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The Union Budget 2014-15 has set a positive tone by emphasizing on the need to deal with the pressing macroeconomic challenges that currently confront India. Getting back on the high growth path is of paramount importance. Giving due cognizance to this the budget presented a comprehensive plan for putting the economy on mend. Giving due attention to the need for time bound implementation of policies and projects following the new government’s mantra of ‘minimum government and maximum governance’; the budget sees the economy recuperating to 7-8% GDP growth trajectory in the coming three-four years.

Manufacturing and infrastructure are two critical pillars that can uphold the challenge of sustaining growth in the country. The direction provided by budget on both these sectors is encouraging. Also, manufacturing and infrastructure sectors have the potential to generate millions of jobs, which are much needed to meet the aspirations of our young population.

On manufacturing front, due importance has been given to the Micro Small and Medium Enterprises (MSMEs), which forms the backbone of India’s industrial sector. The announcements of - setting up a Rs. 10,000 crore fund to attract private capital and establishing a technology center network to promote innovation, entrepreneurship and agro industry- are expected to give an impetus to the MSME sector. Also, lowering of eligibility limit for investments to get the benefit of investment allowance from Rs. 100 crore to Rs. 25 crore is hailed and is expected to boost capital formation.

Besides, raising the composite cap of foreign exchange in defence manufacturing to 49% from the currently permitted 26% FDI will help enhance our defence production capacity domestically.

Added focus on textile and tourism sectors is welcome given their ability to support the underlying objective of creating employment opportunities.

Furthermore, the stress laid on augmenting infrastructure structures across board – be it roads, airports, ports, inland waterways, power - was much desired. In fact emphasis has been given not only on putting a seamless transport system in place but also on creating a nexus between the upcoming industrial corridor projects and the transportation network. This endeavor is appreciable. In addition, given the colossal investment requirements of the sector, banks have been provided sufficient space to raise long-term funds for lending to infrastructure sector.

The Union Budget also gave adequate hints about government sticking to the promise of assuring housing for all by the year 2022 made as a part of its election mandate. Concessions provided on housing loans, increase in allocation under Rural Housing Scheme, exemption for projects which commit at least 30 per cent of the total project cost for low cost affordable housing from minimum built up area and capitalisation requirements reflects the seriousness of the government towards this endeavour.
Elevated inflation fuelled by high food prices has been weighing heavy on India’s growth. The announcements made on the establishment of a Price Stabilization Fund and a commitment by Centre to work closely with States to re-orient their respective APMCs, are steps in the right direction to manage food prices. Also, attention has been given on the overarching need of improving agriculture productivity. Some of the measures announced in the budget like introduction of soil health cards, setting up of agric tech infrastructure fund, announcing a ‘protein revolution’ will take us towards achieving food security. In fact, these have also been advocated by FICCI.

Amidst the actionables announced in the budget to meet the growth aspirations, it was also recognized that the achieving fiscal prudence though challenging is one of the most critical tasks at hand. The fiscal deficit to GDP ratio target was kept unchanged at 4.1% for 2014-15, as was announced in the Interim Budget earlier this year. The fiscal deficit to GDP ratio was put at 3.6% for 2015-16 and 3.0% for 2016-17.

The government envisages making the revenue side healthier and this is clearly reflected in the attempt made to simplify taxation system. The latter has also been a long standing demand from FICCI.

Further, on the expenditure side a substantive increase has been noted in consumptive spending of the government in the past two years, and this has come about at the cost of declining capital expenditure. The budget has tried to once again get back the attention on productive expenditure, which is very encouraging.

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Source: India Budget, 2014-15

**Revenue Side**

- The total receipts are budgeted to increase by 12.8% in the fiscal year 2014-15. This seems in sync with the broad trend of moderating growth. In the fiscal year 2013-14, the growth in total receipts was budgeted at 16.0%, however the revised estimates put across a growth rate of 9.7%. This slowdown is attributed to a less than anticipated increase in tax revenue receipts and a negative growth witnessed in capital receipts.

- The growth in tax revenues and non tax revenues is budgeted at 16.9% and 10.0% for 2014-15 respectively. The growth in non tax revenue is anticipated at a much lower level this year. The budgeted growth for non tax revenue in 2013-14 was 32.8%, while the revised estimated reported a growth of 49.0%.

- The capital receipts are expected to grow by 7.7% in 2014-15. The disinvestment receipts are targeted at Rs. 63,425 crore this fiscal year. This is higher than the budgeted target of Rs 55,814 crore in 2013-14. Also, it might be noted that the revised estimated for 2013-14, put the disinvestment receipts at a much lower level of Rs. 25,841 crore. It is critical that the government fully utilises this resource to garner higher revenues. Higher revenues can be generated through strategic divestment of government stake in some of the private enterprises held via Special Undertaking of UTI (SUUTI) such as Axis Bank, L&T and ITC. At current market valuations, such sale can add an estimated Rs 51,000 crore to state coffers.

- The Union Budget 2014-15 does indicate moves towards ending tax adventurism. The commitment to provide a stable and predictable tax regime and not change any of the tax provisions retrospectively will revive confidence levels of the investors. This will certainly help the investment cycle to pick up, which in turn will push growth.

- Also, legislative and administrative changes have been indicated to reduce litigation in direct taxes. These measures are expected to get much desired clarity in tax laws.
**Expenditure Side**

- The total expenditure is expected to increase by 12.9% in the fiscal year 2014-15. In 2013-14, this was budgeted at 11.7%, while the revised estimates indicate an increase by just 6.7%. The decline in total expenditure in 2013-14 was noted mainly on account of negative 8.7% growth in planned expenditure (the budget growth was 6.6%). Furthermore, the non-plan expenditure increased by 11.3% in 2013-14 as against the budgeted growth of 10.8%.

- This fiscal year, while planned expenditure is budgeted to increase by 20.9%, the non planned expenditure is expected to increase by 9.4%. There seems to be a clear shift in focus from consumptive to productive expenditure.

- The total subsidies in 2014-15 are expected to amount to Rs 2, 60, 658 crore, an increase of 2.0% over the previous year. The provision for food subsidy has been increased by 25.0% in the budget for this fiscal year. This increase is massive. While the need to assure food security cannot be undermined, it is imperative that subsidy appropriately reaches the target group. In addition, petroleum subsidy estimate has been put at Rs 63, 427 crore, which is a decline of 25% from the previous year. A slippage in oil subsidy remains a real possibility. The recent volatility in oil prices owing to growing geo political concerns in Iraq and Ukraine can put strain on the oil bill. Also some vulnerability in Rupee remains likely.

### Trends in Subsidies

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<td>260658</td>
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Source: India Budget, 2014-15

- With the government incurring such huge expenditures on various programmes it is imperative to address the present inefficiencies and plug in the leakages to maximize the benefits of the existing programmes. Rationalisation of social sector schemes is called for. The move to link MNREGA to asset creation and productive works with substantial link to agriculture and allied activities will be rewarding in a true sense.
Assuring efficiency in expenditure is imperative. The announcement made in the budget to set up an Expenditure Management Commission would hopefully pave way to meet this end. The budget also indicates a revamp in subsidy regime. This is important given limited resources and constraints in fiscal space.

The Union Budget 2014-15 has done a good balancing act and a fair justice to meet the widespread anticipations across different quarters. Next, the government will have to pull the show by focusing on implementation and actual delivery.
The Hon’ble Finance Minister made some important announcements in his budget speech. It has been declared as a policy that the Government will not ordinarily bring about any change retrospectively which creates a fresh liability.

On the cases effected by the retrospective amendments made by the Finance Act, 2012, the Finance Minister observed that these cases are at different stages of pendency and will naturally reach their logical conclusion. At the same time he assured to provide a stable and predictable tax regime. On the much awaited roll back of the retrospective amendment made to section 9 of the Income Tax Act, 1961 no announcement was made, however, the Hon’ble Finance Minister informed in his budget speech that all fresh cases arising out of the retrospective amendments of Finance Act, 2012 in respect of indirect transfers will be scrutinised by a high level committee.

The extension of benefit of Authority for Advance Rulings will be made available to resident taxpayers having their income tax liability above a threshold and this budget also proposes to strengthen the Authority for Advance Rulings by constitution of additional benches. The announcement was intended as a measure to reduce litigation in direct tax matters. As an administrative measure, it has been decided to set up a high level committee with an objective to provide and bring clarity in tax laws which will be done in a time bound manner.

Clarity in respect of taxation of Real Estate and Infrastructure Investment Trust has been provided in the budget. Investment allowance has been proposed to be extended for investments of more than Rs.25 crores in new plant and machinery. Roll back of Advance Pricing Agreements has also been proposed with an objective to reduce litigation and provide stability in transfer pricing.

On the personal taxation front, the minimum income tax exemption limit for individual taxpayers below 60 years of age and for senior citizens has been increased by Rs. 50,000. Deduction for investment (under section 80C of the Act) has also been increased from the current Rs. 100,000 to Rs. 150,000. Further, deduction towards interest payment towards a self-occupied house property has been increased from Rs. 150,000 to Rs. 200,000.

The Hon’ble Finance Minister also announced that greater use of information technology techniques would be used to broaden the tax base. On the DTC, the FM announced that the Government will review the revised DTC placed in public domain and also consider the comments received from the stakeholders on the revised code and will accordingly take a view on the whole matter.
Direct Tax Proposals

1. Tax Rates
   No change has been proposed in the income –tax rates. However, the income tax-exemption limit has been increased by Rs. 50,000 for individual taxpayers who are below the age of 60 years and in case of senior citizens. No change has been made in the rate of surcharge for the corporates, individuals, HUFs, firms etc. The education cess for all taxpayers shall continue to be levied @ 3%.

2. Individual Taxation
   Deduction limit under section 80C of the Income Tax Act, 1961 (‘the Act’) has been proposed to be raised from Rs. 100,000 to Rs. 150,000. Deduction limit for interest expense in respect of the self-occupied property proposed to be raised from Rs. 150,000 to Rs. 200,000.

3. Dividend and Income Distribution Tax
   Dividend declared by a domestic company must be grossed up for applying DDT resulting in an effective rate increase from 16.99 percent to 20.47 percent (including surcharge and cess). This amendment will take effect from October 1, 2014. The rate of ‘income distribution tax’ payable by a mutual fund on distribution of income to unit holders of other than equity oriented mutual fund is now required to be grossed up based on the prescribed rate of DDT for different categories.

4. Long term capital gains on debt oriented mutual fund
   Tax rate of 10% on long term capital gains arising from transfer of units of mutual fund (other than equity oriented fund) has been proposed to be increased from 10% to 20%. Further, an amendment has been proposed to provide that an unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) will be treated as a short term capital asset if it is held for a period of 3 years or less.

5. Taxation Regime for Real Estate Investment Trust (REIT) and Infrastructure Investment Trust (Invit)
   The Securities and Exchange Board of India (SEBI) has proposed draft regulations relating to two new categories of investment vehicles namely, REIT and Invit (referred to as ‘trusts’). It is envisaged that the trusts will raise capital through issue of units (to be listed on a recognised stock exchange)/raise debts from resident and non-resident investors. The trusts will also hold the income bearing assets by acquiring - controlling or other specific interest in an Indian company (SPV) from the sponsor. Amendment has been proposed in the Act to provide certainty in the taxation aspects of these trusts. The key features of the proposed taxation regime are given as below:-
In the hands of investors
(a) Listed units of the business trust on being traded on a recognised stock exchange would be subject to securities transaction tax and long term capital gains on transfer of such units would be exempt from tax. Further, short term capital gains on such units would be subject to tax @ 15%.
(b) Dividend component of the income distributed by the trust is exempt from tax in the hands of the unit holders. Further, capital gains component of the income distributed by the trust would also be exempt in the hands of the unit holders.
(c) Interest distributed by business trust is taxable in the hands of the unit holders. A withholding tax rate of 5% will be effected by the trust in case of payment of interest component of income distributed to non-resident unit holders and at the rate of 10% in case of payment of such interest to the resident unit holder.

In the hands of the trust
(a) The dividends received by the trust will be exempt in the hands of the trust.
(b) The interest income received by the business trust from SPV is accorded pass through status i.e. interest income from SPV will not be subject to tax in the hands of the business trust.
(c) A withholding tax rate of 5% will be effected by the trust in case of payment of interest component of income distributed to non-resident unit holders and at the rate of 10% in case of payment of such interest to the resident unit holder.
(d) Reduced tax rate of 5% on interest payments to non-resident lenders will apply in respect of ECBs taken by the business trusts. The benefit would be available subject to conditions and for such period as provided in section 194LC of the Act.
(e) The capital gains income on disposal of assets by the business trust shall be taxable in the hands of the trust at the applicable rate (depending upon whether the gains are short term or long term). However, the capital gains component of the income distributed by the trust is exempt in the hands of the unit holders.
(f) The business trust is required to furnish its return of income.

In the hands of SPV
(a) The capital gains arising to the sponsor at the time of exchange of shares in SPVs with units of the business trusts will be deferred and taxed at the time of disposal of such units by the sponsor. Further, the preferential capital gains regime (consequential to levy of STT) will not be available to the sponsor. Also, the cost of acquisition of these units for computation of capital gains in the hands of the sponsor shall be treated as cost of the shares to the sponsor. The period of holding of shares shall also be included in the holding period of such units.
(b) There will be no withholding tax at the level of SPV on payment of income by way of interest to the business trust.
(c) SPV (company) distributing dividend to the business trusts will be subject to Dividend Distribution Tax (DDT).
6. **Investment allowance to a manufacturing company**
   In order to enable the medium size investments in plant and machinery, an amendment has been proposed to be made in section 32AC of the Act to allow deduction under section 32AC of the Act to a company engaged in the business of manufacture of production of an article or thing which invests more than Rs. 25 crores in plant and machinery in a previous year starting on or after April 1, 2014. This benefit is extended for investments made up to March 31, 2017. The deduction would be available to the extent of 15% of the actual cost of new plant and machinery acquired and installed in any previous year starting from April 1, 2014.

7. **Extension of sunset date under section 80-IA for the power sector**
   Sunset date for being eligible to claim tax holiday for power generation, distribution or transmission extended till the end of the 12\textsuperscript{th} Five Year Plan i.e. up to March 31, 2017.

8. **Deduction in respect of capital expenditure on specified businesses**
   Investment linked deduction under section 35AD of the Act has been proposed to be extended to two more specified businesses namely (a) laying and operating a slurry pipeline for the transportation of iron ore and (b) setting up and operating a notified semiconductor wafer fabrication manufacturing unit. The date of commencement of operations for availing investment linked deduction in respect of the two new specified businesses shall be on or after April 1, 2014. Amendments have also been proposed in section 35AD of the Act to provide that the asset in respect of which the investment linked deduction is claimed should be used for specified business for eight years apart from certain other conditions being satisfied. Further, deduction in respect of capital expenditure incurred for the purposes of specified business to be allowed either under section 10AA of the Act or section 35AD of the Act subject to fulfilment of other conditions.

9. **Concessional rate of tax on overseas borrowing**
   Concessional rate of tax of 5% on interest on borrowings in foreign currency has been extended to issue of all types of long-term bond as against restricted to long-term infrastructure bonds earlier. Further, the period of borrowing for which the said benefit would be available has been extended from 30 June 2015 to 30 June 2017 i.e. the concessional rate of withholding tax will now be available in respect of borrowings made up to June 30, 2017.

10. **Reduction in tax rate on certain dividends received from foreign companies**
    With a view to encourage Indian companies to repatriate foreign dividends into the country, concessional tax rate of 15% on dividend received by Indian companies from specified foreign companies (shareholding of 26% or more) shall continue in respect of such foreign dividends received in financial year 2014-2015 and subsequent financial years (no sunset clause).

11. **Alternate Minimum Tax**
    An amendment has been proposed in section 115JC of the Act to provide that the investment linked deduction on capital expenditure for specified business claimed under section 35AD of the Act net
of depreciation has also to be added for computing adjusted total income for the purpose of calculating AMT.

12. Characterisation of income in case of foreign institutional investors (FIIs)
   Any security held by FII in accordance with the regulations made under SEBI would be treated as capital asset only and thus any income arising from transfer of such security would be in the nature of capital gains.

13. Expenditure on Corporate Social Responsibility
   Any expenditure incurred by companies on the activities relating to CSR referred to in section 135 of the Companies Act, 2013 will not be deemed to have been incurred for the purpose of business and will not be allowed as deduction in computing taxable income.

14. Disallowance of expenditure for non-deduction of tax at source
   To trigger disallowance of expenditure for non-payment of tax, in respect of payments to non-residents, the time limit of payment of withholding tax into the Government treasury, has been extended till the date of filing of return of income of the deductor (which is similar to the time limit available for payment of withholding taxes in respect of payment made to residents). Amendments have also been proposed to provide that the disallowance of expenditure due to non-withholding of tax on payments made to resident taxpayers will be restricted to 30% of the expenditure instead of 100% as under the prevailing provisions. Further, the disallowance under section 40(a)(ia) of the Act has been proposed to be extended to all payments made to resident taxpayers who are subject to withholding tax (e.g. salary, directors’ fees etc.).

15. Transfer Pricing
   - An amendment has been proposed in the Act to provide for a roll back mechanism in the Advance Pricing Agreements (APA) scheme for a period of four years preceding the first previous year for which the APA is applied, subject to prescribed conditions. This amendment shall take effect from October 1, 2014. It has also been proposed to strengthen the administrative set-up for quick disposal of pending APA applications.
   - Transfer pricing officers (TPOs) has been extended the authority to levy penalty under section 271G of the Act for failure to furnish prescribed information or documentation.
   - The concept of price range for determination of Arm’s length price (ALP) will be introduced in the income tax rules. However, the existing concept of arithmetic mean would continue to apply where the number of available comparables is inadequate.
   - As per the existing law, one year data is used for comparable analysis with some exception. The Budget speech made an announcement that regulations would be amended to allow the use of multiple year data for comparability analysis.
   - The deeming transfer pricing provisions contained in section 92B(2) of the Act are now proposed to be extended to transactions between an enterprise and an independent person where there
is a prior arrangement between the independent person and associated enterprise, irrespective of whether such independent person is a non-resident or resident.

16. Other direct tax proposals

- Income received by a resident under a life insurance policy, including bonus thereon shall be subject to deduction of tax at source at 2% unless such income is exempt under section 10(10D) of the Act or if the aggregate sum paid to an assessee in a financial year is less than Rs. 1 lakhs. The amendment will take effect from October 1, 2014.
- Time limit for passing an order deeming a person to be an assessee in default for failure to deduct the whole or any part of the tax on payment to resident has been extended to seven years from the end of the financial year in which payment is made or credit is given. This amendment to take effect from October 1, 2014.
- The process of filing of correction statements of withholding tax returns and processing of such statements has been codified under the income tax law. This amendment to take effect from October 1, 2014.
- Tax returns would be required to be verified, as against signed, by specified person.
- The Budget speech announced that all resident taxpayers can obtain advance ruling in respect of their income tax liability above a defined threshold. Further AAR to be strengthened by constitution of additional benches.
- Scope of settlement commission to be enlarged.
- Mutual funds, securitisation trusts, VCC/VCF are required to furnish a return of income if their total income exceeds the maximum amount not chargeable to tax. The requirement of filing prescribed statement has been done away with in case of mutual funds and securitisation trusts.
- Where the principal business of any company is trading in shares, such business of purchase and sale of shares would not be regarded as a speculation business. Therefore, any loss from such business will not be treated as speculative loss.
- Any amount received as advance or otherwise during negotiation for transfer of a capital asset, if forfeited when the capital assets is not transferred, to be liable to tax as income from other sources. Earlier such amount was to be reduced from the cost of acquisition/written down value of the capital asset under transfer.
- Presumptive income in respect of taxpayers engaged in the business of plying, hiring or leasing of good carriages increased to a uniform amount of Rs. 7500 per month for all types of goods carriages.
- Trading in commodity derivatives carried out through a recognised association and which is chargeable to a commodities transaction tax will not be treated as a speculative transaction.
- Acceptance or repayment of loan or deposit exceeding Rs. 20,000 by use of electronic clearing system through a bank account would be a permissible mode not attracting penalty in addition to the existing modes of acceptance or repayment by an account payee cheque or account payee bank draft.
INDIRECT TAXES

It may be perceived as a budget without any big bang announcements yet the tax proposals for indirect taxes indicate a concerted move to encourage domestic manufacturing, rationalize duty rates and resolve contentious disputes through legislative amendments. There is no general prescription in the Budget to incentivize the manufacturing sector but the Finance Minister has stepped in to lend a helping hand in all sub-sectors which were affected because of increased imports or under-utilization of the domestic capacity. Specific cases of inverted duty structure have been addressed by appropriate rate adjustments. In several cases, duty rates have been rationalized to avoid disputes and simplify the tax structure. Retrospective legislation has been resorted to extensively in favour of the taxpayers to resolve disputes where the taxpayers were facing demands of duties from the tax department. The scope of the Authority for Advance Rulings has been enlarged to enable resident taxpayers to seek binding rulings thus limiting the scope for any subsequent litigation. The misunderstanding created by the Supreme Court judgment in the FIAT case in respect of valuation of goods for levy of central excise duty has been addressed. An institutional mechanism has been proposed to be put in place to provide clarity in tax laws and procedures. Several suggestions and recommendations made by FICCI have been accepted by the Government.

Certain proposals in the Union Budget 2014-15 are, however, bound to create difficulties for the taxpayers. The proposal for a mandatory deposit of a certain amount of disputed duty / tax before an appeal can be entertained is a cause for concern. Levy of interest at rates as high as 30% for delayed payments of service tax is certainly uncalled for. Making e-payment of duties and taxes compulsory for all taxpayers is bound to be resented to by small taxpayers. The budget also does not address the deficiencies in the Cenvat Credit Rules. These issues would need to be taken up as a part of our Post Budget Memorandum.

Overall, the indirect proposals in the budget are balanced and prudent as taxes have been increased on limited items of consumption and measures have been initiated to rationalize the tax system. Some of the important proposals relating to Indirect taxes are listed below.

Rates of Duties and Taxes
The general rates of duty of customs, central excise and rate of service tax have remained unchanged. Excise duty rates have been increased for cigarettes, guthka, chewing tobacco pan masala etc.

GST
Though no specific timeframe has been indicated, the legislative scheme enabling the introduction of GST is expected to be approved in the course of this year. There appears to be a sense of urgency on the part of the Government to carry out this important reform of the Indirect tax administration in the country. It is willing to bring about a ‘good’ GST rather than an ‘ideal’ GST.
Retrospective Legislation
While upholding the right of the Government to undertake retrospective legislation it has been assured that the Government will not ordinarily bring about any change retrospectively which creates a fresh liability.
Cases which are already pending in courts and other legal fora would be allowed to be settled as per the existing means available for legal remedy. All fresh cases arising out of retrospective amendments of 2012 in respect of indirect transfers and coming to the notice of the Assessing Officers will be scrutinized by a high level committee before any action is initiated.

Advance Rulings
The Scheme of Advance Ruling is being extended to Resident Private Limited Companies.

Clarity in Tax Laws
A high level committee is proposed to be constituted to interact with trade and industry on a regular basis to ascertain areas where clarity in tax laws is required. Based on its recommendations, the CBDT and CBEC shall issue appropriate clarifications, wherever considered necessary, on the tax issues within a period of two months.

Customs Duties
- To boost domestic manufacture as also address the issue of inverted duties, basic customs duty has been reduced on:-
  - Fatty acids, crude palm stearin, RBD and other palm stearin, specified industrial grade crude oils for manufacture of soaps and oleo-chemicals
  - Crude glycerin and crude glycerin used in the manufacture of soaps
  - Steel grade limestone and steel grade dolomite
  - Battery waste and battery scrap
  - Coal tar pitch
  - Specified inputs for manufacture of spandex yarn.
- Basic customs duty on reformate, ethane, propane, ethylene, propylene, butadiene and ortho-xylene, methyl alcohol and denatured ethyl alcohol and crude naphthalene has been reduced in order to encourage new investment and capacity addition in the chemicals and petrochemicals sector
- Following measures have been proposed to boost domestic production of the electronics sector and reduce dependence on imports:-
  - Impose basic customs duty at 10 percent on specified telecommunication products that are outside the purview of the Information Technology Agreement;
  - Exempt all inputs/components used in the manufacture of personal computers from 4 percent special additional duty (SAD);
  - Impose education cess on imported electronic products to provide parity between domestically produced goods and imported goods;
  - Exempt 4 percent SAD on PVC sheet and ribbon used for the manufacture of smart cards.
- Colour picture tubes exempted from basic customs duty to make cathode ray TVs cheaper
- Basic customs duty on LCD and LED TV panels of below 19 inches reduced from 10 percent to Nil to encourage production of LCD and LED TVs below 19 inches in India. Further, basic customs duty on specified inputs used in their manufacture exempted to encourage manufacture of LCD and LED TV panels
- Basic customs duty increased on imported flat-rolled products of stainless steel from 5 percent to 7.5 percent to improve capacity utilisation of the stainless steel industry
- Customs duty changes effected to incentivize domestic manufacture of photovoltaic cells and modules for improving solar energy production in India
- Customs duty reduced on parts and materials required for the manufacture of wind operated electricity generators
- Concessional basic customs duty of 5 percent prescribed on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).
- As a measure of rationalization anthracite coal, bituminous coal, coking coal, steam coal and other coals will attract the same duty. This will eliminate assessment disputes and transaction costs associated with testing of various parameters of coal. Basic customs duty on metallurgical coke is being increased to 2.5 percent in line with the duty on coking coal.
- Basic customs duty on ships imported for breaking up reduced from 5 percent to 2.5 percent as a measure of rationalization.
- Basic customs duty on semi-processed, half cut or broken diamonds, cut and polished diamonds and coloured gemstones is being rationalized at 2.5 percent to prevent misuse and avoid assessment disputes. To encourage exports, pre-forms of precious and semi-precious stones are being fully exempted from basic customs duty
- Basic Customs Duty on Polystyrene (other than moulding powder) is being increased from 1.15% to 7.5%. Notification granting exemption under the India-Singapore Comprehensive Economic Co-operation Agreement relating to tariff item 3903 19 90 amended.
- Duty free entitlement for import of trimmings, embellishments and other specified items increased from 3 percent to 5 percent of the value of their exports to encourage exports of readymade garments.
- With a view to conserve natural resources, the export duty on bauxite increased from 10 percent to 20 percent.
- Basic Customs Duty is being reduced from 7.5% to NIL on E-Book readers
- Full exemption from customs duty is being provided on specified HIV/AIDS drugs and diagnostic kits imported under National AIDS Control Programme (NACP) funded by the Global Fund to Fight AIDS, TB and Malaria
- As a measure of passenger facilitation, free baggage allowance increased from Rs 35,000 to Rs 45,000. Duty free allowance for cigarettes reduced from 200 to 100 pieces, of cigars from 50 to 25 pieces and of tobacco from 250 gms to 125 gms.
Excise Duties

- Excise duty on specified food processing and packaging machinery reduced from 10 percent to 6 percent to incentivize expansion of processing capacity to minimize harvest and post-harvest losses of agricultural produce.
- Excise duty reduced from 12 percent to 6 percent on footwear of retail price exceeding Rs 500 per pair but not exceeding Rs1,000 per pair as a measure of relief to the footwear industry, most of which is in SME sector.
- Smart cards levied to a uniform excise duty at 12 percent to subject imported cards to a higher CVD in the interest of domestic industry.
- To develop renewable sources of energy exemption from excise duty granted to:
  - EVA sheets and solar back sheets and specified inputs used in their manufacture;
  - Solar tempered glass used in the manufacture of solar photovoltaic cells and modules;
  - Flat copper wire for the manufacture of PV ribbons for use in solar cells and modules;
  - Machinery and equipment required for setting up of a project for solar energy production;
  - Forged steel rings used in the manufacture of bearings of wind operated generators;
  - Machinery and equipment required for setting up of compressed biogas plants (Bio-CNG).
- To encourage sports, concessional excise duty of 2 percent without Cenvat benefit and 6 percent with Cenvat benefit prescribed on sports gloves.
- With a view to mobilize resources, excise duty increased on cigarettes, cigars, cheroots and cigarillos, pan masala, unmanufactured tobacco, gutkha and chewing tobacco. An additional duty of 5 percent on aerated waters containing added sugar has also been imposed.
- Clean Energy Cess is presently levied on coal, peat and lignite for the purposes of financing and promoting clean energy initiatives and funding research in the area of clean energy. Clean Energy Cess increased from Rs 50 per tonne to Rs 100 per tonne.
- Excise duty on Branded Petrol is being reduced from Rs.7.50 per litre to Rs. 2.35 per litre.
- Optional excise duty of 2% (without CENVAT) / 6% (with CENVAT) on writing and printing paper for printing of educational textbooks is being withdrawn and instead a uniform excise duty of 6% with CENVAT is being levied.
- Excise duty at the rate of 2% (without CENVAT) or 6% (with CENVAT) is being imposed on Polyester Staple Fiber and Polyester Filament Yarn manufactured from plastic waste or scrap or plastic waste including waste polyethylene terephthalate (PET) bottles.
- Excise duty on winding wires of copper is being increased from 10% to 12%.
- Full exemption from excise duty is being provided to reverse osmosis (RO) membrane element for water filtration or purification equipment (other than household type filter). Excise duty on RO membrane element used in household type filters is being reduced from 12% / 10% to 6%.
- Full exemption from excise duty is being provided on specified HIV/AIDS drugs and diagnostic kits supplied under National AIDS Control Programme (NACP) funded by the Global Fund to Fight AIDS, TB and Malaria (GFATM).
Service Tax

- To broaden the tax base, service tax leviable currently, on sale of space or time for advertisements in broadcast media, is being extended to cover such sales on other segments like online and mobile advertising. Service tax is being proposed on the service provided by radio-taxis to place them on par with rent-a-cab service.

- Exemptions to services by air-conditioned contract carriages and technical testing of newly developed drugs on human participants are being withdrawn.

- To spur growth in certain sectors, certain changes are being made in the relevant rules relating to point of taxation, CENVAT credit etc. This will benefit the Indian shipping industry and the tourism sector.

- Service tax on loading, unloading, storage, warehousing and transportation of cotton, whether ginned or baled, is being exempted to bring it on par with certain other agricultural produce.

- The exemption presently available for specified micro insurance schemes is being expanded to cover all life micro-insurance schemes where the sum assured does not exceed Rs 50,000 per life insured. Services provided by common bio-medical waste treatment facilities are being exempted.

- To bring clarity in the taxability of services provided by educational institutions, it is proposed to omit the concept of ‘auxiliary educational services’. Following services received by eligible educational institutions alone are exempted from service tax: (i) transportation of students, faculty and staff of the eligible educational institution; (ii) catering service including any mid-day meals scheme sponsored by the Government; (iii) security or cleaning or house-keeping services in such educational institution; (iv) services relating to admission to such institution or conduct of examination. Further as a rationalization measure, the exemption hitherto available to services provided by way of renting of immovable property to educational institutions stands withdrawn, with immediate effect.

- Variable rates of Interest: To encourage prompt payment of service tax, it is being proposed to introduce interest rates which would vary on the extent of delay. Simple interest rates per annum payable on delayed payments under section 75 are prescribed as follows:

<table>
<thead>
<tr>
<th>Extent of delay</th>
<th>Simple interest rate per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to six months</td>
<td>18%</td>
</tr>
<tr>
<td>More than six months &amp; upto one year</td>
<td>18% for first six months, and 24% for the period of delay beyond six months</td>
</tr>
<tr>
<td>More than one year</td>
<td>18% for first six months, 24% for second six months, and 30% for the period of delay beyond one year</td>
</tr>
</tbody>
</table>

- E-payment: E-payment of service tax is being made mandatory with effect from the 1st Oct 2014. Relaxation from e-payment may be allowed by the Deputy Commissioner/Asst. Commissioner on case to case basis

- Point of Taxation Rules: The Point of Taxation Rules are being amended to provide that point of taxation in respect of reverse charge will be the payment date or the first day that occurs
immediately after a period of three months from the date of invoice, whichever is earlier. This amendment will apply only to invoices issued after 1st October, 2014.

– A manufacturer or a service provider shall take credit on inputs and input services within a period of six months from the date of issue of invoice, bill or challan with effect from 1st September, 2014

**Retrospective Amendments**

Liquefied Propane and Butane mixture, Liquefied Propane, Liquefied Butane and Liquefied Petroleum Gases (LPG) imported by the Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited or Bharat Petroleum Corporation Limited, for supply to Non-Domestic Exempted Category (NDEC) customers are being fully exempted retrospectively from 08.02.2013 and to 10.07.2014.

Excise duty on Polyester Staple Fiber (PSF) and Polyester Filament Yarn (PFY) manufactured from plastic waste or scrap or plastic waste including waste polyethylene terephthalate (PET) bottles (which is already exempt w.e.f. 08.05.2012) is being exempted retrospectively w.e.f. 29.06.2010 to 07.05.2012. Intermediate product ‘tow’ arising during the course of manufacture of such PSF/PFY is being exempted retrospectively from 29.06.2010 to 10.07.2014 so as to provide relief to the manufacturers of such PSF/PFY.

Un-branded articles of precious metals are being exempted from excise duty retrospectively for the period 01.03.2011 to 16.03.2012.

Section 25 of the Customs Act is being amended to provide that the customs duties on mineral oils including petroleum & natural gas extracted or produced in the continental shelf of India or the exclusive economic zone of India shall not be recovered for the period prior to 7th February, 2002.

**Mandatory deposit of duties**

Provisions of the Customs Act, the Central Excise Act and the Finance Act, 1994 are proposed to be amended to insert a new section to prescribe a mandatory fixed pre-deposit of 7.5% of the duty demanded or penalty imposed or both for filing of appeal before the Commissioner (Appeal) or the Tribunal at the first stage, and 10% of the duty demanded or penalty imposed or both for filing second stage appeal before the Tribunal. The amount of pre-deposit payable would be subject to a ceiling of Rs 10 Crore. All pending appeals/stay application would be governed by the statutory provisions prevailing at the time of filing such stay applications/appeals. This new provisions would, mutatis mutandis, apply to Service Tax.

**Third Party Information**

Provisions of the Central Excise Act and the Finance Act, 1994 are proposed to be amended so as to empower the Central Government to prescribe an authority or agency to whom the information return shall be filed by the specified persons such as Income Tax Authorities, State Electricity Boards, VAT or Sales Tax Authorities, Registrar of Companies. Information can be collected for the purposes of the Act,
such as, to identify tax evaders or recover confirmed dues. It is also proposed to insert a new section 15B which provides for imposition of penalty if the information return is not submitted.

**CENVAT Credit Rules**

Rule 12A is being amended so as to disallow transfer of credit by a large taxpayer from one unit to another.

A new sub-rule (qa) is being inserted in Rule 2 to introduce the definition of ‘place of removal’.

Rule 4(1) (for input credit) and Rule 4(7) (for input service credit) are being amended in order to fix a time limit of six months for availment of the CENVAT Credit.

**FIAT Judgment**

The Central Excise Valuation (Determination of Price of Excisable Goods) Rules, 2000 is being amended so as to provide that in cases where excisable goods are sold at a price below the manufacturing cost and profit and there is no additional consideration flowing from the buyer to the assessee directly or from a third person on behalf of the buyer, value for the assessment of duty shall be deemed to be the transaction value.
Part C
Sectoral Expectations

Agriculture

- **FICCI’s wish list of Agriculture sector**
  - Leveraging the private sector in transferring best practices from *high productivity* states to states with lower productivity in all crops and commercialize agro technologies.
  - Incentivize and catalyze extensive spread of *micro irrigation*.
  - Strengthening agri equipment sector by developing and scaling *custom hiring banks* model.
  - Creation of a common *agriculture market* through removal of plethora of state level taxes.
  - *Agri biotechnology* research must continue unhindered and be adequately supported.
  - Concept of *farmer producer organizations* should be strengthened.
  - Increase the reach and the benefits of *Commodity Exchanges to farmers*.
  - New *weather based insurance system* should be extended to all the states and crops as this can be more effective in mitigating farmers’ risk.
  - Restructuring of *agriculture extension* system at Center and State would lead the way towards better utilization of resources and funds.
  - Active engagement of private sector in procurement, logistics and distribution of *food grain management*.

- **Budget announcements pertaining to Agriculture sector**
  - **Research**- Establishment of two more institutions of excellence on similar pattern of Indian Agricultural Research Institutes in Assam and Jharkhand. It is also proposed to establish Agriculture Universities in Andhra Pradesh and Rajasthan & Horticulture Universities in Telangana and Haryana.
  - **Soil Health** - Provision of a soil health card in mission mode to every farmer. Setting up of 100 Mobile Soil Testing Laboratories across the country.
  - **Small and Marginal Farmers**- finance to 5 lakh joint farming groups of landless farmers through NABARD. Producers Development and Upliftment Corpus (PRODUCE) will be utilized for building 2,000 producers organizations across the country.
  - **Storage Infrastructure**- Rural Infrastructure Development Fund (RIDF) allocated additional Rs 5000 crore. Agri-Tech Infrastructure Fund set up with a corpus of Rs 100 crore. Allocation of Rs 5000 crore for Warehouse Infrastructure Fund for development of scientific warehousing infrastructure in the country.
  - **Markets**- To set up a National Market, Central Government to closely work with the State governments to re-orient their respective APMC Acts, to provide for establishment of private market yards/ private markets. The state governments will also be encouraged to develop Farmers’ Markets in town areas to enable the farmers to sell their produce directly.
  - **Agriculture Credit**- Farm credit target of Rs 8 lakh crore. *Interest Subvention Scheme* for Short Term Crop Loans - under this, banks are extending loans to farmers at a concessional
rate of 7%. A further incentive of 3% provided for timely repayment of loans. **Long Term Rural Credit Fund** for providing refinance support to Cooperative Banks and Regional Rural Banks to give a boost to long term investment credit in agriculture. **Short Term Cooperative Rural Credit (STCRC) – Refinance Fund** to ensure increased & uninterrupted credit flow to farmers and to avoid high cost market borrowings.

- **Price Volatility- Price Stabilization Fund** formed to mitigate price volatility in the agriculture produce which creates uncertainties and hardships for farmers.
- **Information Technology** - Kisan TV to be launched to disseminate information regarding new farming techniques, water conservation, organic farming etc.
- **Agri Biotechnology** - Agri-biotech cluster in Mohali will be scaled up to include plant-genetic and phenotype platforms. Secondary agriculture to be given major thrust in Mohali. Two new clusters, in Pune and Kolkata to be established.
- **Food Security** - Restructuring Food Corporation of India and efficacy of Public Distribution System (PDS) would be taken up on priority basis. Government shall, when required, undertake open market sales to keep prices under control.
- **MGNREGA** - MGNREGA will provide wage employment through works that are more productive, asset creating and substantially linked to agriculture and allied activities.
- **Irrigation** - Pradhan Mantri Krishi Sinchayee Yojana initiated with an allocation Rs 1000 crore.
- **Watershed Development** – A new programme called “Neeranchal” has been introduced with a allocation of Rs 2142 crore.
- **Others**-
  - **Organic Food**: North Eastern Region of India has tremendous potential for development of organic farming. To promote organic farming Rs 100 crore allocated.
  - **Animal Husbandry & Fisheries**: development of indigenous cattle breeds and initiating a blue revolution in inland fisheries.
  - **Kisan Vikas Patra**: was a very popular instrument among small savers. The scheme is being reintroduced to encourage people, who may have banked and unbanked savings to invest in this instrument.

**Impact of announcements**

- **Soil quality is deteriorating in India.** : Approximately half of the Indian soil is degraded. Water and wind erosion degrade more than 100 million hectares of soil and imbalance in use of fertilizers further deteriorates the soil condition. Budget allocation on soil health management policies (soil health card and soil testing labs) will have positive impact on farming and food production.
- **Special Support to Farmer Producer Organizations (FPOs)**: Farmer producer organizations are becoming critical link between farmers and the private sector. Special incentives given to FPOs will encourage companies and farmers to develop more FPOs. These organizations will better connect farmers to markets and ensure that their farm incomes improve.
- **Scientific agri warehousing**: Additional allocation of Rs 5000 Cr for developing warehouses is a welcome step and encourages the private sector to develop quality storage facilities.
Irrigation and water shed development: In India only 3.5 million hectares of the 87.2 million hectare irrigated area uses micro and sprinkler irrigation. More focus on micro irrigation under the budget allocated for irrigation will be crucial, secondly water shed development will help in managing agriculture under limited irrigation/ rainfall.

Unmet demands and any further demands relating to the sector

- Farm machinery
  - Promote and implement custom hiring bank model in agriculture equipment sector.
  - Vat exemption for Biomass/ Sugarcane/ Cotton and Maize planters and harvesters.
- Micro Irrigation: The purchase of Micro Irrigation equipment/systems by farmers should be eligible for priority lending by the banks within the ambit of ‘priority sector lending to agriculture’.
Wish List for the Banking Sector

- Deduction for provision for NPAs for NBFCs and treatment of recognition of income:
  - As per the provisions of section 36(1)(viia) of the Income Tax Act, provisions for bad and doubtful debts (if made as per RBI directions) made by banks are allowed as a deduction to the extent of 7.5 per cent from the gross total income and 10 per cent of aggregate average rural advances made by them.
  - NBFCs are now subject to directions of RBI as regards income recognition and provisioning norms. However, the deduction under section 36(1)(viia) of the Act is not available to NBFC. This inconsistency may be resolved by including NBFCs/NBFC-MFIs also in sec. 36(1) (viia) of the Act.
  - It is accordingly recommended that the provisions of section 43D of the Act should also be made applicable to NBFCs registered with RBI.
- Threshold limit for deduction of TDS on interest other than interest on securities should be increased from INR 10,000 to INR 100,000 where the payer is a banking company.
- The provisions of Section 115JG of the Act should provide any clarity on certain transitional issues such as value at which closing 'block of assets' are to be transferred to subsidiary, treatment of allowability of expenses to subsidiary earlier disallowed under section 43B in the hands of branch to achieve the intended objective of conversion of branch into subsidiary.
- Deduction under Section 80 P in respect of income of cooperative banks should be restored.
- Other suggestions:
  - A blanket exemption from complying with the provisions of TDS should be provided in respect of all payments made to Indian banks and Indian branches of foreign banks.
  - It is recommended that acceptance of Form 60/61 and Form 15G/15H by banks should be made automated to reduce unnecessary paper work.
  - Section 72AA of the Act should be amended to allow carry forward and set-off of accumulated loss and unabsorbed depreciation allowance in case of all types of banking consolidation.

Budget announcements pertaining to the sector

- Public Sector Banks need an additional capital of INR 2.40 lakh crores (Rs 2.40 trillion) by 2018 to meet global Basel III norms.
  - The capital of these banks would be raised by increasing the shareholding of capital in the phased manner through sale of shares largely to retail common citizens in the country.
- The government is considering providing greater autonomy to the board of public sector banks with higher accountability.
- Government in principle agrees to the consolidation of Public Sector Banks.
- In order to handle increasing NPAs in the banking sector, it is proposed to set up six new Debt Recovery Tribunals (DRTs).
- Banks will be encouraged to extend long term loans to infrastructure sector with flexible structuring to absorb potential adverse contingencies.
  - Banks will be permitted to raise long term funds for lending to infrastructure sector with minimum regulatory pre-emption such as CRR, SLR and Priority Sector Lending.
• **Likely Impact of the announcements**
  - The announcement to raise capital of Public Sector Banks would enable these banks to raise additional capital while preserving the public ownership and thereby comply with Capital Adequacy norms under Basel III guidelines.
    - The retail customer would also get direct shareholding in the bank which they currently hold indirectly.
  - Proposal of providing greater autonomy to Public Sector Banks is a welcome move as it would play an important role in speedy decision making and prompt and efficient delivery of services by Public Sector Banks.
  - Consolidation of Public Sector Banks is needed as large banks could provide the high capital base that would facilitate lending and growth and would offer economies of scale.
  - Setting up of 6 new DRTs is a step in the right direction as this has been proved to be one of the best channels of recovery of assets in the past.
  - The move of encouraging banks to extend long term loans to infrastructure sector would create a conducive environment for banks in meeting the financing needs of the infrastructure sector effectively.

• **Unmet demands and any further demands relating to the sector**
  - In case of some PSU banks, government shareholding is close to 51 per cent. Government can look at having 26 per cent share as a floor and bring in the concept of a golden share to exercise control over critical decisions.
  - Creation of a specialized entity called National Asset Management Company (NAMCO) to effectively tackle the issue of large NPAs as suggested by FICCI.
Capital Markets

- **FICCI wish list of the sector**
  - Extension of withholding tax of 5 per cent to all sectors on all foreign currency bonds and other debt securities and all investors
  - Formalize SEBI’s guidelines on Real Estate Investment Trusts (REITs)
  - Liberalize depository regime
  - Safe harbour rules should be introduced to provide that the gains earned by the offshore fund will be regarded as capital gains and further that Indian asset manager of the offshore fund will not construe business connection of the offshore fund in India
  - Encourage institutional investments in capital markets, like from Insurance companies and Provident Funds into Indian capital markets, especially in the bond market
  - Credit enhancement of infrastructure projects
    - Consider allowing Rupees Bonds issued by companies in the infrastructure sector to be credit enhanced by domestic banks
    - Specialized credit enhancement institutions should be created and international insurers should be looked at to facilitate credit enhancement
    - Foreign banks should be permitted to provide cross border guarantee on Rupee bonds and collateralize cross border guarantees by movable / immovable properties of the offshore guarantor

- **Budget announcements pertaining to the sector**
  - Extending a liberalized facility of 5 per cent withholding tax to all bonds issued by Indian corporate abroad for all sectors and extending the validity of the scheme from 30.06.2016 to 30.06.2017
  - Depository regime:
    - Liberalization of the ADR/GDR regime to allow issuance of depository receipts on all permissible securities
    - Allowing international settlement of Indian debt securities
    - Complete revamping of the Indian Depository Receipt (IDR) and introduction of a much more liberal and ambitious Bharat Depository Receipt (BhDR)
  - Introduction of uniform KYC norms and inter-usability of the KYC records across the entire financial sector
  - Introduction of one single operating demat account so that Indian financial sector consumers can access and transact all financial assets through this one account
  - In the case of Mutual Funds, other than equity oriented funds, the rate of tax on long term capital gains has been increased from 10 per cent to 20 per cent on transfer of units of such funds. Also, the period of holding has been increased from 12 months to 36 months for this purpose
  - Income arising to foreign portfolio investors (FPIs) from transaction in securities will be treated as capital gains
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- Provide necessary incentives for Real Estate Investment Trusts (REITs) which will have pass through for the purpose of taxation
  - As an innovation, a modified REITs type structure for infrastructure projects is also being announced as Infrastructure Investment Trusts (InvITs), which would have a similar tax efficient pass through status, for PPP and other infrastructure projects

- Likely impact of these announcements
  - The extension of lower withholding tax of 5 per cent to all sectors (which was so far applicable for infrastructure) and all investors would augment low cost long term foreign borrowings for Indian companies in all sectors
  - Reforms in the depository receipts regime will create a more competitive landscape for the Indian capital market. This competition will encourage further reforms in regulations, drive modernization by infrastructure institutions and financial institutions
  - Uniform KYC norms across the financial sector and a single operating demat account is a welcome step. It will not only make the investment process simpler and more cost-effective but also aid in integration of financial markets. It may therefore also help in increasing participation of retail investors in capital and commodity markets
  - Clarity in income characterization of income of fund managers of Foreign Portfolio Investors (FPIs) will end the apprehension of the fund managers of FPIs and encourage them to shift to India
  - Increase in holding period of debt mutual fund (MF) units for the long term capital gains tax from 12 to 36 months, and also the increase in the capital gains rate of taxation from 10 per cent to 20 per cent may have an adverse impact
    - Retail investors may stop coming through the MF route and this may severely impact liquidity of corporate bond markets
    - MF investment would be treated unfairly vis-a-vis a direct investment into a listed debt security or a listed zero coupon bond
    - If the rate is increased from 10 per cent to 20 per cent it should be uniform across listed bonds and MF units and holding period should be 12 months rather than 36 months for this purpose
  - A conducive tax regime for REITs would reduce the pressure on the banking system and also make available fresh equity. This would help attract long term finance from domestic and foreign sources, including the NRIs

- Unmet demands and any further demands relating to the sector
  - Encourage institutional investments in capital markets, like from Insurance companies and Provident Funds into Indian capital markets, especially in the bond market
  - Credit enhancement of infrastructure projects - Consider allowing Rupees Bonds issued by companies in the infrastructure sector to be credit enhanced by domestic banks
    - India should create specialized credit enhancement institutions and also look at international insurers to facilitate credit enhancement
- Foreign banks should be permitted to provide cross border guarantee on Rupee bonds and collateralize cross border guarantees by movable / immovable properties of the offshore guarantor.
Chemical and Petrochemicals

Oleochemicals

- **FICCI wish list of the sector**
  - It is suggested that Customs duty on Crude Palm Kernel Oil (CPKO; HS Code 151321), Crude Palm Stearin (HS Code 1511), Palm Fatty Acid Distillate (PFAD; HS Code 382319), Palm Kernel Fatty Acid Distillate (PKFAD; HS Code 382319) and Crude Fatty Acids (HS Code 382319) be made ZERO for its industrial use of Toilet soap and Oleo chemical manufacturing, on an actual user condition basis

- **Budget announcements pertaining to the sector**
  - Fatty acids, crude palm stearin, RBD and other palm stearin, specified industrial grade crude oils from 7.5 percent to Nil for manufacture of soaps and oleo-chemicals
  - Crude glycerin from 12.5 percent to 7.5 percent and crude glycerin used in the manufacture of soaps from 12.5 percent to Nil

- **Likely impact of these announcements**
  - This will boost domestic manufacture as also will address the issue of inverted duties

Petrochemicals

- **FICCI wish list of the sector**
  - Import duty on key petrochemical feedstock like Naphtha, Ethane, Propane and Reformate be reduced to 2.5 per cent
  - It is suggested that import duties may be reduced on Benzene, Toluene, Xylene, Naphthalene crude, Naphthalene refined oil and Ethanol
  - There exists strong opportunity in investment in methanol capacity in the country, but these are limited by feedstock (naphtha and natural gas) availability. In such a scenario, the Government can incentivise the development downstream industry by removing custom duty on methanol
  - Import duty on naphtha at 5 per cent, ethane (5 per cent) propane (5 per cent), and intermediates like ethylene (5 per cent), propylene (5 per cent), EDC (2.5 per cent), VCM (2.5 per cent) and styrene (2.5 per cent) have made local production un-viable

- **Budget announcements pertaining to the sector**
  - Basic customs duty on reformate from 10 per cent to 2.5 per cent; on ethane, propane, ethylene, propylene, butadiene and ortho-xylene from 5 per cent to 2.5 per cent; on methyl alcohol and denatured ethyl alcohol from 7.5 per cent to 5 per cent; and on crude naphthalene from 10 percent to 5 percent
• **Likely impact of these announcements**
  - This will encourage new investment and capacity addition in the chemicals and petrochemicals sector

• **Unmet demands in the Chemicals and Petrochemicals Sector**

  **Agrochemicals:**
  - For reducing Excise Duty to 8 per cent
  - Either to remove VAT on pesticides or have it uniformly @ 2 per cent all over the country

  **Petrochemicals**
  - Import duty on key petrochemical feedstock like Naphtha
  - Import tariff on key petrochemical inputs viz. EDC, VCM and Styrene may be brought down to zero.
  - Excise duty on polymers be reduced from the existing 12 per cent to 8 per cent as these are used in several products used by the masses.
  - In order to address the issue of unutilized SAD credit, it is submitted that SAD may be waived on imports of feedstock and import of monomers by end-use manufacturers. Alternatively a facility for end use manufacturers obtain refund of such credit balance can be considered by the Government.
  - Giving Natural Gas the status of “declared good” will ensure that sales tax on it is 4 per cent or less and limit the variation of tax rate on natural gas from state to state within a narrower range and benefit the user sectors.

**Indian Plastics Processing Industry**
- It is requested that Central Excise Duty on Plastic Polymers and Articles of Plastics be reduced to 8 per cent.
- It is essential that import duty structure on imports of articles of plastics is re-calibrated to increase import duty on plastic goods from current 10 per cent to 15 per cent

**Liquid Choline Chloride**
- There is an urgent need to exempt excise duty component of 12.36 per cent on Liquid Choline Chloride as well for use in feed.

**Other demands**
- Reduction of Import Duty on Butyl Acrylate
- Reduction of Import duty on Titanium Dioxide
- Technology Upgradation Scheme for the Chemical Sector
- Setting up of Centres of Excellence in Corrosion Management, Dyes Colorants and Fire Retardant chemicals
- Setting up of chemical complexes in resource rich countries
Capital Goods

- **FICCI wish list of the sector**
  - Customs duty exemptions to imported goods required for certain industries acts against the interests of the domestic capital goods industry. Due to the incidence of local taxes & duties, the domestic manufacturers face the cost disadvantages to the extent of 12 per cent to 26 per cent, on account of sales tax, entry tax / octroi, higher cost of finance, inadequate infrastructure, etc.
  - The minimum threshold of INR 100 crores for investment allowance needs to be reduced substantially to revive and boost investments in the manufacturing sector. Further, the period for which the allowance is available should be increased from 2 years to 5 years as projects need longer gestation period
  - Correct duty inversion to encourage value addition in manufacturing of capital goods like Pressure Vessels, Boilers etc.

- **Budget announcements pertaining to the sector**
  - To provide a fillip to the capital goods sector excise duty concessions were already extended beyond 30th June 2014 for a period of 6 months up to 31st December 2014
  - A national multi-skill programme called ‘Skill India’ is proposed to be launched to provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths, weavers etc.
  - Investment allowance at the rate of 15 per cent to a manufacturing company that invests more than INR 25 crores in any year in new plant and machinery provided. This benefit will be available for three years i.e. for investments up to 31.03.2017
  - The Amritsar Kolkata Industrial master planning to be completed expeditiously for the establishment of industrial smart cities in seven States of India
    - The master planning of three new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka to be completed
    - The perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters
  - Apprenticeship Act will be suitably amended to make it more responsive to industry and youth
  - Investment in National Highways Authority of India and State Roads of an amount of INR 37,880 crores
  - Faster clearance of import and export cargo- the existing 24x7 customs clearance facility extended to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods
• **Likely impact of these announcements**
  > Fresh demand creation for capital goods is expected as a result of thrust on infrastructure and industrial corridors
  > Emphasis on skill development for the skills specific to this sector should bridge the skill gap for the sector

• **Unmet demands and any further demands relating to the sector**
  > The period for which the investment allowance is available should be increased from 2 years to 5 years as projects need longer gestation period – not addressed
  > Duty inversion in capital goods sector addressed to some extent
  > Level playing issue for the domestic capital goods sector not addressed
Defence

- **FICCI wish list of the sector**
  - FDI limit to be raised to 49 per cent through Foreign Investment Promotion Board
  - Level Playing between FOEMs, DPSUs and Indian Private Industry
    - Currently ERV risk cover is being provided by the MoD only to DPSUs and OEMs. Protection to Indian private industry from exchange rate variation is much needed for private sector’s participation in defence manufacturing.
    - Grant deemed export status to defence manufacturing
    - Customs and Excise Duty Exemption Certificates to be issued to Indian private sector just like DPSUs
    - At present items supplied to research institutions under the administrative control of Government of India are exempt from payment of excise duty under Central Excise notification No. 10/97 dated 01.03.97 and items supplied to Defence Department are exempt from payment of excise duty under notification No. 64/95 dated 16.03.95. As per Rule 6 of the Cenvat Credit Rules, 2004 Cenvat Credit of goods used for manufacture of final product which is exempted from payment of excise duty is not allowed. This results into additional cost to the Indian manufacturer. Foreign suppliers are however eligible to supply equipments to Ministry of Defence without payment of Customs Duty by availing Custom Duty Exemption Certificate. This makes imports cheaper and local supplies costlier and do not provide level playing field to Indian supplier.
    - Taxes and Duties Loading for L1 Evaluation - Statutory Taxes and duties at sale point are not added for L1 purpose in case of a global buy and paid to the vendors at actuals. When Indian Industry competes with a foreign OEM in Global Buy category, Terminal Taxes and Duties (at Sale point) like VAT is kept out of the Indian Bid during comparison, and Excise Duty Exemption is granted in most system orders. A mechanism is needed to keep out the Excise duty, Sales tax / VAT, Octroi and Service tax on Input material / service during evaluation of bids, on par with deliverables to MoD, and paid at actuals to Indian OEM. This will bring in parity as import duties are exempt for Defence procurement from foreign OEM
    - Provide adequate Tax and Infrastructure Benefits to Defence R&D (Extension of 35-2AB R&D tax benefits to MAT Companies) and Production (Extension of 80-IA benefits to Defence Industry) through Budgetary measures

- **Budget announcements pertaining to the sector**
  - Defence budget marginally raised from INR 2,24,000 crores to INR 2,29,000 crores, an increase of INR 5000 crores
  - The government has budgeted INR 94,588 crores under capital outlay. This amounts to INR 5000 crores more than what was sanctioned under capital outlay in the interim budget of February 2014
This increase of INR 5,000 crores (capital outlay) includes a sum of INR 1,000 crores for accelerating the development of railway system in border areas

FDI limit increased in defence from 26 per cent to composite cap of 49 per cent (FDI and FII) through the Foreign Investment Promotion Board (FIPB) route with full Indian management and control

INR 100 crores Technology Development Fund to support research and development in developing defence systems resources.

- **Likely impact of these announcements**
  - Development of railway system in border area will help in strategic movement of defence forces and heavy defence machineries at faster pace
  - Increase in FDI limit will attract foreign investors and bring defence technologies and much needed financial support to capital intensive defence sector
  - The technology development fund will act like a venture capital fund for SMEs doing R&D in design and development encouraging innovations

- **Unmet demands and any further demands relating to the sector**
  - Due to unresolved taxation (CENVAT), FOEMs will have advantage over Indian defence manufacturers and the imports of defence products will continue to remain cheaper than domestic products
  - A mechanism is needed to keep out the Excise duty, Sales tax / VAT, Octroi and Service tax on Input material / service during evaluation of bids, on par with deliverables to MoD, and paid at actuals to Indian OEM.
    - Alternately, bids from foreign OEM should be loaded with customs duty, CVD, Octroi, VAT/ CST. If taxes and duties on inputs are added to the cost of L1 as is done today, then the Indian Bidder is having a non-level playing field with respect to foreign OEMs to the extent of Taxes and Duties loading and leading to possible loss of opportunity for the Indian industry
  - Customs and Excise Duty Exemption Certificates are made available to DPSUs for their tierised sub-vendors, through the delegated powers to MoD. The same is not made available to Private Industry system integrators leading to non-level playing field
  - ERV risk cover is being provided by the MoD only to DPSUs and OEMs, while private sector is kept out of ERV protection
  - Tax and Infrastructure Benefits to Defence R&D (Extension of 35-2AB R&D tax benefits to MAT Companies) and Production (Extension of 80-IA benefits to Defence Industry) still a distant dream, thus may not go with the vision of large scale investment by private sector on R&D activities
Education

- **FICCI’s wish list of Higher Education sector**
  - Allowing all types of Indian institutions to be established as Section 25 companies and permission to convert the existing trusts and societies to Section 25 companies
  - Top priority to be accorded to the setting up of National Higher Education Finance Corporation (NHEFC) in the 12th Five Year Plan for creating alternative avenues of revenue generation for higher educational institutions/universities
  - There is a need to promote specific scheme for skill development of university teachers and for the day to day academic and research activity.
    - The government should expedite the process of setting up a National Mission for Faculty Development.
  - Given that India needs skilled personnel for global requirements, government should make a provision for that
  - Any person enrolling for a Skills Certification course be eligible for a 20 per cent tax rebate (only applicable for the tuition fee amount)
  - Any Educational Service Provider opening a Skills Centre in a backward area should be given an incentive like exemption from income tax for the 3 years from the revenue generated in this backward zone in the first 3 years
  - All donations (and not just restricted only to research funding) to qualified Higher Education (HE) institutions should be eligible for 200 per cent tax deduction
  - Institutions and corporate investing in research leading to an award of patent should be eligible for higher research grants from Government of India
  - New or existing educational institutions making a fresh investment of INR 75 crores or above should be eligible for a preferred and long term Loan facility with interest rates at par with Base Rates or Prime Lending Rates of the commercial banks or financial institutions and for a tenor of up to 15 years with step up repayment plan
  - Setting up of a National Learning Corporation which would be responsible for eLearning standards, content repositories (such as the ones under NMEICT), research into pedagogy and technology, teacher training in the use of ICT/EdTech and technology provision for learning & learning content management, ePortfolios, MOOCs and a host of other platforms
    - The NLC could be a public – private entity that will help drive India to the forefront of digital learning and innovation
  - To promote ‘education for all’, Government of India had excluded educational and charitable services from the services tax net. However, with effect from July 1, 2012 an educational establishment which is regulated and controlled by a Government, local authority or governmental authority is only exempted from the purview of the service tax and the construction service for building school and colleges used by public charitable institutions controlled by private foundations/trusts are supposed to pay the service tax
    - As the public charitable institutions controlled by private foundations / trusts are playing a major role to supplement the government’s efforts in universalizing the
education and realizing the ‘inclusive growth’ goal, however, this distinction between the Government agencies and the private institutions will greatly affect the spread of education

- Higher Education institutions should be free to set up campuses overseas freely and a line of credit of at least US$ 500 million should be set up by the Exim Bank, as a part of India's diplomatic efforts and use of soft power
- Tax break to corporate which nominate their employees for higher education either through the continuing education model or a full time program
  - The fees paid by corporate for employees’ education should qualify for investment in human resources and hence exempted for tax purposes
- As college fees have increased tremendously, IT payers should be allowed a deduction against gross total income up to a minimum of INR 1,00,000 per child for fees paid to a HE institution recognized by government. This will mitigate the cost of higher education.

- **Budget announcements pertaining to the sector**

  **For Higher Education**
  - To set up 5 new IIMs and 5 new IITs in the country with a corpus of INR 500 crores
  - Easing and simplifying educational loans
  - A national program called ‘Skill India’ to be launched that would skill the youth with an emphasis on employability and entrepreneur skills.
    - It will also provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths, weavers etc. Convergence of various schemes to attain this objective is also proposed
  - INR 200 crores has been set aside by the government to set up Agriculture University in Andhra Pradesh and Rajasthan, and Horticulture University in Haryana, Telangana
  - To set up Sports University in Manipur with a corpus of INR 500 crores to encourage mainstream sports and Commonwealth game.
  - Jai Prakash Narayan National Centre of Humanities to be set up in Madhya Pradesh
  - Set up Centre of Himalayan Studies in Uttarakhand with a corpus of INR 100 crores

  - Film and Television Institute of India and Satyajit Ray Film Institute to be given status of institutions of national importance

  **For School Education**
  - New teacher training programmes under the scheme “Madan Mohan Malviya Teacher Training Program” with a corpus of INR 500 crores
  - Allocated INR 28,635 crores for ‘Sarva Shiksha Abhiyan’ (SSA) and INR 49,66 crores for ‘Rashtriya Madhyamik Shiksha Abhiyan’ (RMSA).
  - Allocated INR 100 crores for modernization of Madrasas
  - Launch of a school assessment program with a corpus of INR 30 crores proposed
➢ To take advantage of the reach of the IT, virtual classrooms to be set up as Communication Linked Interface for Cultivating Knowledge (CLICK) and online courses with an initial corpus of INR 100 crores
➢ School curriculum to have new chapter on gender sensitization

• Likely implications of these announcements
➢ The new government's recognition of the need for strategic investment in education is encouraging for the nation.
  ▪ The explicit allocation of resources in areas such as school assessments, teacher training and technology indicates that the government is taking an outcomes-based policy direction.
  ▪ Having addressed the need for universal enrolment in primary schools, the government has rightly allocated more resources in secondary education through the RMSA and created increased opportunities for vocational training through the Skill India mission
➢ The announcement on simpler and easier student’s loans will go a long way in making quality higher education affordable to meritorious and deserving students. As we move to implementing these schemes, the Centre should ensure optimal implementation of education policies by using performance-based incentive in its allocation to funds

Higher Education
➢ Creation of new IITs and IIMs will in some way help in creating more accessibility to quality institutions across the country
  ▪ However, a caution needs to be exercised in ensuring that the newly created IITs and IIMs match the standards of the already existing IITs and IIMs
➢ Easing and simplifying loans is a positive step forward that would help students in a major way
  ▪ However, there is a need to expedite the setting up of National Higher Education Finance Corporation (NHEFC) as proposed by the government in the 12th Plan
➢ Skill India program will give an impetus to inclusion in education and mainstreaming of skill development in the country
➢ Announcements for special universities and education centres will help in creating Center of Excellence (CoE) in the higher education system.
  ▪ It is for the first time that a full-fledged Sports University will be established in the country, which will certainly help in creating a conducive Sports ecosystem within the higher education

School education
➢ New Teacher training program would help in promoting teacher training program at the school level with exposure to new pedagogy and methodology of teaching- learning process
Around 5 per cent increase in SSA and 25 per cent increase in RMSA as compared to the last financial year in the fund allocation for SSA will further enhance the access and affordability in education across states

Modernisation of Madrasas will enhance the quality of education and infrastructure of the minority educational institutions

School assessment program will help to measure and improve learning outcomes of school education

CLICK will go a long way in addressing the issue of access and would play a great role in complimenting the conventional education system. Use of technology in education (through ICT tools, Massive Open Online Courses, etc.) is the order of the day and will drive India to the forefront of digital learning and innovation

Inclusion of gender sensitization in school curriculum will create sensitization of gender quality within students’ right at the school level

Unmet demands and any further demands relating to the sector

There is a need to promote specific scheme for skill development of university teachers/Higher Education Institutes and for the day to day academic and research activity. The government should expedite the process of setting up a National Mission for Faculty Development
Environment and Climate Change

- **FICCI wish list of the sector**
  - Promotion of “Communities based Decentralized Waste Management Strategy for Municipal Solid Waste generated by Household Residential Communities
    - At least 20 per cent of the waste generated in the country must be treated using de-centralized waste management.
    - Government should allocate INR 54,61 crores as capital subsidy and operations & maintenance cost over a period of one year using de-centralized waste management.
  - Promotion of ‘At Source’ Decentralized Waste Management Strategy for Municipal Solid Waste generated by ‘Commercial / Institutional Bulk Waste Generators’
    - Provide capital subsidy @ 50 per cent of project cost and fiscal incentives - Exemption from Central & State Government & Municipal Body taxes, duties, levy, cess etc. on purchase of equipment for de-centralized waste management
    - Service Tax Exemption on services rendered to operate and maintain these systems
  - To promote more investments in Green Technology, schemes like Technology Up-gradation Fund (TUF) / Credit Linked Capital Subsidy Scheme (CLCSS) may be introduced for renewable energy, energy efficiency, waste management, and other clean technology areas

- **Budget announcements pertaining to the sector**
  - Swatchh Bharat Abhiyan - the Government intends to cover every household by total sanitation by the year 2019, the 150th year of the Birth anniversary of Mahatma Gandhi through Swatchh Bharat Abhiyan.
  - “National Adaptation Fund” has been proposed for climate change. As an initial sum an amount of INR 100 crores will be transferred to the Fund
  - To promote cleaner and more efficient thermal power, the Government has allocated an initial sum of INR 100 crores for preparatory work for a new scheme: Ultra Modern Super Critical Coal-Based Thermal Power Technology
  - Comprehensive measures for enhancing domestic coal production are being put in place along with stringent mechanism for quality control and environmental protection, which includes supply of crushed coal and setting up of washeries
  - Clean Energy Cess is presently levied on coal, peat and lignite for the purposes of financing and promoting clean energy initiatives and funding research in the area of clean energy. The government has proposed to expand the scope of purposes of levying the clean energy cess to include financing and promoting clean environment initiatives and funding research in the area of clean environment. To finance these additional initiatives, it is proposed to increase the Clean Energy Cess from INR 50 per tonne to INR 100 per tonne
  - Common bio-medical waste treatment facilities have been exempted from service tax
  - Government has proposed to set up a National Centre for Himalayan Studies in Uttarakhand with an initial outlay of INR 100 crores.
The government has proposed its intention to encourage investment in mining sector and promote sustainable mining practices to adequately meet the requirements of industry without sacrificing environmental concerns. The current impasse in mining sector, including, iron ore mining, will be resolved expeditiously. Changes, if necessary, in the MMDR Act, 1957 would be introduced to facilitate this.

The government intends to accelerate production and exploitation of Coal Bed Methane reserves. The possibility of using modern technology to revive old or closed wells will also be explored to maximize production from such fields.

The usage of PNG will be rapidly scaled up in a Mission mode as it is ‘clean’ and efficient to deliver.

It is proposed to develop an additional 15,000 km of pipelines using appropriate PPP models.

**Likely impact of these announcements**

- The provision on total sanitation will generate a multitude of opportunities for waste management industry, sewage and water management industry and clean technology providers to plan projects under a PPP mode.
- Traditionally, Industry has taken up projects for Climate Change Mitigation, but the provision on National Adaptation Fund will ensure that Adaptation projects are taken up by industry simultaneously.
- Provisions on Clean coal initiative would ensure that thermal power generation is more energy efficient as well as environmentally friendly.
- The provision on Clean Energy Cess will ensure that clean energy and clean environment initiatives are preferred in research and development.
  - The doubling of the clean energy cess to INR 100 per tonne of coal is a major step to enhance the National Clean Energy Fund, which would be expected to provide funding to renewable energy projects, manufacturing and research, as well as clean environment initiatives and research.
  - While the fund gets a boost, there is need to push for utilization of the Fund for the purpose for which it has been created. Disbursements from the NCEF have not been clearly spelt out in the past. The new government needs to ensure that the Fund is made available and allocated on priority to renewable energy and clean environment. Clarity on allocations and process for disbursements is needed. Guidelines in this regard would be helpful.
- The provision on Common Bio Medical Waste Treatment Facilities will ensure boost to the sector.
- The provision on National Centre for Himalayan Studies in Uttarakhand will lay emphasis on research and development of Himalayan Ecosystems, biodiversity, natural resources and their conservation.
- The emphasis on sustainable mining practices in the Budget gives a directional thrust on conserving the environment in a sector which has been plagued with environmental issues.
The thrust to coal bed methane will help in achieving substantial greenhouse gas emissions reduction. This is an area which needs to be fully exploited as it provides a solution for capturing and utilising an important source of methane emissions.

The proposal to develop an additional 15,000 km of pipelines using appropriate PPP models will help increase the usage of gas, domestic as well as imported, which, in the long-term will be beneficial in reducing dependence on any one energy sources.

- **Unmet demands and any further demands related to the sector**
  - A one-time technology upgradation scheme through the National Clean Energy Fund (NCEF)
  - Eliminating tax on interest received by banks and relaxing ECB norms
  - Promotion of ‘Communities based Decentralized Waste Management Strategy’ for Municipal Solid Waste generated by Household Residential Communities
  - Allocation of INR 5,461 crores as capital subsidy and operations & maintenance cost over a period of one year using de-centralized waste management.
  - Promotion of ‘At Source’ Decentralized Waste Management Strategy for Municipal Solid Waste generated by ‘Commercial / Institutional Bulk Waste Generators’
  - Provision of capital subsidy @ 50 per cent of project cost and fiscal incentives - Exemption from Central & State Government & Municipal Body taxes, duties, levy, cess etc. on purchase of equipment for de-centralized waste management
  - Service Tax Exemption on services rendered to operate and maintain these systems
  - Schemes like Technology Upgradation Fund (TUF) / Credit Linked Capital Subsidy Scheme (CLCSS) for renewable energy, energy efficiency, waste management, and other clean technology areas
Financial Inclusion

- **FICCI wish list**
  - Improving credit guarantee scheme for different PSL category loans
  - Provide clarity on the channelization of two per cent CSR funds for social enterprises aimed at inclusion. Also, the aspect of tax treatment of such social ventures needs direction.
  - Long Term Investment Fund for Micro Finance Institutions in India
  - Service tax Exemption
    - Specific exemption from the levy of Service tax on the output services rendered by the microfinance institutions in the nature of loan processing services, insurance services, franking services, securitisation services, auxiliary services and
    - Specific exemption on all the input services used for the provision of above said output services which would be a cost to be borne by the underprivileged customers.
  - Incentives to microfinance industry on the following income tax matters
    - Include NBFC-MFIs as one of the specified entities to be eligible for deduction under section 36(1)(viii) of the Income-tax Act, 1961 (“the Act”) on transfer to special reserve
    - NBFC-MFIs may be included in the list of specified entities eligible to avail deduction under section 36(1)(viia) of the Income-tax Act, 1961 (“the Act”) in respect of any provision for bad and doubtful debts
  - Policy framework for Financial Inclusion/Micro retail Bank
  - SIDBI venture capital funds shall be broad based to incorporate financial inclusion

- **Budget announcements pertaining to the sector**
  - Incentives for small savers
    - Kissan Vikas Patra (KVP), reintroduced to encourage small savers
    - Revitalizing small savings – proposed special small savings instrument for the Girl Child, National Savings Certificate with insurance cover for small saver and annual ceiling under PPF scheme raised
  - Access to financial services
    - Extension of the provision of bank loan for women SHGs at 4% in another 100 districts under National Rural Livelihood Mission (NRLM)
    - Cheaper credit for affordable housing to the urban poor/EWS/LIG segment through a creation of `4,000 crores fund for National Housing Bank
    - Incentive to farmers in interest rates for timely repayment under the Interest Subvention Scheme for short term crop loans
    - Financial Inclusion Mission to be launched in the current year - Two bank accounts in each household are proposed to be opened which will also be eligible for credit
    - Licensing small banks and other differentiated banks
Likely Impact of these announcements
- Incentivising savings by small savers will strengthen financial inclusion
- Financial inclusion mission, along with specialised credit services, through new small and differentiated banks would push the agenda of financial inclusion further from the supply side

Unmet demands and any further demands relating to the sector
- Microfinance Institutions (Development and Regulation) Bill 2012 needs to be introduced again to ensure an effective regulatory structure for the entire microfinance sector.
Food Processing

- FICCI’s wish list for Food Processing Sector
  - Development of Supply Chain and Warehousing
    - Increase the subsidy under Grameen Bhandaran Yojna to 35% (25% at present).
    - Construction of godowns under Private Entrepreneurs Guarantee (PEG) scheme formulated by Food Corporation of India for guaranteeing the storage should be enhanced to 15 years.
    - Banks should get direct lending tag under priority sector benchmark towards the loans given for construction of godowns both under PEG and Grameen Bhandaran Yojna as against indirect lending under priority sector at present.
  - Import duty on plant & machinery be brought down to zero from 5%.
  - Service Tax on Room Rent and on Sale of Food and Beverages be discontinued to provide relief to industry.
  - Duty rate on Health Care Nutritional Products used for treatment of patients be reduced from 12% to NIL.
  - Soya Processed Food Products - excise duty varies between 4% and 12% - needs to be brought down to zero.
  - Excise duty on breakfast cereals and confectionary items needs to be aligned to the rate of 2% (rate of excise duty imposed on most food products) from 6% charged currently.
  - Packaged Drinking Water – excise duty be halved from 12.36% to 6.18%.
  - Reduction of excise duty on poly-coated paper and paper boards and other packaging materials.

- Budget announcements pertaining to Food Processing sector
  - To incentivize expansion of processing capacity, excise duty on specified food processing and packaging machinery has been reduced from 10% to 6%.
  - Additional duty of excise on aerated waters containing added sugar.
  - Establishment of a drug and food testing laboratory in each state.

- Impact of announcements
  - Excise duty on specified food processing and packaging machinery has been reduced from 10% to 6%: This is good especially for the small and medium sized companies and will give a boost to processing.
  - Additional duty of excise on aerated waters containing added sugar: This is negative for the sector. Clearly health grounds are cited, but are an easy way of increasing indirect tax revenue.
  - Establishing drug and food testing lab in each State: This is a welcome step to further enhance safe food business.

- Unmet demands and any further demands relating to the sector
  - All sub-sector specific fiscal demands remain unmet.
FMCG

▪ **FICCI Wish list for the sector**
  ▪ **Cigarettes**
    ▪ **Continuation of length based Specific Duty Structure of Excise for Cigarettes:** Length based specific excise duty structure is a simple, transparent method of taxation which is easy to administer and which has no potential for valuation disputes.
    ▪ Reduction of excise duty for filter cigarettes in the 65 mm slab.
    ▪ Equal tax treatment for domestic and imported cigarettes in Duty Free Stores.

  ▪ **Central Excise & Service Tax**
    ▪ A clarification to be provided that an endorsed bill of entry is a valid document for availing cenvat credit when the entire quantity of imported goods are dispatched from the port to a job worker who undertakes manufacturing activity and pays excise duty subsequently. This will reduce litigation.
    ▪ Auto-withdrawal of stay application with Tribunal within one year to be deleted. There are many instances where Tribunal bench is not functioning, it is unable to hear the matter and give ruling. As a result, genuine taxpayers are facing harassment and unnecessary hardship.
    ▪ Cost-sharing arrangements at cost between common pool of companies to be made out of service tax net. This is only pooling of resources for common benefit with no service element involved and should not be brought under service tax net.
    ▪ The condition of pure agent to be simplified so that genuine cases of pure agent are not unnecessarily subject to service tax litigation. This will promote business & industry. Pure reimbursement of expenses should not be subject to service tax.

▪ **Budget announcements pertaining to the sector**
  ▪ **Tax announcements**
    ▪ Basic customs duty reduced on certain items like fatty acids, Palm R&D, glycerin to encourage new investment and capacity addition in the chemicals and petrochemicals sector.
    ▪ Excise duty on specific food processing & packaging equipments reduced to 6% from 12%.
    ▪ Specific rates of excise duty increased on cigarettes in the range of 11 per cent to 72 per cent.
    ▪ Excise duty increased from 12 percent to 16 percent on pan masala, from 50 percent to 55 percent on unmanufactured tobacco and from 60 percent to 70 percent on gutkha and chewing tobacco.
    ▪ Extra 5% excise duty on aerated water drinks with sugar.
    ▪ Reduction in the excise duty from 12 percent to 6 percent on footwear of retail price exceeding Rs. 500 per pair but not exceeding Rs. 1,000 per pair.
• Likely Impact of these announcements

- New investment and capacity addition in the chemicals and petrochemicals sector likely to be seen – soap manufacturing to get a boost.
- Boost to food processing industry by reduction in excise duty on food processing & packaging equipment and would also incentivize expansion of processing capacity.
Gems & Jewellery

- FICCI Wish List for the sector
  - Zero Excise duty on branded & unbranded jewellery to be maintained.
  - Several states have implemented entry tax and octroi: These hamper the free movement of goods and create additional tax barriers and inefficiencies. Hence these taxes should be abolished.
  - Reduction in benign assessment procedure (BAP) rate. In 2008, the government had introduced a BAP to compute the income tax of diamond traders and manufacturers and provide them with concessions. However, the BAP found few takers as the tax rate was too high. Hence industry expects the net profit to be reduced to 2.5% of turnover, instead of the current 6%, as mandated under BAP.

- Budget announcements pertaining to the sector
  - Basic customs duty on semi processed half cut or broken diamonds, cut and polished diamonds and colored gemstones rationalized at 2.5%.
  - To encourage exports, pre-forms of precious and semi-precious stones exempted from basic customs duty.

- Likely Impact of these announcements
  - Exports likely to increase due to exemption of exempting pre forms of precious and semi-precious stones from basic custom duty.
  - Assessment disputes likely to be avoided by rationalizing the custom duty on semi processed half cut or broken diamonds, cut and polished diamonds and colored gemstones; however, the prices of the semi processed, half cut diamonds now would be increased.
Healthcare and Lifesciences

• **FICCI wish list of the sector**
  
  - **Infrastructure Status for Healthcare Sector**
    - Tax deduction of 100 per cent of the profits and gains derived from operating and maintaining hospitals for a period of ten consecutive assessment years in any 15 year period starting from date of operation of hospital facility, anywhere in India be allowed.
    - Further, the requirement to maintain minimum number of beds for patients be kept at 50 (in non-metro cities).
  
  - **Deduction for Preventive Health Check-Ups**
    - The amount of tax deduction provided for preventive health check-ups introduced by the Finance Act, 2012 should be made over and above the provision of INR 15,000 towards the health insurance premium paid under section 80D of the Act. This will definitely incentivize citizens to undergo a preventive health check-up on a regular basis.
  
  - **Electronic Health Record Standards**
    - To encourage move towards maintenance of Electronic Health Record (EHR), financial incentives/grants should be provided to willing institutions. 250 per cent deduction on investment made for the implementation of Electronic Health Record should be extended.
  
  - **Compulsory Health Insurance for Employees**
    - To promote Health insurance penetration in the country, it should be mandated that organizations insure every employee for a minimum amount of INR 1 lakh.
    - The employer should be allowed tax deduction on the premium paid.
    - The employee should have the flexibility to increase this cover; the additional premium so paid should also be made tax exempt. This should be over and above the cover extended under the ESI, CGHS and other government health insurance schemes.
  
  - **Incentives for Voluntary Organ Donors**
    - India needs to do 2,00,000 solid organ transplants each year, which is grossly undersupplied due to the shortage of donor pool. Amendments to the Transplant Act, 1994 need to be looked at, to increase donor pool.
    - It is imperative to incentivize and promote voluntary donors to meet the organ shortage. The donors may be provided lifetime health coverage through insurance benefits.
  
  - **Health Insurance Coverage for Senior Citizens**
    - There should not be rejection for health insurance due to age limitations for senior citizens even with non-continuous / no provision of health insurance coverage.
    - There is a need for restructuring the premium, so that the monetary burden on the end user reduces as his / her age increases and the ability to contribute decreases. This innovative premium structuring will help increasing affordability amongst the masses.
➢ Tele-Health usage for improving Accessibility, Affordability and Quality Healthcare in remote areas
   ▪ To improve the access of affordable and quality healthcare in remote locations and maximize utilization of the small doctors’ talent pool, Government should incentivize usage of tele-health
   ▪ The tele-health services can be extended beyond the tele-medicine to a more critical part of the hospital – the ICU and the OT
     o Without such positive incentives, the adoption of such services will be slow like Tele-Medicine
     o Such services also benefit the patients financially. They no longer will require travelling to large cities and incurring large travel costs and shall also be in a position to recover faster using expert advice and by extension of this logic also benefit financially
   ▪ It is recommended that 250 per cent deduction for approved expenditure incurred on operating technology enabled healthcare services like telemedicine, remote radiology etc. should be allowed

➢ Exemption from MAT
   ▪ Healthcare sector should be exempt from Minimum Alternate Tax

➢ Creation of Department of Medical Devices and Expert Committee
   ▪ Creation of Department of Medical Devices on the lines of Department of Pharmaceuticals under Ministry of Health or under Ministry of Science & Technology to promote domestic innovation and manufacturing initiatives in the Med Tech area is suggested
   ▪ It is also recommended to form an expert committee with participation from Ministry of Health and Family Welfare, Ministry of Science and Technology, Ministry of Commerce and Ministry of Finance to look at the problems faced by Medical Technology companies manufacturing in India and provide help/guidance/ grants to promote Innovation/ Manufacturing initiatives in the Medical Technology segment

➢ Medical Technology Parks
   ▪ Creation of exclusive dedicated Medical Technology Parks where there is a cluster of manufacturers of Medical Technology products with basic infrastructure to support these and the inclusion of benefits for Customs duty on raw material, excise duty concessions, VAT holidays, IT holidays, etc.
   ▪ There is a need for R&D grants / subsidies in the Medical Technology space for promoting Domestic Innovation initiatives.
     o It is recommended that weighted deduction of 250 per cent of the value of investment for R&D and innovation of Medical Instruments, Diagnostics Instruments, Consumables, Devices, etc. be introduced under the Income Tax Act

➢ Encouraging Complete or partial in-house Manufacturing
To provide cost effective healthcare in India, Government should encourage complete or partial in-house manufacturing set up. In this process, the following benefits may attract more investment:

- 150 per cent depreciation on infrastructure investment U/S 35 of IT Act
- No Excise Duty on equipment manufactured in India or assembled in India, wherein the imported raw material content is limited up to 50 per cent of complete equipment cost
- Zero custom duty on all imported raw materials by manufacturers, wherein the imported raw material content is limited up to 50 per cent of complete equipment cost
- R&D Cess CENVATable with Excise duty.

• Budget announcements pertaining to the sector

- The Government intends to cover every household by total sanitation by the year 2019, the 150th year of the Birth Anniversary of Mahatma Gandhi
- To add 12 more government medical colleges. In addition, dental facilities would also be provided in all the hospitals
- A plan to set up four more AIIMS like institutions at Andhra Pradesh, West Bengal, Vidarbha in Maharashtra and Poovanchal in UP; INR 500 crores allocated for this purpose. More AIIMS to cover all other states in future
- Strengthen the States' Drug Regulatory and Food Regulatory Systems by creating new drug testing laboratories and strengthening the 31 existing State laboratories
- Fifteen Model Rural Health Research shall be set up in the states, which shall take up research on local health issues concerning rural population
- At least five institutions under the Department of Science & Technology as Technical Research Centres would be strengthened to make them more effective in the innovation space through Public Private Partnerships
- Scaling up of biotech clusters in Faridabad and Bengaluru to the highest international standards
  - This will include global partnerships in accessing model-organism resources for disease biology, stem cell biology and for high-end electron microscopy
  - Global partnerships will be developed under India’s leadership to transform the Delhi component of the International Centre for Genetic Engineering and Biotechnology (ICGEB) into a world-leader in life sciences and biotechnology
- Two National Institutes of Ageing will be set up at AIIMS, New Delhi and Madras Medical College, Chennai
- Government will provide investment allowance at 15 per cent for 3 years to the manufacturing company which invests more than INR 25 crores in plant and machinery
- Announcement of free Diagnostic Service
Likely impact of these announcements

- Union Budget 2015 has taken a wholesome view of the healthcare sector
  - The focus on sanitation, clean drinking water, nutrition and free medicine and diagnostics would have a great impact in improving the overall health and living conditions of the population
  - The emphasis on enhanced innovation and research in the healthcare sector is also a very welcome move by the Government to spur localised solutions to healthcare issues
- Assuring basic sanitation to every household would have enormous effect on health through clean and healthy living environment and curbing the spread of infectious diseases
- Increase in pipeline of doctors to help address the pressing shortage of doctors and dentists in the country in the medium to long term.
- Opening up of more AIIMS like institutions would lead to improvement in tertiary care in the public sector especially for the weaker sections of the society and addition to the human resources pool
- Setting up of new drug testing laboratories and strengthening the 31 existing State laboratories would strengthen the capacity for the drug approval mechanism in the country which is grossly inadequate.
  - This is also expected to usher in harmonisation between state and central level regulators hence resolving issues of interpretation at different levels.
- Setting up of fifteen Model Rural Health Research Institutes would provide the much needed impetus to research on issues of primary and public health which is largely neglected.
  - With focus on affordable healthcare development it is expected that possible spin-offs from research done in these institutes in medical technology can see the day of light and fill the gaps of affordable medical care requirements
- Setting up of institutions under the Department of Science & Technology as Technical Research Centres would provide impetus to research and innovation in critical areas of nanotechnology and bio-medical technology
- Scaling up of biotech clusters would stimulate investment in biotechnology and encourage further innovation in the sector
- Setting up of two National Institutes of Ageing would facilitate formulation of relevant policies for improved elderly care in the country
- Investment allowance to the manufacturing company which invests more than INR 25 crores in plant and machinery will provide impetus to micro and small scale manufacturing in the medical technology and pharmaceuticals sector.
- Announcement of free Diagnostic Services may provide an opportunity for PPP based projects in the space of Preventive Diagnostics using electro medical and in-vitro diagnostic facilities for greater reach
Housing, Urban Development, Real Estate

Housing

- **FICCI wish list of the sector**
  - Rebate under Housing loan on self-occupied property to be raised from INR 1.5 lakhs to INR 2.5 to compensate for the increased burden of interest on houses

- **Budget announcements pertaining to the Housing sector**
  - Housing for all by 2022: Mission on Low Cost Affordable Housing anchored in the National Housing Bank to be set up
    - A sum of INR 4000 crores has been allocated for NHB from the priority sector lending shortfall with a view to increase the flow of cheaper credit for affordable housing to the urban poor/EWS/ LIG segment is provided
  - Rebate under Housing loan on self-occupied property to be raised from INR 1.5 lakhs to INR 2 lakhs
  - To promote rural housing allocation under Rural Housing Scheme has been increased to INR 8,000 crores
  - Under FDI in real estate, projects which commit at least 30 per cent of the total project cost for low cost affordable housing will be exempted from minimum built up area and capitalisation requirements, with the condition of three year lock-in

- **Likely impact of these announcements**
  - The Real Estate industry welcomes the challenge that the current budget has taken on to provide “Housing for All by 2022”.
    - As per the report of the Technical Group on Urban Housing Shortage (2012-17) constituted by the Ministry of Housing and Urban Poverty Alleviation, Govt. of India, there is a shortage of 18.78 million dwelling units out of which nearly 96 per cent belongs to the Economically Weaker Sections (EWS) and Lower Income Group (LIG) Households.
    - Budgetary provisions of INR 4000 crores for affordable housing is expected to provide necessary fillip to this sector
  - Raising the rebate under Housing loan on self-occupied property to INR 2 lakhs would bring some relief to home buyers
  - Under FDI in real estate, projects which commit at least 30 per cent of the total project cost for low cost affordable housing will be exempted from minimum built up area and capitalisation requirements, with the condition of three year lock-in. This is a welcome step as it will provide finance for affordable housing projects without any compulsion of minimum capitalisation or area norms
• **Unmet demands and any further demands relating to the Housing sector**
  - High prices of dwelling units across the country and particularly amongst tier 1 and 2 cities, the home loan up to INR 25 lakhs as priority sector classification should be enhanced to INR 35 lakhs for the consumer loan.
  - Tax at source from rental income is deducted @ 15 per cent in the case of the individual and HUFs and 20 per cent in other cases out of the gross rental income. Deduction @ 15 per cent in the case of the individual and HUFs and @ 20 per cent in other cases out of gross rental income is very high and should be reduced to 7.5 per cent in case of individuals and HUFs and 10 per cent in other cases.

**Smart Cities**

• **FICCI wish list of the sector**
  - FICCI has been advocating lowering of minimum area requirements under FDI policy.

• **Budgetary announcements pertaining to the sector**
  - Requirement of the built up area and minimum capitalisation conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from US$ 10 million to US$ 5 million respectively for development of smart cities.
  - Towards the vision of developing ‘one hundred Smart Cities’, as satellite towns of larger cities and by modernizing the existing mid-sized cities, a sum of INR 7,060 crores is provided in the current fiscal.
  - A National Industrial Corridor Authority, with its headquarters in Pune, is being set up to coordinate the development of the industrial corridors, with smart cities linked to transport connectivity, which will be the cornerstone of the strategy to drive India’s growth in manufacturing and urbanization. An initial corpus of INR 100 crores has been provided for this purpose.
  - The Amritsar Kolkata Industrial master planning will be completed expeditiously for the establishment of industrial smart cities in seven States of India.
    - The master planning of three new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka will also be completed.
    - The perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor would be completed with the provision for 20 new industrial clusters.

• **Likely impact of these announcements**
  - The Government’s intent to provide dedicated resources for building 100 smart cities, building some from scratch and rest by rejuvenating existing cities through infrastructure upgrades is laudable.
The Government’s promise to implement its pro-development election manifesto of building infrastructure such as freight and industrial corridors, national highways and border & coastal roads; and modernization of airports, ports and railway stations is also commendable.

- However, the success of the provisions announced in the budget for housing, cities and urban development would depend on clear cut implementation guidelines.

- Requirement of the built up area and minimum capitalisation conditions for FDI to be reduced from 50,000 square metres to 20,000 square metres and from USD 10 million to USD 5 million respectively for development of smart cities. This measure would facilitate new and small projects in tier II and tier III cities through FDI route.

- Budget allocation towards vision of developing ‘one hundred Smart Cities’, as satellite towns of larger cities and by modernizing the existing mid-sized cities is a welcome move and FICCI looks forward to the fast planning of such cities.

- Creating new cities along industrial corridor would greatly enhance economic activities and provide huge employment opportunities.

**Real Estate**

- **FICCI wish list of the Real Estate sector**
  - Launch of REITs to make available funds for more development in the country.

- **Budget announcements pertaining to the sector**
  - Incentives for Real Estate Investment Trusts (REITS). Complete pass through for the purpose of taxation
  - A modified REITS type structure for infrastructure projects as the Infrastructure Investment Trusts (INVITS)

- **Likely impact of these announcements**
  - Launch of REITs is an extremely positive step and is expected to augment infrastructure development in the country.
  - The announcements made in the budget would attract long term finance from foreign and domestic sources including the NRIs.

**Urban Development**

- **Budget announcements pertaining to the sector**
  - Vision of the Government is that 500 urban habitations to be provided support for renewal of infrastructure and services in next 10 years through PPPs in the areas of safe drinking
water and sewerage management, use of recycled water for growing organic fruits and vegetable, solid waste management and digital connectivity

- Present corpus of Pooled Municipal Debt Obligation Facility to be enlarged to INR 50,000 crores from INR 5000 crores
- INR 100 crores provided for Metro Projects in Lucknow and Ahemdabad
- INR 500 crores for water reforms to make Delhi a truly World Class City and INR 50 crores for Renuka Dam to solve the long term water supply issues to the capital region
- A programme for promoting ‘Good Governance’ would be launched with a corpus of INR 100 crores
- Shyama Prasad Mukherji Rurban Mission will be launched to deliver integrated project based infrastructure in the rural areas, which will also include development of economic activities and skill development.
  - The preferred mode of delivery would be through PPPs while using various scheme funds for financing
- Planning of urban metro projects should begin for the cities with a population of 2 million. Urban metro projects – rail-based and LRT-based projects – metro projects to be developed on PPP basis. Government allocates INR 100 crores and programme to be in place in six months

**Likely impact of these announcements**

- The need for up-gradation and development of urban infrastructure and urban services cannot be overstated. The present levels of urban infrastructure are grossly inadequate to meet the demand of the existing urban population.
- The current budget has given huge importance to urban development and renewal.
- The provisions announced in the budget if implemented in right spirit would definitely bring about improvements in urban services and also built infrastructure capacities in cities.
- A separate fund for good governance is an innovative measure and needs to be seen how it will be implemented.
**Information and Communication Technology (ICT)**

- **FICCI wish list of ICT sector**
  - Extend benefits under section 80IA to telecom infrastructure services providers: Boost the telecom tower companies by helping them leverage the benefits that come with ‘infrastructure status’, including access to cheaper finance, viability gap funding, accelerated depreciation and tax holidays
  - Facilitate the companies who have incurred CapEx:
    - Amend credit rules for claiming refund to help new telecom operators who have incurred large amounts of Capital Expenditure
    - Extend tax holiday benefits under Income Tax Act for CapEx deployment, which would help the industry commit additional investments
  - Incentivize IT infrastructure development in India:
    - The government should look at providing impetus to infrastructure developing activities, regardless of whether the company is under the STP scheme or the SEZ scheme
    - Besides the industry is hopeful that procedures like renewal of SEZ unit approval, grant of 100 per cent credit, for which assessed is eligible for TDS, to be simplified through online system
  - The government should bring a greater clarity on royalty implications on software
  - Fund allocation to promote electronic governance to build public trust, increase transparency:
    - There is need to allocate money for IT spending, particularly in the areas like healthcare, and education where technology can make a big difference
  - Decentralize IT hubs, recognize talent by funneling adequate funds to support underdeveloped cities
  - Provide benefits (monetary or infrastructure) to start-up companies focused on IP creation
  - Resolution of many taxation issues like inverted duty structure for manufacturers of IT hardware, concessional rate of duty for computers and tablets
  - Onsite Tax treatment: Onsite revenues are an integral part of the development process and should be counted as exports. Clarity of onsite tax revenue will support the sector

- **Budget announcements pertaining to the sector**
  - INR 500 crores allocation for Digital India Program to ensure broadband connectivity at village level
  - INR 100 crores have been allocated to set up a Technology Development Fund aimed at providing resources to public and private sector companies ‘to support research and development of defence systems’
  - The eBiz platform aims to create a business and investor friendly ecosystem in India by making all business and investment related clearances and compliances available on a 24x7 single portal, with an integrated payment gateway. All government departments and ministries would be integrated through an e-platform by Dec. 31 2014, in addition to a
nationwide incubation and accelerator program, as well as an online platform for bill payments

- A program for promoting ‘Good Governance’ would be launched with a sum of INR 100 crores for this
- INR 7,060 crores for developing 100 smart cities
- Government to set up 7 Industrial Smart Cities
- The manufacturing units will be allowed to sell its products through retail including E-commerce platforms without any additional approval
- A sum of INR 100 crores for setting up virtual classrooms as Communication Linked Interface for Cultivating Knowledge (CLICK) and online courses
- India’s tax regime to be made predictable and stable
- A high-level committee announced to scrutinize retrospective tax cases
- e-visas to be introduced at nine airports in the country in a phased manner
- Will take effective steps to revive/revitalize SEZs
- Manufacturing units will be allowed to sell products through retail, e-commerce
- INR 10,000 crores start-up fund for new businesses
- National accelerators & incubators for start-ups to be setup
- In order to reduce litigation on transfer pricing issues, the relevant data is under analysis and appropriate rules will be prescribed
- The Government will also review the DTC in its present shape and take a view in the whole matter
- Impose basic customs duty at 10 per cent on specified telecommunication products that are outside the purview of the Information Technology Agreement

**Likely impact of these announcements**

- INR 500 crores allocation for Digital India Program to ensure broadband connectivity at village level, transparency in governance is a significant step by the government in diminishing the digital divide in India and will boost local manufacturing of hardware and software products
- Allocation of INR 100 crores to set up a Technology Development Fund will facilitate public and private sector companies to support research and development to a great extent
- Integration of all government departments and ministries would be integrated through an e-platform by Dec. 31 2014 will bring greater transparency and efficiency in government functions including public service delivery
- Focus on IT as an enabler for development provides Indian IT industry with a huge opportunity to redefine itself in the domestic ICT market as well as surges the growth prospect of other sectors
- GST once implemented will streamline tax administration and result in higher tax collection for Centre and states
- Allowing manufacturing units to sell products through retail, e-commerce will enhance the ease of doing business, will increase completion and will result in their profitability
- INR 10,000 crores startup fund for new businesses and setting-up of national accelerators & incubators for startups will boost the entrepreneurial spirit in India

- **Unmet demands and any further demands relating to the sector**
  - Extend benefits under section 80IA to telecom infrastructure services providers
  - Higher limit of funds through External Commercial Borrowing (ECB)
  - A greater clarity on royalty implications on software
  - Clarity of onsite tax revenue
Insurance and Pension

- **FICCI wish list of the sector**
  - Increase in foreign direct investment (FDI) in the insurance sector and passing of the Insurance Laws (Amendment) Bill, 2008
  - Insurance sector should be allowed to carry forward and set-off, the unabsorbed losses for an indefinite period
  - The sum assured multiple should be lowered to 5 times of the premiums paid or the tax benefits should be linked with the tenure of the policy rather than the sum assured and accordingly, the tax benefit should be given only on policies with a minimum tenure of 10 years
  - Taxability of Pension products should be treated at par with traditional and ULIP products
  - It should be explicitly clarified that the re-insurance premium earned by foreign re-insurers from Indian insurance companies in respect of which no part of the operations of the reinsurer are carried out in India is not liable to tax in India
    - It is recommended that an amendment should be made in the Act to provide that MAT provisions are not applicable to non-life insurance companies
  - Gains or Losses on realization of investments in case of General Insurance Business
    - The general insurance companies are paying Securities Transaction Tax (STT) on all transactions of Securities sale, treating the transactions as involving Capital gains. The levy of STT on such transactions and non-exemption of long term capital gains on sale of such securities by the general insurance industry is resulting into double taxation
  - Adjustment of TDS required in case of free look cancellations
  - Taxation on distribution of income to life insurance companies by securitization trusts
    - It is recommended that the income distributed by securitization trusts to life insurance companies should be provided a special tax treatment whereby income so distributed be subjected to additional tax at the rate of 12.5 per cent and not at 30 per cent
    - The income of a fund set up by the life insurance company under a pension scheme, which is approved by IRDA, is exempt from tax under section 10(23AAB) of the Act. It should be clarified that no additional tax would be payable in respect of income distributed by the securitisation trust on investments made from IRDA approved pension fund set up by a life insurance company
  - Tax treatment on assignment of Keyman Insurance Policies
    - CBDT should issue a clarification to provide that the maturity proceeds under a keyman insurance policy should be reduced by the amount on which tax has already been paid at the time of assignment of such policy to avoid double taxation

- **Budget announcements pertaining to the sector and Impact of announcements**
  - FDI in insurance sector to be raised to 49 per cent with full Indian management and control, through the FIPB route
Considering the need for more capital in the insurance sector, the government announced that the FDI limit would be increased from the current level of 26% to 49%.

- The pending Insurance Amendment Bill will be taken up in the Parliament

  - Boost the Insurance Sector and enhancing Insurance penetration
    - Insurance penetration is still very low and benefits of insurance have not reached a large section of people. The government plans to address the issue in a multi-pronged manner with concerned stakeholders. This would include suitable incentives, using banking correspondents, strengthening micro-offices opened by public sector insurance.

  - Service Tax exemption for Micro-insurance
    - The service tax exemption presently available for specified micro insurance schemes is being expanded to cover all life micro insurance schemes where the sum assured does not exceed INR 50,000 per life insured.

**Likely impact of these announcements**

- The slated increase in FDI limit would pave the way for foreign inflows and mobilize long term funds to meet the needs of the Insurance sector.
- Passing of the Insurance Laws (Amendment) Bill, 2008 is expected to remove lot of operational hurdles and is expected to align the provisions of The Insurance Act 1938 in line with the current industry requirements.
- Announcements related to enhancing insurance penetration through incentives would help in developing the Insurance market which is essential for a robust economy.
- Service Tax exemption for Micro-insurance would encourage the development of insurance services for low-income group.
Labour and Employment

- **Budget announcements**
  - A new national skill development program called 'Skill India' has been proposed to be launched while indications have been given for convergence of various existing skill development schemes
  - Amendment in Apprenticeship Act has been proposed to better respond to industry needs
  - Rs.10,000 crore venture capital fund has been proposed for start-ups and entrepreneurs.
  - Rs100 crore for rural entrepreneurship programme and Rs 200 crore to boost young entrepreneurs in the SC/ST category has been proposed
  - EPFO will launch a unified account scheme for portability of Provident Fund accounts

- **Likely impact of the announcements**
  - The budget has several proposals which will help boost employment generation
  - Launch of a mega ‘Skill India’ project with the convergence of all skill related schemes is a welcome move as it will help in developing a unified and well-coordinated approach on skilling, targeting the resources in right direction
  - Allocation of INR 100 crores for rural entrepreneurship programme, and INR 10,000 crores for venture capital funds for start-ups and entrepreneurs will boost self-employment and help generate more wage employment
  - Amendment of the Apprenticeship Act will catalyse the process of skill development which suit industry needs
  - The government should incentivise the industry to enrol apprenticeships for developing skills with a hands-on experience
  - Reform in labour laws – a critical issue for employment generation - has not found mention in the budget
  - There is a need to introduce a focused employment law, in place of ‘labour laws.’
Manufacturing

- **FICCI wish list of the sector**
  - The minimum threshold of INR 100 crores for investment allowance needs to be reduced substantially to revive and boost investments in the manufacturing sector. Further, the period for which the allowance is available should be increased from 2 years to 5 years as projects need longer gestation period.
  - Correct duty inversion to encourage value addition in manufacturing.
  - To attract more industrial and infrastructural investments, MAT/AMT on SEZ units, SEZ developers and other eligible businesses/industrial undertaking to be abolished.
  - Faster implementation of GST to make manufacturing sector competitive.
  - Accommodation problem of industrial workers needs to be addressed as the industry now faces a tremendous shortage of workers, both skilled and unskilled.
    - Currently, there is a huge supply gap of home/shelter for seasonal/migrant workers in manufacturing. Need for policy either at the Centre or State to address this issue for manufacturing sector.
  - Accelerate the development of Amritsar-Delhi-Kolkata Industrial corridor and make it time-bound as this region is densely populated and is also rich in minerals and resources which would ensure faster development of manufacturing activity along with the industrial corridor.
  - Similarly, Chennai-Bengaluru Industrial Corridor, the Bengaluru-Mumbai Industrial Corridor and Delhi-Mumbai Industrial Corridor can be the game changer in terms of stimulating economic activity in the country and need to be expedited.
  - The entire process of clearances by Central and State authorities should be web-enabled including environment and forest clearances, and there should be one application form for all clearances.

- **Budget announcements pertaining to the sector**
  - Investment allowance at the rate of 15 per cent to a manufacturing company that invests more than INR 25 crores in any year in new plant and machinery provided. This benefit will be available for three years i.e. for investments up to 31.03.2017.
  - The legislative scheme which would enable the introduction of GST to be approved this year.
  - In order to reduce litigation in direct taxes, certain legislative and administrative changes are announced in the budget like resident taxpayers to obtain an advance ruling in respect of their income tax liability above a defined threshold.
  - A national multi-skill programme called ‘Skill India’ is proposed to be launched to provide training and support for traditional professions like welders, carpenters, cobblers, masons, blacksmiths, weavers etc.
  - To boost domestic manufacturing as also to address the issue of inverted duties, basic customs duty (BCD)/SAD reduced on certain raw material and intermediates in sectors like Soap, Textiles, electronics, Batteries etc.
A National Industrial Corridor Authority, with its headquarters in Pune, is being set up to coordinate the development of the industrial corridors, with smart cities linked to transport connectivity, which will be the cornerstone of the strategy to drive India’s growth in manufacturing and urbanization.

The Amritsar Kolkata Industrial master planning to be completed expeditiously for the establishment of industrial smart cities in seven States of India:

- The master planning of three new smart cities in the Chennai-Bengaluru Industrial Corridor region, viz., Ponneri in Tamil Nadu, Krishnapatnam in Andhra Pradesh and Tumkur in Karnataka to be completed.
- The perspective plan for the Bengaluru Mumbai Economic corridor (BMEC) and Vizag-Chennai corridor to be completed with the provision for 20 new industrial clusters.

Apprenticeship Act will be suitably amended to make it more responsive to industry and youth.

INR 37,880 crores investment in National Highways Authority of India and State Roads.

Faster clearance of import and export cargo- the existing 24x7 customs clearance facility extended to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods.

- **Likely impact of these announcements**
  - Emphasis on Smart Cities, Industrial Corridors will encourage domestic manufacturing and also create indirect demand for manufacturing.
  - Number of announcements with regard to procedures and emphasis on digitization of the clearance and permissions to bring transparency and encourage investments.
  - Correction in duty inversions wherever made to encourage domestic manufacturing value addition.
  - Apprenticeship Act will be suitably amended to make it more responsive to industry and youth.

- **Unmet demands and any further demands relating to the sector**
  - Workers Housing needs of the manufacturing sector has not been addressed.
  - The period for which the investment allowance is available should be increased from 2 years to 5 years as projects need longer gestation period.
  - Duty inversion in some more sectors continue like capital goods, aluminium, tyres etc.
  - To attract more industrial and infrastructural investments, MAT/AMT on SEZ units, SEZ developers and other eligible businesses/industrial undertaking to be abolished.
Media & Entertainment

- **FICCI’s wish list of Media & Entertainment Sector**
  - Lowering of customs duty on Set Top Boxes
  - Removal of multiple taxes
  - Infrastructure Status to the Cable Sector
  - Lowering of Tax rate on Royalties and Fees For Technical Services (FTS)
  - Settlement of TDS controversy on Agency discount
  - Restoration of TDS on advertising contracts to September 30, 2009 position
  - Alignment of interest on tax refunds due with the interest payable on tax demands
  - Extension of the benefits to Section 72A for M&As to the Media & Entertainment Sector
  - Service Tax relief for bad debts
  - Service tax exemption for billings to service recipients covered in the negative list under Section 66D of the Finance Act, 1994
  - Service tax exemption on services of performing artists
  - Exemption of service tax on Digital Cinema services
  - Entertainment Tax to be fully subsumed to GST
  - Export benefits to post production services under service tax legislation
  - Modification in Requirement of filing Form 52A before release of the movie
  - Extension of income tax benefit to new multiplexes and single screen theatres
  - 10 Years Tax Holiday for Animation, gaming, and Visual Effects Industry
  - Lifting of service tax on studios developing original content
  - Exemption of Import Duty on Hardware used for a period of 10 Years
  - On the lines of IITs and IIMs, Government should expedite the process of setting up Centres of Excellence for the Animation, Gaming & VFX Industry which also offers opportunities for applied and commercial and others type of arts
  - Removal of withholding tax on revenues accruing from sales of mobile games in foreign markets as well as removal of withholding tax on the development contracts given to mobile game developers outside India
  - Removal of withholding tax paid by expats working in India for Indian mobile game development companies
  - Provision of 50 per cent reimbursable MDA (Market Development Assistance) for travel and registration fees to international market events
  - Import duty on consoles (Gaming hardware) to be brought down to Zero percent to increase the installed base to enable the local developer ecosystem to flourish.
  - Directions should be given to commercial bankers to treat Animation sector on priority and to offer concessional rate of credit
  - Encouragement should be given to entities through reduced tax rates/incentives for exploitation of self-developed content in overseas markets. Exemptions should be granted to overseas payments to foreign artists stationed overseas from withholding taxes
The Minimum Alternate Tax (MAT) applicability for units undertaking Animation work in SEZ should be withdrawn to encourage export of animated contents
The government should introduce subsidies like a CNC Fund (in France) to finance animated content co-produced and developed in India to enable Indian producers to be competitive on the global scale

- **Budget announcements pertaining to the sector**
  - INR 100 crores fund for Community radio stations proposed for 600 new and existing Community radio stations
  - Film and Television Institute, Pune and Satyajit Ray Film and Television Institute, Kolkata will be institutes of national importance
  - National Centre of Excellence in Animation, Gaming & Special effects will be set up.
  - Online and mobile advertisement will be out of the negative list of service tax and hence attract service tax
  - INR 500 crores proposed for digital India programme for broadband connectivity at village level and transparent governance
  - ‘Kisan’ TV channel to be launched by DD at the cost of INR 100 crores.
  - A 24x7 channel on North Eastern Region Called ‘Arun Prawah’ will be launched

- **Likely impact of these announcements**
  - With setting aside a fund of INR 100 crores for the development of 600 new and existing community radio stations in the country, narrow casting through community radio will get a real boost
  - The increased focus on education and training in Media & Entertainment sector by granting key Institutes of national importance status will enhance the quality skill availability for the growth of media & entertainment sector in India
  - Focusing on ‘Digital India Programme’ for broadband connectivity down into the hinterland would be helpful in bridging the digital divide in India and taking the Media & Entertainment content to the masses
  - Inclusion of online and mobile advertising under the ambit of service tax will hamper the growth of online and mobile advertising which is quite nascent in India

- **Unmet demands and any further demands relating to the sector**
  - Most of the items in the wish list has not been addressed in the budget
Metals, Steel and Mines

- **FICCI wish list for the sector**
  - Exemption from the levy of import duty on Copper Concentrate (CH 2603)
  - Increase in Customs Duty on Copper products from 5 per cent to 10 per cent
  - Imposition of Export Duty of 5 per cent on Alumina
  - Increase in Basic Customs Duty on Aluminium Products from 5 per cent to 10 per cent
  - Bringing Customs duty on Aluminium Scrap at par with the duty on the metal products
  - Increase in import duty on Steel Long and Flat products from 5 per cent to 7.5 per cent
  - Increase in import duty on Zinc Alloys from 5 per cent to 7.5 per cent
  - Import duty on Manganese ore, Chrome ore be reduced to zero from 2.5 per cent
  - Increasing Customs Duty on Finished Stainless Steel Products from 5 per cent to 10 per cent
  - Import duty on steel grade limestone and dolomite be reduced from 5 per cent to zero
  - Reduction in Customs Duty on Ferro Nickel, Pure Nickel and Ferro Moly to zero
  - Duties on M S Scrap and S S scrap be restored to the original rate of ‘NIL’ from 2.5 per cent
  - Reduction of Excise Duty on Pre-fabricated Structurals
  - Removal of 4 per cent Special Additional Duty (SAD) on import of all kind of Ferrous & Non-Ferrous Scraps
  - Import duty on Electrodes, Refractory material to be reduced to Nil

- **Budget announcements pertaining to the sector**
  - Export duty on bauxite has been increased from 10 per cent to 20 per cent
  - The current impasse in mining sector, including, iron ore mining, will be resolved expeditiously. Changes, if necessary, in the MMDR Act, 1957 would be introduced to facilitate this.
  - Import duty on flat stainless steel products has been increased from 5 per cent to 7.5 per cent
  - Customs duty on steel grade limestone and steel grade dolomite has been decreased from 5 per cent to 2.5 per cent
  - Rationalization of the duty on ship breaking scrap and melting scrap of iron or steel by reducing the basic customs duty on ships imported for dismantling from 5 per cent to 2.5 per cent

- **Likely impact of these announcements**
  - Export duty increase on bauxite is a big positive for the aluminum manufacturing companies which depend heavily on domestic bauxite supply. Hike in export duty will constraint bauxite exports and improve raw material availability for these companies
  - Although no specifics for the mining sector was announced, the intention to expedite pending approvals and give clear direction to the sector through legislative changes if required was announced, which is a good move
- Increase in import duty is a positive for stainless steel manufacturing companies giving them buffer room as their selling price is pegged to import prices
- Although the industry was hoping that the duty on steel grade limestone and dolomite will come down to zero, nevertheless, the decrease will help reduce costs for the steel industry and is therefore a positive step for the steel industry
- Reduction in customs duty on scrap is a positive step for the steel industry. Scrap is an alternate for iron ore and is used as a raw material in the steel industry. So the reduction will help reduce costs and also is a reversal of an earlier policy

- **Unmet demands and any further demands relating to the sector**
  - Most fiscal demands have remain unmet
MSME

- **FICCI’s wish list of MSME sector**
  - Increase in financial limits for definition of MSMEs
  - Implementation of Procurement Targets for MSME sector
  - Budgetary allocations can be made for development of industrial estate for MSMEs. Allocations can also be made available to State level institutions which provide industrial estate. A sharing of funding can also be done between State government and Centre for such development
  - Investments in Green Technology: To promote more investments in Green Technology by MSMEs, schemes like Technology Up-gradation Fund (TUF) / Credit Linked Capital Subsidy Scheme (CLCSS) may be introduced for renewable energy, energy efficiency, waste management, and other clean technology areas
  - Rehabilitation of sick units: Financial allocation can be made for revival of sick MSME units based on strict criteria and further infusion of capital by promoters. Central funds can be allocated for interest waivers from nationalized banks
  - The issue of Delayed Payment should be addressed
  - Tax free Bond: Credit guarantee has worked but has had limited reach so far. Allowing either the Small Industries Development Bank of India (SIDBI) or the National Small Industries Corporation (NSIC) to float tax free bonds will help to raise money at a lower cost than lending rates charged by commercial banks
  - Provision of investment allowance for new plant and machinery

- **Budget announcements pertaining to the sector**
  - Definition of MSME to be revised for high capital ceiling
  - INR 10,000 crores fund has been announced for equity, soft loan for MSMEs
  - INR 200 crores credit scheme for startups by those from SC and ST announced
  - Entrepreneurship friendly Bankruptcy laws to facilitate easy exit have been proposed
  - Financial architecture of MSME sector has to be examined. A Committee comprising of RBI, Ministry of MSME and Ministry of Finance will give suggestion in 3 months.
  - Manufacturing Units can sell products in retail through e-commerce platform without any approval
  - Incubation Programme to be set up to help MSMEs
  - Excise duty reduction to 6 per cent from 12 per cent in Footwear for MRP up to INR 1000
  - All government departments and ministries to be integrated through E-platform by 31 Dec this year
  - Apprentice Act to be suitably amended to strengthen the Apprentice Training Scheme. This would also help MSMEs
  - INR 100 crore has been set aside for development of Technology Development Fund scheme this would also cater to MSMEs
- INR 50 crores has been set aside for pashmina production programme in Jammu and Kashmir
- INR 200 crores has been set aside for 6 new textile centres in Bareily, Lucknow, Surat, Kutch, Bhagalpur, Mysore
- Trade Facilitation Centre and a Crafts Museum with an outlay of INR 50 crores will be set up to develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi
- Development of Hastkala Academy in PPP mode proposed
- A national multi-skill programme called ‘Skill India’ is proposed to be launched. It would skill the youth with an emphasis on employability and entrepreneur skills
- Increase in the duty free entitlement for import of trimmings, embellishments and other specified items from 3 per cent to 5 per cent of the value of readymade garments exports were announced

**Likely impact of these announcements**

- The revision in the existing definition which was long due as the limits were set in 2006 for defining MSMEs would help in bringing down the gap between Indian MSMEs and global MSMEs. Thus, we will be able to create a linkage between our MSMEs and MSMEs worldwide.
- The announcement for startup fund of INR 200 crores for SC/ST and INR 10,000 crores fund for equity, soft loan for SMEs and Incubation Programme to be set up will help in boosting entrepreneurship and will also help MSMEs in meeting their financing needs
- The MSME Act 2006 (Chapter VI section 25) proposed to implement the Exit Policy for the MSMEs within a year’s time from the enactment of the Act. As a follow up measure, the context was taken into consideration by the Prime Minister’s Task Force which analysed the problems faced by the MSMEs and the need for implementation of an Exit Policy for the same. The Task Force also proposed both short term and long term measures to formulate the Exit policy for the MSMEs. However no concrete action was taken in this regard. The proposed entrepreneurship friendly bankruptcy laws to facilitate easy exit is welcome
- Use of e-commerce platform without any approval by manufacturing units, government departments and ministries to be integrated through E-platform and INR 100 crores allocated for the development of Technology Development Fund scheme would help MSMEs
  - However, effective implementation of the announcement on integrating government departments and ministries through E platform assumes significance and the same should act as a true single window
- The announcement made for the SME development in the North East and J&K is a welcome move. Development of Rail connectivity in North East and some schemes that have been announced for these regions will help the large number of MSMEs operating there.
- Investment allowance at 15 per cent for 3 years to manufacturing company which invest more than INR 25 crores in plant and machinery was announced in the budget 2014-15. We
hope that this will benefit MSMEs as well if the revision in the limit of defining MSMEs will match the above investment limits

- **Unmet demands and any further demands relating to the sector**
  - Increase in threshold limit for levy of service tax: The value limit of Rupees Ten Lakhs for exemption to be increased to Rupees Twenty Lakhs
  - Micro & Small Sector should be exempted from the purview of Service Tax for rental for their office / factory / warehouse premises for their own use
  - A special relaxation for payment of service tax for MSMEs may be provided so that they do not have to pay taxes in advance from their resources but the payment is affected on realization of their dues from the buyers
Oil and Gas

• **FICCI wish list of the sector**
  - Refund of Service Tax on Services Consumed in Exploration & Production of Oil and Gas: Exploration business by its very nature is highly capital intensive, has long-gestation period and, above all, is a highly risky business. Levying service tax on exploration activities especially at a time when – there is no surety whether hydrocarbons will be discovered; and if discovered, whether the same will be commercially recoverable is uncalled for.
  - Clarity on the Service tax on cash calls and reimbursements / allocation in relation to Petroleum Operations is required.
  - ‘Declared Goods’ status to Natural Gas: To diversify the energy mix to a cleaner, efficient and cost-competitive source of energy, there is a need to provide fiscal stimulus for the development of natural gas by granting ‘declared goods’ status to natural gas.
  - Tax Holiday be granted for Exploration and Production (E&P) activities relating to Natural Gas including CBM and clarity required on the definition of ‘Mineral Oil’ to include Natural Gas, including Coal Bed Methane (CBM) for all past and future rounds of production of Natural Gas.
  - Import duty exemption on LNG should be extended to all sectors.
  - Infrastructure status should be given to Oil & Gas exploration and production.
  - Oil and gas industry be given the status of Deemed Exporter.
  - Customs duty exemption for capital goods for hydrocarbon infrastructure projects.
  - Extension of benefit under section 80-IB(9) from 7 years to 10 years.

• **Budget announcements pertaining to the sector**
  - The production and exploitation of CBM reserves will be accelerated. The possibility of using modern technology to revive old or closed wells will also be explored to maximize production from such fields.
  - The usage of Piped Natural Gas will be rapidly scaled up in a Mission mode as it is ‘clean’ and efficient to deliver.
  - In order to complete the gas grid across the country, an additional 15,000 km of pipelines are required. It is proposed to develop these pipelines using appropriate PPP models. This will help increase the usage of gas, domestic as well as imported, which, in the long-term will be beneficial in reducing dependence on any one energy sources.
  - It has been proposed to overhaul the subsidy regime, including food and petroleum subsidies, and make it more targeted while providing full protection to the marginalized, poor and SC/ST.

• **Likely impact of these announcements**
  - Announcement to give impetus to CBM exploration & production activities is encouraging, however, the Union Budget has not provided any direction to ensure energy security by
providing any fiscal incentives to the exploration & production players be it conventional or unconventional oil & gas

- The budget announcement to increase the usage of PNG is encouraging
- Decision to expand and complete the National Natural Gas Pipeline grid to ensure last mile connectivity under the appropriate PPP model is indeed a positive step

- **Unmet demands and any further demands relating to the sector**
  - Wish list has not been considered in the present budget
  - Though the announcement to give impetus to CBM exploration & production activities is encouraging, however, the Union Budget has not provided any direction to ensure energy security by providing any fiscal incentives to the exploration & production players be it conventional or unconventional oil & gas
  - While the budget announcement to increase the usage of PNG is encouraging, due to lack of clarity on the price discoveries, the investor sentiment continues to falter. There has been no mention about the mechanism and fiscal stimulus that will attract global players, ensure adequate production and hence availability of resources to the end consumer at affordable prices
  - No details have been shared regarding the mechanism and roadmap for effective targeting of subsidies
FICCI wish list of power sector

- Extension of Tax Holiday under Section 80IA for projects starting power generation by 31st March 2017
- Exemption from Dividend Distribution Tax (DDT) for SPVs and levied only at the ultimate parent company level
- Removal of withholding tax on External Commercial Borrowings of Infra companies especially Power companies
- Issuance of a clarification whether Electricity is goods or not for purposes of claiming Additional Depreciation. It is urged that the initial depreciation of 20 per cent be allowed in full in the first year as an incentive for investments irrespective of the number of days of use
- Fiscal Incentives for Reducing Capital Cost of Hydro-Power Projects
- Exemption of Excise Duty for Cement, Steel and Equipment (Hydro-mechanical and Electro-mechanical)
- Exemption of Service Tax for Construction Activities
  - This could result in an impact of reducing the tariffs by approximately 5 per cent

Budget announcements pertaining to the sector

- Launch of ‘Deen Dayal Upadhyaya Gram Jyoti Yojana’ with an allocation of INR 500 crores for feeder separation to augment power supply to the rural areas and for strengthening sub-transmission and distribution systems
- INR 100 crores to undertake preparatory work for a new scheme ‘Ultra-Morden Super Critical Coal Based Thermal Power Technology’
- Adequate quantity of coal assured to power plants which are already commissioned or would be commissioned by March 2015
- Rationalization of coal linkages to optimize transport of coal and reduce cost of power is underway
- INR 200 crores allocated for power reforms in Delhi
- Extension of 10 year tax holiday to the undertakings which begin generation, distribution and transmission of power by 31.03.2017

Likely impact of these announcements

- The intent for undertaking comprehensive measures for enhancing domestic coal production is indeed a step in the right direction
  - Supply of crushed and washed coal will go a long way in reducing the negative impact on environment and will also improve coal quality received at the power stations.
  - The intention to balance the growth and sustainability concerns by making coal less detrimental to environment is well appreciated
- The rationalisation of coal linkages and the recently announced policy for taking up railway projects on PPP mode together can tackle the critical concerns of coal evacuation and
transportation. It is unfortunate for a nation to resort to coal imports despite availability of domestic coal for want of adequate evacuation modes.

- Extension of tax holiday has been a demand under FICCI’s pre-budget memorandum. The decision to extend this rebate to all three segments – generation, transmission and distribution will indeed improve the investor’s sentiment
- Assured supplies to projects getting commissioned before or by March 2015 will revive the stranded assets and boost further investments

- **Unmet demands and any further demands relating to the sector**
  - The Budget has not been able to provide any impetus to hydro power sector, which has also been suffering a lot
  - Transmission and distribution improvements need strategic focus. A stronger initiative, whose focus is not just limited to creation of infrastructure but also on actual electrification (in terms of quality power supply) especially in rural areas and strengthening of reliable networks even in urban areas would have been more effective
Renewable Energy

- **FICCI wish list of the sector**
  - Monetary Incentives reimbursement should be provided to State Electricity Boards / DISCOMs on fulfilling Renewable Purchase Obligations (RPOs) and net metering purchase or Establishment of Government sponsored body to act as intermediate buyer and seller of Renewable Energy Certificates (REC) in case of oversupply or shortage of REC to make the REC market function
  - Renewable Energy should be made an independent sector (separate from Power Sector) as many banks have reached their sectoral exposure limits, thus limiting the flow of finance to renewable energy projects
  - From an energy security, enhanced energy access and environmental benefit point of view, renewable energy should also get priority sector lending status under RBI guidelines
  - A separate budget provision within the Power Budget should be created specifically for laying of transmission system that is required for renewable energy projects. Interest rate subsidy for renewable energy projects to make them globally competitive in the long term

Wind Energy

- All fiscal and taxation benefits (direct & indirect taxes) should continue in the wind sector, with a view to provide longer visibility for the sector
- Support interstate concessional open access and banking for wind energy is needed as the same is becoming difficult due to lack of suitable compensation mechanism
- Accelerated depreciation for wind projects was withdrawn from 1.4.2012 leading to significant drop in investments in this sector. This is also curtailing the government’s target of 3000 MW per year of wind power installations. The AD for wind energy sector should be restored to enable competitiveness of this sector

Solar Energy

- The estimated requirement of funds in the near term for solar thermal and solar photovoltaic by 2013 is INR 395 crores and INR 2000 crores, respectively. The midterm (up to 2017) and long term (up to 2022) requirement of funds for solar thermal is INR 1,186 crore and INR 5,886 crores, respectively, and INR 12,000 crores and INR 16,000 crores for solar photovoltaic. Given strategic significance of the sector, it should be given special thrust in terms of capital expenditure support
- A one-time technology up-gradation scheme through the National Clean Energy Fund (NCEF) should be created to support the solar energy industry for technological up-gradation for improving cell efficiency and production enhancement
- Central and State governments should provide capital subsidy / tax exemptions for development of common Infrastructure in Integrated Solar Manufacturing Hubs
➢ There is a need to extend concessional power for energy intensive segments of the solar photovoltaic (PV) value chain as the percentage share of power in the cost of manufacturing of these raw materials is significant. The estimated percentage share of power for the manufacturing of raw materials are 50 per cent, 30 per cent, 25 per cent and 10 per cent for MG silicon, Poly-silicon, Crystal Growing Ingots and Wafers, respectively.

➢ Liquidity for the solar sector should be improved through a solar energy fund, solar bonds, refinancing by pension/insurance funds, longer duration construction loans and by making solar a priority sector.

➢ Providing capital subsidy for off grid solar projects in time bound manner. Off-grid solar projects have a huge potential to address the power gap in rural areas that do not have access to the grid and can bridge the energy divide in the country.

➢ Renewable energy including solar project should be brought under infrastructure projects to allow tapping of long term, low cost debt from insurance, pension funds.

➢ Generation based incentives should be provided for the current 12th Five Year Plan for solar power plants similar to wind power sector.

➢ Low cost funding to be extended to solar photovoltaic and solar thermal for meeting capital expenditure requirement for the entire value chain (including components and machinery)
  ▪ Viability gap funding for new technologies up to 40 per cent
  ▪ Low interest finance to be made available to ensure a level playing field (0-5 per cent)

➢ Cost of Debt should be reduced by eliminating the tax on interest received by banks and relaxing ECB norms.

➢ There is a need to rationalize taxes and duties on the solar thermal and solar PV value chain and to bring down cost of solar power. The inverted duty structure for the solar photovoltaic sector is a matter of grave concern for the sustainability of the Indian solar energy sector.

➢ The VAT and Central Sales Tax on Solar PV cells/Solar PV modules, Solar PV systems, Solar Collectors, Solar Water Heating Systems and various other systems running and operating on Solar Energy should be permanently removed to promote manufacturing and sale of solar energy products as these are Green and Clean Energy products.

**Bio-Energy**

➢ Power Generation based on Bio Mass should be given prominence within the Bio Fuel program.

➢ Currently, the visibility in availability and applicable prices of Bio Mass fuel is missing. On the supply side, an organized market in Bio Fuel is needed.
On the power sale side, Deemed Generation should be allowed in case of non-availability of fuel and subsequent non-operation of Bio Mass power generation. Variability in prices of the fuel should be a pass through in the PPAs.

To realize the same, we suggest that prices of Bio mass in PPA should be indexed with some suitable government released indexation mechanism.

Any variation in the Power prices resulting from such variation should be pass through and payable by the purchaser of the power.

A government committee can be set up to decide on the Bio Mass prices every season. Such fixed price should be a pass through in the tariff.

- Large scale power generation bio mass plants supported by Ministry of New & Renewable Energy (Generation Based Incentive - GBI basis or Viability Gap Funding - VGF basis) need to be pushed.
- A road map of bio mass generation with respect to other power alternatives including the renewable forms vis-a-vis grid parity and other advantages should be prepared.
- National Clean Energy Fund (NCEF) should be used to address financial compensation in PPA due to fuel issue.
- A paper on the best practices in Biomass projects should be expedited to enhance quality in such projects.
- The annual budget can allocate defined subsidy to be used from NCEF to fund the road map requirements. Specific to the budget, a suitable government agency can also be nominated (such as FCI) with budgetary allocation to set up organized markets in Biomass fuel.
- Interest Cap for Term Loan for the Sector should be 12 per cent.
- GBI should be provided for Bio-Energy projects.

### Budget announcements pertaining to Renewable Energy sector

#### New & Renewable Energy

- The Union Budget of 2014-15 has given New and Renewable energy a very high priority.
  - Implementation of the Green Energy Corridor Project will be accelerated in this financial year to facilitate evacuation of renewable energy across the country.

#### Solar Energy:

- It is proposed to take up Ultra Mega Solar Power Projects in Rajasthan, Gujarat, Tamil Nadu, and Ladakh in J&K. The Government has set aside a sum of INR 500 crores for this purpose.
- The Government is launching a scheme for solar power driven agricultural pump sets and water pumping stations for energizing one lakh pumps. A sum of INR 400 crores has been proposed for this purpose.
- An additional INR 100 crores is set aside for the development of 1 MW Solar Parks on the banks of canals.
In order to maximize the utilization of solar power, the following exemptions have been proposed from basic customs duty:
- specified inputs for use in the manufacture of EVA sheets and back sheets
- flat copper wire for the manufacture of PV ribbons

To develop renewable sources of energy, the following have been exempted from excise duty:
- EVA sheets and solar back sheets and specified inputs used in their manufacture
- solar tempered glass used in the manufacture of solar photovoltaic cells and modules
- flat copper wire for the manufacture of PV ribbons for use in solar cells and modules
- machinery and equipment required for setting up of a project for solar energy production

A concessional basic customs duty of 5 per cent is also being extended to machinery and equipment required for setting up of a project for solar energy production

**Wind Energy:**

- To promote wind energy, the basic customs duty has been reduced from 10 per cent to 5 per cent on forged steel rings used in the manufacture of bearings of wind operated electricity generators
- The SAD of 4 percent has been exempted on parts and raw materials required for the manufacture of wind operated generators
- Forged steel rings used in the manufacture of bearings of wind operated generators have been exempted from excise duty

**Bio-Energy:**

- A concessional basic customs duty of 5 percent has been proposed on machinery and equipment required for setting up of compressed biogas plants (Bio-CNG)
- Machinery and equipment required for setting up of compressed biogas plants (Bio-CNG) have been exempted from excise duty

**Likely impact of these announcements**

- If implemented in time, the Green Energy Corridor Project will provide a thrust to transmission of renewable power and enable its penetration across the country
- The provisions for solar energy in this budget will give a boost to the solar industry in the country. There are provisions for both solar project developers as well as manufacturers of parts for solar modules that will accelerate the solar energy market. Addressing the inverted duty structure in solar energy space, which FICCI has been demanding for the last three years, will make domestic manufacturing more competitive, increase employment generation potential, bring down the cost and increase affordability of solar power
- Off-grid solar applications for agricultural water pumps will increase outreach of solar off-grid potential, resulting in lesser fossil fuel consumption and greater employment generation in the solar water pumps segment
  - The provisions for wind energy will give a push to the domestic wind turbine manufacturing sector
  - The provisions of the budget on bio-energy will give a new direction to the sustainable transportation sector as the use of Bio-CNG will increasingly be explored commercially
  - The provision on smart cities will encourage the Urban Local Bodies to explore sustainable options for energy efficiency, transportation and other civic amenities like waste management and better sanitation. This will in turn provide opportunities for Public Private Partnerships and greater private sector participation. The government should put in place guidelines to ensure effective public private partnerships for solid waste management in cities

- **Unmet demands and any further demands relating to the sector**
  - Reimbursement of monetary incentives should be provided to State Electricity Boards / DISCOMs on fulfilling Renewable Purchase Obligations and net metering purchase or Establishment of Government sponsored body to act as intermediate buyer and seller of Renewable Energy Certificates (REC) in case of oversupply or shortage of REC to make the REC market function
  - Renewable Energy should be made an independent sector (separate from Power Sector)
  - Priority sector lending status to renewable energy under RBI guidelines
  - A separate budget provision within the Power Budget should be created specifically for laying of transmission system that is required for renewable energy projects. Interest rate subsidy for renewable energy projects support interstate concessional open access and banking for wind energy
  - Accelerated Depreciation for wind projects was withdrawn from 1.4.2012 leading to significant drop in investments in this sector. This is also curtailing the government’s target of 3000 MW per year of wind power installations. Accelerated Depreciation for wind energy sector should be restored to enable competitiveness of this sector
  - Capital expenditure support to solar thermal and solar photovoltaic should be provided
  - Extending concessional power for energy intensive segments of the solar PV value chain
  - Introduction of a solar energy fund, solar bonds, refinancing by pension/insurance funds, longer duration construction loans and making solar a priority sector
  - Providing capital subsidy for off grid solar projects in time bound manner. Bringing renewable energy including solar project under infrastructure projects to allow tapping of long term, low cost debt from insurance, pension funds
➢ Providing generation based incentive for current 12th Five Year Plan for solar power plants similar to wind power sector

➢ Low cost funding to be extended to solar photovoltaic and solar thermal for meeting capital expenditure requirement for entire value chain (including components and machinery)

➢ Removal of VAT and Central Sales Tax on solar energy products

**Bio-Energy**

➢ Power Generation based on Bio Mass to be given prominence within the Bio Fuel program

➢ Demand, supply and pricing issues concerned with Fuel for Bio Mass Power Generation should be addressed

➢ Large scale power generation bio mass plants supported by MNRE (GBI basis or VGF basis) are needed

➢ A road map of bio mass generation with respect to other power alternatives including the renewable forms vis-a-vis grid parity and other advantages is needed.

➢ Use of NCEF funds to address financial compensation in PPA due to fuel issue.

➢ Expedite paper on the best practices in Biomass projects

➢ Interest Cap for Term Loan for the Sector at 12 per cent

➢ Generation Based Incentive (GBI) for Bio-Energy project
Retail

• **Budget Announcements pertaining to the sector**
  - Fund with a corpus of INR 10,000 crore for providing equity through venture capital funds, quasi equity, soft loans and other risk capital especially to encourage new startups to be set up.
  - Proposed Rs.500 crore for warehousing capacity would help in reduction in the problem of food wastages.
  - FDI in manufacturing is today on the automatic route. Manufacturing units to be allowed to sell products through retail including e-commerce platforms without any additional approval.

• ** Likely impact of these announcements**
  - Central Government proposed initiative to work closely with the State Governments to re-orient their respective APMC Acts likely to benefit food retailers by way of streamlining the procurement processes.
  - Increased allocation in warehousing capacity to positively impact the retail value chain.
  - Allowing manufacturing units to sell products through retail including e-commerce platform will not just boost manufacturing but will also help retail e-commerce grow.

• **Unmet demand and any further demands relating to the sector**
  - No change in service tax on renting of immovable property
  - No announcement related to FDI in B2C ecommerce
Sports & Youth Affairs

- **FICCI wish list of the sector**
  - **Allocations**
    - Budget allocation on youth affairs and sports should be increased to at least 2% of GDP which is not even 1% as of now.
    - Separate allocation of budget for Operation Excellence and Martial Arts Sports like Wrestling, Boxing, Archery and Judo where chances of excellence at international level are higher.
  - **Macro level announcements**
    - Industry and infrastructure status to sports and physical education industry including clear definition of sports industry.
    - Sports should be brought to concurrent list.
    - An autonomous

- **Budget announcements pertaining to the sector**
  - Proposed to set up National Sports Academy for different sports.
  - Announcement of INR 200 crores set aside for upgradation of indoor and outdoor stadium in Jammu and Kashmir to international standards
  - Sports University to be set up in Manipur; INR 100 crores provided in current financial year
  - Sum of Rs 100 crore to train women and men in the forthcoming CWG and Asian games
  - National sports foundations to be set up for disciplines like shooting, wrestling and boxing

- **Likely impact of the announcements**
  - Setting up of the national sports academy will help in creating excellence in sports
  - Special focus in Manipur opens the gateway to north-east in sports and will further help in creating Sports and Physical Education expertise
  - Proposal to set up the world class art sports infrastructure in Jammu & Kashmir will help cover the untapped areas of sports in Himalayan region

- **Unmet demands and any further demand related to the sector**
  - Demand for Industry status not met which is important to encourage private sector participation
  - A clear definition for sports goods and equipment is needed as the import of most sports equipment, although distinct, is usually confused with machinery imports making it financially unviable to sustain for businesses.
  - To enlarge scope of sports performance in other sports, Separate fund allocation required for OPEX games.
FICCI wish list of textiles sector

- The excise duty structure on fibre and yarns be revisited and excise duties on man-made fibres /filament yarn should be brought down at par with cotton to bring fibre neutrality in the sector.
- Need to remove the distortions prevailing in the sector like excise duty exemption given on the basis of particular process.
  - Currently, excise duty exemption is given to the manufacturers of polyester staple fibre/ filament yarn manufactured from plastic waste (pet bottles). This is affecting the virgin fibre industry adversely.
- As apparel grade wool of fine micron (24 micron and finer) and other fine animal hair are not indigenously available, industry is completely dependent on imports of this basic raw material. Hence, there is need for providing these raw materials to the industry at effective rates by abolishing import duty on wool fibre.
- Important raw materials like Spin Finish Oil and Titanium Dioxide -TiO₂ should be made easily available for textile industry at competitive rates. The customs duty on TiO₂ (Anatase) which was brought down to 7.5 per cent from 10 per cent in the Budget 2012-13 has again been raised vide notification number D.O.F No. 334/3/2013-TRU dated 8th May 2013 to 10 per cent on par with Rutile grade which is manufactured domestically. There is a need to bring down the duty at par with other raw materials for synthetic fibres.
- There is a need for stable long term schemes so that the industry does not suffer due to discontinuation of scheme (like the Technology Upgradation Fund Scheme - TUFS - was discontinued for a period of 10 months (Blackout period from 29.06.2010 to 27.04.2011).
  - Under TUFS, customs duty amount should also be eligible for subsidy i.e. the landed cost of plant and machinery for inputs including all import duties (BCD, CVD, SAD etc.)/excise duty and other taxes for imported / locally procured machineries.
  - The machinery for manufacture of synthetic fibres post polymerization to be covered under TUFS.
  - For weak links in textiles value chain like processing, subsidy amount could be increased to 15 per cent capital subsidy from 10 per cent.
  - Knitting should receive same benefits under TUFS as is the case with powerloom since both make fabrics and are largely in the unorganized sector.
- Correct duty inversion in synthetic textiles as raw materials like TiO₂, spin finish oil have much higher basic custom duty
- A R&D policy backed by a INR 500 crores fund needs to be introduced for the sector
- Reduction in the excise duty on mass consumption specialty man-made fibres from the current level of 10 per cent.
- Import duty on additives used in flame retardant and other specialty fibres should be reduced
Capital equipment used for manufacturing identified specialty fibres to be exempted from customs duty to encourage local manufacturing (those machines which are not manufactured domestically).

**Budget announcements pertaining to the sector**

- BCD on specified inputs for manufacture of spandex yarn reduced from 5 per cent to Nil to correct duty inversion
- To encourage exports of readymade garments it is proposed to increase the duty free entitlement for import of trimmings, embellishments and other specified items from 3 per cent to 5 per cent of the value of their exports
- PSF and PFY manufactured from plastic waste and scrap including PET bottles exempted from excise duty with effect from 29th June, 2010 to 7th May, 2012. Excise duty has been levied prospectively at a nominal duty of 2 per cent without Cenvat benefit and 6 per cent with Cenvat benefit on such PSF and PFY.
- Trade Facilitation Centre and a Crafts Museum with an outlay of INR 50 crores to develop and promote handloom products and carry forward the rich tradition of handlooms of Varanasi, to be set up. Also, a Textile mega-cluster intended to be supported in the same place.
- It is proposed to set up six more Textile mega-clusters at Bareily, Lucknow, Surat, Kutch, Bhagalpur, Mysore and one in Tamil Nadu. Sum of INR 200 crores has been allocated for this purpose.
- Hastkala Academy for the preservation, revival, and documentation of the handloom/handicraft sector in PPP mode to be set-up in Delhi.
- Pashmina Promotion Programme (P-3) and a programme for the development of other crafts of Jammu & Kashmir to be started
- Faster clearance of import and export cargo- the existing 24x7 customs clearance facility extended to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods.

**Likely impact of these announcements**

- Discrimination on virgin PSF and PFY due to much lower excise duty for these items manufactured from plastic waste and scrap including PET bottles continues which will impact the virgin fibre and yarn industry.
  - This is affecting the virgin fibre industry adversely and making it uncompetitive.
  - Due to the concessional excise duty given to recycled fibre sector, the production capacity of recycled fibres has increased from 24,000 tonnes per annum to 500,000 tonnes per annum (industry sources).
  - Further, the raw material cost for the recycled sector is 25 per cent lower than the raw material cost for virgin fibre sector.
- Garment exports to get boost due to faster custom clearances and higher duty free entitlements for import of trimmings, embellishments
The consumption of man-made fibres to remain below potential due to discriminatory excise duty structure

- **Unmet demands and any further demands relating to the sector**
  - Fibre neutrality has not been addressed
  - Virgin synthetic fibre industry continues to be discriminated against recycled fibre
  - Duties on raw materials for synthetic fibres/yarn has not been reduced
  - TUFS scope has not been widened to include machinery for manufacture of synthetic fibers post polymerization to be covered under TUFS
Transport Infrastructure

• FICCI wish list of 'Transport Infrastructure' sector
  ➢ Exemption from Service Tax on Infrastructure Projects / Sectors
  ➢ Removal of MAT on infrastructure companies
  ➢ Tax incentives for development of Maintenance, Repair and Overhaul (‘MRO’)
  ➢ Aviation Turbine Fuel (ATF) to be classified as ‘Declared Goods’ category under CST Act with a uniform application of 4% Sales Tax all over the country.
  ➢ Section 80 IA regarding upgrading existing infrastructure be amended
  ➢ Simplification of provisions with respect to foreign shipping companies
  ➢ Expanding the Scope of Exemption for Infrastructure Projects to include Consulting Engineering Services
  ➢ Amendment of exemption for Specified Equipment used for Construction of Roads
  ➢ Concessional Customs Duty on Goods required for development of Airports

Budget announcements pertaining to 'Transport Infrastructure' sector
  ➢ New airports to be developed through PPP mode in tier-I and II cities
  ➢ 16 new port projects to be awarded this year; allocated INR 11,635 crore to develop existing ports & harbours
  ➢ INR 4200 crore allocated for Jal Marg Vikas project (National Waterways-I) on river Ganga connecting Allahabad to Haldia, over 1620 km
  ➢ Investment in National and state highways to the tune of INR 37,887 crores, including INR 3000 crores for North East
  ➢ INR 1000 crores has been announced for development of rail connectivity in the North Eastern Region
  ➢ Banks to be allowed to raise long term fund that will be free of reserve requirements to finance infra projects. Longer-term infra funds to have minimum rules.
  ➢ A comprehensive policy planned to be announced for promoting Indian ship building industry
  ➢ Infrastructure Investment Trust proposed to finance infra projects and reduce burden on banks
  ➢ An institution named as ‘3P India’ will be set up with a corpus of INR 500 crores to provide support to mainstreaming PPPs

Likely Impact of the Announcements
  ➢ Development of airports in tier-I and II cities would will help in improving regional connectivity and promoting economic development in the remote and inaccessible areas
  ➢ Development of new ports would help in handling fast growing cargo traffic and boosting foreign trade
- Jal Marg Vikas project would help in improving the transportation capacity and building an efficient & cost effective transport system in the country
- Allocation of funds for National and State Highways would put back the highways development on track as the last few years have been rough for development of highways and physical achievements has fallen short of Government target.
- The development of expressways in parallel to the industrial corridors would improve the supply chain in transporting goods across the country.
- Infrastructure Investment Trusts would help in pooling long term funds for infrastructure sector especially when most of the commercial banks have reached sectoral exposure limits and finding difficulty in funding infrastructure projects.
- Setting up of institution like 3P India would help in developing investors’ friendly PPP models and developing quick dispute redressal mechanism for PPP projects.

- **Unmet demands and any further demands relating to the sector**
  - Many of the items in the wish list have not been addressed
Foreign Trade

• FICCI wish list
  - Revive Special Economic Zones (SEZs) in India to bring them back to the forefront of economic and industrial development.
  - Government should immediately withdraw Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) as this would significantly help in regaining trust and confidence of both domestic and foreign investors.
  - Address the issue of incidence of Inverted Duty Structure and remove the anomalies due to tariff structures and Free Trade Agreements operational in India. Synchronize trade policy with manufacturing policy and immediately address the problem of inverted duty.
  - Provide flexibility in various export promotion schemes to help the exporters adjust to the dynamic global economic situations.
  - Simplify and rationalize various export and import procedures to bring down the transaction cost and time for Indian exporters.
  - At the same time, Government needs to give special focus to address infrastructure bottlenecks. Enhancement of export related infrastructure would significantly increase India’s export competitiveness.
  - In order to encourage domestic manufacturing and export of manufactured products, all central and state-level taxes that go into an exported product should be reimbursed. Timely reimbursement of duties/taxes on inputs used in manufacturing of exports goods would give a fillip to domestic manufacturing and help in import substitution.
  - Granting ‘priority sector’ status to exports would address issues of flow of credit for trade and also increase India’s export competitiveness as a result of lower interest rates.

• Budget announcements
  - Effective steps would be undertaken to operationalize the Special Economic Zones, to revive the investors’ interest to develop better infrastructure and to effectively and efficiently use the available unutilized land.
  - SEZs will also be developed in Kandla and JNPT
  - Basic Customs Duty (BCD) on a number of products used as inputs in different industries reduced / removed
  - Faster clearance of import and export cargo reduces transaction costs and improves business competitiveness. To help achieve these objectives, measures are being initiated to extend the existing 24x7 customs clearance facility to 13 more airports in respect of all export goods and to 14 more sea ports in respect of specified import and export goods.
  - Proposal to implement an ‘Indian Customs Single Window Project’ to facilitate trade. Under this, importers and exporters would lodge their clearance documents at a single point only.
Required permissions, if any, from other regulatory agencies would be obtained online without the trader having to approach these agencies.

- **Likely impact of these announcements**
  - Establishing an “Export Promotion Mission” is a positive step. FICCI would be happy to collaborate with the relevant Ministries to take it forward.
  - Revival of SEZs is a positive announcement. It will boost investments, manufacturing led exports and employment in the country.
  - Reduction in BCD on a number of products will help address the problem of inverted duty structure.
  - Trade facilitation measures announced in the budget would significantly help reduce transaction costs and facilitate trade.

- **Unmet demands**
  - Foreign Trade Policy (FTP) should focus on specific issues related to Foreign Trade and export promotion.
  - Urgently need to address the following to revive SEZs and make them investor friendly:
    - Withdraw Minimum Alternate Tax (MAT) & Dividend Distribution Tax (DDT)
    - Extend benefits under Chapter III of Foreign Trade Policy to SEZs which include Focus Product and Focus Market Scheme, VKGUY etc.
    - Difficulties being faced by SEZs at the State Level, such as stamp duty, electricity duty, VAT. Necessary instructions may be given to State Governments for early settlement of claims for refunds.
  - Address anomalies arising due to duty structures under India’s Free Trade Agreements.
  - Synchronize trade policy with manufacturing policy to immediately address the problem of inverted duty.
  - Further, the Foreign Trade Policy (FTP) should focus on specific issues related to trade facilitation and mitigation of transaction costs.