

1. Taking The Economy Forward

- The Union Budget 2018-19 comes at a time when the economy is witnessing the positive effects of two major structural reforms carried out by the Government in the last two years – demonetization and implementation of GST.
- This budget is different from other budgets in several respects. The main focus of the budget is on spending more money on agriculture and rural economy so that apart from helping the farmers in increasing their income, it result into creation of demand for goods and services which will promote private investment. In the budget, maximum money is going to be spent on creation of rural infrastructure and rural employment. There is an increase in the budget allocation for rural livelihood programmes.
- The allocation for food processing industry as well as animal husbandry sector has also been increased substantially. This will help in creation of allied activities in the farm sector and will also result in value addition in the primary agricultural products.
- In order to take care of unevenness in the prices of three major vegetable crops of *tomato, onion, potato (TOP)*, a new scheme called 'Operation Greens' has been announced.
- Under the scheme, the production and consumption centers will be linked properly and necessary logistics support will be created for movement of these products. Also wherever required, new warehousing and processing capacities for these crops will be created with the help of a network of Farmers Producer Organizations (FPO).
- It is also announced that such farmer producer companies with a turnover up to Rs. 100 crores will get income tax exemption. This announcement will encourage professionalism in the farm processing sector. The Governments' budgetary proposals for rural economy will crease 321 crore person days of employment.
- The second most important part of Union Budget 2018-19 is the emphasis given on health, education and other social protection schemes. The focus of education will be on improvement of quality of education and quality of teachers apart from use of digital technology for supplementary learning. In higher education, there is an ambitious plan of creating premier educational institutions including All India Institute of Medical Science (AIIMS) by spending capital expenditure of one lakh crore in the next four years.
- In the health sector, the ambitious scheme of '*Arogya Bharat*' will cover the wellness center scheme for the primary health care and the health care and the health protection scheme by coverage of Rs. 5 lakh for every single BPL family for secondary and tertiary sector illnesses.
- This ambitious programme will cover 10 crore families who would be given the benefit of having their operations and surgeries done up to expenditure of Rs. 5 lakh per annum in any of empanelled public or private hospitals without payment of a single paisa. This programme will assure all the poor people about the Government taking care of their health care needs when some major illness such as cancer, heart ailment of Kidney failure is detected in their family.
- The Government has announced that in case of newly created jobs, the employer's contribution of 12 per cent of wages will be given by the Government, in addition to 30 per cent cost of wages of new employment being allowed as deduction under Income Tax Law.

- On the infrastructure development, the Government has announced an ambitious plan to fund the existing and new road, rail and urban infrastructure projects by supplementing the same with extra budgetary resources and borrowings.
- The fiscal deficit for the year 2017-18 is revised from 3.2 per cent of GDP to 3.5 per cent of GDP and for the next year it is set at 3.3 per cent of GDP. In the subsequent two years, (if possible, in one year only) the plan is to reach a level of 3 per cent.
- On the whole, this is a Budget for growth. This is a Budget for rejuvenating rural economy and this is a Budget for creation of new employment.

2. Rejuvenating the Economy

- The economy is faced with certain challenges like low growth rate of agriculture in 2017-18 at 2.1 per cent despite respectable food grain production of 275.7 million tons and 300 million tons of fruits and vegetables during 2016-17, Meeting the Prime minister's concern for improving the incomes of agriculturists, raising farm productivity, strengthening agriculture resilience, expansion of education and health facilities, generating employment and giving boost to investment and export and women empowerment by extending facilities of electricity and drinking water in the rural areas.
- Another challenge is gigantic amount of NPAs and problems of capitalization requiring infusing capital in the state-run-banks.
- The present budget has emerged in the back drop of the structural reforms and achievements in the last four years and keeping in view the challenges before the economy.

Fiscal Consolidation

- This year's budget shows India to be a 2.5 trillion economy with a target of 8 per cent growth. India is poised to continue to be one of the fastest growing economies in 2018-19.
- The Government has been very concerned about containing fiscal deficit to 3.2% of GDP.
- A consistent approach to contain fiscal deficit has resulted in improvement of sovereign rating of India last year.
- An impressive allocation of Rs. 14.34 lakh crores for creation of livelihoods in rural areas and social welfare schemes is highly progressive, forward looking and a step in the right direction to achieve the mission of "Garibi Hatao".

Agriculture and Rural Economy

- To increase farmer's income, the budget has proposed a Minimum Selling Price (MSP) for Kharif crops to be set up at 1.5 times the produce cost on all the 23 produce. It has allocated an amount of Rs. 2000 crores for agricultural market and infra fund in addition to allocation of Rs. 500 crores for Operation Green.
- Increasing the target of agriculture credit from 8.5 lakh crores to 11 lakh crores would greatly facilitate farmers particularly small and marginalized farmers.

- In addition to the above proposals, the budget has extended Kisan credit facilities to allied areas such as fisheries and animal husbandry. It is thoughtful to allocate adequate funds for Fisheries and Aquaculture Development Fund as well as Animal Husbandry Fund.
- Budget's announcement to develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs) to take care of the interest of more than 86 percent small and marginal farmers and setting up 42 mega food parks with an investment of Rs. 1290 crores will greatly help in increasing the productivity of agriculture. Post harvest tax incentive and 100 per cent rebate for farming producing companies will also help increase production for agriculture produce.
- The Budget provision for facilitating farmers for installing solar water pumps to irrigate their fields is appreciable.

Rural Economy

- The Budget has taken care of the welfare of poor and lower middle class families by providing for 8 crores free LPG connections under Ujjwala Scheme to poor women and 4 crore poor households are being provided with free electricity connection under Saubhagya Yojana allocating Rs. 16000 crores under this scheme.
- To fulfill the target of Housing for All by 2022, more than one crore houses will be built by 2019 in rural areas, besides constructing about 2 crore toilets in addition to already 6 crore toilets under Swachh Bharat Mission are also welcome steps. Similarly, allocation of Rs. 5750 crores to national livelihood and Rs. 9975 crores for social security schemes for 2018-19 are laudable.

Education, Health and Social Security

- Allocation to health as percent of GDP, as compared to other BRIC countries is low. For instance China spends about 3.2 per cent of GDP as compared to 1.4 per cent of GDP in case of India.
- Provision for one lakh crore for infrastructure system in education, setting up 2 new schools for planning and architecture, announcement of setting up one medical college for every three parliamentary constituencies with 24 new medical colleges, and upgrading hospitals to medical colleges will help in making the medical education and medical facilities available in the neighborhood of people around the country.
- Similarly, providing scholarship to 50 lakh youth by year 2020 is laudable to help meritorious youth from middle and lower middle class families.
- The budget provision of setting up 1.5 lakh centres to provide health facilities closer to home with an allocation of Rs. 1200 crores under Aayushman Bharat programme is remarkable. Similarly, large amount of allocations made for TB nutritional support is also one of the welcome features in the budget.
- The announcement for the world's largest government funded health care programme titled National Health Protection Scheme is a laudable step. This will also help promote business of insurance and generate employment in the country.
- The provision for including all 16 crore accounts under PM Jan Dhan Yojana under micro insurance and pension schemes is very well thought out.

- Under social inclusion schemes the provision for Rs. 52719 crore for SC welfare and Rs. 39139 crore for ST welfare will help the people belonging to schedule caste and schedule tribes. Every block with more than 50 per cent ST population will have Ekalvyas schools at par with Navodaya Vidyalayas.

Infrastructure and Industry

- There has been increase in budgetary allocation to infrastructure for 2018-19 to connect the nation with a network of roads, airports, railways, ports and inland waterways. To further boost tourism, the Budget proposal to develop ten prominent tourist sites into Iconic Tourism destinations by following a holistic approach involving infrastructure and skill development, development of technology, attracting private investment, branding and marketing are welcome announcements.
- Railway has been funded to eliminate unmanned railway crossing, to build escalators, to provide WiFi and CCTV camera, to eliminate unmanned rail crossings.
- To further increase Broadband access in villages, the government proposal to set up five lakh Wi-Fi hotspots to provide net connectivity to five crore rural citizens and allocations for creation and augmentation of Telecom infrastructure would help in Digital India programme of the government.
- The government has provided MSME Rs. 3794 crores for giving credit support, capital and interest subsidy and for innovations.
- MSME change in basis of classifying from investment in plant and machinery/equipments to annual turnover from Rs. 50 crore to turnover 250 crore and reducing the tax rate to 25 per cent will encourage ease of doing business, growth oriented and align them to new tax regime revolving around GST.

Employment

- This year's budget has rightly focused on generating employment by making a provision of 70 lakhs for formal jobs through an investment in infrastructure, road, railways, airports and helipads, rural infrastructure, interconnecting rural with urban areas with a view to boost employment and quality of life of people.
- Government may consider setting up of National Labour Exchange to deal with the problems of unemployment in the country.
- It is appreciable that despite large allocations to social welfare schemes and a moderate target of disinvestment of Rs. 80,000 crore, the Government has been able to keep the fiscal deficit at 3.3 per cent and targeting a growth rate of 7.2 to 7.4 per cent of GDP without an additional tax burden.

Tax Proposals

- Tax rates, both personal and corporate, remains unchanged. To give relief to salaried people, a standard deduction of Rs. 40,000 withdrawing travelling allowance has been introduced.
- Government has introduced Long Term Capital Gains (LTCG) tax at a moderate rate of 10 per cent, on the basis of equity.
- Government has proposed 1 per cent education cess for revenue considerations to run massive social security schemes.

- In order to facilitate growth and employment Government has reduced the corporate tax rates to 25 per cent for MSMEs with turnover up to Rs. 250 crores.
- To promote “Make in India” and for revenue considerations, It has been proposed to raise cutworms duty from 2.5 per cent to 10 per cent on various items.

Allocation for Socailly Weaker Sections

There is an increase of 12.10 per cent in the budget allocation for Ministry of Social justice and Empowerment in the Union Budget 2018-19 over 2017-18.

A New scheme Venture Capital Fund for OBCs on similar lines as Venture Capital Fund for SCs to be launched with an initial corpus of Rs. 200 crores.

The Skill Development Training has been given to 13,587 manual scavengers and their dependents.

For the Pre-Matric Scholarship for OBC, the income eligibility has been increased from Rs. 44,500/- per annum to Rs. 2.5 lakh per annum. For Pre-Matric Scholarship for SC, the income eligibility has been raised from Rs. 2.00 lakhs to Rs. 2.5 lakhs.

3. Promoting Value Added Products

- Based on the budget and its further development, few areas which need additional attention both financially and scientifically are discussed below:

Price Volatility

- Our farmers suffer from a high degree of price volatility leading to income instability.
- A feasible solution is the promotion of peri-urban horticulture. Considerable areas of land are available both within cities and nearby areas and they can be used to promote a peri-urban horticulture movement involving the cultivation on rooftops and vacant land with crops like tomato, onion, chilli and other essential food plants. This will confer a double advantage- price stability on the one hand and sustainable nutrition security on the other.

Seawater Farming

- There is great opportunity for seawater farming as is done in the Kuttanad region of Kerala. Both crops and fisheries can be included in the seawater agroforestry system.
- The technologies for seawater farming and below sea level farming are available with M S Swaminathan Research Foundation which will undertake the task of training and capacity building in this area.

National Year of the Millet

- The Government of India has declared 2018 as the National Year of the Millet. Tamil Nadu is the leader in cultivation of millet crops.
- It will be useful to organize a Millet Biovalley for the conservation of Millets. Such a programme should be accompanied by the variety of small food industries based on the production of a wide variety of processed millets like breakfast cereals.

Animals Husbandry and Fisheries

- Kisan credit cards should be given to not only those cultivating crops but also promoting the cultivation of poultry and marine and inland fisheries.

Rice Bio Park

- A Rice Bio Park should be organised which will show to farmers how to increase their income through biomass utilization. Thus, value added products will be prepared from rice straw, husk, brawn and grain. Similar bioparks can be organized in the case of pulses.

Adaptation to Climate

- It is important to set up climate risk management R & D centres at least one at every block level.

Establishment of Farm Schools

- Farmer to farmer learning through Farm Schools established in outstanding farmers fields should be initiated. Such a land-to-land programme can hasten the spread of skilled work in farming.

Peri-urban Horticulture Revolution

- One way of stabilizing the prices of vegetables and fruits in urban areas is to promote peri-urban horticulture by providing the necessary technical and marketing support. Decentralised production, as for example in Israel, could be supported by cooperative marketing.
- National Food Security Act 2013 provides for inclusion for millets and other grains in the Public Distribution System.
- It is now known that such millets are not only nutritious but are also climate smart in the sense that they are more resilient to rainfall distribution. In order to ensure that these nutritious and climate resilient crops are again cultivated on a large scale in dry farming areas we should ensure that they have a market.
- We need to ensure that both under the Food Security Act and school meal programme, there is sufficient off take of nutritious millets.
- Also, government should change the practice of referring to such crops as “coarse grains”. They should be referred to as “climate smart nutria-millets”.
- We should propose to the United Nations to declare one year of this decade as International Year of Underutilised and Biofortified Crops. Next year is the International Year of Pulses, and pulses are also climate smart protein rich.
- Another urgent requirement is greater investment in research on these “orphan crops”, so that the yield potential is substantially enhanced.

- An area of concern is post-harvest management of the harvested crops. Fortunately, the 2018-19 budget provides substantial support to food safety and food processing.
- Cold storages and cold chains are needed. The recent potato crisis in West Bengal, Uttar Pradesh and Bihar could have been avoided had there been cold storage available in Punjab, Haryana region.

Conclusion:

- A recent issue of National Geographic Magazine (Feb 2018) rised a question “Who will Feed China”. We also have to ask a question “ Who will feed India” since we have to feed more and more from less and less land. The present budget has started the process of ending the mismatch.

Allocation for Food Processing Sector

- In the Budget 2018-19, the Government has moved forward towards achieving the goal of doubling the income of farmers by 2022 and has charted a road map for arresting price volatility of TOP (Tomato, Onion and Potato) in the country. Allocation for the Ministry of Food Processing has been doubled in the current budget 2018-19.
- The government is looking at compressing the supply chains and creating appropriate climate infrastructure for natural preservation of Tomato, Onion Potato (TOP) and promoting Farmers Producers Organizations, Agri Logistics Processing facilities, and professional management.
- One of the most revolutionary initiatives announced in Budget 2018-19 to give impetus to the food processing sector is establishing **Specialized Agro Processing Financial Institutions** to unlike finance for establishing food processing industries.
- Thrust provided for promoting agri-clusters and Mega Food Parks in the Budget to strengthen farmers. The initiatives taken by the Government are:
- Promotion of **cluster based development of agri commodities** and regions in partnership with Ministry of Agriculture, Commerce and allied ministries.
- **100 per cent income tax deduction from profit** derived from activities such as post-harvest value addition to agriculture to FPOs having annual turnover of Rs. 100 crore.
- Setting up of **state of art testing facilities in all the 42 Mega Food Parks** to encourage export of agri-commodities realizing their full potential.
- Food processing sector constitutes around 18 per cent and 10 per cent of Gross Value Added (GVA) in manufacturing and agriculture sector in 2015-16. Value of processed food export has increased to USD 13.9 billion on 2016-17 which constitutes 11.2 per cent of India’s total export.

4. Transforming India's Aspirational Districts- A Development Journey

- While the economic growth prospects are on a positive note, our social sector faces severe development challenges. India stands at 131 of 188 nations on the Human Development Index, 2016 of UNDP and ranked 100 out of 119 countries on the Global Hunger Index.

- The latest National Family Health Survey (NFHS) reveals that one in every two women is anemic; one in every three children is stunted; one in every four children is malnourished and one in every five children is wasted.
- When one drives deep into data, the picture seems to be different and the position in respect of these indicators is not as frightening as it appears to be at the national level. On the whole, around 200 districts across India distort the national averages.
- A focused scheme through convergence on mission mode with real-time monitoring mechanism at district level is expected to transform these aspirational districts and attain nation's best figures in next 3-5 years' timeline.
- The identified backward districts in the past are largely represented by few states such as undivided Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan.
- There was lack of convergence and absence of centralised monitoring mechanism. Reports suggest that out of the allocations made; only a fraction of amounts reached these districts, Reliable and real-time data was also a big challenge. Another issue with policy formulation was 'one size fits all' approach.
- Hence, the solution lies in customization on case-to-case basis within the overall whelm of policy prescription. Lastly, taking a cue from the successful programmes such as eradication of polio, transformation in these backwards districts would not be possible without the involvement of people's participation.
- Gol has recently launched the 'Transformation of Aspirational Districts' programme.
- The broad contours of the programme are Convergence of Central and State Schemes, Collaboration- of Central, State level 'Prabhari' Officers and District Collectors, States – as Drivers, Adjustments – of Schemes, Real-time Data, Competition – among districts and driven by – Mass Movement.
- A total of 115 districts, with atleast one district from 28 states, have been identified, out of which 30 were selected by NITI Aayog and another 50 districts by Central Ministries using a composite index of parameters taken from available published government data and vetted by the States. Remaining 35 districts were identified by the Ministry of Home Affairs as Left Wing Extremist districts. NITI Aayog will anchor the programme.
- The States would be supported by Government of India in making concerted efforts to improve performance of key parameters in these districts by 2022.
- The primary objective of the programme is to improve the quality of life by improving the social indicators and basic infrastructure in the identified districts and also raise the income standard of its citizens.
- Accordingly, **five sectors** have been identified – Health and Nutrition, Education, Agriculture and Water Resources, Basic Infrastructure and Financial Inclusion and Skill Formation.
- Key Performance Indicators (KPIs) in health and Nutrition include Maternal and Child Health; Infant Nutrition; Antenatal Care and Nutrition; Immunization; Physical Infrastructure and Human Resources for Health. Education KPIs consists of Net Enrolment Ratio; Physical Infrastructure;

Learning Outcomes; Literacy rate and compliance with Right to Education (RTE). Agriculture KPIs include water positive investments and employment; Crop Insurance under Pradhan Mantri Fasal Bima Yojana (PMFBY); Critical Inputs on usage and supply. Basic Infrastructure covers Roads, Water, Toilets, Housing, Electricity and Internet Connectivity.

- One of the noteworthy innovations of the programme includes appointment of Central and State Government Officers at the level of Additional/Joint Secretary as the “Prabhari” and Nodal Officers.
- An Empowered Committee of Secretaries (ESC) will supervise the Implementation of the programme and make necessary policy adjustments on the basis of experience gained in these districts by the district level team.
- The district level teams would prepare a base line report of the current status of different indicators and based on the resources available, would also prepare year wise targets so that by 2022, the district attains the desired level in each of the indicators. The central representative, would be visiting the district at least once in two months and also prepare a report for NITI Aayog.
- The baseline data and the real-time monitoring is expected to begin from April 1, 2018 as also the competition among the states for improving well-being of people of these aspirational districts. While transforming backward districts is not a different idea, however, the government is implementing it differently.

5. Farm Productivity to Income Inclusiveness

- The declining size of farms, depleting resources and escalating costs of applied inputs and farm labourers has reduced the net return from farming.
- The proposed financial statement presented on 1st February, 2018 is a bold outline for a multi-dimensional attack on farmer distress.
- On a budgetary note, the increase in allocations to agriculture and allied sector for the financial year 2018-19 at about 15 percent looks slightly lower, but the inter se priorities has set the tone and the tenor in which the Government wants to deal with farmers’ risks with 22 percent higher allocation to crop insurance under PM Fasal Bima Yojana than previous year.
- The higher allocation for organic farming value chain, high value commodities, critical inputs and services, and farm credit is the evidence that farmers and farming are the corner stone for the Government.

A Paradigm Shift: Broadened Scope & Operation.

- Vast disparities within the sector do exist. The Census 2011 data revealed that nearly 55 percent agriculturalists are agricultural labour. The SECC 2011 data estimates 56.4 percent of rural households to be landless. A minimum of 16.44 million workers depend on livestock rearing and fisheries for livelihood.
- The Budget explicitly recognizes agriculture as an enterprise. The approach is empowering to the farmers given the historical treatment of farmers as passive recipients of benefits of the Government’s schemes.

Inclusiveness: Focusing The Unfocused

- The target of Rs. 11 lakh crore agricultural credit for the year 2018-19 will help give the much needed push for private investment in agriculture along with raising farm level productivity.
- The various NSSO surveys have indicated a significant increase in lessee cultivators over years. They cultivate over 25 per cent of total operational holdings in some States.
- There is significant increase in pure tenants which signifies the role of landless households' contribution in achieving food security but without any incentives for credit, relief and government programmes.
- The Union Budget 2018-19 made a focused announcement to make access to credit inclusive. NITI Aayog is mandated to find novel approaches to mainstream these tenant farmers by strengthening their access to crop loans for augmenting their economic viability and social status; including improving their access to other farm, off-farm and non-farm employment opportunities along with farming on lease.
- Another landmark initiative in the Budget 2018-19 is towards viewing agriculture in its entirety by extending credit facilities to farmers engaged in fishery and animal husbandry on the same pattern as crop loans under Kisan Credit Card Scheme.

Market and remunerative Price to All

Inclusive MSP

- The Government has directed NITI Aayog to suggest alternate mechanisms for ensuring receipt of MSP equivalent returns to the farmer.
- The Government has stepped forward to formulate initiatives to purchase produce at MSP or through some other mechanism to ensure that at least the amount declared as MSP reaches the farmer.
- The announcement is a welcome move given the think tank's recent appraisal of MP's *Bhaavantar Yojana* (Price Deficiency Payments) as one such alternate mechanism.
- That the MSP itself is now mandated to be pegged 'in-principle' at 50 percent higher than the production cost of the farmers is another step towards ensuring income inclusiveness.
- The NITI Aayog has been mandated to work on Artificial Intelligence in different sectors including agriculture. This will help in optimization of resources for better planning and guiding the farmers to produce based on the future demands.

Market near the Farm Gate

- One of the reasons for the vast gap between farm harvest price and MSP is limitations to market access.
- The absence of linkage between the farmer and the wholesale markets has been long impeding the formation of an accessible, decentralized market structure. The Government has set aside Rs. 2000 crores for upgrading 22000 rural periodic markets into Grameen Agricultural Markets (GrAMS) to serve as multipurpose platforms for assembly, aggregation and local retail.

- GrAMs will provide systemic linkage access points to realise the vision of a unified national market by bringing primary post production activities to farmers at village level.

Valuing the Value Chain System

- An explicit focus on cluster based approach to developing agriculture in a dispersed manner can potentially form the basis of future public and private agribusiness initiatives.

High Value Commodities

- High value of commodities such as horticulture and Medicinal & Aromatic Plants (MAPs) have received special attention in a budget to augment the farm income.
- While Operation Greens will help provide a push to perishable horticulture produce, a sum of Rs. 200 crore has been set aside for supporting organized cultivation of MAPs for the benefit to MSMEs in the associated industry.

Natural Resources and Sustainability

- The price and productivity incentivization in Union Budget 2018-19 has been carefully intertwined with an equal focus on modern day sustainability factors. Farmer Producer Organisations are recognized as potent vehicles to usher in initiatives to promote organic farming with a proposed scale of 1000 ha each.
- The allocation to Organic Value Chain Development for North East Region has been increased by 60 per cent. The North Eastern Region is largely organic by default and offers unique scope for exporting organic produce under ASEAN and Act East policy of the Government.
- A special scheme with state level inter-governmental cooperation to subsidise machinery for in-situ management of crop residue has also been declared in response to the deteriorating air quality in Delhi during winters.
- Mechanisms to sell surplus solar power by farmers to electricity grids and distribution companies instinctively combine income generation and sustainability targets. Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN) Scheme has been announced for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG.

Conclusion

- The union Budget has firmly recognized the belief that developing a favourable rural ecosystem is the imperative for agriculture to sustain as an industry. Sufficient continuity can be seen through inclusion of command area development projects under the previously announced Long term Irrigation Fund.
- The increase in allocation to National Rural Livelihood Mission by 28 percent compared to the previous year and launched of revamped National Bamboo Mission with an outlay of Rs. 1290 crore would play a critical role in augmenting the farm and non-farm income and employment in rural India.
- The previous year's budget cuts for research and development in crop sciences and animal sciences has been a welcome reversal with these sub-heads witnessing 78 percent and 47 percent increase respectively for the year 2018-19.



VAJIRAM & RAVI

6. MSMEs: Engines of Consolidation

- The Union Budget for 2018-19 aims to give thrust in four areas: Agriculture and Rural sector, Infrastructure, Healthcare and Job creation through MSMEs.
- The Union Budget 2018-19 seems to have signaled a change in the status quo with respect to MSME sector.
- Firstly, the announcement for allowing fixed term employment to all sectors- which was hitherto limited to textiles, to all sectors, can be a major game changing labour reform. There are many sectors where trade is seasonal and cyclical. Employees would not either hire people or not report hiring because it was illegal to hire for short term.
- To further encourage businesses to hire, the Budget proposes to allow weighted deduction of 130 per cent of expenses on additional workforce. It also provides for bearing the cost of provident fund for new employees for three years.
- Another strong signal that the Budget gives for support of manufacturing is of leveraging Customs duties by effecting increase (5 to 15 per cent) to encourage domestic value addition in over 40 labour intensive products.
- What is important is the realization that the secular downward trend in Custom duties being followed since 1991, might need recalibration to encourage domestic manufacturing.
- The move has also attracted criticism as a few experts have dubbed it as regressive. Will it signal Indian industry to look for protection instead of becoming globally competitive? Moreover, rise in tariffs has often been lobby driven- e.g. on steel, aluminum etc which are basic materials.
- Further, the lever of according enhanced protection to domestic industry may not be available for long. India is already negotiating Regional Comprehensive Economic Partnership (RCEP)- a free trade agreement between the ten member ASEAN countries and the six countries. This will eventually bring down Customs duties to zero at some point of time in future.
- Thirdly, the announcement that public sector banks and corporate have come on board the Trade Electronic Receivable Discounting System (TReDS)- an online bill discounting platform and that it will be linked to GSTN network so that transactions between the large buyers and MSME sellers become automatically verified easing working capital woes of MSMEs. More legislative measures, may however, be required to bring in the concept of deemed acceptance.
- The announcement of expanding the coverage of reduced Corporate Tax of 25 per cent to companies having turnover upto Rs. 250 crore- which was earlier limited to companies having turnover upto Rs. 50 crore, will benefit but a small MSME segment. The relief is restricted to 'companies' whereas over 93 per cent of MSMEs are not companies but partnership and proprietorship 'firms'.
- Another good measure proposed in the Budget is that companies with somewhat lower ratings may also be eligible for accessing the Bond market. If only large corporates are able to access the bond market, more bank funds will be available for MSMEs.

7. Creation of Livelihoods: Core of Policy Making

- In the backdrop of various reforms and progress, the international credit rating giant Moody's upgraded India's credit ratings to BAA2 from BAA3 after a gap of around 13 years.
- The government is expecting economic growth to surge above 8 percent as it announced a 2018-19 budget that aimed at boosting rural infrastructure and doubling farmer's income by 2022.
- Big push to infrastructure, beginning of universal healthcare AYUSHMAN, housing for all, revolutionising education and support for ancillary sectors such as fisheries, food processing and textiles augers well for the economy.
- Expenditure of Rs. 14.24 lakh crore on livelihood and infrastructure in rural areas, considering the agrarian distress in the country is a significant move towards this directions.
- The government is now considering mandating large corporate, to meet about 25 percent of their financing needs from the bond market. This measure from issuance perspective would generate greater supply of bonds in the market. A greater demand stimulus is provided for by permitting trade in lower rating bonds allowing investors better choice of debt paper and improving liquidity in the Indian Corporate Debt Market.
- There are provisions to develop the IFSC at Gift City, where tax exemptions have been provided for transfer of derivatives and certain securities by non-residents from capital gains tax. This is a welcome step towards the hope to have overseas trading activity and price discovery move back to India and make it competitive against Singapore, Hong Kong, Dubai etc.
- The creation of infrastructure investment trusts for monetization of state enterprises is a positive development. The government has approved listing of 14 Central Public Sector Enterprises, including two insurance companies, on the stock exchanges. Initiating the process of strategic disinvestment in 24 CPSEs including the much delayed strategic privatization of Air India would scale their governance.
- A recent World Bank report further claimed 30 per cent of India's population aged between 15 and 29 year are not in education, employment or training (NEETs). All this makes jobs a major issue for the country's development.
- Budget 2018-19, for infrastructure, recognizes the agrarian distress and need for job creation. It seeks to address both these realities. On agrarian distress, it proposes a slew of rural projects encompassing link roads, grameen markets, agro-processing centres, food parks, micro irrigation. Wi-Fi hotspots, toilets, affordable housing, health and wellness centres, upgrading district hospitals, district-level skill centres, and fishing and animal husbandry infra funds. Clearly, no other Budget has done as deep a dive on identifying and providing for such a diversity of rural projects.
- Fixed-term contract hiring has been extended beyond apparels to all sectors to create quick jobs.
- There is boost to the infrastructure industry, which is a major job creator.
- The Finance Minister also announced that the government will set up skill centres in every district of the country under Pradhan Mantri Kaushal Kendra Programme.
- Clear direction is put forth for the agricultural sector in the Budget 2018-19. Agriculture needs to be treated holistically, as an enterprise and not merely in relation to cultivation alone.

- Minimum Support Price for kharif crops to be at 1.5 times the cost of production.
- Launch of a restructured Bamboo mission “Green-Gold” with Rs. 1290 crore to promote the sector holistically.

8. GOLD MONETISATION SCHEME

- In the Union Budget 2018-19 It was said that the government would formulate a comprehensive Gold Policy to develop the precious metal as an asset class. Gold Monetisation Scheme would also be revamped to enable people to open a hassle-free Gold Deposit Account. The government will also establish a consumer friendly and trade efficient system of regulated gold exchanges in the country.
- After this, the sourcing of metal by a trader in rural India will be easy and viable. This rural sector covers over 65 per cent of the Indian gold consumption.
- The Gold Monetisation Scheme was introduced by the Central Government in the Union Budget 2015-16. The objective was to simultaneously safeguard the gold held in Indian households as well as put it to productive use. The larger objective was to cut down the country's gold imports by decreasing domestic demand. India, incidentally, is the second-largest consumer of gold after China.
- Following are the salient features of Gold Monetisation Scheme:

Easy storage of gold:

The Scheme offers security to gold by not only storing it but also returning it to the owner in the form of money or physical gold when the plan attains maturity.

Utility for Idle gold:

The Gold Monetisation Scheme will not only earn interest money, but also offers the option of encashing the gold at maturity which gives advantage of the appreciating value of gold.

Deposit Flexibility:

Gold in any form like ornaments, Jewellery, coins or gold bars can be deposited under the Gold Monetisation Scheme.

Flexibility in Quantity:

The Minimum deposit that can be made in a gold monetization scheme is 30 grams of any purity. There is no maximum limit.

Convenient tenures:

There are 3 term deposit plans available under the Gold Monetisation Scheme, which includes short term tenure of 1 to 3 years.

Attractive interest rates:

For a product that usually remains idle in homes and lockers, the precious metal will earn between 0.5 per cent to 2.5 per cent interest depending on the period of deposit. Short-term deposit rates

are decided by the banks concerned, while the medium and long-term deposit interest rates are decided by the Central Government.

Tax Benefits:

Capital gains tax on the profits made through the Gold Monetisation Scheme has been exempted. The capital gains are also exempt from wealth tax and income tax.

9. Placing Health Care at the Centre Stage

- The budget of 2018 proved to be different, as it created a flurry of excitement among health professionals, media and the public with a package of major initiatives.
- Two of these initiatives were packaged together under the evocative label of Ayushman Bharat programme A scheme to promote Comprehensive Primary Health Care (CPHC) was heralded by the proposal to transform 1,50,000 health sub-centres into Health and Wellness Centres (HWCs).
- The other twin in the programme is the National Health Protection Scheme (NHPS) which assures 10 crore poor and vulnerable families of financial coverage, up to Rs. 5,00,000 per annum, for hospitalisation costs of secondary or tertiary care.
- While NRHM was focused on maternal and child health services, the National Health Policy (NHP) of 2017 calls for the National Health Mission (NHM) to become the vehicle for comprehensive, continuous primary care.
- Health promotion, through community level health education as well as individual counseling at the healthcare facility level, is an important activity that has been largely neglected in primary care so far.
- The proposal to transform sub-centres into HWCs gives shape to comprehensive primary care and enables continuity. It also brings basic health services closer to the homes of people in rural areas.
- Augmented by induction of non-physician healthcare providers such as nurse practitioners, in addition to the existing staff, the HWC will provide essential drugs and basic diagnostics free of cost.
- With appropriate use of information technology, HWCs can generate real time data for disaggregated estimates and monitoring of various health indicators. Judicious use of telemedicine and mobile phone technologies can help improve the delivery of healthcare at HWC, through engagement of distant doctors.
- While the activation of HWCs is welcome, efforts to strengthen primary health services must extend also to primary and community health centres. The budgetary allocation to the National Health Mission does not reflect that commitment. It has come down by 2.1 per cent from the revised estimate of the preceding year.
- The major challenge for developing fully functional HWCs is the shortage of human resources.
- The proposal to deploy AYUSH graduates, with bridge course orientation to allopathic medicine, is controversial. Ideally, AYUSH practitioners should be placed in HWCs to provide expertise in the traditional systems of healing and health promotion where in they have been trained.

- NHPS builds on the experience and lessons of RSBY. While the poor gained increased access to secondary health care through RSBY, the coverage was limited to Rs. 30,000 annually per family.
- More importantly, it failed to provide financial protection against out of pocket health expenditure, catastrophic expenditure or healthcare induced impoverishment.
- NHPS offers Rs. 5,00,000 cover per annum for 10 crore poor and vulnerable families, to support hospitalized care. This substantial raise from RSBY will probably reduce the levels of catastrophic health expenditure but will not impact out of pocket expenditure, since outpatient care is not covered. HWCs and other primary care strengthening efforts should provide relief in that area.
- Strategic purchasing is the process by which NHPS proposes to judiciously purchase services from empanelled public and private hospitals.
- The need for producing more basic doctors and specialists has been recognised, as is the necessity of strengthening district hospitals. The budget proposes to start 24 new medical colleges, attached to upgraded district hospitals. A medical college for every three parliamentary constituencies has been envisaged.
- The overall increase in the health budget, however, is only 2.8 per cent over the revised estimates for the previous year's allocation.
- Unless the budget from now on show a substantial year on year increase, the NHP target for public financing, of 2.5 per cent of GDP by 2025, is unlikely to be attained.
- The budget addresses some of the social and environmental determinants of health. Rs. 600 crores has been allocated to provide financial support to patients of tuberculosis to improve their nutrition, through a monthly stipend of Rs. 500.
- Air pollution, the second most important cause of ill health in India according to a recent estimate, will be addressed through interventions aimed at both ambient and indoor air pollutions.
- The Ujjwala scheme will be expanded to provide cooking gas connections to more poor women, to help them and their young children escape the Kitchen's curse of air pollution from combustion of solid biomass fuels.
- The union budget of 2018 places health in the centre-stage of public discourse. However, the success of the ambitious initiatives that have been proposed depends on a sizeable and progressive increase in financial resources allocated to health in both central and state budgets from now on and a concerted effort to build wide-ranging capacity in the health system.

10. Infrastructure Creation: Integrating the Nation

- The 2018-19 Union Budget recognizes a total allocation of Rs. 5.97 trillion in infrastructure.
- The infrastructure allocations have not only been increasing in absolute terms, but also as a share of total budgetary allocation.
- The single largest entity spend is for the Indian Railways. The thrust in the current budget has been on capacity creation, including track doubling, third and fourth lines works; 5,000 km of gauge

conversion; redeveloping 600 railway stations; and introduction of modern train-sets. The proposed gauge conversion would make the country broad gauge based unigauge system.

- The Union Budget includes a total outlay of Rs. 1.21 trillion on road infrastructure.
- In the maritime sector, the focus is on spends as part of the Sagarmala Project. In aviation, the focus is on improving airport capacity, developing new airports and increasing connectivity to unserved airports and helipads.
- Other domains of infrastructure spend include the 99 smart cities and rural infrastructure through development of rural roads, houses, electricity, sanitation, irrigation and water supply.

Bandwidth for Spending

- One of the important challenges with the increased allocations is our ability to spend it effectively.
- The inability to spend is a function of insufficient government bandwidth is putting out well-written project documents and quick processing of permissions; lack of legal and judicial bandwidth; and the significant non-performing infrastructure assets that put limits on debt financing, stalled permissions and/or legal issues have held up many projects mid way.
- It is rather unfortunate that though the budget gets such heightened annual attention, there is no mechanism of reviewing the budgetary performance.
- While earlier budgets and schemes like Setu Baratam (to remove level crossings on National Highways) Special Unit for Transportation Research and Analysis (SUTRA) and Special Railway Establishment for Strategic Technology and Holistic Advancement (SRESHTA), it is difficult to find the state of progress of these activities vis-à-vis their original intent.
- On the credit side though, the allocations in different sectors over the past few years have tended to be guided by long-term multi-activity project conceptualization like the Pradhan Mantri Gram Sadak Yojana (MGSY), Sagarmala, High Speed Rail (HSR) and Bharatmala projects.
- In Spite of projectising, there are domains where we falter. For example, the BharatNet project (the earlier National Optical Fibre Network), which is to provide broadband connectivity to every Gram Panchayat, has had implementation issues, causing significant delays in timelines.
- In the context of rural infrastructure, the PMGSY has been one of the most successful infrastructure projects.
- In the context of rural electricity, the focus is shifting from village level connectivity to household-level connectivity.

Inter-sectoral Issues

- However, a related challenge is one of examining inter-sectoral implications. For example, it is not clear whether building and connecting more airports is the way to go, given the improving road connectivity.
- Hubballi and Belagavi are less than 100 kilometers apart with excellent road connectivity, but still wish to have modern airports with just a couple of lights a day each.

- An overall approach to air connectivity by integrating roads, and keeping a focus on access time rather than distance would be way to go. For example, in hilly areas, airports closer to one another may still be okay.
- Another inter-sectoral domain is that of intermodal connectivity between the metro and the railways.
- There are inter-sectoral issues between energy and transportation. Electric traction in railways is being promoted, with significant allocations. Similarly, the government has announced that the policy would be to convert all road vehicles to electric vehicles by 2030.

Budget 2018-19 Railways

- All time high allocation: Capex for 2018-19 pegged at Rs. 1,48,528 crore.
- 600 major railway stations to be redeveloped.
- All stations with more than 25,000 footfalls to have escalators.
- Wi-Fi and CCTVs to be provided progressively on all trains and stations.
- Modern train-sets with state-of-the-art amenities to be commissioned

Budget for Infrastructure Development

- The Government has enhanced allocation for the Infrastructure Sector in the Union Budget 2018-19, recognizing its role as the growth driver of the economy.
- In the Urban Infrastructure Sector, the Government proposes to develop ten prominent tourist sites as Iconic Tourism destinations through holistic infrastructure and skill development. In addition, tourist amenities will be upgraded at 100 Adarsh monuments of the Archaeological Survey of India (ASI).
- In the Civil Aviation Sector, the budget 2018-19 announced a new initiative NABH Nirman to expand airport capacity by more than five times to handle a billion trips in a year.
- Domestic air passenger traffic has grown at 18 per cent per annum and the regional connectivity scheme UDAN, will connect 56 unserved airports and 31 unserved helipads across the country.
- In the sector of Digital Infrastructure the General Budget 2018-19 announced a doubling of allocation on Digital India Programme. Department of Science and Technology will launch a Mission on Cyber Physical Systems to support establishment of centres of excellence for research in training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis and quantum communication.
- The Government proposes to set up 5 lakh wifi hot spots which will provide broadband access to 5 crore rural citizens.
- NITI Aayog will initiate a national programme to direct efforts in the area of artificial intelligence. To harness the benefit of emerging new technologies, the Department of

Telecom will support establishment of an indigenous 5G Test Bed at IIT, Chennai.

11. From Blackboard to Digital Board

- Education figured prominently in budget speech of 2018-19. In fact, it signaled more clearly than in previous years the direction that education policy is likely to take.
- The emphasis was on quality and the instruments that are being considered for the purpose. These came in the form of two main announcements; one that technology will be the driver of the efforts as symbolized in the move from blackboard to digital board; and two, that the government will take a holistic view of education seeing it as a continuum from primary to secondary.
- In the last CABE Committee meeting, Operation Digital Boards was announced, and a concept note has been floated regarding the merger of Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA).
- In addition the plan to develop a district-wise strategy for improving quality, based on the National Achievement Survey [NAV] results, and enhancing teacher education and training were cited as areas where improvement in quality was expected to come from.
- Other notable mentions were the setting up of residential schools in tribal areas on the lines of the Navodaya Vidyalayas and investing in innovation and research by taking the funding up to one lakh crore over the next four years.
- Unfortunately the rhetoric, and the good intentions behind these announcements, has not been matched with commensurate financial allocations. There was no indication even in the budget document of how these ideas will be financed.
- The total budget of the National Education Mission does not seem adequate for the ambitious plans declared in the budget speech. For instance, digitalizing education in the classroom through operation Digital Board would require a massive upgrade of basic infrastructure before it can be enabled, as currently only 62 per cent of all schools have an electricity connection, only 24 per cent have functional computers and only 9 per cent have an electricity connection and a functional computer (DISE, 2015-16).
- Similarly, while teacher training has been emphasized, the budget for the Madan Mohan Malviya National Mission for Teachers and Training has remained stagnant at 120 crores allocated last year. There is, however, an increase in budgetary support for strengthening teacher training institutes of Rs. 70 crores but that appears to have come at the cost of appointment of language teachers to the tune of 40 crores. This does not bode well for the huge shortage of teachers in general, but especially in tribal areas, where language teachers are particularly needed.

- The distribution of responsibility between MHRD or state education departments and the Ministries or Departments of Social Justice and Tribal Welfare has been criticized for adopting a dual system of administration. The Tribal Affairs Department not only lacks the expertise for education, it is the Education Department that is the sole authority for all education plans and administration.
- This dichotomy greatly impairs the Tribal Affairs Department from carrying forward the work of education. The notion of merging education schemes as suggested in the speech and the document circulated, must also extend to all schools, especially those run for vulnerable sections of the populations in order that they too reap the benefits of this approach. The pariah treatment that the Ashram school run by Tribal Affairs Departments have received must not continue or be extended to the Eklavya schools being envisaged now.
- Unfortunately, the holistic approach is not reflected in the budget document in any form. For instance, allocations of SSA and RMSA as well as teacher education continue to be separate.
- The announcement of an expenditure of Rs. one lakh crores over the next 4 years for research and innovation must be welcomed, even as it seems ambitious, especially as it is not yet reflected in the allocations made for this year.
- Other elements of quality referred to in the budget speech, such as the National Achievement Survey forming the basis for improving learning outcomes do not have obvious budgetary implications and thus, their absence in the financial statements need not raise eyebrows. However, adopting a district level strategy for improving learning levels will nevertheless, require investment in systems that can monitor and track learning in a comprehensive fashion including systems for responding appropriately where required.

12. Relief for the Elderly

- Competing claims of different sections of the population, political compulsions, resource constraints, effect of direct taxes on investment and fear of inflationary pressure resulting from overspending are some of the major challenging considerations during budgetary exercise.
- In any planning adequate provision has to be made for another sizable (about 9 per cent of population) and rapidly increasing vulnerable group i.e., India's elderly (60+). As compared to 70.6 million in 2001 and 104 million in 2011, they are expected to cross 173 million in 2026. A sizable percentage of the elderly in India belong to vulnerable class by different critical economic/social criteria.

Benefits for Taxpayer Senior Citizens

- In the present budget, the exemption limit for interest income is raised to Rs. 50,000/- from the existing limit of Rs. 10,000/- and the exemption is not only for the interest income from bank deposits in saving accounts and savings in Post Office Schemes but also for interest income from fixed deposits and recurring deposits in banks.

- Limit for the Deduction of Medical Insurance Premium is raised to Rs. 50,000/- from the existing Rs. 30,000/-
- The budget has re-introduced standard deduction of Rs. 40,000/- from the salaried income (in place of the present deduction of travel allowance and medical allowance for salaried people) Since in the income tax return, pension income falls in the category 'income from salaries', hopefully, the pensioner senior citizens are also expected to benefit by this provision.

Pradhan Mantri Vayavandana Yojana

- This scheme was started in May 2017 only for one year but in this budget it is extended upto may 2020. Besides, the Investment limit for this scheme is doubled from the existing 7.5 lakhs. Under this scheme, operated by LIC for persons above age 60, on survival of the Pensioner during the policy term of 10 years, pension in arrears shall be payable. On death of the Pensioner during the policy term of 10 years, the Purchase Price shall be refunded to the beneficiary.

Overall Impact – Limited

- Majority of rural elderly come from agricultural households and will not have benefits of income tax provisions.

Constraints and Limitations Regarding National Health Protection Scheme

- Inadequate Funding
- It is doubtful whether the States with their limited resources will be able to provide the expected 40 per cent share.
- There is not enough clarity regarding the implementation mechanism but it appears that states will be given an option to implement it through insurance agencies or by funding the autonomous bodies.
- The new scheme provides only hospitalisation expenses but more than two thirds of the treatment expenses incurred by families are other than hospital expenses.
- Often the elderly are hospitalised only at the last stage. The new scheme can act as incentive for timely hospitalisation of the elderly.
- Majority of the elderly suffer from age related diseases like Arthritis for which timely diagnosis, proper medication and frequent monitoring is required. Strengthening of the health infrastructure especially in remote areas is crucial in this respect.
- In spite of these constraints, the attempt made in this budget to bring social sectors, especially the health sector at the centre stage is unprecedented in independent India.

13. Women Empowerment and the Budget 2018-19

Budget 2018-19 has launched various schemes to empower Indian Women:

- The Prime Minister's Ujjwala Scheme will now be targeted at 80 million poor women.

- Announcement of a special mission to provide LPG connection in the name of women members of poor households.
- Under the PM's Saubhagya Yojana for providing electricity to all households, the government is spending 160 billion rupees.
- 19.75 crore rupees have been sanctioned for women safety e.g. for Nirbhaya Fund.
- Rs. 75,000 crore rupees will be provided as loans to Women Self Help Groups till March 2019.
- For organic farming, Women Self Help Groups will be given loan and encouragement for their ventures.
- A new Gold Policy is in the anvil whereby women can deposit their gold in the bank and earn interest in the range of 2.25 per cent to 2.5 per cent.
- For women employees their contribution to EFP has been cut from 12 per cent to 8 percent for first three years.
- Six months maternity leave with full salary will be given to women employees.
- 20 million new toilets will be constructed under the aegis of the Swachh Bharat Mission. This will have a positive impact on women's dignity, girl's education and overall health of the family.
- Beti Bachao Beti. Padhao is a collaborative initiative being run by Ministry of Women and Child Development, Ministry of Human Resources and Family Welfare and it covers all Indian States and Union Territories. This flagship scheme was launched in the year 2015. The scheme has three primary objectives.
 - Prevent female infanticide
 - Devise new schemes and work cohesively to ensure that every girl child is secured and protected
 - Ensure every child gets quality education
 - Sukanya Samridhi Yojana is a small deposit scheme for the girl child launched as part of the 'Beti Bacho, Bet Padhao' campaign by the Government of India. It is meant exclusively for a girl child. The scheme is meant to meet the education and marriage expenses of a girl child.

14. Deciphering the Ease of Doing Business Initiatives

- A critical area with high expectations from the Union Budget 2018-19 included the Ease of Doing Business (EoDB), which has received unprecedented importance from the central government in the last few years.
- Some positive developments on the EoDB front include company incorporation within a day, simplification of indirect compliances by introduction of GST and faster insolvency resolutions owing to the implementation of Insolvency and Bankruptcy Code (IBC).

- The Centre has also promoted a spirit of competitive federalism among the states by pushing the state governments to introduce business reforms rigorously in a range of areas such as labour, land, inspections and dispute resolutions, among others.
- In line with expectations, the Budget has announced a series of EoDB initiatives.

Key EoDB initiatives for Corporate sector

- *Larger financing for MSMEs:* to provide for credit support, capital and interest subsidy to address the problem of credit shortage faced by MSMEs.
- *Simplifying sanctioning of loans to MSMEs:* by revamping the Trade Receivable Discounting System (TReDS) of sanctioning loans to SMEs by linking it with the GST Network (GSTN).
- *Taxation relief:* Reduction in corporate tax to 25 per cent for companies with annual turnover up to Rs. 250 crores (earlier Rs. 50 crores) is a landmark initiative.
- *Relief in NPAs treatment of MSMEs:* RBI has issued a notification allowing MSMEs borrowers to delay their loan payments up to 180 days, which is twice the mandated period, without being categorized as NPA.
- *Unique ID:* The government has proposed a scheme for unique identification for enterprises in line with the Aadhar for citizens.
- *National Logistics Portal:* This will address the long pending issue of gaps among the stakeholders such as logistics service providers, buyers etc. It will bring the relevant stakeholders on a single online platform and could reduce the logistic costs up to around 10 per cent.
- *Fixed-term employment for all sectors*
- *Uniformity in Stamp Duty:* Currently, the Stamp Duty ranges from 4 percent to 7 percent across states. The uniformity in stamp rate at pan-India level would help in reducing distortion in land/property prices.
- *Technology-based governance:* To expedite the dispute resolution in the country, the government is aiming for universal computerization of all District and Sub-ordinate courts.
- *Electronic Toll Payment:*
- *Boost to defense Production:* With the introduction of private investment in defense production, the government is taking measures to develop two defense industrial production corridors in the country. This will help in import substitution of defense products on the one hand and employment generation on the other. The Defense Production Policy 2018 is also proposed to promote domestic production by public and private sectors, including MSMEs.
- *Industry feedback:* The government has introduced an exercise of incorporating industry feedback in evaluating rankings of states/UTs in implementation of reforms. Earlier, the assessment was based only on the feedback collected from the state governments and UTs, which could not capture the effectiveness of reforms at the ground level for the industry.
- In the agriculture sector, the government has announced several EoDB initiatives which includes upgradation of rural haats to Gramin Agricultural Markets (GrAMs) and its linking with

e-NAM to facilitate direct transactions between farmers and consumers/bulk purchasers, setting up Long Term Irrigation Fund (LTIF), introduction of Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandary Infrastructure Development Fund (AHIDF), among others.

15. Transparent Tax Administration

- The crusade against black money and corruption started with the setting-up of Special Investigation Team (SIT) on black money under the chairmanship of Justice MB Shah.
- The budget 2018 has taken forward the agenda of eradication of black economy and ushering in a transparent and accountable tax administration by another notch.
- In 'Ease of Doing Business' index published by the World Bank, India jumped 30 places to breach the top 100 league. While positive change has been recorded across all 10 sub-indices, it is important to note the maximum change achieved in 'Paying Taxes' category, where India jumped from 172 to 119.

Green Shoots:

- The Economic Survey 2017-18 notes that there has been a 50 percent increase in unique indirect taxpayers under the GST compared with the pre-GST system and on the direct tax front there has been an addition (over and above trend growth) of about 1.8 million in individual income tax filers since November 2016.
- Today, effective taxpayer base has increased to 8.27 crores. The actions undertaken by the ITD has led to impressive increase in the average tax buoyancy in personal income tax. The buoyancy in personal income tax for financial years 2016-17 and 2017-18 (RE) is 1.95 and 2.11 respectively.
- Under Operation Cleans Money (OCM), launched by the Central Board of Direct Taxes after demonetization, high-risk persons were identified using advanced data analytics, including integration of data sources, relationship clustering and fund tracking for detailed investigations.
- A Finance Minister Communique highlighted the quantum jump in enforcement actions based on demonetisation data i.e. 158 per cent increase in number of searches, 106 per cent increase in seizures.

Action under Benami Transaction (Prohibition) Amended Ac, 2016

- The Benami Transactions (Prohibitions) Amendment Act, 2016 provides for provisional attachment and subsequent confiscation of benami properties besides rigorous imprisonment up to 7 years.

Black Money in Foreign Bank Accounts:

- The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, with stringent penal provisions including rigorous imprisonment of 3-10 years, has been enacted to effectively deal with black stashed away abroad.

- India has tax treaties with 148 countries inter alia for Exchange of Information on tax matters besides Mutual Legal Assistance Treaties in criminal matters with 39 countries.

Action against Shell Companies:

- Prevention of misuse of non-individual legal entities especially companies has been a major concern of the Income Tax Department.
- The Prime Minister's Office has constituted a Special Task Force, to oversee the drive against such companies with the help of various enforcement agencies.
- A slew of measures has been taken to crack down on domestic and foreign shell companies. These include, *inter alia*, enactment of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax, 2015, amendment of the Benami Transactions (Prohibition) Act, 1988, amendment of the Income-tax Act, 1961 to introduce the concept of 'Place of Effective Management' (POEM) and amending Companies Act to incorporate the definition of 'beneficial ownership'.
- Further, to increase regulatory oversight, e-KYC of initial subscribers to a company is captured through "SPICe" (Simplified Proforma for Incorporating Company electronically).
- Aadhar seeding has been made compulsory for all the Directors of the Companies.
- Ministry of Corporate Affairs (MCA) have undertaken a massive drive against shell companies. In 2017 around 2.24 lakh companies have been struck-off.
- National Financial Reporting Authority (NFRA) is being set-up to examine financial statements of the companies, prescribe "Accounting Standard's and take disciplinary action against errant professionals. An MoU has been signed between CBDT and MCA for regular and automatic data exchange. It will further ensure seamless Pan-CIN (Corporate Identity Number) and PAN-DIN(Director Identity Number) linkage for regulatory purposes.

Project Insight

- Government has embarked upon a massive technology induction program to prevent revenue frauds and augment revenues through data mining and business analytics for a non-intrusive information-drive tax regime. The project INSIGHT of CBDT is one of the biggest data mining and business analytics projects in the country and is likely to go-live fully in 2018-19. The project aims to identify non-filers, prevent refund frauds, eliminate revenue loss due to false claims of deductions and promote voluntary compliance.

Budget 2018-19

- This year's proposals related to the direct taxes will have transformative effect on the Government's agenda of clean economy. Budget proposals include, inter alia, rationalization of 'Long-term Capital Gain' (LTCG), checking the abuse of trust structure and mandatory filing of ITR by companies.
- Irrespective of the fact that whether any tax is payable or not by a company, it will have to mandatorily file the return or face prosecution. This provision will promote compliance by the companies.

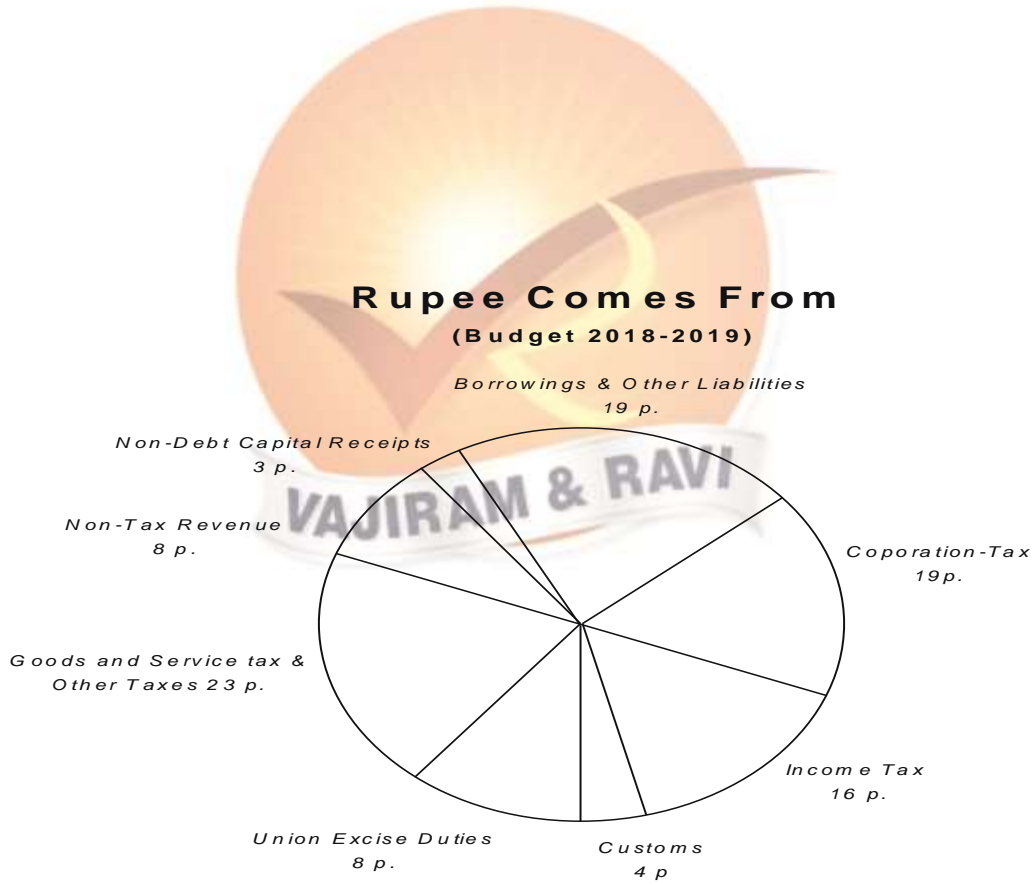
Rationalization of LTCG

- The tax exemption from LTCG has been one of the most abused provision.
- The tax exemption from LTCG has created a regime which is inherently biased against manufacturing and has encouraged diversion of investment of financial assets. The total amount of exempted capitals gains from listed shares and units is around Rs. 3,67,000 crores as per returns filed for F.Y. 16-17.
- Shares were generally allotted through private placements. In order to curb this menace of non-genuine LTCG, through the budget 2017-18 the government restricted the exemption from LTCG to those cases only where Security Transaction Tax (STT) had been paid at the time of acquisition, subject to certain exemptions.
- Government has proposed to tax LTCG exceeding Rs. 1 lakh at the rate of 10 per cent without allowing the benefit of any indexation.
- ITDD has been the pioneer in the field of use of e-governance tools for delivery of services. Schemes like e-TDS, e-filing of Income Tax Returns, Refund Banker, e-Payment of Taxes, Centralized Processing Centre and e-Assessment have not only reduced the cost of compliance for the assessee but have also helped department in ushering in an assessee-friendly, transparent and fair tax administration.
- The government had introduced e-assessment in 2016 on a pilot basis and extended it to 102 cities in 2017.
- In this budget the Finance Minister has proposed to roll out the E-assessment across the country.
- Faceless taxpayer interface will not only increase taxpayers' confidence in the tax administration but it would also eliminate their grievances against scrutiny process.

Curbing the Misuse of Trust Structure

- The Comptroller and Auditor General (CAG) of India highlighted the alleged misuse of tax exemptions by trusts. Under the existing taxation regime, the income of trust and other charitable institutions is exempt if the income earned by these organisations are used towards their stated objective.
- Last year, the budget brought down the threshold on cash donation that can be received by charitable organisations to Rs. 2,000/- from Rs. 10,000/-. However, there is no restriction on trusts and similar entities with regard to cash expenditure. This provision is misused to siphon off money in of form the cash expenditure from trusts.
- In order to control the cash economy and check the misuse of funds by trusts, this year budget has proposed that payments exceeding Rs. 10,000/- in cash shall be disallowed and the same shall be subject to tax.
- Many of the NGOs do not have PAN. In order to bring these entities under the tax net, it has been proposed in the budget that every entity, not being an individual, which enters into any financial transaction of an amount aggregating to Rs. 2.50 Lakh or more in financial year, shall be required to apply for a PAN.

- Six-members task force under the conenorship of a CBDT member and with Chief Economic Advisor as permanent invitee has been constituted to review the Income-Tax Act 1961, and to draft a new Direct Tax Law in consonance with economic needs of the country, the direct tax system prevalent in various countries, and the international base practices. The multi expertise committee is mandated to submit their report within 6 months.



VAJIRAM & RAVI

Rupee Goes To
(Budget 2018-2019)

