

## **C O N T E N T S**

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No.5, Monday, February 29, 2016/Phalguna 10, 1937 (Saka)**

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**OFFICERS OF LOK SABHA**

**THE SPEAKER**

Shrimati Sumitra Mahajan

**THE DEPUTY SPEAKER**

Dr. M. Thambidurai

**PANEL OF CHAIRPERSONS**

Shri Arjun Charan Sethi

Shri Hukmdeo Narayan Yadav

Shri Anandrao Adsul

Shri Pralhad Joshi

Dr. Ratna De (Nag)

Shri Ramen Deka

Shri Konakalla Narayana Rao

Shri Hukum Singh

Shri K.H. Muniyappa

Dr. P. Venugopal

**SECRETARY GENERAL**

Shri Anoop Mishra

## LOK SABHA DEBATES

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LOK SABHA

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Monday, February 29, 2016/Phalguna 10, 1937 (Saka)

The Lok Sabha met at Eleven of the Clock

[HON. SPEAKER *in the Chair*]

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SHRI K.C. VENUGOPAL (ALAPPUZHA): Madam... (Interruptions)

HON. SPEAKER: Now, it is time for the Budget presentation

. . . (Interruptions)

SHRI K.C. VENUGOPAL : Madam, it is painful for me to say that I want to move a Privilege Motion on this day against the hon. Union Minister Shrimati Smriti Irani Ji for misleading the House during her reply on February 24th. . . (Interruptions)

HON. SPEAKER: I have received notices of 'Question of Privilege' dated 26th February and 29th February respectively against the Union HRD Minister. The matter is under my consideration.

Now, the Minister is requested to present the Budget.

... (Interruptions)

HON. SPEAKER: It is under my consideration.

... (Interruptions)

SHRI S.R. VIJAYA KUMAR (CHENNAI CENTRAL): Madam Speaker ... (Interruptions)

HON. SPEAKER: What is this? You cannot raise it now. You cannot do it today.

... (Interruptions)

माननीय अध्यक्ष : आप सब बैठ जाइए। यहां पेपर नहीं लहराते।

...(व्यवधान)

HON. SPEAKER: I will listen to you.

... (Interruptions)

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THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY): Madam Speaker, I rise to present the Budget... (Interruptions)

SHRI K.C. VENUGOPAL : Madam, please listen to me and then decide. ... (Interruptions)

THE MINISTER OF URBAN DEVELOPMENT, MINISTER OF HOUSING AND URBAN POVERTY ALLEVIATION AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI M. VENKAIAH NAIDU): Madam, this is never done. The Finance Minister has started his Budget Speech. This is never done. These are very cheap politics. Let them maintain some decency and decorum in the House. On the day of Budget presentation, they want to score political points! Nothing should go on record. Madam, I request you that nothing should go on record. ... (Interruptions)

HON. SPEAKER: I have already said that I have received notices of 'Question of Privilege' dated 26th and 29th February respectively against Shrimati Smriti Irani Ji. नाम आना चाहिए; but the matter is under my consideration. That is it. Now, nothing else will go on record.

... (Interruptions)\*

SHRI M. VENKAIAH NAIDU: Please have some respect for the parliamentary system. This is not the way. ... (Interruptions)

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\* Not recorded.

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**11.03 hours**

**GENERAL BUDGET(2016-17) \***

HON. SPEAKER : Now, the presentation of General Budget-Shri Arun Jaitley.

THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND  
MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY):

Madam Speaker, I rise to present the Budget for the year 2016-17.

I am presenting this Budget when the global economy is in serious crisis. Global growth has slowed down from 3.4% in 2014 to 3.1% in 2015. Financial markets have been battered and global trade has contracted. Amidst all these global headwinds, the Indian economy has held its ground firmly. Thanks to our inherent strengths and the policies of this Government, a lot of confidence and hope continues to be built around India.

The International Monetary Fund has hailed India as a ‘bright spot’ amidst a slowing global economy. The World Economic Forum has said that India’s growth is ‘extraordinarily high’. We accomplished this despite very unfavourable conditions and despite the fact that we inherited an economy of low growth, high inflation and zero investor confidence in Government’s capability to govern. We converted these difficulties and challenges into opportunities.

“कश्ती चलाने वालों ने जब हार के दी पतवार हमें

लहर-लहर तूफान मिले और मौज-मौज मँझधार हमें

फिर भी दिखाया है हमने और फिर ये दिखा देंगे सबको

इन हालात में आता है दरिया करना पार हमें ”

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\* Also placed in Library, See No. LT 4106/16/16.

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Let us look at our achievements compared to the last three years of the previous Government when growth had decelerated to 6.3%. The growth of GDP has now accelerated to 7.6%. This was possible notwithstanding the contraction of global exports by 4.4% compared to 7.7% growth in world exports during the last three years of the previous Government. CPI inflation was at 9.4% during the last three years of the previous Government. Under our Government, CPI inflation has come down to 5.4%, providing big relief to the public. This was accomplished despite two consecutive years of monsoon shortfall of 13%, compared to normal rainfall in the last three years of the previous Government.

Our external situation is robust. The Current Account deficit has declined from 18.4 billion US dollars in the first half of last year to 14.4 billion this year. It is projected to be 1.4% of GDP at the end of this year. Our foreign exchange reserves are at the highest ever level of about 350 billion US dollars.

Our initiatives in the last 21 months have not only placed the economy on a faster growth trajectory but have bridged the trust deficit, created by the previous Government. We had to work in an unsupportive global environment, adverse weather conditions and an obstructive political atmosphere.

महोदया, हमें आसमानी और सुल्तानी दोनों परिबलों ने परेशान किया है।

We believe in the principle that money with the Government belongs to the people and we have the sacred responsibility to spend it prudently and wisely for the welfare of our people, especially the poor and the downtrodden. We have increased our Plan expenditure at the RE stage in 2015-16 in contrast to the usual practice of reducing it. We achieved this despite adopting the Fourteenth Finance Commission recommendations which increased devolution to the States by 55%.

We must now look ahead. The risks of further global slowdown and turbulence are mounting. This complicates the task of economic management for India. It has three serious implications for us. First, we must strengthen our firewalls against these

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risks by ensuring macro- economic stability and prudent fiscal management. Second, since foreign markets are weak, we must rely on domestic demand and Indian markets to ensure that India's growth does not slow down. And third, we must continue with the pace of economic reforms and policy initiatives to change the lives of our people for the better.

We see these challenges as opportunities. The financial years 2015-16 and 2016-17 have been and will be extremely challenging for Government expenditure. The 14<sup>th</sup> Finance Commission has reduced the Central share of taxes to 58% from the 68%. In the financial year 2015-16, we managed to improve upon the budgeted expenditure due to revenue buoyancy, notwithstanding the steep reduction in the Central share of taxes. The next financial year 2016-17 will cast an additional burden on account of the recommendations of the 7<sup>th</sup> Central Pay Commission and the implementation of Defence OROP. The Government, therefore, has to prioritise its expenditure. We wish to enhance expenditure in the farm and rural sector, the social sector, the infrastructure sector and provide for recapitalisation of the banks. This will address those sectors which need immediate attention. Once the Government discharges these priority obligations, it shall then focus on other areas which are also of utmost priority to the Government.

While increasing the outlay of various social sector programmes, the Government will undertake three major schemes to help the weaker sections of the society. The Pradhan Mantri Fasal Bima Yojana has already been announced to protect the farmer from the adverse consequences of nature. The farmer will pay a nominal amount of insurance premium and get the highest ever compensation in the event of any loss suffered. A health insurance scheme which protects one-third of India's population against hospitalization expenditure is also being announced. The Government is also launching a new initiative to ensure that the BPL families are provided with a cooking gas connection, supported by a Government subsidy. This will significantly improve



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the health of women and those BPL families who suffer adversely from the ill-effects of Chulha cooking.

The Annual Budget is also an opportunity for the Government to outline its priorities for the year to come. The priority of our Government is clearly to provide additional resources for vulnerable sections, rural areas and social and physical infrastructure creation. The Government shall also endeavour to continue with the ongoing reform programme and ensure the passage of the Constitutional amendments to enable the implementation of the Goods and Service Tax, the passage of Insolvency and Bankruptcy law and other important reform measures which are pending before the Parliament.

Additionally, as I will elaborate later, we will undertake significant reforms, such as the enactment of a law to ensure that all Government benefits are conferred upon persons who deserve it, by giving a statutory backing to the AADHAR platform; bringing significant changes in the legislative framework relating to the transport sector so as to free it from constraints and restrictions; incentivising gas discovery and exploration by providing calibrated marketing freedom; enactment of a comprehensive law to deal with resolution of financial firms; providing legal framework for dispute resolution in PPP projects and public utility contracts; undertaking important banking sector reforms and public listing of general insurance companies; and undertaking significant changes in FDI policy.

Our agenda for the next year is, therefore, to 'Transform India' in this direction. My Budget proposals are, therefore, built on this transformative agenda with nine distinct pillars. These include:

- (i) Agriculture and Farmers' Welfare: with focus on doubling farmers' income in five years;
- (ii) Rural Sector: with emphasis on rural employment and

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- infrastructure;
- (iii) Social Sector including Healthcare: to cover all under welfare and health services;
- (iv) Education, Skills and Job Creation: to make India a knowledge based and productive society;
- (v) Infrastructure and Investment: to enhance efficiency and quality of life;
- (vi) Financial Sector Reforms: to bring transparency and stability;
- (vii) Governance and Ease of Doing Business: to enable the people to realize their full potential;
- (viii) Fiscal Discipline: prudent management of Government finances and delivery of benefits to the needy; and
- (ix) Tax Reforms: to reduce compliance burden with faith in the citizenry.

In each of these themes, I shall outline specific policy measures and initiatives which would have a transformative impact on our economy and the lives of our people.

## **I. Agriculture and Farmers' Welfare**

Let me first take up Agriculture and Farmers' Welfare. We are grateful to our farmers for being the backbone of the country's food security. We need to think beyond 'food security' and give back to our farmers a sense of 'income security'. Government will, therefore, reorient its interventions in the farm and non-farm sectors to double the income of the farmers by 2022. Our total allocation for Agriculture and Farmers' welfare is Rs. 35,984 crore.

We need to address issues of optimal utilization of our water resources; create new infrastructure for irrigation; conserve soil fertility with balanced use of fertilizer;

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and provide value addition and connectivity from farm to markets.

Irrigation is a critical input for increasing agriculture production and productivity. Out of 141 million hectares of net cultivated area in the country, only 46% is covered with irrigation.

The 'Pradhan Mantri Krishi Sinchai Yojana' has been strengthened and will be implemented in mission mode. 28.5 lakh hectares will be brought under irrigation under this Scheme.

Implementation of 89 irrigation projects under AIBP, which have been languishing, will be fast tracked. This will help to irrigate 80.6 lakh hectares. These projects require `17,000 crore next year and Rs. 86,500 crore in the next five years. We will ensure that 23 of these projects are completed before 31<sup>st</sup> March, 2017.

A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about Rs. 20,000 crore. To achieve all these, a total provision of Rs. 12,517 crore has been made through budgetary support and market borrowings in 2016-17.

Simultaneously a major programme for sustainable management of ground water resources has been prepared with an estimated cost of Rs.6,000 crore and proposed for multilateral funding.

At least 5 lakh farm ponds and dug wells in rain fed areas and 10 lakh compost pits for production of organic manure will be taken up by making productive use of the allocations under MGNREGA.

The Soil Health Card Scheme is now being implemented with greater vigour. Through this, farmers get information about nutrient level of the soil and can make judicious use of fertilizers. The target is to cover all 14 crore farm holdings by March 2017. Rs. 368 crore has been provided for National Project on Soil Health and

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Fertility. Besides, 2,000 model retail outlets of Fertilizer companies will be provided with soil and seed testing facilities during the next three years. Fertilizer companies will also co-market city compost which increases the efficacy of chemical fertilizer. A policy for conversion of city waste into compost has also been approved by the Government under the Swachh Bharat Abhiyan.

To increase crop yields in rain fed areas, which account for nearly 55% of the country's arable land, organic farming is being promoted. Towards this end, the Government has launched two important schemes. First, the 'Parmparagat Krishi Vikas Yojana' which will bring 5 lakh acres under organic farming over a three year period. Second, the Government has launched a value chain based organic farming scheme called "Organic Value Chain Development in North East Region". The emphasis is on value addition so that organic produce grown in these parts find domestic and export markets. A total provision of Rs. 412 crore has been made for these schemes.

Incentives are being given for enhancement of pulses production. Rs. 500 crores under National Food Security Mission has been assigned to pulses. The number of districts covered has been increased to 622.

A national level competition will be held among 674 Krishi Vigyan Kendras with a total prize money of Rs. 50 lakh to improve the efficiency and performance of these Kendras.

Access to markets is critical for the income of farmers. The Government is implementing the Unified Agriculture Marketing Scheme which envisages a common e-market platform that will be deployed in selected 585 regulated wholesale markets. Amendments to the APMC Acts of the States are a pre-requisite to join this e-platform. I am happy to inform that 12 States have already amended their APMC Acts and are ready to come on board. More States are expected to join this platform in the coming year. The Unified Agricultural Marketing E Platform will be dedicated to the Nation on

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the birthday of Dr. Baba Saheb Ambedkar on 14<sup>th</sup> April this year.

97 lakh MT of storage capacity was added to the Central pool stock during the current year.

We are implementing the Pradhan Mantri Gram Sadak Yojana (PMGSY) as never before. This Scheme had suffered in the past because of underfunding. The allocations in 2012-13 and 2013-14 were only Rs. 8,885 crore and Rs. 9,805 crore respectively. We have substantially increased the allocation in the last two years and have now allocated Rs. 19,000 crore in 2016-17. यह जो 19,000 करोड़ है, यह केवल कॉस्ट का 60 परसेंट क्योंकि 40 परसेंट स्टेट्स बियर करेंगे। Together with States' share, totally about Rs. 27,000 crore will be spent on this Yojana in 2016-17. Our goal is to advance the completion target of the programme from 2021 to 2019 and connect the remaining 65,000 eligible habitations by constructing 2.23 lakh kms of roads. Accordingly, the pace of construction which is currently 100 kms per day, as compared to the average of 73.5 kms during 2011-14, will be substantially stepped up.

To support farmers in the aftermath of natural calamities, Government has revised the norms of assistance under the National Disaster Response Fund in April 2015.

Special focus has been given to ensure adequate and timely flow of credit to the farmers. Against the target of Rs. 8.5 lakh crore in 2015-16, the target for agricultural credit in 2016-17 will be an all-time high of Rs. 9 lakh crore. To reduce the burden of loan repayment on farmers, a provision of Rs. 15,000 crore has been made in the BE 2016-17 towards interest subvention.

The Government has approved the path breaking Crop Insurance Scheme, namely, Prime Minister Fasal Bima Yojana. For effective implementation of this Scheme, I have provided a sum of Rs. 5,500 crore in the Budget 2016-17.

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We have to ensure that the benefit of MSP reaches farmers in all parts of the country. Three specific initiatives will be taken up in 2016-17 for this. First, the remaining States will be encouraged to take up decentralized procurement. Second, an online Procurement System will be undertaken through the Food Corporation of India. This will usher in transparency and convenience to the farmers through prior registration and monitoring of actual procurement. Third, effective arrangements have been made for pulses procurement.

Farmers also take up other allied activities to supplement their family income. To make dairying more remunerative to the farmers, four new projects will be taken up: first, the 'Pashudhan Sanjivani', an animal wellness programme and provision of Animal Health Cards ('Nakul Swasthya Patra'); second, an Advanced breeding technology; third, Creation of 'E-Pashudhan Haat', an e market portal for connecting breeders and farmers; and fourth, a National Genomic Centre for indigenous breeds. These projects will be implemented at a cost of Rs. 850 crores over the next few years.

There has been a visible rise in the yield of honey, from an average of 18 to 20 kg per box per annum in the year 2013-14 to 25 kg per box per annum by 2015-16. The total production of honey in the country has increased from 76,150 metric tonnes in 2014-15 to 86,500 metric tonnes. Ninety per cent of the domestic honey is now exported.

## **II. Rural Sector**

After agriculture, I now turn to the other segments of the rural economy.

A sum of Rs. 2.87 lakh crore will be given as Grant in Aid to Gram Panchayats and Municipalities as per the recommendations of the 14th Finance Commission. This is a quantum jump of 228 % compared to the previous five year period. The funds now allocated, translate to an average assistance of over Rs. 80 lakh per Gram Panchayat and over Rs. 21 crore per Urban Local Body. These enhanced allocations are capable of transforming villages and small towns. Ministry of Panchayati Raj will work with the States and evolve guidelines to actualise this.

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There is an urgent need to focus on areas of drought and rural distress. Every block in these distress areas will be taken up as an intensive Block under the Deen Dayal Antyodaya Mission. Formation of Self Help Groups (SHGs) will be speeded up to promote multiple livelihoods. Cluster Facilitation Teams (CFT) will be set up under MGNREGS to ensure water conservation and natural resource management. These districts would also be taken up on priority under Pradhan Mantri Krishi Sinchayi Yojna.

A sum of Rs.38,500 crore has been allocated for MGNREGS in 2016-17. Madam, if this total amount is spent, this will be the highest ever amount spent in a year on MNREGS.

Three hundred Rurban Clusters will be developed under the Shyama Prasad Mukherjee Rurban Mission launched by the Honourable Prime Minister recently. These Clusters will incubate growth centres in rural areas by providing infrastructure amenities and market access for the farmers. They will also expand employment opportunities for the youth.

As on 1st April, 2015, a total of 18,542 villages were not electrified. The Honourable Prime Minister, in his address to the Nation on 15th August, 2015 announced that the remaining villages will be electrified within the next 1000 days.

As on 23rd February, 2016, 5542 villages have been electrified. I think the Power Minister and the Ministry deserve to be congratulated for this. This is more than the total combined achievement of previous three years. The Government is committed to achieve 100% village electrification by 1st May, 2018. Rs.8,500 crore has been provided for Deendayal Upadhyaya Gram Jyoti Yojna and Integrated Power Development Schemes.

Swachh Bharat Mission is India's biggest drive to improve sanitation and cleanliness, especially in rural India. This subject was very close to the heart of the Father of the Nation. For the first time since independence, the Parliament held a comprehensive debate on sanitation. This has become a topic of discussion in almost every home. We have introduced ranking of urban areas in sanitation which has resulted in constructive

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competition among towns and cities. Rs.9,000 crore has been provided for Swachh Bharat Abhiyan.

In order to continue this momentum, priority allocation from Centrally Sponsored Schemes will be made to reward villages that have become free from open defecation.

We need to derive greater benefit from our demographic advantage. We need to spread digital literacy in rural India. Of the 16.8 crore rural households as many as 12 crore households do not have computers and are unlikely to have digitally literate persons. We have already approved two Schemes to promote digital literacy: National Digital Literacy Mission; and Digital Saksharta Abhiyan (DISHA). We now plan to launch a new Digital Literacy Mission Scheme for rural India to cover around 6 crore additional households within the next 3 years. Details of this scheme will be spelt out separately.

Modernisation of land records is critical for dispute free titles. The National Land Record Modernisation Programme has been revamped under the Digital India Initiative and will be implemented as a Central sector scheme with effect from 1st April, 2016. The revamped Programme will build an integrated land information management system. Rs.150 crore has been provided for this purpose.

Panchayat Raj Institutions need to develop governance capabilities to deliver on the Sustainable Development Goals. It is, therefore, proposed to launch a new restructured scheme, namely, Rashtriya Gram Swaraj Abhiyan, for which Rs.655 crore is being set apart in 2016-17.

For rural development as a whole, I have allocated Rs.87,765 crore in the Budget for 2016-17.



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### **III. Social Sector including Health Care**

When asked what he intends doing for regeneration of India, Swami Vivekananda had said, “no amount of politics would be of any avail until the masses in India are well educated, well fed and well cared for”. I now proceed to present the key elements of my proposals in the Social Sector.

In our country, cooking gas cylinders were considered an upper middle class luxury. Gradually it spread to the middle class. But the poor do not have access to cooking gas. Women of India have faced the curse of smoke during the process of cooking. According to experts having an open fire in the kitchen is like burning 400 cigarettes an hour. The time has come to remedy this situation.

We have decided to embark upon a massive mission to provide LPG connection in the name of women members of poor households. I have set aside a sum of Rs.2,000 crore in this year's Budget to meet the initial cost of providing these LPG connections. This will benefit about 1 crore 50 lakh households below the poverty line in 2016-17. The Scheme will be continued for at least two more years to cover a total of 5 crore BPL households. This will ensure universal coverage of cooking gas in the country. This measure will empower women and protect their health. It will reduce drudgery and the time spent on cooking. It will also provide employment for rural youth in the supply chain of cooking gas.

I want to take this opportunity to express our gratitude and appreciation for the 75 lakh middle class and lower middle class households who have voluntarily given up their cooking gas subsidy, in response to the call given by the Hon'ble Prime Minister. Their gesture is a matter of pride for the country.

Catastrophic health events are the single most important cause of unforeseen out-of-pocket expenditure which pushes lakhs of households below the poverty line every year. Serious illness of family members causes severe stress on the financial circumstances of poor and economically weak families, shaking the foundation of their

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economic security. In order to help such families, the Government will launch a new health protection scheme which will provide health cover up to Rs.One lakh per family. For senior citizens of age 60 years and above belonging to this category, an additional top-up package up to Rs.30,000 will be provided.

Making quality medicines available at affordable prices has been a key challenge. We will reinvigorate the supply of generic drugs. 3,000 Stores under Prime Minister's Jan Aushadhi Yojana will be opened during 2016-17.

About 2.2 lakh new patients of End Stage Renal Disease get added in India every year resulting in additional demand for 3.4 crore dialysis sessions. With approximately 4,950 dialysis centres in India, largely in the private sector and concentrated in the major towns, the demand is only half met. Every dialysis session costs about Rs.2,000 – an annual expenditure of more than Rs.3 lakh. Besides, most families have to undertake frequent trips, often over long distances, to access dialysis services, incurring heavy travel costs and loss of wages.

To address this situation, I propose to start a 'National Dialysis Services Programme'. Funds will be made available through PPP mode under the National Health Mission, to provide dialysis services in all district hospitals. To reduce the cost, I propose to exempt certain parts of dialysis equipment from basic customs duty, excise/CVD and SAD.

Scheduled Caste and Scheduled Tribe entrepreneurs are beginning to show great promise in starting and running successful business enterprises. The Prime Minister had given a call for promoting entrepreneurship among SC/ST to become job providers rather than job seekers. I am happy to inform you that the Union Cabinet has approved the "Stand Up India Scheme" to promote entrepreneurship among SC/ST and women. Rs.500 crore has been provided for this purpose. The Scheme will facilitate at least two such projects per bank branch, one for each category of entrepreneur. This will benefit at least 2.5 lakh entrepreneurs in this category.

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We are celebrating the 125th Birth Anniversary of Dr. B.R. Ambedkar. This must become the Year of Economic Empowerment for SC/ST entrepreneurs. We have extensively interacted with the Dalit India Chamber of Commerce and Industry on building an entrepreneurship eco-system. It is proposed to constitute a National Scheduled Caste and Scheduled Tribe Hub in the MSME Ministry in partnership with industry associations. This Hub will provide professional support to Scheduled Caste and Scheduled Tribe entrepreneurs to fulfil the obligations under the Central Government procurement policy 2012, adopt global best practices and leverage the Stand Up India initiative.

The schemes for welfare and skill development for Minorities such as Multi-sectoral Development Programme and USTAAD shall be implemented effectively.

#### **IV. Education, Skills and Job Creation**

I would now like to highlight the steps proposed to be taken under education, skill development and job creation which is the fourth pillar of my Budget proposals.

##### ***Education***

After universalisation of primary education throughout the country, we want to take the next big step forward by focusing on the quality of education. An increasing share of allocation under Sarva Shiksha Abhiyan will be allocated for this. Further, 62 new Navodaya Vidyalayas will be opened in the remaining uncovered districts over the next two years.

It is our commitment to empower Higher Educational Institutions to help them become world class teaching and research institutions. An enabling regulatory architecture will be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions. This will enhance affordable access to high quality education for ordinary Indians. A detailed scheme will be formulated.

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We have decided to set up a Higher Education Financing Agency (HEFA) with an initial capital base of Rs.1,000 crores. The HEFA will be a not-for-profit organisation that will leverage funds from the market and supplement them with donations and CSR funds. These funds will be used to finance improvement in infrastructure in our top institutions and will be serviced through internal accruals.

To help Students, Higher Education Institutions and Employers to access degree certificates of candidates, it is proposed to establish a Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets, on the pattern of a Securities Depository. This will help validate their authenticity, safe storage and easy retrieval.

### ***Skill Development***

“Skill India” mission seeks to capitalise our demographic advantage. Since its launch, the National Skill Development Mission has created an elaborate skilling ecosystem and imparted training to 76 lakh youth. We want to bring entrepreneurship to the doorsteps of youth through Pradhan Mantri Kaushal Vikas Yojana (PMKVY). We have decided to set up 1500 Multi Skill Training Institutes across the country. I am setting aside an amount of Rs.1,700 crore for this initiative.

We have decided to set up a National Board for Skill Development Certification in partnership with the industry and academia. We propose to further scale up Pradhan Mantri Kaushal Vikas Yojna to skill one crore youth over the next three years.

Entrepreneurship Education and Training will be provided in 2200 colleges, 300 schools, 500 Government ITIs and 50 Vocational Training Centres through Massive Open Online Courses. Aspiring entrepreneurs, particularly those from remote parts of the country, will be connected to mentors and credit markets.

### ***Job Creation***

In order to incentivize creation of new jobs in the formal sector, Government of India will pay the Employee Pension Scheme contribution of 8.33% for all new

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employees enrolling in EPFO for the first three years of their employment. This will incentivize the employers to recruit unemployed persons and also to bring into the books the informal employees. In order to channelize this intervention towards the target group of semi-skilled and unskilled workers, the scheme will be applicable to those with salary up to Rs. 15,000 per month. I have made a budget provision of Rs. 1,000 crore for this scheme.

Further, the Finance Bill, 2016 proposes to broaden and liberalize the scope of the employment generation incentive available under Section 80JJAA of the Income Tax Act. The deduction will be available not only to assessee deriving income from manufacture of goods in a factory but to all assessee who are subject to statutory audit under the Act. Thus, a deduction of 30% of the emoluments paid to such employees can be claimed for three years. The minimum number of days for which they should be employed during the year is proposed to be reduced from 300 to 240 days. No deduction will, however, be admissible in respect of employees whose monthly emoluments exceed Rs.25,000. Also, no deduction will be admissible in respect of employees for whom the Government is paying the entire EPS contribution.

A National Career Service was launched in July, 2015. Already 35 million jobs seekers have registered on this platform. We propose to make 100 Model Career Centres operational by the end of 2016-17. We also propose to inter-link State Employment Exchanges with the National Career Service platform.

Retail Trade is the largest service sector employer in the country. Many more jobs can be created in this sector, provided the regulations are simplified. If Shopping Malls are kept open all seven days of the week, why not the small and medium shops? These shops should be given the choice to remain open on all seven days of the week on voluntary basis. The interest of the workers in terms of mandatory weekly holiday, number of working hours per day, etc., of course, have to be protected. We propose to circulate a Model Shops and Establishments Bill which can be adopted by the State Governments on voluntary basis.

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## **V. Infrastructure and Investment**

The fifth support pillar of the Budget theme 'Transform India' is infrastructure and investment.

In the road sector, there were more than 70 projects that were languishing at the beginning of the year, due to legacy factors. Aggregate length of these projects was about 8,300 kms involving more than Rs.1 lakh crore investment. With exemplary and proactive interventions under the leadership of my colleague Shri Gadkari, nearly 85% of these projects have been put back on track.

India's highest ever kilometres of new highways were awarded in 2015. At the same time, India's highest ever production of motor vehicles was achieved in 2015. This is a sign of growth in the economy; but it presents a challenge also. Therefore, we have speeded up the process of road construction. I have proposed an allocation of Rs.55,000 crore in the Budget for Roads and Highways. This will be further topped up by additional Rs.15,000 crore to be raised by NHAI through bonds. Thus the total investment in the road sector, including PMGSY allocation, would be Rs.97,000 crore during 2016-17.

Together with the capital expenditure of the Railways which Shri Suresh Prabhu has announced a few days ago the total outlay on roads and railways will be Rs.2,18,000 crore in 2016-17.

We further expect to approve nearly 10,000 kms of National Highways in 2016-17. This will be much higher than in the two previous years. The pace of completion of road projects will also rise to nearly 10,000 kms in 2016-17. In addition, nearly 50,000 kms of State highways will also be taken up for up-gradation as National Highways.

The total outlay for infrastructure in BE 2016-17 stands at Rs.2,21,246 crore.

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Madam, this is an important announcement. Passenger traffic on our roads has to be made more efficient for the benefit of the common man and the middle class. This is a totally unreformed sector which suffers from several impediments. Abolition of permit-raj will be our medium term goal. Government will enact necessary amendments in the Motor Vehicles Act and open up the road transport sector in the passenger segment. An enabling eco-system will be provided for the States which will have the choice of adopting the new legal framework. Entrepreneurs will be able to operate buses on various routes, subject to certain efficiency and safety norms. The major benefits of this game changing initiative will be provision of more efficient public transport facilities, greater public convenience, new investment in this moribund sector, creation of new jobs for our youth, growth of start-up entrepreneurs and other multiplier effects. These measures will take us faster down the road to development.

In 2015, India's major ports have handled the highest ever quality of cargo. We have also added the highest ever capacity in major ports. We have started a series of measures for modernizing the ports and increasing their efficiency. The Sagarmala project has already been rolled out. We are planning to develop new greenfield ports both in the eastern and western coasts of the country. The work on the National Waterways is also being expedited. Rs.800 crore has been provided for these initiatives.

In the civil aviation sector, the Government is drawing up an action plan for revival of unserved and underserved airports. There are about 160 airports and air strips with State Governments which can be revived at an indicative cost of Rs.50 crore to Rs.100 crore each. We will partner with the State Governments to develop some of these airports for regional connectivity. Similarly, 10 of the 25 non-functional air strips with the Airport Authority of India will also be developed.

Madam, another major announcement. India is blessed with rich natural resources including oil and gas. However, their discovery and exploitation has been below our potential. Imports of hydrocarbons occupy a large share of India's total imports. There is a situation of rising demand, near stagnation in production and

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consequent rapid increase in imports. As part of our drive towards self-sufficiency, the Government is considering to incentivise gas production from deep-water, ultra deep-water and high pressure-high temperature areas, which are presently not exploited on account of higher cost and higher risks. A proposal is under consideration for new discoveries and areas which are yet to commence production, first, to provide calibrated marketing freedom; and second, to do so at a pre-determined ceiling price to be discovered on the principle of landed price of alternative fuels. This will bring considerable investment in this scheme.

In the other segments of the infrastructure sector, our Government has achieved the highest coal production growth in over two decades, highest ever capacity addition in generation, highest ever increase in transmission lines and in distribution of LED bulbs.

In the power sector, we need to diversify the sources of power generation for long term stability. Government is drawing up a comprehensive plan, spanning next 15 to 20 years, to augment the investment in nuclear power generation. Budgetary allocation up to Rs.3,000 crore per annum, together with public sector investments, will be leveraged to facilitate the required investment for this purpose.

To augment infrastructure spending further, Government will permit mobilisation of additional finances to the extent of Rs.31,300 crore by NHAI, PFC, REC, IREDA, NABARD and Inland Water Authority through raising of Bonds during 2016-17.

Our private sector plays an important role in the development of infrastructure, many of which are implemented in the Public Private Partnership (PPP) mode. I would like to announce three new initiatives to reinvigorate this sector.

- (i) A Public Utility (Resolution of Disputes) Bill will be introduced during 2016-17 to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts;



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- (ii) Guidelines for renegotiation of PPP Concession Agreements will be issued, keeping in view the long term nature of such contracts and potential uncertainties of the real economy, without compromising transparency;
- (iii) A new credit rating system for infrastructure projects which gives emphasis to various in-built credit enhancement structures will be developed, instead of relying upon a standard perception of risk which often result in mispriced loans. These Madam I hope will expedite the commencement of some of the stalled projects.

I would like to announce further reforms in our FDI policy. The changes proposed are in the areas of insurance and pension, Asset Reconstruction Companies, Stock Exchanges, etc. Details of the changes are given in Annex I of the Budget Speech.

The duty drawback scheme has been widened and deepened to include more products and countries. The Government will continue to take measures to support the export sector.

Our FDI policy has to address the requirements of farmers and food processing industry. A lot of fruits and vegetables grown by our farmers either do not fetch the right prices or fail to reach the markets. Food processing industry and trade should be more efficient. 100% FDI will be allowed through FIPB route in marketing of food products produced and manufactured in India. I think, this will give an impetus to the Food Processing Ministry to enhance this sector. This will benefit farmers, give impetus to food processing industry and create vast employment opportunities.

A new policy for management of Government investment in Public Sector Enterprises, including disinvestment and strategic sale, has been approved. We have to leverage the assets of CPSEs for generation of resources for investment in new projects. We will encourage CPSEs to divest individual assets like land,

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manufacturing units, etc. to release their asset value for making investment in new projects. The NITI Aayog will identify the CPSEs for strategic sale.

We will adopt a comprehensive approach for efficient management of Government investment in CPSEs by addressing issues such as capital restructuring, dividend, bonus shares, etc. The Department of Disinvestment is being re-named as the “Department of Investment and Public Asset Management (DIPAM)”.

## **VI. Financial Sector Reforms**

A vibrant financial sector is of critical importance to the growth of every economy. In my last two Budgets, I had announced several measures in this regard. I would now like to announce the following initiatives:

- (i) A systemic vacuum exists with regard to bankruptcy situations in financial firms. A comprehensive Code on Resolution of Financial Firms will be introduced as a Bill in the Parliament during 2016-17. This Code will provide a specialized resolution mechanism to deal with bankruptcy situations in banks, insurance companies and financial sector entities. This Code, together with the Insolvency and Bankruptcy Code 2015, when enacted, will provide a comprehensive resolution mechanism for our economy.
- (ii) The RBI Act 1934, is being amended to provide statutory basis for a Monetary Policy Framework and a Monetary Policy Committee through the Finance Bill 2016. A committee-based approach will add lot of value and transparency to monetary policy decisions.
- (iii) A Financial Data Management Centre under the aegis of the Financial Stability Development Council (FSDC) will be set up to facilitate integrated data aggregation and analysis in the financial sector.

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- (iv) To improve greater retail participation in Government securities, RBI will facilitate their participation in the primary and secondary markets through stock exchanges and access to NDS-OM trading platform.
- (v) New derivative products will be developed by SEBI in the Commodity Derivatives market.
- (vi) To facilitate deepening of corporate bond market, a number of measures will be undertaken, details of which are given in Annex II of the Budget Speech. The enactment of Insolvency and Bankruptcy Code would provide a major boost to the development of the corporate bond market.
- (vii) To tackle the problem of stressed assets in the banking sector, Asset Reconstruction Companies (ARCs) have a very important role. I therefore, propose to make necessary amendments in the SARFAESI Act 2002 to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non-institutional investors to invest in Securitization Receipts.
- (viii) In the recent past, there have been instances of people in various parts of the country being defrauded by illicit deposit taking schemes. The worst victims of these schemes are the poor and the financially illiterate. The operation of such schemes are often spread over many States. I, therefore, propose to bring in comprehensive Central legislation in 2016-17 to deal with the menace of such schemes.
- (ix) I also propose to amend the SEBI Act 1992 in the coming year to provide for more members and benches of the Securities Appellate Tribunal.

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As the Honourable Members are well aware, the strength of the financial sector is dependent upon a strong and well-functioning Banking system. We already have a comprehensive 'Plan For Revamping of Public Sector Banks', INDRADHANUSH, which is under implementation. We are now confronted with the problem of stressed assets in Public Sector Banks, which is a legacy from the past. Several steps have already been taken in this regard. We are not interfering in lending and personnel matters of the Banks. Structural issues have been addressed in various sectors like Power, Coal, Highways, Sugar and Steel. The Banks are putting in special efforts to effect recoveries, with a focus on reviving stalled projects.

To support the Banks in these efforts as well as to support credit growth, I have proposed an allocation of Rs. 25,000 crore in BE 2016-17 towards recapitalization of Public Sector Banks. If additional capital is required by these Banks, we will find the resources for doing so. We stand solidly behind these Banks.

Our Public Sector Banks will have to be strong and competitive. The Banking Board Bureau will be operationalized during 2016-17 and a roadmap for consolidation of Public Sector Banks will be spelt out. The process of transformation of IDBI Bank has already started. Government will take it forward and also consider the option of reducing its stake to below 50%.

For speedier resolution of stressed assets, the Debt Recovery Tribunals will be strengthened with focus on improving the existing infrastructure, including computerized processing of court cases, to support reduction in the number of hearings and faster disposal of cases.

The Pradhan Mantri Mudra Yojana (PMMY) was launched for the benefit of bottom of the pyramid entrepreneurs. Banks and NBFC-MFIs have reported that the amount sanctioned under PMMY had reached about Rs. One lakh crore to cover 2.5 crore borrowers by early February this year. I propose to increase the target next year to Rs. 1,80,000 crore.

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To provide better access to financial services, especially in rural areas, we will undertake a massive nationwide rollout of ATMs and Micro ATMs in Post Offices over the next three years.

Public shareholding in Government-owned companies is a means of ensuring higher levels of transparency and accountability. To promote this objective, the general insurance companies owned by the Government will be listed in the stock exchanges.

## **VII. Governance and Ease of Doing Business**

Our Government is giving unparalleled emphasis to good governance with special focus on process reforms, IT-enabled Government processes, etc. The whole idea is to remove the irritants for the public in their interface with Government agencies.

A Task Force has been constituted for rationalization of human resources in various Ministries. A comprehensive review and rationalization of autonomous bodies is also underway.

A critical component of minimum Government and maximum governance is to ensure targeted disbursement of Government subsidies and financial assistance to the actual beneficiaries. Public money should reach the poor and the deserving without any leakage. Three specific initiatives are proposed to achieve this objective.

- First, we will introduce Targeted Delivery of Financial and Other Subsidies, Benefits and Services by using the Aadhar framework. The bill will be introduced in the current Budget Session of the Parliament. The Aadhar number or authentication shall not, however, confer any right of citizenship or domicile. A social security platform will be developed using Aadhar to accurately target beneficiaries. This will be a transformative piece of legislation which will benefit the poor and the vulnerable.

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- Second, we have already introduced Direct Benefit Transfer in LPG. Based on this successful experience, we propose to introduce DBT on pilot basis for fertilizer in a few districts across the country, with a view to improving the quality of service delivery to farmers.
- Third, of the 5.35 lakh Fair Price Shops in the country, automation facilities will be provided in 3 lakh Fair Price Shops by March 2017.

We have to bring more transparency and efficiency in Government procurement of goods and services. The Director General of Supplies and Disposal (DGS&D) will establish a technology driven platform to facilitate procurement of goods and services by various Ministries and agencies of the Government.

To remove the difficulties and impediments to ease of doing business, we will introduce a bill to amend the Companies Act, 2013 in the current Budget Session of the Parliament. The Bill would also improve the enabling environment for start-ups. The registration of companies will also be done in one day.

Monitoring of prices of essential commodities is a key element of good governance. A number of measures have been taken to deal with the problem of abrupt increase in prices of pulses. Government has approved creation of buffer stock of pulses through procurement at Minimum Support Price and at market price through Price Stabilisation Fund. This Fund has been provided with a corpus of Rs. 900 crore to support market interventions.

Madam Speaker, for good governance, we have to capitalize on the country's unity in diversity. To strengthen understanding of each other, it is proposed to create a closer engagement between different States and Districts in a structured manner. "Ek Bharat Shreshtha Bharat" programme will be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism. We will do this through mutual agreement with participating States and Districts.

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In 2017, the country will celebrate 70<sup>th</sup> Anniversary of our Independence. We will chalk out milestones for nation's journey beyond the 70<sup>th</sup> Anniversary of Independence. Dr. Toynbee, the historian, had observed that "a chapter which had a Western beginning will have to have an Indian ending...." My belief is that the year 2017 will unfold the great historian's dream. Our scheme of "Ek Bharat Shreshtha Bharat" is part of this vision.

### **VIII. Fiscal Discipline**

Let me now elaborate on the fiscal situation in the context of the Budget for the year 2016-17.

While preparing this Budget, I have received conflicting suggestions about the FRBM roadmap. Different schools of thought have argued either in favour of fiscal consolidation and stability or for a less aggressive consolidation and for boosting growth. I have weighed the policy options and decided that prudence lies in adhering to the fiscal targets. Consequently, the fiscal deficit in RE 2015-16 and BE 2016-17 have been retained at 3.9% and 3.5% of GDP respectively. While doing so, I have ensured that the development agenda has not been compromised.

The total expenditure in the Budget for 2016-17 has been projected at `19.78 lakh crore, consisting of `5.50 lakh crore under Plan and `14.28 lakh crore under Non-Plan. The increase in Plan expenditure is in the order of 15.3% over current year BE. Plan Allocations have given special emphasis to sectors like agriculture, irrigation, social sector including health, women and child development, welfare of Scheduled Castes and Scheduled Tribes, minorities, infrastructure, etc. Continuing with the policy of higher empowering States, the total resources being transferred to States are Rs. 99,681 crore more than RE 2015-16 and Rs. 2,46,024 crore more than Actuals of 2014-15. Details of allocations in certain vital sectors and schemes and transfers to States are given in Annex III.

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This is the last year of the 12<sup>th</sup> Plan. Successive committees have questioned the merit in having Plan and Non-Plan classification of Government expenditure. A broad understanding over the years has been that Plan expenditures are good and Non-Plan expenditures are bad. This results in skewed allocations in the Budget. We need to correct this and give greater focus to Revenue and Capital classification of Government expenditure. We have, therefore, decided that the Plan-Non-Plan classification will be done away with from fiscal 2017-18. The Finance Ministry will closely work with the State Finance Departments to align Central and State Budgets in this matter.

To improve the quality of Government expenditure, every new scheme being sanctioned by Government will have a sunset date and outcome review. A redeeming feature of this year's Budget is that we have improved upon the Revenue Deficit target from 2.8% to 2.5% of GDP in RE 2015-16.

The FRBM Act has been under implementation for more than a decade. Both Central and State Governments have made significant gains from the implementation of this Act. There is now a school of thought which believes that instead of fixed numbers as fiscal deficit targets, it may be better to have a fiscal deficit range as the target, which would give necessary policy space to the Government to deal with dynamic situations. There is also a suggestion that fiscal expansion or contraction should be aligned with credit contraction or expansion respectively, in the economy.

While remaining committed to fiscal prudence and consolidation, a time has come to review the working of the FRBM Act, especially in the context of the uncertainty and volatility which have become the new norms of global economy. I, therefore, propose to constitute a Committee to review the implementation of the FRBM Act and give its recommendations on the way forward.



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As the Honourable Members are aware, the Seventh Central Pay Commission has submitted its Report. Following the past practice, a Committee has been constituted to examine the Report and give its recommendations. In the meantime, I have made necessary interim provisions in the Budget.

We have rationalised and restructured more than 1500 Central Plan Schemes into about 300 Central Sector and 30 Centrally Sponsored Schemes. This will avoid overlapping of expenditure. I reiterate that I remain committed to the financial requirements arising from economic packages that have been announced by our Government and also commitments emanating from reorganization of States.

I have also allocated initial sums of Rs.100 crore each for celebrating the Birth Centenary of Pandit Deen Dayal Upadhyay and the 350<sup>th</sup> Birth Anniversary of Guru Gobind Singh.

## **IX. Tax Reforms**

I now turn to Tax Reforms which is elaborated in Part B of my Budget Speech.

## PART B

Madam Speaker, I shall now present my tax proposals

The Government acknowledges the role of taxpayers in nation building. Each rupee of tax contributes towards the Government's efforts to provide better infrastructure, rural revival and social well-being. Taxation is a major tool available to Government for removing poverty and inequality from the society. The posterity will not forgive us if we do not use this opportunity in this perspective.

The thrust of my tax proposals this year falls in nine categories:-

- (1) Relief to small tax payers.
- (2) Measures to boost growth and employment generation.
- (3) Incentivizing domestic value addition to help Make in India.
- (4) Measures for moving towards a pensioned society.
- (5) Measures for promoting affordable housing.
- (6) Additional resource mobilization for agriculture, rural economy and clean environment.
- (7) Reducing litigation and providing certainty in taxation.
- (8) Simplification and rationalization of taxation.
- (9) Use of Technology for creating accountability.

### **Relief to small tax payers**

In order to lessen tax burden on individuals with income not exceeding Rs.5 lakhs, I propose to raise the ceiling of tax rebate under section 87A from Rs.2,000 to Rs.5,000. There are 2 crore tax payers in this category who will get a relief of Rs.3,000 in their tax liability.

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The people who do not have any house of their own and also do not get any house rent allowance from any employer today get a deduction of Rs.24,000 per annum from their income to compensate them for the rent they pay. I propose to increase the limit of deduction in respect of rent paid under section 80GG from Rs.24,000 per annum to Rs.60,000 per annum, which should provide relief to those who live in rented houses.

Madam, the next is important. Presumptive taxation scheme under section 44AD of the Income Tax Act is available for small and medium enterprises i.e non corporate businesses with turnover or gross receipts not exceeding one crore rupees. At present about 33 lakh small business people avail of this benefit, which frees them from the burden of maintaining detailed books of account and getting audit done. I propose to increase the turnover limit under this scheme to Rupees two crores which will bring big relief to a large number of assesses in the MSME category. That is to say, for anyone with a turn over in business of Rs.2 crore, there will be a presumptive income of 8 per cent.

I also propose to extend the presumptive taxation scheme to professionals with gross receipts up to Rs.50 lakh with the presumption of profit being 50% of the gross receipts. Madam, for small businesses and all professionals this will bring tremendous ease in their taxation matters.

### **Measures to boost growth and employment generation**

I had, in my last budget speech mooted the proposal to reduce the rate of Corporate Tax from 30% to 25% over a period, accompanied by rationalization and removal of various tax exemptions and incentives. In any case the effective rate of tax paid by companies comes to an average of 24.67% because of various exemptions which they are availing of. A phasing out plan of removing these exemptions and tax incentives was placed in public domain and we have received a large number of constructive

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suggestions. The final plan of phasing out exemptions is given in Annexure. The highlights are as follows:-

- (a) The accelerated depreciation provided under IT Act will be limited to maximum 40% from 1.4.2017.
- (b) The benefit of deductions for Research would be limited to 150% from 1.4.2017 and 100% from 1.4.2020.
- (c) The benefit of section 10AA to new SEZ units will be available to those units which commence activity before 31.3.2020.
- (d) The weighted deduction under section 35CCD for skill development will continue up to 1.4.2020.

The reduction in corporate tax rate has to be calibrated with additional revenue expected from the incentives being phased out. The benefits from phasing out of exemptions are available to Government only gradually. In the first phase, therefore, I propose the following two changes in corporate income-tax rates:-

- (a) The new manufacturing companies which are incorporated on or after 1.3.2016 are proposed to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation. Madam, new manufacturing companies will also bring jobs.
- (b) I also propose to lower the corporate income tax rate for the next financial year of relatively small enterprises i.e companies with turnover not exceeding Rs.5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.

Startups generate employment, bring innovation and are expected to be key partners in Make in India programme. I propose to assist their propagation through 100% deduction of profits for 3 out of 5 years for startups set up during April

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2016 to March 2019. MAT will apply in such cases. Capital gains will not be taxed if invested in regulated/notified Fund of Funds and by individuals in notified startups, in which they hold majority shares.

Research is the driver of innovation and innovation provides a thrust to economic growth. I propose a special patent regime with 10% rate of tax on income from worldwide exploitation of patents developed and registered in India.

In order to get more investment in Asset Reconstruction Companies (ARCs) which play a very important role in resolution of bad debts, I propose to provide complete pass through of income-tax to securitization trusts including trusts of ARCs. The income will be taxed in the hands of the investors instead of the trust. However, the trust will be liable to deduct tax at source.

The period for getting benefit of long term capital gain regime in case of unlisted companies is proposed to be reduced from three to two years.

Non-banking financial companies shall be eligible for deduction to the extent of 5% of its income in respect of provision for bad and doubtful debts.

The determination of residency of foreign company on the basis of Place of Effective Management (POEM) is proposed to be deferred by one year.

I would like to reiterate our commitment to implement General Anti Avoidance Rules (GAAR) from 1.4.2017.

In order to meet with our commitment to BEPS initiative of OECD and G-20, the Finance Bill, 2016 includes provision for requirement of country by country reporting for companies with a consolidated revenue of more than Euro 750 million.

I propose to exempt service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empanelled by Ministry of Skill Development & Entrepreneurship.

I propose to exempt service tax on general insurance services provided under 'Niramaya' Health Insurance Scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability.

To promote use of refrigerated containers, I propose to reduce the basic custom

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and excise duty on them to 5% and 6% respectively.

A number of assistive devices, rehabilitation aids and other goods for differently abled (Divyang) persons attract Nil basic customs duty. Accepting the suggestion that came from Shri Rahul Gandhi, I propose to extend this exemption to Braille paper.

### **Incentivising domestic value addition to help Make in India**

Customs and excise duty structure plays an important role in incentivizing domestic value addition towards Make in India campaign of our Government. In line with that, I propose to make suitable changes in customs and excise duty rates on certain inputs, raw materials, intermediaries and components and certain other goods and simplify procedures, so as to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair etc. Details of such changes are given in the Annexure to Budget.

### **Measures for moving towards a pensioned society**

Pension schemes offer financial protection to senior citizens. I believe that the tax treatment should be uniform for defined benefit and defined contribution pension plans. I propose to make withdrawal up to 40% of the corpus at the time of retirement tax exempt in the case of National Pension Scheme.

In case of superannuation funds and recognized provident funds, including EPF, the same norm of 40% of corpus to be tax free will apply in respect of corpus created out of contributions made after 1.4.2016.

Further, the annuity fund which goes to the legal heir after the death of pensioner will not be taxable in all three cases. Also, we are proposing a monetary limit for contribution of employer in recognized Provident and Superannuation Fund of 1.5 lakh per annum for taking tax benefit.

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I propose to exempt from service tax the Annuity services provided by the National Pension System (NPS) and Services provided by EPFO to employees.

I also propose to reduce service tax on Single premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases.

### **Measures for promoting affordable housing**

Pradhan Mantri Awas Yojna embodies the assurance of the Government to address the housing needs of all and more specifically the poor, in a time bound manner. Construction of houses creates considerable employment opportunities as well. In order to fuel activity in the housing sector, I propose to give 100% deduction for profits to an undertaking from a housing project for flats upto 30 sq. metres in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019, and is completed within three years of the approval. Minimum Alternate Tax will, however, apply to these undertakings.

For the 'first – home buyers', I propose to give deduction for additional interest of Rs.50,000 per annum for loans up to Rs.35 lakh sanctioned during the next financial year, provided the value of the house does not exceed Rs.50 lakh.

Another proposal to stimulate housing activity is to facilitate investments in Real Estate Investment Trusts. I propose that any distribution made out of income of SPV to the REITs and INVITs having specified shareholding will not be subjected to Dividend Distribution Tax.

It is proposed to exempt service tax on construction of affordable houses up to 60 square metres under any scheme of the Central or State Government including PPP Schemes.

I also propose to extend excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work at such site to Ready Mix Concrete.

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### **Additional resource mobilization for agriculture, rural economy and clean environment**

Dividend Distribution Tax (DDT) uniformly applies to all investors irrespective of their income slabs. This is perceived to distort the fairness and progressive nature of taxes. Persons with relatively higher income can bear a higher tax cost. I, therefore, propose that in addition to DDT paid by the companies, tax at the rate of 10% of gross amount of dividend will be payable by the recipients, that is, individuals, HUFs and firms receiving dividend in excess of `10 lakh per annum.

I also propose to raise the surcharge from 12% to 15% on persons, other than companies, firms and cooperative societies having income above Rs.1 crore.

I also propose to collect tax at source at the rate of 1% on purchase of luxury cars exceeding value of Rs.ten lakh and purchase of goods and services in cash exceeding Rs.two lakh. For compliant tax payers with resources, this levy not only advances collection of tax when the expenditure is incurred, but it provides data to the tax authorities to identify the persons who incur such expenditure, but may be missing from the tax base. Farmers and notified class of persons will have an option of giving a form by which TCS will not be charged.

Rate of Securities Transaction tax in case of 'Options' is proposed to be increased from .017% to .05%.

In order to tap tax on income accruing to foreign e-commerce companies from India, it is proposed that a person making payment to a non- resident, who does not have a permanent establishment, exceeding in aggregate `1 lakh in a year, as consideration for online advertisement, will withhold tax at 6% of gross amount paid, as Equalization levy. The levy will only apply to B2B transactions.

I propose to impose a Cess, called the Krishi Kalyan Cess, @ 0.5% on all taxable services, proceeds of which would be exclusively used for financing



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initiatives relating to improvement of agriculture and welfare of farmers. The Cess will come into force with effect from 1<sup>st</sup> June 2016. Input Tax credit of this cess will be available for payment of this cess.

Madam, the exemption rate of duty which existed on parts of environment-friendly vehicles and which expires on 31<sup>st</sup> March this year, I am planning to continue that.

The pollution and traffic situation in Indian cities is a matter of concern. I propose to levy an infrastructure cess, of 1% on small petrol, LPG, CNG cars, 2.5% on diesel cars of certain capacity and 4% on other higher engine capacity vehicles and SUVs.

I also propose to impose an excise duty of '1% without input tax credit or 12.5% with input tax credit' on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs.6 crores and Rs.12 crores respectively. Necessary steps will also be taken to enable the new taxpayers to comply with this levy without any difficulty.

I propose to change the excise duty on branded readymade garments and made up articles of textiles with a retail sale price of `1,000 and above from 'Nil without input tax credit or 6%/12.5% with input tax credit' to '2% without input tax credit or 12.5% with input tax credit'.

I propose to rename the 'Clean Energy Cess' levied on coal, lignite and peat as 'Clean Environment Cess' and simultaneously increase its rate from `200 per tonne to `400 per tonne.

To discourage consumption of tobacco and tobacco products, I propose to increase the excise duties on various tobacco products other than beedi by about 10 to 15%.

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I propose to amend the Finance Act, 1994 so as to declare assignment by the Government of the right to use the radio-frequency spectrum and its subsequent transfers a service, to make it clear that assignment of right to use the spectrum is a service leviable to service tax and not sale of intangible goods.

### **Reducing litigation and providing certainty in taxation**

We are moving towards a lower tax regime with non-litigious approach. Thus, while compliant taxpayers can expect a supportive interface with the department, tax evasion will be countered strongly. Capability of the tax department to detect tax evasion has improved because of enhanced access to information and availability of technology driven analytical tools to process such information. I want to give an opportunity to the earlier non-compliant to move to the category of compliant.

I propose a limited period Compliance Window for domestic taxpayers to declare undisclosed income or income represented in the form of any asset and clear up their past tax transgressions by paying tax at 30%, and surcharge at 7.5% and penalty at 7.5%, which is a total of 45% of the undisclosed income. There will be no scrutiny or enquiry regarding income declared in these declarations under the Income Tax Act or the Wealth Tax Act and the declarants will have immunity from prosecution. Immunity from Benami Transaction (Prohibition) Act, 1988 is also proposed subject to certain conditions. The surcharge levied at 7.5% of undisclosed income will be called Krishi Kalyan surcharge to be used for agriculture and rural economy. We plan to open the window under this Income Disclosure Scheme from 1<sup>st</sup> June to 30<sup>th</sup> September, 2016 with an option to pay amount due within two months of declaration.

Our Government is fully committed to remove black money from the economy. Having given one opportunity for evaded income to be declared once, we would then like to focus all our resources for bringing people with black money to books.

Litigation is a scourge for a tax friendly regime and creates an environment of distrust in addition to increasing the compliance cost of the tax payers and

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administrative cost for the Government. There are about 3 lakh tax cases pending with the 1<sup>st</sup> Appellate Authority with disputed amount being 5.5 lakh crores. In order to reduce this number, I propose a new Dispute Resolution Scheme (DRS).

A taxpayer who has an appeal pending as of today before the Commissioner (Appeals) can settle his case by paying the disputed tax and interest up to the date of assessment. No penalty in respect of Income-tax cases with disputed tax up to Rs.10 lakh will be levied. Cases with disputed tax exceeding Rs.10 lakh will be subjected to only 25% of the minimum of the imposable penalty for both direct and indirect taxes. Any pending appeal against a penalty order can also be settled by paying 25% of the minimum of the imposable penalty. Certain categories of persons including those who are charged with criminal offences under specific Acts are proposed to be barred from availing this scheme.

I had in my Budget speech of July, 2014 assured that this Government would not retrospectively create a fresh tax liability. I had also hoped then that the cases pending in various courts and other legal I relating to certain retrospective amendments undertaken to the Income-tax Act, 1961, through the Finance Act, 2012 will soon reach their logical conclusion. I would like to reiterate that we are committed to provide a stable and predictable taxation regime. We will not resort to such amendments in future. I had also announced constitution of a High Level Committee which would oversee any fresh case where the assessing officer proposes to assess or reassess the income in respect of indirect transfers by applying the retrospective amendment. In order to allay any fears of tax adventurism, this Committee will now be chaired by the Revenue Secretary and consist of Chairman, CBDT and an expert from outside. This Committee will effectively oversee the implementation of the assurances.

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In order to give an opportunity to the past cases which are ongoing under the retrospective amendment, I propose a one-time scheme of Dispute Resolution for them, in which, subject to their agreeing to withdraw any pending case lying in any Court or Tribunal or any proceeding for arbitration, mediation etc. under BIPA, they can settle the case by paying only the tax arrears in which case liability of the interest and penalty shall be waived.

Levy of heavy penalty for concealment of income has over the years resulted in large number of disputes despite a number of decisions of the Apex court on interpretation of statutory provisions and principles guiding imposition of penalty. At present the Income-tax Officer has discretion to levy penalty at the rate of 100% to 300% of tax sought to be evaded. I propose to modify the entire scheme of penalty by providing different categories of misdemeanor with graded penalty and thereby substantially reducing the discretionary power of the tax officers. The penalty rates will now be 50% of tax in case of underreporting of income and 200% of tax where there is misreporting of facts. Remission of penalty is also proposed in certain circumstances where taxes are paid and appeal is not filed.

Another issue which has led to considerable number of disputes is quantification of disallowance of expenditure relatable to exempt income in terms of Section 14A of the Income Tax Act. I propose to rationalize the formula in Rule 8D governing such quantification. The said Rule is being amended to provide that disallowance will be limited to 1% of the average monthly value of investments yielding exempt income, but not exceeding the actual expenditure claimed.

As another tax payer friendly measure, I propose to provide a time limit of one year for disposing petitions of the tax payers seeking waiver of interest and penalty.

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The Income-tax Department is also issuing instruction making it mandatory for the assessing officer to grant stay of demand once the assessee pays 15% of the disputed demand, while the appeal is pending before Commissioner of Income-tax (Appeals). In case of deviation, assessing officer has to get orders of his superiors. The tax payer also has an option to go to superior officer in case he does not agree with conditions of stay order passed by the subordinate officer.

In order to remove backlog of cases we are creating 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT).

The monetary limit for deciding an appeal by a single member Bench of ITAT is proposed to be enhanced from Rs.15 lakhs to Rs.50 lakhs.

I also propose to amend the CENVAT Credit Rules, 2004, so as to improve credit flow, reduce the compliance burden and associated litigation, particularly those relating to apportionment of credit between exempted and non exempted final products/services. The amendments in these rules will also enable manufacturers with multiple manufacturing units to maintain a common warehouse for inputs and distribute inputs with credits to the individual manufacturing units.

### **Simplification and rationalization of taxation**

The Government has already accepted many recommendations of Tax Administration Reform Committee and I propose to accept a number of recommendations of Justice Easwar Committee in this Budget.

To reduce multiplicity of taxes, associated cascading and to reduce cost of collection, I propose to abolish 13 cesses, levied by various Ministries in which revenue collection is less than Rs.50 crore in a year.

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To improve the cash flow position of small tax payers who get their funds blocked due to current TDS provision, I propose to rationalize TDS provisions for Income Tax as per Annexure.

Non-residents without PAN are currently subjected to a higher rate of TDS. It is proposed to amend the relevant provision to provide that on furnishing of alternative documents, the higher rate will not apply.

The facility for revision of return, hitherto available to a service tax assessee only, is being extended to Central Excise assessee also.

I propose to provide additional options to banking companies and financial institutions, including non-banking financial companies, for reversal of input tax credits with respect to non-taxable services provided by them by way of extending deposits, loans and advances.

Our Government has taken a number of steps to reduce the cargo release time and the transaction costs of EXIM trade. I propose to amend the Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record.

In 2014-15 Budget, I had announced the intent to implement Indian Customs Single Window Project. We have made significant progress in this and it would be implemented at major ports and airports starting from beginning of next financial year.

The customs Baggage Rules for international passengers are being simplified so as to increase the free baggage allowance. The filing of baggage declaration will be required only for those passengers who carry dutiable goods.

### **Use of Technology for creating accountability**

Technology is a boon for mankind. We plan to use technology in taxation Department in a big way to make life simpler for a law abiding citizen, and also for data mining to track tax evaders.

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A pilot was run in 2015-16 for e-assessment to obviate the requirement for tax payers to visit the Income-tax offices. I propose to expand the scope of e-assessments to all assessees in 7 mega cities in the coming years. The cases selected for scrutiny will be scrutinized in e-environment whereby unless the assessee himself wants to be heard, or for special reasons to be recorded, the assessing officer wants to hear the party, there will be no face to face contact of IT Department with assessee.

Income-tax Department (ITD) will fully expand the pilot initiative of 'e-Sahyog' with a view to reduce compliance cost, especially for small taxpayers. The objective of the 'e-Sahyog' pilot project is to provide online mechanism to resolve mismatches in Income-tax returns without requiring taxpayers to attend the Income-tax office.

I propose that in matters pertaining to Income-tax Act, Government will pay interest at the rate of 9% p.a against normal rate of 6% p.a in case there is delay in giving effect to Appellate order beyond ninety days. The officers who delay it, will be accountable for this loss to Government.

I also propose to change the procedure to provide for a shift from physical control to record based control for customs bonded warehouses, supported by sophisticated IT systems.

Madam Speaker, my direct tax proposals would result in revenue loss of Rs.1,060 crore and my indirect tax proposals are expected to yield Rs.20,670 crores. Thus the net impact of all tax proposals would be revenue gain of Rs.19,610 crores.

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## CONCLUSION

Madam Speaker, This Budget is being presented amidst global and domestic headwinds. There are several challenges. We see them as opportunities. I have outlined the agenda of our Government to 'Transform India' for the benefit of the farmers, the poor and the vulnerable.

Madam Speaker, it is said that "Champions are made from something they have deep inside of them - a desire, a dream, a vision". We have a desire to provide socio-economic security to every Indian, especially the farmers, the poor and the vulnerable; we have a dream to see a more prosperous India; and a vision to 'Transform India'.

With these words, Madam Speaker, I commend the Budget to the House for acceptance.

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**12.40 hours****STATEMENT RE : MACRO-ECONOMY FRAMEWORK, MEDIUM-TERM FISCAL POLICY AND FISCAL POLICY STRATEGY\***

THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY):  
Madam Speaker, I beg to lay on the Table the following Statements under section 3(1) of the Fiscal Responsibility and Budget Management Act, 2003:-

- (i) Macro-Economic Framework Statement;
  - (ii) Medium-Term Fiscal Policy Statement; and
  - (iii) Fiscal Policy Strategy Statement.
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\* Laid on the Table and also placed in Library, See No. LT 4107/16/16.

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**12.41 hours**

**FINANCE BILL, 2016\***

THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY): Madam Speaker, I beg to move for leave to introduce a Bill to give effect to the financial proposals of the Central Government for the financial year 2016-17.

HON. SPEAKER: The question is: “That leave be granted to introduce a Bill to give effect to the financial proposals of the Central Government for the financial year 2016-17.”

*The motion was adopted.*

SHRI ARUN JAITLEY: Madam, I introduce\*\* the Finance Bill, 2016

HON. SPEAKER: The Finance Bill, 2016 has been introduced.

The House stands adjourned to meet again on 1st March, 2016 at 11 a.m.

**12.42 hours**

*The Lok Sabha then adjourned till Eleven of the Clock  
on March 1, 2016/Phalguna 11, 1937 (Saka)*

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\* Published in the Gazette of India, Extraordinary, Part-II, Section-2, dated 29.02.2016.

\*\* Introduced with the recommendation of the President.