



BNK SECURITIES PVT. LTD.

INDIA

Union Budget 2011-12 Highlights

Budget Highlights 2011-12

- ☞ Swift and broad based growth in 2010-11 has put the economy back to its pre-crisis growth trajectory. Fiscal consolidation has been impressive.
- ☞ The Gross Domestic Product (GDP) of India is estimated to have grown at 8.6 % in 2010-11 in real terms. In 2010-11 agriculture is estimated to have grown at 5.4 %, industry at 8.1 % and services at 9.6 %.
- ☞ Exports have grown by 29.4 %, while imports have recorded a growth of 17.6 % during April to January 2010-11 over the corresponding period last year.
- ☞ Fiscal consolidation targets at Centre and States have shown positive effect on macro economic management of the economy.
- ☞ Amendment to Centre's FRBM Act, 2003 laying down the fiscal road map for the next five years to be introduced in the course of the year.
- ☞ Proposal to introduce the Public Debt Management Agency of India Bill in the next financial year.
- ☞ Direct Taxes Code (DTC) to be finalized for enactment during 2011-12. DTC proposed to be effective from April 1, 2012.
- ☞ Nutrient Based Subsidy (NBS) has improved the availability of fertilizer; Government actively considering extension of the NBS regime to cover urea.
- ☞ ₹ 40,000 Cr. to be raised through disinvestment in 2011-12.
- ☞ Government committed to retain at least 51 % ownership control of the Central Public Sector Undertakings.
- ☞ SEBI registered mutual funds permitted to accept subscription from foreign investors who meet KYC requirements for equity schemes.
- ☞ To enhance flow of funds to infrastructure sector, the FII limit for investment in corporate bonds issued in infrastructure sector being raised.
- ☞ ₹ 6,000 Cr. to be provided during 2011-12 to enable public sector banks to maintain a minimum of Tier I CRAR of 8 %.
- ☞ ₹ 500 Cr. to be provided to enable Regional Rural Banks to maintain a CRAR of at least 9 % as on March 31, 2012.
- ☞ India Microfinance Equity Fund of ₹ 100 Cr. to be created with SIDBI. Government considering putting in place appropriate regulatory framework to protect the interest of small borrowers.
- ☞ Women's SHG's Development Fund to be created with a corpus of ₹ 500 Cr..
- ☞ Corpus of RIDF XVII to be raised from ₹ 16,000 Cr. to ₹ 18,000 Cr..
- ☞ ₹ 5,000 Cr. to be provided to SIDBI for refinancing incremental lending by banks to these enterprises.

- ☞ ₹ 3,000 Cr. to be provided to NABARD to provide support to handloom weaver co-operative societies which have become financially unviable due to non-repayment of debt by handloom weavers facing economic stress.
- ☞ Public sector banks to achieve a target of 15 % as outstanding loans to minority communities under priority sector lending at the earliest.
- ☞ Existing scheme of interest subvention of 1 % on housing loan further liberalised.
- ☞ Existing housing loan limit enhanced to ₹ 25 lakh for dwelling units under priority sector lending.
- ☞ Provision under Rural Housing Fund enhanced to ₹ 3,000 Cr..
- ☞ Allocation under Rashtriya Krishi Vikas Yojana (RKVY) increased from ₹ 6,755 Cr. to ₹ 7,860 Cr..
- ☞ To improve rice based cropping system in this region, allocation of ₹ 400 Cr. has been made.
- ☞ Allocation of ₹ 300 Cr. to promote 60,000 pulses villages in rainfed areas.
- ☞ Allocation of ₹ 300 Cr. to bring 60,000 hectares under oil palm plantations.
- ☞ Initiative to yield about 3 lakh Metric tonnes of palm oil annually in five years.
- ☞ Allocation of ₹ 300 Cr. for implementation of vegetable initiative to provide quality vegetable at competitive prices.
- ☞ Allocation of ₹ 300 Cr. to promote higher production of Bajra, Jowar, Ragi and other millets, which are highly nutritious and have several medicinal properties.
- ☞ Allocation of ₹ 300 Cr. to promote animal based protein production through livestock development, dairy farming, piggery, goat rearing and fisheries.
- ☞ Allocation of ₹ 300 Cr. for Accelerated Fodder Development Programme to benefit farmers in 25,000 villages.
- ☞ Credit flow for farmers raised from ₹ 3,75,000 Cr. to ₹ 4,75,000 Cr. in 2011-12.
- ☞ Interest subvention proposed to be enhanced from 2 % to 3 % for providing short-term crop loans to farmers who repay their crop loan on time.
- ☞ In view of enhanced target for flow of agriculture credit, capital base of NABARD to be strengthened by ₹ 3,000 Cr. in phased manner.
- ☞ ₹ 10,000 Cr. to be contributed to NABARD's Short-term Rural Credit fund for 2011-12.
- ☞ Approval being given to set up 15 more Mega Food Parks during 2011-12.
- ☞ Augmentation of storage capacity through private entrepreneurs and warehousing corporations has been fast tracked.
- ☞ Allocation of ₹ 2,14,000 Cr. for infrastructure in 2011-12. This is an increase of 23.3 % over 2010-11. This also amounts to 48.5 % of total plan allocation.
- ☞ IIFCL to achieve cumulative disbursement target of ₹ 20,000 Cr. by March 31, 2011 and ₹ 25,000 Cr. by March 31, 2012.
- ☞ Under take out financing scheme, seven projects sanctioned with debt of ₹ 1,500 Cr.. Another ₹ 5,000 Cr. will be sanctioned during 2011-12.
- ☞ To boost infrastructure development, tax free bonds of ₹ 30,000 Cr. proposed to be issued by Government undertakings during 2011-12.
- ☞ Allocation for social sector in 2011-12 (₹1,60,887 Cr.) increased by 17 % over current year. It amounts to 36.4 % of total plan allocation.
- ☞ Allocation for Bharat Nirman programme proposed to be increased by ₹ 10,000 Cr. from the current year to ₹ 58,000 Cr. in 2011-12.

- ☞ Plan to provide Rural Broadband Connectivity to all 2, 50,000 Panchayats in the country in three years.
- ☞ In pursuance of last years budget announcement to provide a real wage of ₹ 100 per day, the Government has decided to index the wage rates notified under the MGNREGA to the Consumer Price Index for Agricultural Labour. The enhanced wage rates have been notified by the Ministry of Rural Development on January 14, 2011.
- ☞ From 1st April, 2011, remuneration of Anganwadi workers increased from ₹ 1,500 per month to ₹ 3,000 per month and for Anganwadi helpers from ₹ 750 per month to ₹ 1,500 per month.
- ☞ Allocation for primitive Tribal groups increased from ₹ 185 Cr. in 2010-11 to ₹ 244 Cr. in 2011-12.
- ☞ Allocation for education increased by 24 % over current year.
- ☞ ₹ 21,000 Cr. allocated, which is 40 % higher than Budget for 2010-11.
- ☞ Additional ₹ 500 Cr. proposed to be provided for National Skill Development Fund during the next year.
- ☞ An international award with prize money of ₹ 1 Cr. being instituted for promoting values of universal brotherhood as part of National celebrations of 150th Birth Anniversary of Gurudev Rabindranath Tagore.
- ☞ ₹200 Cr. proposed to be allocated for Green India Mission from National Clean Energy Fund.
- ☞ ₹ 200 Cr. proposed to be allocated for launching Environmental Remediation Programmes from National Clean Energy Fund.
- ☞ Special allocation of ₹ 200 Cr. proposed to be provided for clean-up of some more important lakes and rivers other than Ganga.
- ☞ ₹8,000 Cr. provided in current year for development needs of Jammu and Kashmir.
- ☞ Allocation made in 2011-12 to meet the infrastructure needs for Ladakh (₹100 Cr.) and Jammu region (₹ 150 Cr.).
- ☞ Allocation under Backward Regions Grant Fund increased by over 35 %.
- ☞ Funds allocated under Integrated Action Plan (IAP) for addressing problems related to Left Wing extremism affected districts. 60 selected Tribal and backward districts provided with 100 % block grant of ₹ 25 Cr. and ₹ 30 Cr. per district during 2010-11 and 2011-12 respectively.
- ☞ A lump-sum ex-gratia compensation of ₹ 9 lakh for 100 % disability to be granted for personnel of Defence and Para Military forces discharged from service on medical ground on account of disability attributable to government service.
- ☞ Provision of ₹ 1,64,415 Cr., including ₹ 69,199 Cr. for capital expenditure to be made for Defence Services in 2011-12.
- ☞ To build judicial infrastructure, plan provision for Department of Justice increased by three fold to ₹ 1,000 Cr..

Budget Estimates 2011-12

- ☞ Gross Tax receipts are estimated at ₹ 9,32,440 Cr..
- ☞ Non-tax revenue receipts estimated at ₹ 1,25,435 Cr..
- ☞ Total expenditure proposed at ₹ 12,57,729 Cr..
- ☞ Increase of 18.3 % in total Plan allocation.
- ☞ Increase of 10.9 % in the Non-plan expenditure.
- ☞ XI Plan expenditure more than 100 % in nominal terms than envisaged for the Plan period.
- ☞ Increase of 23 % in Plan and Non-plan transfer to States and UTs.
- ☞ Fiscal Deficit brought down from 5.5 % in BE 2010-11 to 5.1 % of GDP in RE 2010-11.
- ☞ Fiscal Deficit kept at 4.6 % of GDP for 2011-12.
- ☞ Fiscal Deficit to be progressively reduced to 3.5 % by 2013-14.
- ☞ Effective Revenue Deficit estimated at 2.3 % of GDP in the Revised Estimates for 2010-11 and 1.8 % for 2011-12.
- ☞ Net market borrowing of the Government through dated securities in 2011-12 would be ₹ 3.43 lakh Cr.
- ☞ Central Government debt estimated at 44.2 % of GDP for 2011-12 as against 52.5 % recommended by the 13th Finance Commission.

Tax Proposals

Direct Taxes

- ☞ Exemption limit for the general category of individual taxpayers enhanced from ₹ 1,60,000 to ₹ 1,80,000 giving uniform tax relief of ₹ 2,000.
- ☞ Exemption limit enhanced and qualifying age reduced for senior citizens.
- ☞ Higher exemption limit for Very Senior Citizens, who are 80 years or above.
- ☞ Current surcharge of 7.5 % on domestic companies proposed to be reduced to 5 %.
- ☞ Rate of Minimum Alternative Tax proposed to be increased from 18 % to 18.5 % of book profits.
- ☞ Tax incentives extended to attract foreign funds for financing of infrastructure.
- ☞ Additional deduction of ₹ 20,000 for investment in long-term infrastructure bonds proposed to be extended for one more year.
- ☞ Lower rate of 15 % tax on dividends received by an Indian company from its foreign subsidiary.
- ☞ Benefit of investment linked deduction extended to businesses engaged in the production of fertilisers.
- ☞ Weighted deduction on payments made to National Laboratories, Universities and Institutes of Technology to be enhanced to 200 %.
- ☞ System of collection of information from foreign tax jurisdictions to be strengthened.
- ☞ A net revenue loss of ₹ 11,500 Cr. estimated as a result of proposals.

Indirect Taxes

- ☞ Central Excise Duty to be maintained at standard rate of 10 %.
- ☞ Reduction in number of exemptions in Central Excise rate structure.
- ☞ Nominal Central Excise Duty of 1 % imposed on 130 items entering in the tax net.
- ☞ Lower rate of Central Excise Duty enhanced from 4 % to 5 %.
- ☞ Optional levy on branded garments or made up proposed to be converted into a mandatory levy at unified rate of 10 %.
- ☞ Peak rate of Custom Duty held at its current level.
- ☞ Basic Custom Duty reduced for specified agricultural machinery from 5 % to 2.5 %.
- ☞ Basic Custom Duty reduced on micro-irrigation equipment from 7.5 % to 5 %.
- ☞ De-oiled rice bran cake to be fully exempted from basic Custom Duty. Export Duty of 10 % to be levied on its export.
- ☞ Rate of Export Duty for all types of iron ore enhanced and unified at 20 % ad valorem. Full exemption from Export Duty to iron ore pellets.
- ☞ Basic Custom Duty on two critical raw materials of cement industry viz. petcoke and gypsum is proposed to be reduced to 2.5 %.
- ☞ Concessional Excise Duty of 10 % to vehicles based on Fuel cell technology.
- ☞ Exemption granted from basic custom duty and special CVD to critical parts/assemblies needed for Hybrid vehicles.
- ☞ Reduction in Excise Duty on kits used for conversion of fossil fuel vehicles into Hybrid vehicles.
- ☞ Excise Duty on LEDs reduced to 5 % and special CVD being fully exempted.
- ☞ Basic Customs Duty on solar lantern reduced from 10 to 5 %.
- ☞ Full exemption from basic Customs Duty to Crude Palm Stearin used in manufacture of laundry soap.
- ☞ Full exemption from basic Excise Duty granted to enzyme based preparation for pre-tanning.
- ☞ Parallel Excise Duty exemption for domestic suppliers producing capital goods needed for expansion of existing mega or ultra mega power projects.
- ☞ Full exemption from basic Customs Duty to bio-asphalt and specified machinery for application in the construction of national highways.
- ☞ Scope of exemptions from basic Customs Duty for work of art and antiquities extended to apply for exhibition or display in private art galleries open to the general public.
- ☞ Exemption from Import Duty for spares and capital goods required for ship repair units extended to import by ship owners.
- ☞ Concessional basic Custom Duty of 5 % and CVD of 5 % available to newspaper establishments for high speed printing presses extended to mailroom equipment.
- ☞ Jumbo rolls of cinematographic film fully exempted from CVD by providing full exemption from Excise Duty.
- ☞ Out right concession to factory-built ambulances from Excise Duty.
- ☞ Relief measures proposed for raw pistachio, bamboo for agarbatti, lactose for the manufacture of homoeopathic medicines, sanitary napkins, baby and adult diapers.
- ☞ Proposals relating to Customs and Central Excise estimated to result in a net revenue gain of ₹ 7,300 Cr..

Service Tax

- ☞ Standard rate of Service Tax retained at 10 %, while seeking a closer fit between present regime and its GST successor.
- ☞ Hotel accommodation in excess of ₹ 1,000 per day and service provided by air conditioned restaurants that have license to serve liquor added as new services for levying Service Tax.
- ☞ Tax on all services provided by hospitals with 25 or more beds with facility of central air conditioning.
- ☞ Service Tax on air travel both domestic and international raised.
- ☞ Services provided by life insurance companies in the area of investment and some more legal services proposed to be brought into tax net.
- ☞ All individual and sole proprietor tax payers with a turn over up to ₹ 60 lakh freed from the formalities of audit.
- ☞ Proposals relating to Service Tax estimated to result in net revenue gain of ₹ 4,000 Cr..
- ☞ Proposals relating to Direct Taxes estimated to result in a revenue loss of ₹11,500 Cr. and those related to Indirect Taxes estimated to result in net revenue gain of ₹11,300 Cr..

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