

Indian Budget 2017-18

Introduction



In the last two and half years, the administration has moved from discretionary, favouritism based to system and transparency based. Inflation has been brought under control with CPI-based inflation declining from 6% in July 2016 to 3.4% in December, 2016.

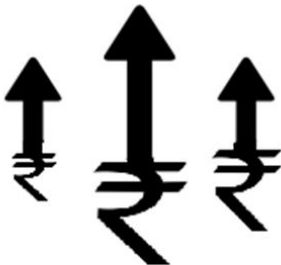
The Indian economy has moved on a high growth path. India's Current Account Deficit declined from about 1% of GDP last year (2015-16) to 0.3% of GDP in the first half of 2016-17. FDI grew 36% in H1 2016-17 over H1 2015-16, despite 5% reduction in global FDI inflows. Foreign exchange reserves have reached 361 billion US Dollars as on 20th January, 2017.

In November 2016, high currency notes of INR 500 & 1000 were demonetized as a war against black money and corruption. Between 8th November and 30th December 2016, deposits between 2 lakh Rupees and 80 lakh Rupees were made in about 1.09 crore accounts with an average deposit size of INR 5.03 lakh. Deposits of more than 80 lakh were made in 1.48 lakh accounts with average deposit size of INR 3.31 crores

Agenda for 2017-18

The agenda for this financial year is 'Transform, Energise & Clean India' – TEC India

Some of the main themes to foster the above agenda:



1. **Farmers** – Commitment to double the agricultural income in 5 years. The agricultural credit for 2017-18 has been set at Rs 10 Trillion.
2. **Rural Population** – Providing employment & basic infrastructure. 1 crore houses to be built for the poor by 2020. Total electrification of villages to be achieved by May 2018.
3. **Youth** – Quality education to energise the youth – an innovation fund will be created to encourage innovation. Also, 100 skill centres will be established across the country.
4. **Poor and Underprivileged** – Affordable housing to be given infrastructure status. National Housing Finance will insure these houses. 150,000 lakh sub-centres to be converted into health and wellness centres.
5. **Infrastructure** – Railway allocation at Rs 131,000 crores, almost 50% of which will be given by the government from the budget. 7,000 railway stations to run on solar power by 2019 and all rail coaches will have bio-toilets.
6. **Tax Administration** – Individuals with salaries between INR 2.5 Lakhs to 5 Lakhs to pay 5% income tax, down from 10% previously. There will be a 10% surcharge on those whose income is Rs 50 lakhs to 1 crore and a 15% surcharge on those whose income is above INR 1 crore.
7. **Financial Sector** – A new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18. In line with the 'indradhanush' roadmap, INR 10,000 crores will be provided for the recapitalization of banks. Also, there has been a proposal to create an integrated public sector 'oil major' that could be valued at \$ 100 billion, to match the performance of international and domestic private sector oil & gas companies.
8. **Digital Economy** – A mission will be set up with a target of 2,500 crore digital transactions through Aadhar Pay, IMPS, debit cards and Unified Payment Interface (UPI)

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Some Key Changes To Achieve The Goals

1. Under the scheme of presumptive income for small and medium tax payers whose turnover is upto 2 crores, the present, 8% of their turnover which is counted as presumptive income is reduced to 6% in respect of turnover which is by non-cash means. Also, income tax for SME's with annual turnover less than INR 50 crores reduced from 30% to 25%.
2. Maximum amount a political party can receive from one person is INR 2,000.
3. Basic Customs Duty on LNG reduced from 5% to 2.5%
4. No transactions above INR 3 lakhs to be permitted in cash, with a few exceptions.
5. The GST Council has finalised its recommendations on almost all the issues based on consensus on the basis of 9 meetings held. Preparation of IT system for GST is also on schedule. The extensive reach-out efforts to trade and industry for GST will start from 1st April, 2017 to make them aware of the new taxation system
6. A 30% increase in the MGNREGA allocation to INR 48,000 crores.



Challenges for 2017-18

1. World economy faces considerable uncertainty, in the aftermath of major economic and political developments during the last year
2. The US Federal Reserve's , intention to increase policy rates in 2017, maylead to lower capital inflows and higher outflows from the emerging economies
3. Uncertainty around commodity prices, especially that of crude oil, has implications for the fiscal situation of emerging economies
4. Signs of retreat from globalisation of goods, services and people, as pressures for protectionism are building up.

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