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Key Features of Budget 2010-2011

Fiscal Consolidation

- With recovery taking root, there is a need to review public spending, mobilize resources and gear them towards building the productivity of the economy.
- Fiscal policy shaped with reference to the recommendations of the Thirteenth Finance Commission, which has recommended a calibrated exit strategy from the expansionary fiscal stance of last two years.
- It would be for the first time that the Government would target an explicit reduction in its domestic public debt-GDP ratio.

Tax reforms

- On the Direct Tax Code (DTC) the wide-ranging discussions with stakeholders have been concluded – Government will be in a position to implement the DTC from April 1, 2011.
- Centre actively engaged with the Empowered Committee of State Finance Ministers to finalise the structure of Goods and Services Tax (GST) as well as the modalities of its expeditious implementation. Endeavour to introduce GST by April, 2011

People's ownership of PSUs

- Ownership has been broad based in Oil India Limited, NHPC, NTPC and Rural Electrification Corporation while the process is on for National Mineral Development Corporation and Satluj Jal Vidyut Nigam. This will raise about Rs 25,000 crore during the current year.
- Higher amount proposed to be raised during the year 2010-11 Fertiliser subsidy
- A Nutrient Based Subsidy policy for the fertiliser sector has been approved by the Government and will become effective from April 1, 2010.
- This will lead to an increase in agricultural productivity and better returns for the farmers, and overtime reduce the volatility in demand for fertiliser subsidy and contain the subsidy bill.

Improving Investment Environment

Foreign Direct Investment

- Number of steps taken to simplify the FDI regime. Methodology for calculation of indirect foreign investment in Indian companies has been clearly defined.
- Complete liberalisation of pricing and payment of technology transfer fee and trademark, brand name and royalty payments.

Financial Stability and Development Council

- An apex level Financial Stability and Development Council to be set up with a view to strengthen and institutionalise the mechanism for maintaining financial stability.
- This Council would monitor macro-prudential supervision of the economy, including the functioning of large financial conglomerates, and address interregulatory coordination issues.



Banking Licences

- RBI is considering giving some additional banking licenses to private sector players. Non Banking Financial Companies could also be considered, if they meet the RBI's eligibility criteria.

Public Sector Bank Capitalisation

- Rs.16,500 crore provided to ensure that the Public Sector Banks are able to attain a minimum 8 per cent Tier-I capital by March 31, 2011.

Recapitalisation of Regional Rural Banks (RRB)

- Government to provide further capital to strengthen the RRBs so that they have adequate capital base to support increased lending to the rural economy.

Corporate Governance

- Government has introduced the Companies Bill, 2009 in the Parliament to replace the existing Companies Act, 1956, which will address issues related to regulation in corporate sector in the context of the changing business environment.

Exports

- Extension of existing interest subvention of 2 per cent for one more year for exports covering handicrafts, carpets, handlooms and small and medium enterprises.

Agriculture Growth

Government will follow a four-pronged strategy, covering

- Rs. 300 crore provided to organise 60,000 “pulses and oil seed villages” in rain-fed areas during 2010-11 and provide an integrated intervention for water harvesting, watershed management and soil health, to enhance the productivity of the dry land farming areas.
- Rs. 200 crore provided for sustaining the gains already made in the green revolution areas through conservation farming, which involves concurrent attention to soil health, water conservation and preservation of biodiversity.

Reduction in wastage of produce

- Government to address the issue of opening up of retail trade. It will help in bringing down the considerable difference between farm gate, wholesale and retail prices.
- Deficit in the storage capacity met through an ongoing scheme for private sector participation – FCI to hire godowns from private parties for a guaranteed period of 7 years.

(c) Credit support to farmers

- Banks have been consistently meeting the targets set for agriculture credit flow in the past few years. For the year 2010-11, the target has been set at Rs.3,75,000 crore.
- In view of the recent drought in some States and the severe floods in some other parts of the country, the period for repayment of the loan amount by farmers extended by six months from December 31, 2009 to June 30, 2010 under the Debt Waiver and Debt Relief Scheme for Farmers.



- Incentive of additional one per cent interest subvention to farmers who repay short-term crop loans as per schedule, increased to 2% for 2010-11.

Impetus to the food processing sector

- In addition to the ten mega food park projects already being set up, the Government has decided to set up five more such parks.
- External Commercial Borrowings to be available for cold storage or cold room facility, including for farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat.

Infrastructure

- Rs 1,73,552 crore provided for infrastructure development which accounts for over 46 per cent of the total plan allocation.
- Allocation for road transport increased by over 13 per cent from Rs. 17,520 crore to Rs 19,894 crore.
- Rs 16,752 crore provided for Railways, which is about Rs.950 crore more than last year.

India Infrastructure Finance Company Limited (IIFCL)

- IIFCL's disbursements are expected to touch Rs 9,000 crore by end March 2010, and reach around Rs 20,000 crore by March 2011.
- IIFCL has refinanced bank lending to infrastructure projects of Rs. 3,000 crore during the current year and is expected to more than double that amount in 2010-11.
- The take-out financing scheme announced in the last Budget is expected to initially provide finance for about Rs. 25,000 crore in the next three years.

Energy

- Plan allocation for power sector excluding RGGVY doubled from Rs.2230 crore in 2009-10 to Rs.5,130 crore in 2010-11.
- Government proposes to introduce a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks.
- A "Coal Regulatory Authority" to create a level playing field in the coal sector proposed to be set up.
- Plan outlay for the Ministry of New and Renewable Energy increased by 61 per cent from Rs.620 crore in 2009-10 to Rs.1,000 crore in 2010-11.
- Solar, small hydro and micro power projects at a cost of about Rs.500 crore to be set up in Ladakh region of Jammu and Kashmir.

Education

- Plan allocation for school education increased by 16 per cent from Rs.26,800 crore in 2009-10 to Rs.31,036 crore in 2010-11.
- In addition, States will have access to Rs.3,675 crore for elementary education under the Thirteenth Finance Commission grants for 2010-11.

Health

- An Annual Health Survey to prepare the District Health Profile of all Districts shall be conducted in 2010-11.



- Plan allocation to Ministry of Health & Family Welfare increased from Rs 19,534 crore in 2009-10 to Rs 22,300 crore for 2010-11.

Financial Inclusion

- Appropriate Banking facilities to be provided to habitations having population in excess of 2000 by March, 2012.
- Insurance and other services to be provided using the Business Correspondent model. By this arrangement, it is proposed to cover 60,000 habitations.
- Augmentation of Rs.100 crore each for the Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund, which shall be contributed by Government of India, RBI and NABARD.

Rural Development

- Rs. 66,100 crore provided for Rural Development.
- Allocation for Mahatma Gandhi National Rural Employment Guarantee Scheme stepped up to Rs.40,100 crore in 2010-11.
- An amount of Rs.48,000 crore allocated for rural infrastructure programmes under Bharat Nirman.
- Unit cost under Indira Awas Yojana increased to Rs.45,000 in the plain areas and to Rs.48,500 in the hilly areas. Allocation for this scheme increased to Rs.10,000 crore.
- Allocation to Backward Region Grant Fund enhanced by 26 per cent from Rs.5,800 crore in 2009-10 to Rs 7,300 crore in 2010-11.
- Additional central assistance of Rs 1,200 crore provided for drought mitigation in the Bundelkhand .

Urban Development and Housing

- Allocation for urban development increased by more than 75 per cent from Rs.3,060b crore to Rs.5,400 crore in 2010-11.
- Allocation for Housing and Urban Poverty Alleviation raised from Rs.850 crore to Rs.1,000 crore in 2010-11.
- Scheme of one per cent interest subvention on housing loan upto Rs.10 lakh, where the cost of the house does not exceed Rs.20 lakh — announced in the last Budget extended up to March 31, 2011. Rs.700 crore provided for this scheme for the year 2010-11.
- Rs.1,270 crore allocated for Rajiv Awas Yojana as compared to Rs.150 crore last year.

STRENGTHENING TRANSPARENCY & PUBLIC ACCOUNTABILITY

- Financial Sector Legislative Reforms Commission to be set up to rewrite and clean up the financial sector laws to bring them in line with the requirements of the sector.
- Rs 1,900 crore allocated to the Unique Identification Authority of India (UIDAI) for 2010-11. UIDAI will be able to meet its commitments of issuing the first set of UID numbers in the coming year

Security and Justice

- Allocation for Defence increased to Rs. 1,47,344 crore including Rs 60,000 crore for capital expenditure.
- About 2,000 youth to be recruited as constables in five Central Para Military Forces from Jammu and Kashmir in the year 2010.



- Planning Commission to prepare an integrated action plan for the thirty-three left wing extremism affected districts. Adequate funds will be made available to support the action plan.
- Government has approved the setting up of the National Mission for Delivery of Justice and Legal Reforms to help reduce legal backlog in courts from an average of 15 years at present to 3 years by 2012.

BUDGET ESTIMATES 2010-11

- The Gross Tax Receipts are estimated at Rs. 7,46,651 crore
- The Non Tax Revenue Receipts are estimated at Rs. 1,48,118 crore.
- The net tax revenue to the Centre as well as the expenditure provisions in 2010-11 have been estimated with reference to the recommendations of the Thirteenth Finance Commission.
- The total expenditure proposed in the Budget Estimates is Rs. 11,08,749 crore, which is an increase of 8.6 per cent over last year.
- The Plan and Non Plan expenditures in BE 2010-11 are estimated at Rs. 3,73,092 crore and Rs. 7,35,657 crore respectively. While there is 15 per cent increase in Plan expenditure, the increase in Non Plan expenditure is only 6 per cent over the BE of previous year.
- Fiscal deficit for BE 2010-11 at 5.5 per cent of GDP, which works out to Rs.3,81,408 crore. Taking into account the various other financing items for fiscal deficit, the actual net market borrowing of the Government in 2010-11 would be of the order of Rs.3,45,010 crore. This would leave enough space to meet the credit needs of the private sector.
- The rolling targets for fiscal deficit are pegged at 4.8 per cent and 4.1 per cent for 2011-12 and 2012-13, respectively.
- Against a fiscal deficit of 7.8 per cent in 2008-09, inclusive of oil and fertilizer bonds, the comparable fiscal deficit is 6.9 per cent as per the Revised Estimates for 2009-10.
- Conscious effort made to avoid issuing bonds to oil and fertilizer companies.
- Government would like to continue with this practice of extending Government subsidy in cash, thereby bringing all subsidy related liabilities into Government's fiscal accounting.

TAX PROPOSALS

- The Centralized Processing Centre at Bengaluru is now fully functional and is processing around 20,000 returns daily. This initiative will be taken forward by setting up two more Centres during the year.
- The Income Tax department has introduced "Sevottam", a pilot project at Pune, Kochi and Chandigarh through Aayakar Seva Kendras, which provide a single window system for registration of all applications including those for redressal of grievances as well as paper returns. The scheme will be extended to four more cities in the year.
- Automation of Central Excise & Service Tax, has already been rolled out throughout the country this year. Similarly, a Mission Mode Project for computerization of Commercial Taxes in States has been approved recently. With an outlay of Rs. 1133 crore of which the Centre's share is Rs. 800 crore, the project will lay the foundation for the launch of GST.
- The income tax department to notify SARAL-II form for individual salaried taxpayers for the coming assessment year. Scope of cases which may be admitted by the Settlement Commission expanded to include proceedings related to search and seizure cases pending for assessment. Scope of Settlement Commission also expanded in respect of Central Excise and Customs to include certain categories of cases that hitherto fell outside its jurisdiction.



Direct Taxes

- Income tax slabs for individual taxpayers to be as follows Income upto Rs 1.6 lakh Nil Income above Rs 1.6 lakh and upto Rs. 5 lakh 10 per cent Income above Rs.5 lakh and upto Rs. 8 lakh 20 per cent Income above Rs. 8 lakh 30 per cent
- Deduction of an additional amount of Rs. 20,000 allowed, over and above the existing limit of Rs.1 lakh on tax savings, for investment in long-term infrastructure bonds as notified by the Central Government
- Besides contributions to health insurance schemes which is currently allowed as a deduction under the Income-tax Act, contributions to the Central Government Health Scheme also allowed as a deduction under the same provision.
- Current surcharge of 10 per cent on domestic companies reduced to 7.5 per cent.
- Rate of Minimum Alternate Tax (MAT) increased from the current rate of 15 percent to 18 per cent of book profits.

Indirect Taxes

- Rate reduction in Central Excise duties to be partially rolled back and the standard rate on all non-petroleum products enhanced from 8 per cent to 10 per cent ad valorem.
- The specific rates of duty applicable to portland cement and cement clinker also adjusted upwards proportionately. Similarly, the ad valorem component of excise duty on large cars, multi-utility vehicles and sports-utility vehicles increased by 2 percentage points to 22 per cent.
- Reduction in central excise duty on corrugated boxes and cartons from 8 per cent to 4 per cent;

Service Tax

- Rate of tax on services retained at 10 per cent to pave the way forward for GST.
- Certain services, hitherto untaxed, to be brought within the purview of the service tax levy. These to be notified separately.
- Process of refund of accumulated credit to exporters of services, especially in the area of Information Technology and Business Process Outsourcing, made easy by making necessary changes in the definition of export of services and procedures.
- Accredited news agencies which provide news feed online that meet certain criteria, exempted from service tax.
- Proposals relating to service tax are estimated to result in a net revenue gain of Rs 3,000 crore for the year.
- Proposals on direct taxes estimated to result in a revenue loss of Rs. 26,000 crore for the year. Proposals relating to Indirect Taxes estimated to result in a net revenue gain of Rs.46,500 crore for the year. Taking into account the concessions being given in the tax proposals and measures taken to mobilise additional resources, the net revenue gain is estimated to be Rs. 20,500 crore for the year.



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