



Indian Chamber of Commerce

PRESS RELEASE

“Budget to boost Inclusive Growth”: ICC

Strong focus on Agriculture & Rural Economy, Social Sector, Infrastructure Development & Employment Generation through Skill Development

Kolkata, 29th February, 2016: ICC feels that the Union Budget 2016 – ‘17 presented by Finance Minister Mr. Arun Jaitley today, is a balanced one. Major thrust has been given to **Nine Sectors**: Agriculture and Farmers Welfare, Rural Employment and Infrastructure, Social Sector including healthcare, Education, Job and Skill Development, Infrastructure and Investment, Financial Sector Reforms, Ease of Doing Business & good governance, Fiscal discipline and Tax reforms to reduce compliance burden.

ICC welcomes:

- Sound fiscal consolidation measures: Sticking to a path of aggressive fiscal consolidation, the Union Budget of 2016-2017 has pegged Fiscal deficit at 3.5% and revenue deficit at 2.5%. The target for lower deficits is a very credible step for the financial markets as it is likely to curtail debt accumulation and allow for robust outlays for infrastructure, agriculture, rural and socio economic schemes. Though a 15.3% increase in planned expenditure has been proposed amounting to Rs.5.5 Lakh core alongside a non planned expenditure budget of Rs.14.28 lakh crore, the plan vs non-plan distinction shall be erased in FY2017. As an assurance for the development agenda to not be compromised upon, a committee would be set up to review the working of the Fiscal Responsibility and Budget Management (FRBM).
- Lowering of Corporate IT rate for companies not exceeding Rs. 5 crore turnover to 25% plus surcharge – this will promote the growth of smaller enterprises and encourage entrepreneurship

- Service tax exemption for construction of houses less than 60 sq. metres along with exemption real estate investment trusts from dividend distribution tax and stamp duties will in turn make them attractive to domestic and foreign investors.
- No change in capital gains tax regime for listed stocks a positive for the stock exchange.
- Implementation of GAAR by April 1, 2017 for avoiding tax reduction and evasion.
- Decision to introduce a Comprehensive Central Legislation to deal with the menace of illicit Financial Schemes is a welcome step and will protect small investors.
- Relief to small tax-payers welcome, step to increase HRA deduction from 24,000 per annum to 60,000 per annum will benefit the average employee. Also, People with income less than Rs 5 lakh to get deduction of Rs 5,000, up from Rs 2,000 last year.
- Decision to widen Duty Drawback Scheme a positive for Exporters.
- Good governance and ease of doing business: introduction of a bill to amend the Companies Act in the current session of Parliament for greater ease of doing business in the country. The Union Budget 2016-2017 has proposed to bring down the average number of days required for incorporating a company to one to two days, a move aimed at further improving 'ease of doing business' in the country.
- Introduction of the Aadhar bill at the parliament which will accord statutory status to Aadhaar to ensure that benefits of the government subsidies directly reach the needy. Focus on education and skill development—The government has set aside Rs 1700 crores to set up 1500 multi-skilled training institutes under the pradhan Mantri Kaushal Vikas Yojana and proposed to set up a high education financing agency with an initial capital of Rs 1000 crore, a non-profit organization that will create necessary links with Corporates. Additionally, the government focuses on digital literacy scheme for rural India to cover around 6 crore household in the next 3 yrs. These taken together should impart enhanced knowledge and skill among the youth and are thereby in line with the government's National Skill Development Mission.
- With regard to employment among women and historically disadvantaged groups of people namely the scheduled castes and scheduled tribes, the government has advocated the creation of a hub to support SC/ST entrepreneurs that will help the economy to move towards inclusive growth. Government has urged the SC/ST masses to become entrepreneurs and job creators than running as job seekers and has thus allocated Rs 500 crore toward this end.
- Boost to Infrastructure— Allocation of Rs. 55,000 crore for construction of roads, excluding Rs. 15,000 crore NHAI Bonds. Total outlay on roads and highways sector will be Rs 97,000 crore in 2016-'17, and total outlay on roads & railways in 2016-'17 will be Rs 2,18,000 crore, while total outlay for infrastructure in 2016-'17 will be Rs 2,21,246 crore. In terms of civil aviation, FM has proposed collaboration with the state governments to rejuvenate regional airports and also develop 10 out of 25 non-functional airstrips. All these along with the amendment to the Motor Vehicle Act to open up road passenger sector will improve

connectivity thereby facilitating better internal movement of goods and services and enable stronger growth. Additionally, to revive the stalled projects the government has announced to introduce public utility resolution bill, issue guidelines for renegotiation of PPP contracts and new credit rating system– which is a welcome step in terms of infrastructural development.

- Also, the government has proposed to incentivize gas production from deep sea and ultra deep waters to help improve self-sufficiency through enhanced domestic production besides bringing in foreign investment and state of the art technologies which are required for exploitation of these areas
- The government has decided to allow 100% FDI through FIPB in marketing of Food Products produced and manufactured in India that will boost the highly prospective Food Processing Industry and encourage job creation. Also, further FDI reforms are planned in Stock Exchanges, Insurance and Pensions sector.
- The chamber also welcomes the decision to introduce Bankruptcy & Insolvency Code. RBI Act to be amended to provide framework for monetary policy committee is also a prudent step as it will be accountable for not achieving the inflation target. Moreover, the decision for SEBI to bring new derivative products for commodity markets is an optimistic approach.
- In the new budget Government will reorganize agricultural policy to double farmer income in five years. In the new budget it has been proposed that **28.5 lakh** hectares will be brought under irrigation. This welcoming policy will certainly give boost to the agricultural sector.
- The budget also proposed Paramparagat **Krishi Vikas Yojana** to bring 5 lakh acres under organic farming. Special focus will be given to North Eastern Region. Also, Unified e-platform for farmers has been proposed in the budget. The budget announced allocations of total Rs 35,984 crore for the farm sector.
- In the new budget, government has allocated **RS 17,000 crores** fast-track **89 irrigation** projects. This will help 80.6 lakh hectares which is currently under cultivation. The new budget also announced a long-term irrigation fund with a corpus of **20,000 crores** A major program that will cost Rs **60,000 crores** will be launched to develop safe groundwater sources.
- Under crop insurance scheme government will allocate **Rs 5,500 crore** and Agricultural credit target of Rs. **9 lakh crore**. This is a much needed inclusion to the budget to help the farming sector. The budget also includes **Rs. 500 crores** program for enhanced pulses' production which will cover 622 districts.
- For better market linkages a unified agricultural market scheme has been thought of. In order to achieve the same the new budget has allocated **Rs 27,000 crores**. This welcoming scheme shall advance the completion of this program.

- In the time of natural calamities 9 lakh crores credit line will be created. This policy will certainly help reducing the burden of loan payment. Apart from credit line **Rs 15,000 crores** will be set aside towards interest financial support.
- In the new budget, government has allocated **Rs. 2.87 lakh** crore for gram panchayats, **Rs. 38,500 crore** for MNREGA. ICC feels these allocations will certainly generate huge amount of employment in the rural sector. Apart from the same, **Rs. 9,000 crore** has been allocated for Swachh Bharat Abhiyan.
- In the new budget total allocation for the rural sector is **Rs. 87,769 crore**. Finance minister announced that two schemes for digital literacy for rural India will be launched to cover **6 crore households** by 2019.
- The new budget announced to provide LPG cylinders to **1.5 crore** households below the poverty line, in new budget has allocated **Rs 2,000 crore** for this. The budget also announced **Rs 55,000 crore** for developing roads and highways. This will certainly give immense boost to the rural sector and generate huge employment. The budget allocates **Rs.19,000 crore** for **Pradhan Mantri Gramin Sadak Yojana** the same will be Rs.27,000 **crore** after state contribution.
- As promised earlier, the government plans to achieve its commitment towards full electrification of **18,542 villages**. Hence, the new budget has allocated **Rs 8,500 crore** under the **Deen Dayal Upadhyaya Gram Jyoti Yojana**.

The Minuses

- The allocated fund of **Rs. 25,000 Crore** for the public sector banks recapitalization seems inadequate and below market expectations. The changes in SARAFESI act proposed to help Asset Reconstruction Cos to do better is welcome but the fine print needs to be read to see how this may help improve the NPA problems at banks.
- No change in capital gains tax regime for listed stocks a positive for the stock exchange, however an additional tax 10% on dividends in excess of 10 lacs and increase in STT is a dampener for the markets.

However, ICC compliments the Hon'ble Finance Minister for presenting a positive Budget, which definitely gives boost to inclusive growth. The strong focus upon Agriculture & Rural Economy, Social Sector, Infrastructure Development is also very much welcome. The Budget has also provided the necessary push to reforms, and ICC feels, will help the economy move steadily towards a double-digit growth phase.

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