajar Port is the first corporate port in the country. It is controlled by professionals. Reacting to the budget announcement, a Kamarajar Port official said it had delegated powers to go ahead with new projects with an investment of up to Rs.500 crore and government interference was minimal. "We have standard systems and procedures in place. We have more autonomy and can also raise money from the capital market at a premium."

Irrigation, organic farming take centre stage – *The Hindu*

Reinforcing his party's "deep commitment" to farmers, Union Finance Minister Arun Jaitley on Saturday flagged the Pradhan Mantri Gram Sinchai Yojna aimed at 'per drop more crop' and Paramparagat Krishi Vikas Yojna (organic farming) as the two most important progammes in the farm sector to enhance productivity and production.

He announced an allocation of Rs. 5,300 crore for micro-irrigation, watershed development and the "sinchai yojna" and Rs. 300 crore for organic farming with a request to state governments to "chip in" for both.

Prime Minister Narendra Modi had recently launched the Soil Health Card Scheme from Suratgarh in Rajasthan. Recognising that agriculture incomes were under stress, Mr. Jaitley announced that a Unified National Agriculture Market would be set up to increase farmers' incomes with an "incidental" advantage of moderating increase in prices which has been the bane of many a government. "While farmers are no longer in the clutches of traders, his produce does not command the best national price," he observed.

The 14.34 per cent reduction over the revised estimates for 2014-15 has been officially explained as being offset by more funds to states for better implementation.

"Farm credit underpins the efforts of hardworking farmers," the Minister said raising the farm credit target by Rs. 50,000 crore to Rs. 8.5 lakh crore for 2015-16, which he expects banks to surpass.

At the same time to support the sector through effective and "hassle-free" agriculture credit with a special focus on small and marginal farmers, the Finance Minister allocated Rs. 25,000 crore to the corpus on small and marginal farmers.

However, funding for the UPA flagship programmes of Rashtriya Krishi Vikas Yojna has been reduced and the National Food Security Mission, Extension programme and crop insurance schemes have been ignored. Former Agriculture Minister Sharad Pawar did not seem impressed with the allocations to the farm sector but his successor Radha Mohan Singh said the budget has the stamp of Mr. Modi's "commitment" to agriculture. Food

Processing Minister Harsimrat Kaur whose home state got a post-graduate horticulture institute, was happy with the tax exemption to cold chains and cold storages. "Thus will give a huge boost to savings on wastage of perishables,'' she said.

Jaitley woos corporates, foreign players - *The Hindu*

Finance Minister Arun Jaitley's first full year budget made the right noises to corporates and foreign investors, by assuring a stable tax regime and ease of doing business in India.

The Minister said he would lower the corporate tax rate over the next four years to 25 per cent from 30 per cent. "This will lead to higher level of investment, higher growth and more jobs. This process of reduction has to be necessarily accompanied by rationalisation and removal of various kinds of tax exemptions and incentives for corporate taxpayers, which incidentally account for a large number of tax disputes," Mr. Jaitley said in the budget speech.

"I wanted to start the phased reduction of corporate tax rate and phased elimination of exemptions right away; but I thought it would be appropriate to give advance notice that these changes will start from the next financial year. Our stated policy is to avoid sudden surprises and instability in tax policy," he added.

The budget also said the key tax reform in the form of goods and services tax (GST) would be rolled out from April 1, 2016. In line with this rollout, Mr. Jaitley also rejigged certain indirect taxes.

"Budget is on expected lines from indirect tax perspective – clear affirmation of GST in April 2016, addressing inverted duty structure by reducing basic customs duty on inputs, intermediates and reduction in Special Additional Duty to incentivise manufacturers. Increase in service tax rate to 14 per cent and pruning of negative list as a precursor for GST, Cenvat credit time limit increased from 6 months to 1 year," Harishanker Subramaniam, Partner & Indirect Tax Leader, Ernst and Young said.

In one of the key moves for offering clarity mainly to foreign investors, the budget deferred the implementation of the controversial General Anti-Avoidance Rules or (GAAR) until 2017. The norm first proposed in 2012 and sought to prevent companies from routing through other countries to avoid tax, had created high uncertainty in the mind of foreign investors.

Mr. Jaitley gave an assurance of quick resolutions for pending tax disputes.

He removed the distinction between direct and portfolio investors, a move which would encourage foreign investors to take stakes in Indian firms. "There has also been an attempt to address the key issues of the investors like clarity on REITs and non-applicability of minimum alternative tax on foreign portfolio investors. Overall, it's a progressive budget with emphasis on putting India back on the agenda as an investment destination for both foreign and domestic investors," Vikas Vasal, Partner-Tax, KPMG in India said. "Reduction in tax rate on royalty payments to 10 per cent etc. will help boost business confidence."

The budget also raised the threshold for applicability of transfer pricing norms to Rs. 20 crore from Rs. 5 crore. "This will significantly reduce the compliance burden for a large number of taxpayers. This is a welcome move and shows the intent of the government to reduce the pains of the honest taxpayer," Vijay Iyer, partner and transfer pricing leader at Ernst and Young said.

An attempt to bolster growth, fiscal discipline – *The Hindu*

The Budget strives to attain a balance in the government's agenda to maintain fiscal discipline and simultaneously bolster growth. It plans to achieve its goals through increasing the tax base and planned capital expenditure, while digitising subsidy transfers.

Faced with an arduous task of turning around the economy, the Finance Minister reassures that the government is steadfast on the path to fiscal consolidation of 3% albeit delaying it by a year.

Infrastructure and manufacturing are the two sectors, where it emphasises its attention on. It is pertinent to note that additional fiscal space is being used to fund infrastructure investment. It resolves systemic issues in this spectrum by providing holistic solutions. Having a pre-existing regulatory mechanism for approvals, infrastructure bonds and a comprehensive bankruptcy code are steps in the right direction. Revitalising the PPP model, with the sovereign bearing a major part of the risk would lead to a much needed rebalancing and crowding in of the private sector. Increased allocation and focus towards renewable energy is also commendable.

Establishment of a National Investment & Infrastructure Fund for Rs. 20,000 crore will assist in funding infrastructure projects. A proposal to set up five new Ultra Mega Power Projects, each of 4000 MW in the plug-and-play mode with pre-clearances and linkages should unlock investments to the extent of Rs.1 lakh crore.

GST implementation

Clarity on the implementation of the GST, staggered reduction of corporate tax, deferring GAAR by two years and increasing defence expenditure is a welcome move for the Make in India initiative. Tweaking the customs duty on raw material augurs well in revamping the inverted duty structure. The intent towards avoidance of retrospective taxation is commendable.

Setting up a Public Debt Management Agency (PDMA) will bring both India's external borrowings and domestic debt under one roof. This will lead to the debt market being at par with the equity market thereby leading to deepening of the Indian Bond market. A proposal to overhaul capital gains taxes paves the way for the listing of Real Estate Investment Trusts (REITs). An autonomous Bank Board Bureau would help in overhauling the governance structure of public sector banks.

Gold monetisation and investment in the National Pension Scheme is another move towards creating an alternate financial asset class that would channelise public savings towards asset creation. A comprehensive Bill for curbing black money and incentivising digital transfer of funds would encourage the inflow of liquidity into the real economy. Abolishing wealth tax and taxing the super-rich attempts is a prudent move to reduce inequality.

In retrospect, a targeted increase in the fledgling savings rate accompanied by specific provisions to improve manufacturing would have been beneficial.

Overall, the budget ensures that the country stays on the track of sustainable growth.

SARFAESI Act to cover NBFCs – *The Hindu*

CHENNAI: The Budget proposal to treat non-banking financial companies (NBFCs) as financial institutions under the SARFAESI Act will be a big boost to the sector. A long-standing demand of the industry, this will allow NBFCs to enjoy the benefits that presently apply only to banks.

"To bring parity in regulation of NBFCs with other financial institutions in matters relates to recovery. It is proposed that NBFCs registered with RBI and having asset size of Rs.500 crore and above will be considered for notifications as 'financial institution' in terms of the SARFAESI Act, 2002," said the Finance Minister in his budget speech.

NBFCs are not covered under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act. Though the Reserve Bank of India has tightened the NPA recognition norms, it has not laid out clear guidelines either on the recovery mechanism or the provisions for NBFCs to take action against defaulters under SARFAESI Act.

Most of the NBFCs are unable to recover bad debts. There have been lakhs of cases that are dragged to court every year by NBFCs. Hence, the working group of RBI, headed by Usha Thorat, had recommended that the Act be extended to cover the NBFCs also.

Thus, the budget announcement is a big boost to NBFCs. The measure will help strengthen the recovery capabilities of NBFCs. The Sarfaesi Act was enacted to facilitate banks and financial institutions to realise long-term assets, improve recovery by exercising powers to take possession of securities, and sell them in order to reduce NPAs.

"It is a huge positive for NBFCs. This will enable lending with greater confidence as they can be assured of speedier recovery," said V. Vaidyanathan, Chairman, Capital First Ltd.

MUDRA Bank to fund the 'missing middle' – *The Hindu*

The Centre propose to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of Rs.20,000 crore and credit guarantee corpus of Rs.3,000 crore. MUDRA Bank will refinance Micro-Finance Institutions, said Union Finance Minister Arun Jaitley on Saturday.

Presenting the Union Budget 2015-16, Mr. Jaitley said that in lending, priority would be given to SC/ST enterprises. These measures would greatly increase the confidence of young, educated or skilled workers, who would be able to become first generation entrepreneurs. It would also enable existing small businesses to expand their activities.

P.N. Vasudevan, Managing Director of Equitas Holding said it was a good move forward as it would benefit nearly 58 million small and medium enterprises that did not have access to bank finance.

"These SMEs are called 'missing middle' as they are not funded either by the banks or microfinance institutions. By floating MUDRA bank, the Centre has ensured credit flow to this sector and has also identified NBFCs as a good fit to reach out to them. Equitas will now be able to get refinance at subsidised rate and it would be passed on to the SMEs. Moreover, it would enable SMEs to expand their activities," Mr. Vasudevan said.

Chartered Accountant M. R. Venkatesh said Mr. Jaitley had in one stroke addressed the de-glamoured section of the economy in the most glamorous way. It is a political-economy master stroke.

EDITORIALS

Liberal with PM's schemes, respectful of BJP legacy - *The Hindu*

Presenting his first full budget on Saturday, Union Finance Minister Arun Jaitley attempted to highlight schemes and policies central to Prime Minister Narendra Modi's political vision, and the legacy of the Bharatiya Jan Sangh and the leaders of the Bharatiya Janata Party such as Deendayal Upadhyay and former Prime Minister Atal Bihari Vajpayee.

The Swachh Bharat Abhiyan, Mr. Modi's flagship pitch, finds liberal mention in Mr. Jaitley's speech, along with a proposal to levy a "Swachh Bharat cess at a rate of 2 per cent or less on all or certain services."

Besides, donations to the Swachh Bharat Kosh (by both residents and non-residents) and the Clean Ganga Fund (by residents) would be eligible for 100 per cent deduction under Section 80G of the Income Tax Act.

"We have been able to transform [Swachh Bharat] into a movement to regenerate India [with a] target of building six crore [additional] toilets," he said.

Mr. Modi would be happy with the Finance Minister's resolve to revitalise the Gujarat International Finance Tec-City (GIFT) project.

The nomenclature employed by the government and outlined by Mr. Jaitley in his speech is expected to gel well with the Swadeshi, Sanskritic ideals of the BJP.

These include the ambitious decision to mark the year 2022 — the 75th year of Independence — as "Amrut Mahotsav" and launch of initiatives like the Pradhan Mantri Vidya Lakshmi Karyakram and the Sukanya Samriddhi Scheme. The highlighting of the UN's recognition of Yoga and inclusion of the discipline within the ambit of "charitable purpose" of the Income Tax Act would serve to promote Swadeshi symbolism.

Mr. Jaitley paid homage to Deen Dayal Upadhyay by announcing the setting up of a committee to plan the celebrations of his 100th birth anniversary. He set aside Rs. 1,500 crore for the Deen Dayal Upadhyay Gramin Kaushal Yojana, a rural skill development initiative.

The initiatives named after Mr. Vajpayee are the Atal Innovation Mission within the NITI Ayog and the Atal Pension Yojana. The Rs. 150 crore mission will be an innovation promotion platform involving academics, entrepreneurs and researchers and will draw upon "national and international experiences to foster a culture of innovation, research and development and scientific research in India."

Annexure

The annexure to Mr. Jaitley's speech highlighted the Narendra Modi government's achievement of reviving "pride in the nation and its culture" and bringing out "India's cultural and spiritual strength through the U.N.'s recognition for Yoga, Namami Gange and Ghat and heritage city development programmes."

To conclude his speech, Mr. Jaitley borrowed from the Brihadaryanka Upanishad to emphasise the government's "steadfast commitment" to the "Daridra Narayan," and quoted " Om Sarve Bhavantu Sukhinah/Sarve Santu Nir-Aamayaah/Sarve Bhadraanni Pashyantu/Maa Kashcid-Duhkha-Bhaag-Bhavet /Om Shaantih Shaantih Shaantih ."