



Impact of Budget on :

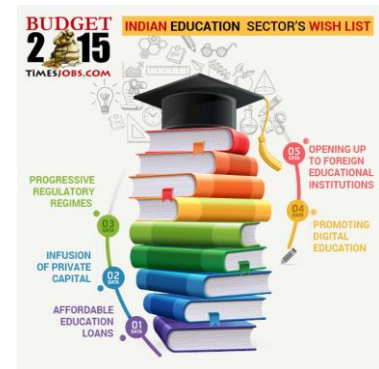


- **Aam Aadmi (Common man)**
 - **No change in tax rate:** Hon. Finance minister A. Jaitley in his Budget Speech announced that the surcharge on companies with more than Rs 10 crore as income would go up by 2 percentage points to 12% and that on companies with incomes more than Rs 1 crore and up to Rs 10 crore from 5% to 7%. Also, the surcharge on individuals with Rs 1-crore-plus taxable incomes will increase to 12% from 10% once the Finance Bill, 2015, is approved by Parliament.

- **Investment in Sukanya Samriddhi Scheme** : Sukanya Samriddhi Scheme is a new entrant in the small-savings schemes category aimed at encouraging savings for a girl child's education and marriage. Investments in Sukanya Samriddhi Scheme is already eligible for deduction under Section 80C. All payments to the beneficiaries including interest payment on deposit will also be fully exempt
- **New pension scheme** : Atal Pension Yojna announced in the Budget, will be launched on June 1 and will focus on all citizens in the unorganised sector entitling them to a pension of up to Rs.5,000 per month after 60 years of age. Limit on deduction on account of contribution to a pension fund and the new pension scheme is proposed to be increased from Rs 1 lakh to Rs 1.5 lakh.
- **Increase in Service Tax Rate** : Finance Minister decided to increase the service tax rate from extant 12.36% to 14%. This means all bills – telephone bills to hotel bills, will go up. This will leave less money in the hands of the home-makers.
- **The transport allowance** for salaried, which currently stands at Rs 800 per month was increased to Rs 1,600 per month. This will result in reducing taxable salary provided Employee is entitled to Transport allowance.
- **For employees under EPF**: Hon. Finance minister A.Jaitley announced that with respect to Employees Provident Fund (EPF), the employee needs to be provided two options. Firstly, the employee may opt for EPF or the New Pension Scheme (NPS). Secondly, for employees below a certain threshold of monthly income, contribution to EPF should be optional, without affecting or reducing the employer's contribution.
- **Sovereign Gold Bond**, as an alternative to purchasing metal gold. New scheme for depositors of gold to earn interest and jewellers to obtain loans on their metal accounts. Will develop an Indian gold coin, which will carry the Ashok Chakra on its

face, to reduce the demand for foreign coins and recycle the gold available in the country.

In our opinion though this Budget has shown many alternatives for investments for common man and also provided Tax benefits for the same but the issues like increase in Service Tax rate, no revision in Income Tax slab rate, delay in implementing GST will lead to constrained household budget and fewer saving for investments. The abolishment of Wealth Tax is going to provide relief to the rich tax payer. On the other hand Income tax return now requires information even about the assets of the assessee which will surely be cumbersome and tedious task for Common man.



- **Education & skills development**

- **Expenditure on Education :** Rs.68,960 crore has been set aside for Education and mid day meals. It should address the problems of primary education and improve retention of students at the school level. It should be more than just investing into physical infrastructure for higher education alone.

- **Major institutions:** Announcement of new institutions of higher learnings across the country. AIIMS in Jammu and Kashmir, Punjab, Tamil Nadu, Himachal Pradesh, Bihar and Assam. IIT in Karnataka; Indian School of Mines in Dhanbad to be upgraded to IIT. PG institute of Horticulture in Amritsar. Kerala to have University of Disability Studies. Centre of film production, animation and gaming to come up in Arunachal Pradesh. IIM for Jammu and Kashmir and Andhra Pradesh.
- **Visas:** Visa- on-arrival from 150 countries will help attract researchers, academics and students. This could further help in creating India as a global hub for education.
- **Skills development:** Skills development has the largest impact in the education sector from this Budget. It will lead to job creation at the bottom of the pyramid. The government is investing heavily into sectors like infrastructure, energy, and manufacturing, Swatch India, Clean Ganga and Digital India. This means skills-based training to produce industry and work ready talent. The proposed Skill India and National Skill Mission will consolidate skills across 31 sectors.

In our opinion due emphasis has been laid upon Education sector which will lead to creation of improved employable work force. If India has to achieve GDP growth of 8 per cent, then it needs a skilled, trained and educated workforce to make it possible.



- **Healthcare & Health management**

- **Health Insurance premium** :The limit of reduction of health insurance premium was enhanced from Rs 15,000 to Rs 25,000. For senior citizens this limit has been increased from Rs 20,000 to Rs 30,000.
- **Additional deduction** : For differently-abled persons, limit is increased from Rs 50,000 to Rs 75,000. It is also proposed to increase the limit of deduction from Rs 1 lakh to Rs 1.25 lakh in case of severe disability .
- **Pradhan Mantri Suraksha Bima Yojana** will be launched to cover accidental death risk of Rs 2 lakh for a premium of just Rs 12 per year.
- **Pradhan Mantri Jeevan Jyoti Bima Yojan** which covers both natural and accidental death risk of Rs 2 lakh. The premium will be Rs 330 per year, or less than one rupee per day, for the age group 18-50.

In our opinion increasing limit of deduction under section 80D of Income Tax act is welcome move. Also providing Insurance cover at less than a rupee per day are positive developments as it will bring more people into the fold of Insurance cover.



- **Clean Energy and Pollution Control**

- Earmarked Rs. 75 crore for faster adoption and manufacturing of electric vehicles. Further, the concessional excise duty of 6 per cent on specified goods for use in manufacture of electrically operated vehicles and hybrid vehicles, presently available up to this March, is being extended up to another year.
- Clean energy cess increased from Rs.100 to Rs.200 per metric tonne of coal, etc. to finance clean environment initiatives.
- Excise duty on sacks and bags of polymers of ethylene other than for industrial use increased from 12% to 15%
- Services by common affluent treatment plant exempt from Service-tax.
- Concessions on custom and excise duty available to electrically operated vehicles and hybrid vehicles extended upto 31.03.2016.

The allocation towards promoting electric vehicles and supporting charging infrastructure and R&D investments can be viewed as a welcome step.

In addition to supporting the industry National Electric Mobility Mission Plan (NEMMP) will create a significant positive impact on the health index of country by promoting zero pollution electric vehicles and reducing the dependence on the fossil fuel.

Again Government's proposal to double the clean-energy cess on coal may lead to increase in power tariff for consumers. However, This is a step in right direction and along with the target to achieve 175 GW of renewable energy capacity by 2022, it demonstrates India's commitment to tackle climate change

- **International Confidence Building Measures for attracting foreign investments**



- The government will allow foreign investment in Alternative Investment Funds (AIFs), a category of pooled-in investment vehicles for real estate, private equity and hedge funds.
- While presenting the Budget for 2015-16 in the Lok Sabha, he said that the government would do away with different categories like Foreign Portfolio Investors (FPI) and Foreign Direct Investment (FDI) for such investments with a view to making it easier for overseas investors to invest in AIFs.
- AIFs are basically funds established or incorporated in India for the purpose of pooling in capital from Indian investors for investing as per a pre-decided policy.
- "FIIs have constructed some short positions in futures segment and were also seen unwinding their aggressive long positions," said Yogesh Radke, head of quantitative research at Edelweiss Securities.
- FIIs have built short positions worth about Rs 10,500 crore in Nifty stock futures in February, according to exchange data.



- **Black Money**

- Finance minister Arun Jaitely proposed to enact a comprehensive law to bring back black money stashed abroad.
- Hoarding of black money will lead to rigorous imprisonment of 10 years, the finance minister said.
- Bringing back black money stashed abroad has been a key promise of the Narendra Modi government and its first Cabinet decision was to announce the setting up of a SIT to probe black money cases.



- **FISCAL DEFICIT**

- Fiscal deficit seen at 3.9 percent of GDP in 2015/16
- Will meet the challenging fiscal target of 4.1 percent of GDP
- Remain committed to meeting medium term fiscal deficit target of 3 percent of GDP
- Current account deficit below 1.3 percent of GDP
- Hon. Finance minister A.Jaitley says have to keep fiscal discipline in mind despite need for higher investment

- **GROWTH**

- GDP growth seen at between 8 percent and 8.5 percent y/y
- Nominal economic growth seen between 11 and 12 percent
- Aiming double digit growth rate, achievable soon

- **INFLATION**

- Expects consumer inflation to remain close to 5 percent by March, opening room for more monetary policy easing
- Monetary policy framework agreement with the RBI clearly states objective of keeping inflation below 6 percent
- "One of the achievements of my government has been to conquer inflation. This decline in my view represents a structural shift."

- **REVENUES**

- Revenue deficit seen at 2.8 percent of GDP
- Non tax revenue seen at 2.21 trillion rupees
- Agricultural incomes are under stress
- Net receipts under market stabilisation scheme estimated at 200 billion rupees

- **GENERAL ANTI-AVOIDANCE RULES (GAAR)**

- Government defers rollout of anti-tax avoidance rules GAAR by two years



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- GAAR to apply prospectively from April 1, 2017

- Sorces :

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