



## **Union Budget 2016-17 : An Overview**

**Federation of Indian Chambers of Commerce and Industry**

# Union Budget 2016-17 ... How we see it...

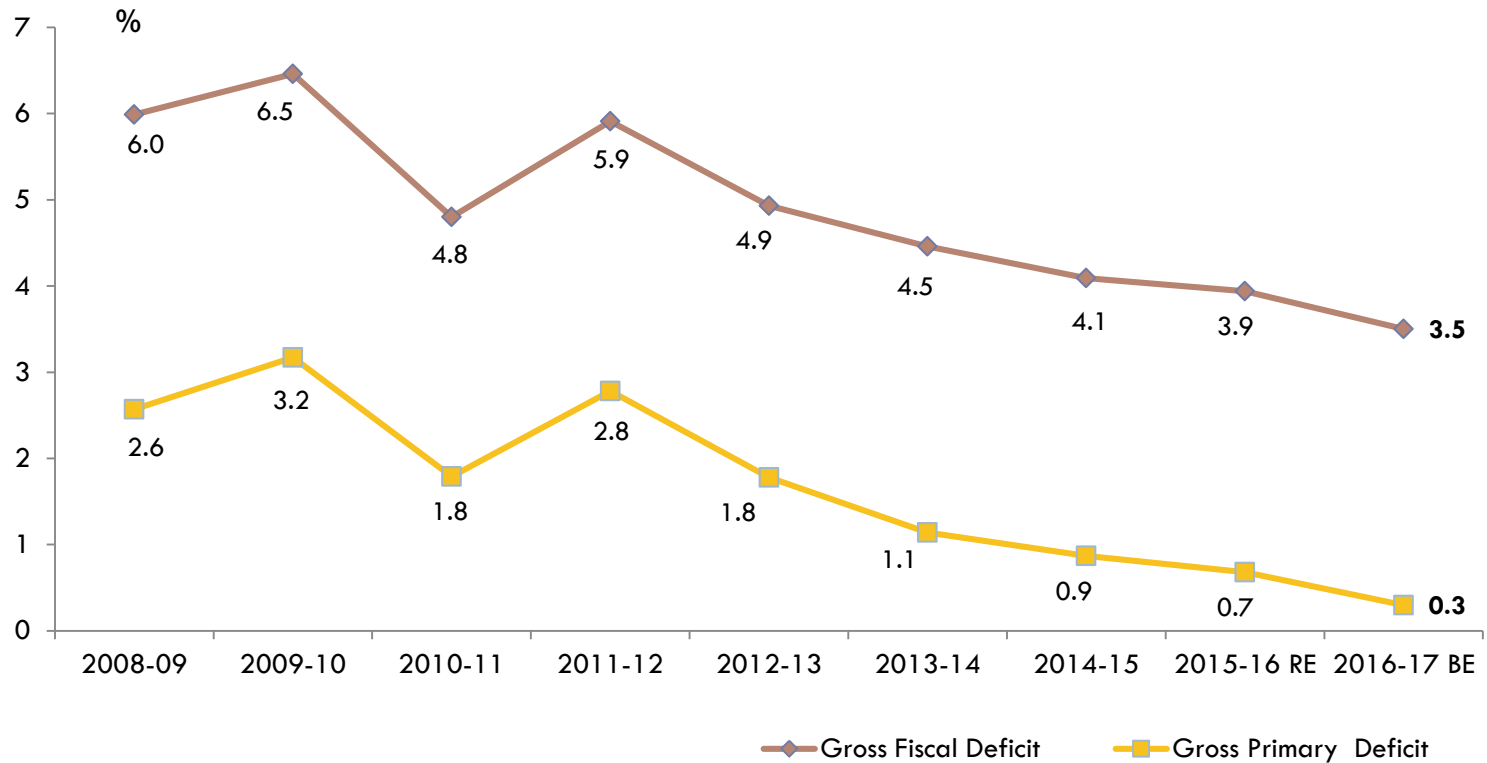
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“Overall the budget proposals are in line with the development priorities of the nation. There has been a strong attempt to pump prime the rural economy and the infrastructure sector. We foresee a multiplier effect in the form of demand generation and employment creation over time. The state of the agriculture sector on account of two consecutive years of monsoon failure was precarious and it deserved the attention that was needed”

“We feel confident that these measures will result in a harmonious and more equitable development of India. Peace and harmony forms the bedrock for furthering industrial growth and development. Likewise, a healthy and happy society is integral for nation’s progress. We see a clear reflection of this in the budget”

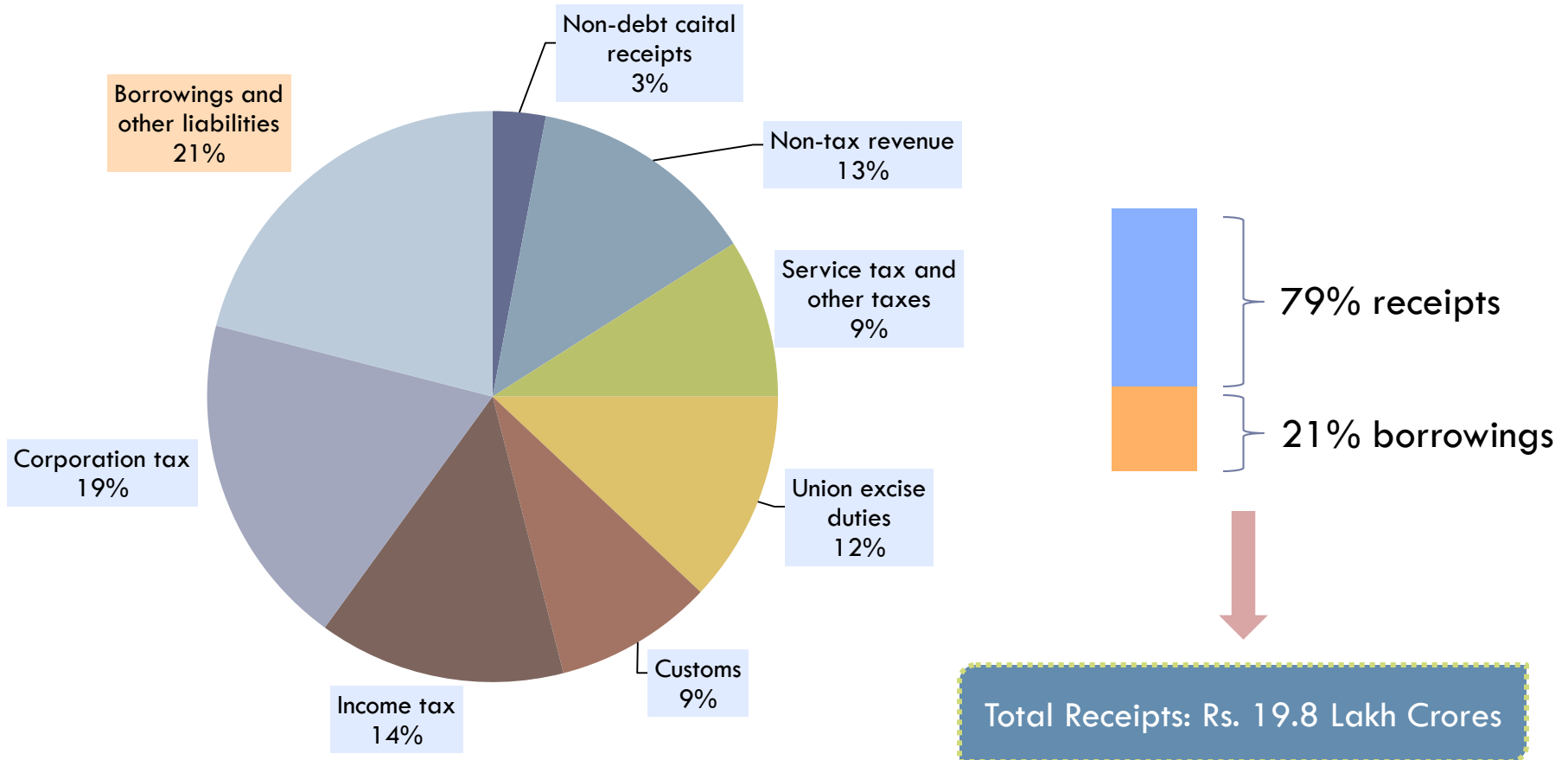
**Mr. Harshavardhan Neotia, President, FICCI**

# Fiscal prudence



# Rupee comes from...

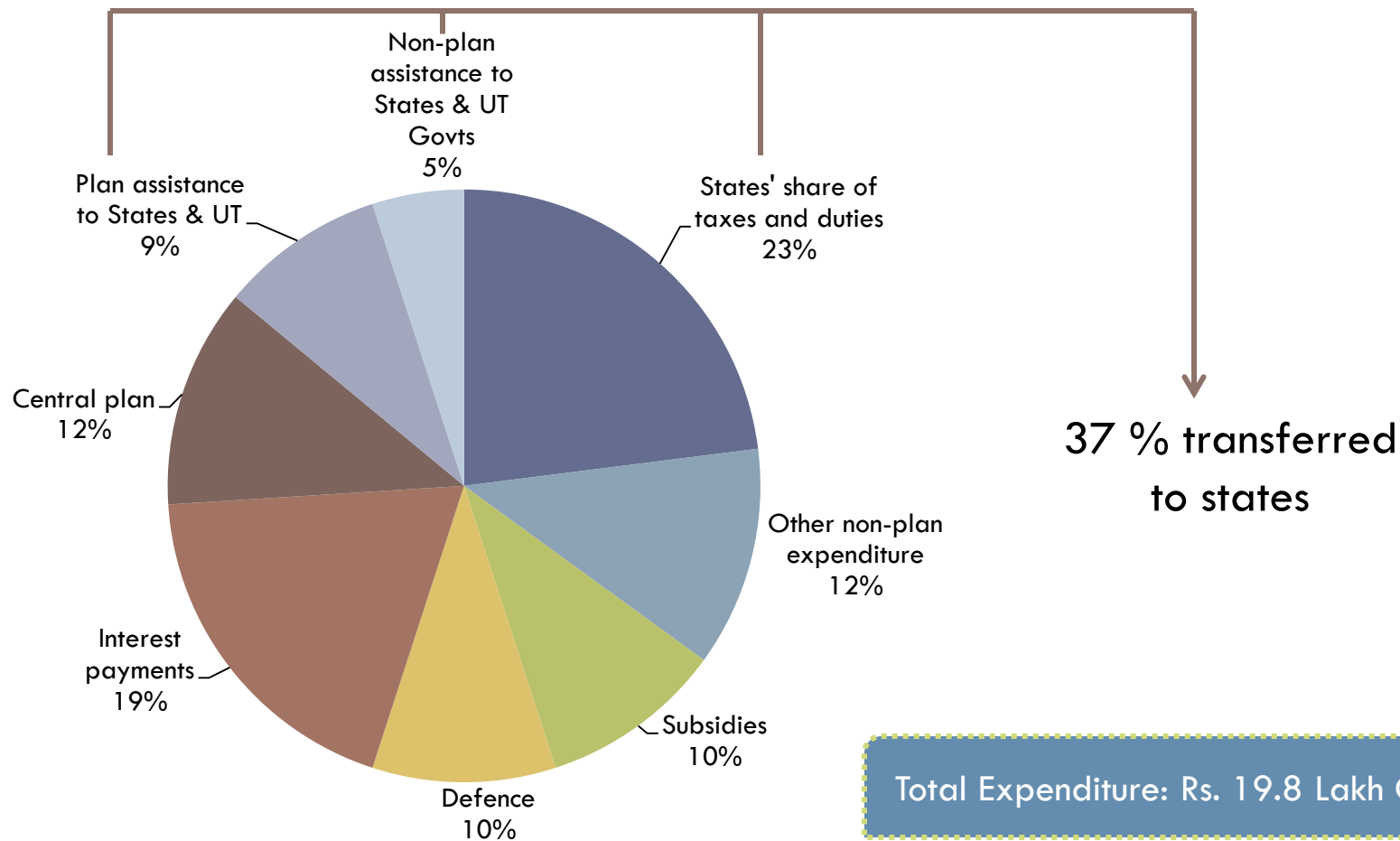
Composition of Total Revenue 2016-17 BE



# Rupee goes to...


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Composition of Total Expenditure 2016-17 BE



# Budget focuses on key concerns facing economy

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Transforming  
India with Nine  
Pillars

Agriculture

Rural employment and infrastructure

Social sector including health

Education, Skills and Jobs

Infrastructure and Investment

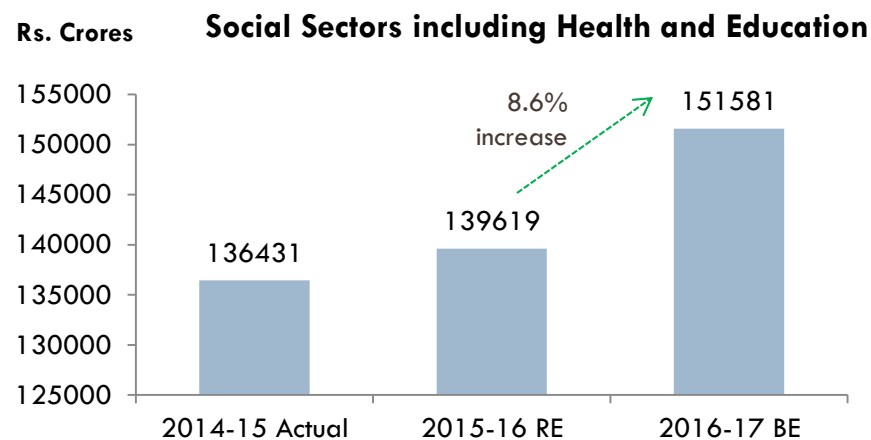
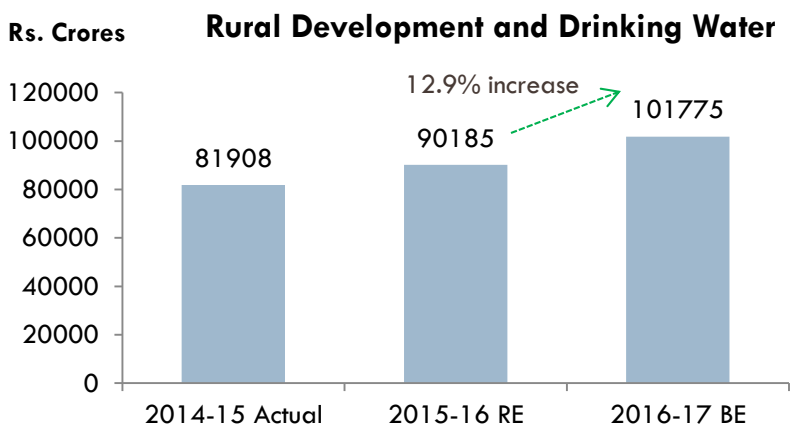
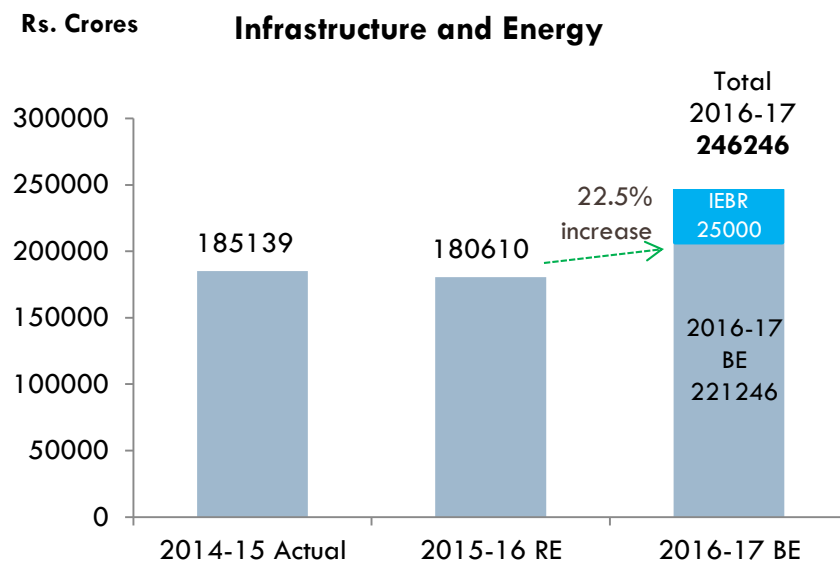
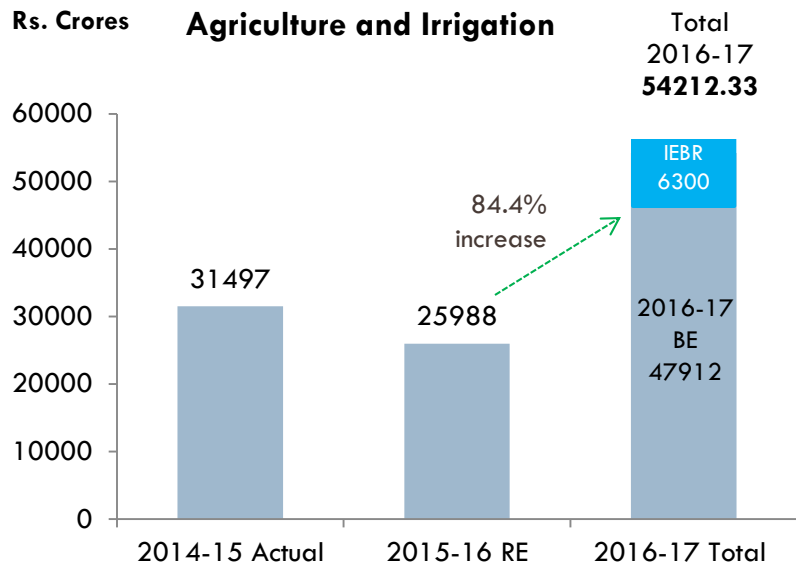
Financial Sector Reforms

Governance/ Ease of Doing Business

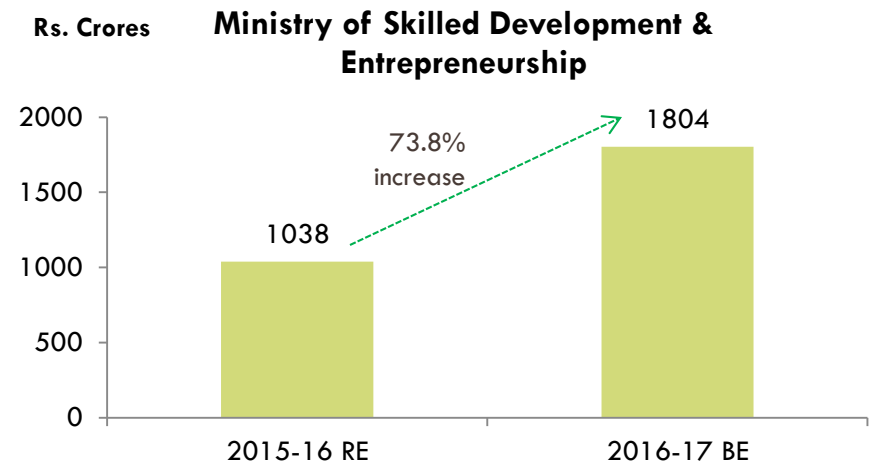
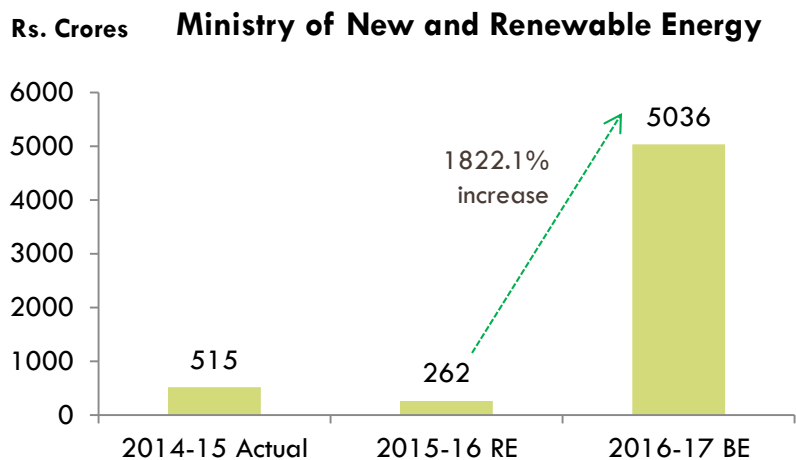
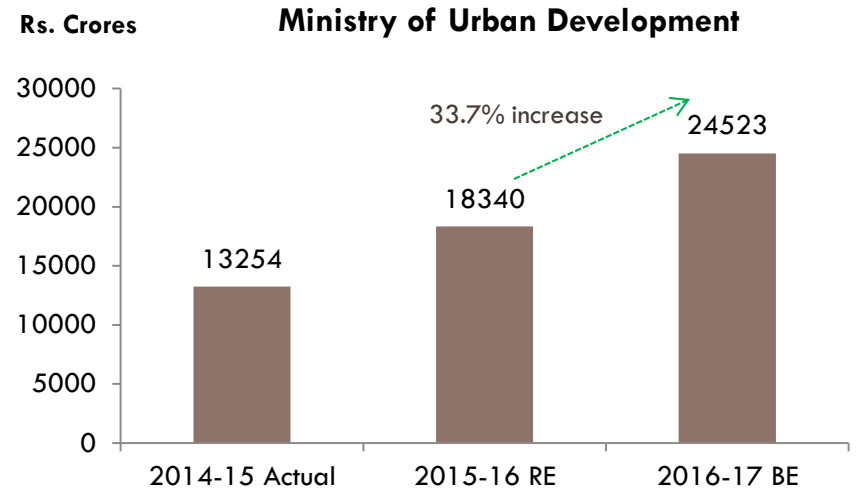
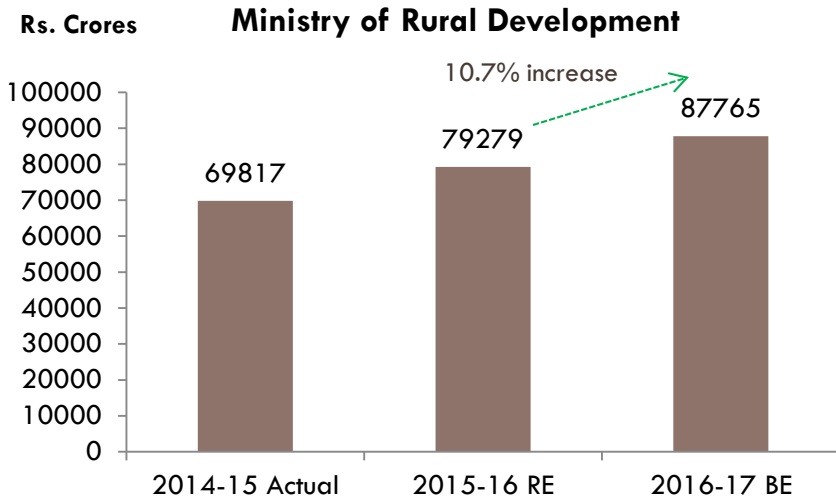
Fiscal Discipline

Tax Reforms

# Increased allocation to key sectors



# Allocation to various Ministries





# Agriculture & Rural Economy

- ✓ Allocation for Agriculture and Farmers' welfare - Rs. 35,984 crores; Allocation for Rural Sector – Rs 87, 765 crores
- ✓ A dedicated Long Term Irrigation Fund will be created with an initial corpus of about Rs. 20,000 crores
- ✓ Implementation of Unified Agricultural Marketing ePlatform
- ✓ Rs. 500 crores National Food security mission being assigned to enhance production of pulses
- ✓ 100% village electrification by 1st May, 2018

# Infrastructure

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- ✓ Total outlay for infrastructure – Rs. 2,21,246 crores (22.5 percent higher than that of the previous fiscal)
- ✓ A Public Utility (Resolution of Disputes) Bill will be introduced during 2016-17 for resolution of disputes in infrastructure related construction contracts, Public - Private Partnership (PPP) and public utility contracts
- ✓ Guidelines for renegotiation of PPP Concession Agreements will be issued
- ✓ New credit rating system for infrastructure projects to be introduced
- ✓ Greater emphasis on promoting affordable housing

# Entrepreneurship & Job Creation

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- ✓ Tax holiday for 3 out of 5 years for startups setup during April, 2016 to March, 2019
- ✓ Exemption from long term capital gains available to assesseees investing in start-up funds/ start-up companies
- ✓ To accelerate the growth of the manufacturing sector, newly set-up domestic companies given the option to pay tax @ 25%, subject to certain conditions.
- ✓ 10% rate of tax on income from worldwide exploitation of patents developed and registered in India by a resident
- ✓ Government to pay Employees' Provident Fund (EPF) contribution of 8.33% for all new employees for the first three years of their employment

# Financial Sector

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- ✓ Allocation of Rs. 25,000 crores towards recapitalization of Public Sector Banks
- ✓ A comprehensive *Code on Resolution of Financial Firms* to be introduced
- ✓ Amendments in the *Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI Act) 2002* to enable the sponsor of an Asset Reconstruction Company (ARC) to hold up to 100% stake in the ARC and permit non institutional investors to invest in Securitization Receipts
- ✓ Provision of complete pass through of income-tax to securitization trusts including trusts of ARCs

# Foreign Direct Investment

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- ✓ Liberalisation in FDI policy with respect to Insurance and Pension, Asset Reconstruction Companies, Stock Exchanges
- ✓ 100% FDI to be allowed through Foreign Investment Promotion Board (FIPB) route in marketing of food products produced and manufactured in India
- ✓ Centre State Investment Agreement proposed to ensure implementation of Bilateral Investment Promotion Agreements (BIPA) at a state level

# Governance & Ease of Doing Business

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- ✓ Thrust of the Government to reduce litigation - Amendments proposed to clarify contentious issues and simplify tax laws
- ✓ 11 new benches of Customs, Excise and Service Tax Appellate Tribunal (CESTAT) to be created in order to remove backlog of cases
- ✓ Digitization of various areas/processes such as National Land Record Modernisation Programme, Depository for School Leaving Certificates, College Degrees etc. and processes of the Income-tax Department for easy verification and retrieval.
- ✓ Bill for Targeted Delivery of Financial and Other Subsidies, Benefits and Services by using the 'Aadhar' framework to be introduced
- ✓ Direct Benefit Transfer (DBT) on a pilot basis for fertilizer to be introduced

(DBT for LPG already in operation and for Kerosene will become operational from April 1, 2016)

# Other Key Tax Proposals

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- Provisions of Place of Effective Management (Rules for determination of residential status of a company) deferred by 1 year
- General Anti Avoidance Rules (GAAR) to be effective from 1 April 2017.
- Simplified compliances, rationalization of input tax credits and business facilitation measures for the ease of doing business