

Budget 2018-2019

Speech of

Arun Jaitley

Minister of Finance

February 1, 2018

Section I

Governance, Economy and Development

Madam Speaker,

I rise to present the Budget for 2018-19.

2. Madam, four years ago, we pledged to the people of India to give this nation an honest, clean and transparent Government. We promised a leadership capable of taking difficult decisions and restoring strong performance of Indian economy. We promised to reduce poverty, expedite infrastructure creation and build a strong, confident and a New India. When our Government took over, India was considered a part of fragile 5; a nation suffering from policy paralysis and corruption. We have decisively reversed this. The Government, led by Prime Minister, Shri Narendra Modi, has successfully implemented a series of fundamental structural reforms. With the result, India stands out among the fastest growing economies of the world.

3. The journey of economic reforms during the past few years has been challenging but rewarding. As a result of the reforms undertaken by the Government, foreign direct investment has gone up. Measures taken by the Government have made it much easier to do business in India. Natural resources are now allocated in a transparent and honest manner. There is a premium on honesty. There was a time when corruption was commonplace. Today, our people, especially our youths, are curious to lead their lives honestly. The indirect tax system, with introduction of Goods and Services Tax, has been made simpler. Benefits to the poor have been targeted more effectively with use of digital technology. The demonetization of high value currency has reduced the quantum of cash currency and circulation in India. It has increased the taxation base and spurred greater digitization of the economy. The Insolvency and

Bankruptcy Code (IBC) has changed the lender-debtor relationship. The recapitalized banks will now have a greater ability to support growth. All these structural reforms in the medium and long run will help Indian economy achieve stronger growth for a long time.

4. Indian economy has performed very well since our Government took over in May, 2014. India achieved an average growth of 7.5% in first three years of our Government. Indian economy is now 2.5 trillion dollar economy – seventh largest in the world. India is expected to become the fifth largest economy very soon. On Purchasing Power Parity (PPP) basis, we are already the third largest economy.

5. Indian society, polity and economy had shown remarkable resilience in adjusting with the structural reforms. GDP growth at 6.3% in the second quarter signaled turnaround of the economy. We hope to grow at 7.2% to 7.5% in the second half. IMF, in its latest Update, has forecast that India will grow at 7.4% next year. Manufacturing sector is back on good growth path. The services, mainstay of our growth, have also resumed their high growth rates of 8% plus. Our exports are expected to grow at 15% in 2017-18. We are now firmly on course to achieve high growth of 8% plus.

6. We have taken up programmes to direct the benefits of structural changes and good growth to reach farmers, poor and other vulnerable sections of our society and to uplift the under-developed regions. This year's Budget will consolidate these gains and particularly focus on strengthening agriculture and rural economy, provision of good health care to economically less privileged, taking care of senior citizens, infrastructure creation and working with the States to provide more resources for improving the quality of education in the country.

7. Prime Minister Shri Narendra Modi has always stressed importance of good governance. He has articulated the vision of "Minimum Government and Maximum Governance". This vision has inspired Government agencies in carrying out hundreds of reforms in policies, rules and procedures. This transformation is reflected in improvement of India's ranking by 42 places in last three years in the World Bank's 'Ease of Doing Business' with India breaking into top 100 for the first time. I would like to congratulate all those who worked to achieve this.

8. Now, our Government has taken Ease of Doing business further by stress on 'Ease of Leaving' for the common men of this country, especially for those belonging to poor & middle class of the society. Good governance

also aims at minimum interference by the government in the life of common people of the country.

9. Government is providing free LPG connections to the poor of this country through Ujjwala Yojana. Under Saubhagya Yojna 4 crore household are being provided with electricity connections. More than 800 medicines are being sold at lower price through more than 3 thousand Jan Aushadhi Centres. Cost of stents have been controlled. Special scheme for free dialysis of poor have been initiated. Persons belonging to poor and middle class are also being provided a great relief in interest rates on housing schemes. Efforts are being made to provide all government services, whether bus or train tickets or individual certificates on line. These include passports which may be delivered at doorstep in two or three days or Company registration in one day time and these facilities have benefited a large section of our country. Certificate attestation is not mandatory, interviews for appointment in Group C and Group D posts have been done away with. These measures have saved time and money of lakhs of our youth. Our Government by using modern technology is committed to provide a relief to those who suffer because of rigid rules and regulations.

10. Madam, while undertaking these reforms and programmes, we have worked sincerely and without weighing the political costs. Our Government has ensured that benefits reach eligible beneficiaries and are delivered to them directly. Many services and benefits are being delivered to the people at their doorsteps or in their accounts. It has reduced corruption and cost of delivery and has eliminated middlemen in the process. Direct Benefit Transfer mechanism of India is the biggest such exercise in the world and is a global success story.

Section II

Investment, Expenditure and Policy Initiatives

Agriculture and Rural Economy

11. My Government is committed for the welfare of farmers. For decades, country's agriculture policy and programme had remained production centric. We have sought to effect a paradigm shift. Honourable Prime Minister gave a clarion call to double farmers' income by 2022 when India celebrates its 75th year of independence. Our emphasis is on generating higher incomes for farmers. We consider agriculture as an enterprise and want to help farmers produce more from the same land parcel at lesser cost and simultaneously realize higher prices for their produce. Our emphasis is also on generating

productive and gainful on-farm and non-farm employment for the farmers and landless families.

12. Madam Speaker, as a result of the hard work of our country's farmers agriculture production in our country is at a record level. Doing the year 2016-17 we achieved a record food grain production of around 275 million tonnes and around 300 million tonnes of fruits and vegetables.

13. Madam Speaker, in our party's manifesto it has been stated that the farmers should realize at least 50 per cent more than the cost of their produce, in other words, one and a half times of the cost of their production. Government have been very much sensitive to this resolutions and it has declared Minimum support price (MSP) for the majority of rabi crops at least at one and a half times the cost involved. Now, we have decided to implement this resolution as a principle for the rest of crops. I am pleased to announce that as per pre-determined principle, Government has decided to keep MSP for the all unannounced crops of kharif at least at one and half times of their production cost. I am confident that this historic decision will prove an important step towards doubling the income of our farmers.

14. Our Government works with the holistic approach of solving any issue rather than in fragments. Increasing MSP is not adequate and it is more important that farmers should get full benefit of the announced MSP. For this, it is essential that if price of the agriculture produce market is less than MSP, then in that case Government should purchase either at MSP or work in a manner to provide MSP for the farmers through some other mechanism. Niti Ayog, in consultation with Central and State Governments, will put in place a fool-proof mechanism so that farmers will get adequate price for their produce.

15. For better price realization, farmers need to make decisions based on prices likely to be available after its harvest. Government will create an institutional mechanism, with participation of all concerned Ministries, to develop appropriate policies and practices for price and demand forecast, use of futures and options market, expansion of warehouse depository system and to take decisions about specific exports and imports related measures.

16. Madam Speaker, last year, I had announced strengthening of e-NAM and to expand coverage of e-NAM to 585 APMCs. 470 APMCs have been connected to e-NAM network and rest will be connected by March, 2018.

17. More than 86% of our farmers are small and marginal. They are not always in a position to directly transact at APMCs and other wholesale markets. We will develop and upgrade existing 22,000 rural haats into Gramin Agricultural Markets (GrAMs). In these GrAMs, physical infrastructure will be strengthened using MGNREGA and other Government Schemes. These GrAMs, electronically linked to e-NAM and exempted from regulations of APMCs, will provide farmers facility to make direct sale to consumers and bulk purchasers.

18. An Agri-Market Infrastructure Fund with a corpus of ₹2000 crore will be set up for developing and upgrading agricultural marketing infrastructure in the 22000 Grameen Agricultural Markets (GrAMs) and 585 APMCs.

19. Task of connecting all eligible habitations with an all-weather road has been substantially completed, with the target date brought forward to March, 2019 from March 2022. It is now time to strengthen and widen its ambit further to include major link routes which connect habitations to agricultural and rural markets (GrAMs), higher secondary schools and hospitals. Prime Minister Gram Sadak Yojana Phase III will include such linkages.

20. For several years, we have been stating that India is primarily an agriculture based country. As India is primarily an agriculture based country, our districts can specialize in some or other agricultural produce and be known for it. But special attention is lacking in this regard. There is a need to develop cluster based model in a scientific manner for identified agriculture produces in our districts in the same manner as we have developed model for industrial sector.

21. Cultivation of horticulture crops in clusters bring advantages of scales of operations and can spur establishment of entire chain from production to marketing, besides giving recognition to the districts for specific crops. The Ministry of Agriculture & Farmers' Welfare will reorient its ongoing Schemes and promote cluster based development of agri-commodities and regions in partnership with the Ministries of Food Processing, Commerce and other allied Ministries.

22. Our Government has promoted organic farming in a big way. Organic farming by Farmer Producer Organizations (FPOs) and Village Producers' Organizations (VPOs) in large clusters, preferably of 1000 hectares each, will be encouraged. Women Self Help Groups (SHGs) will also be encouraged to take up organic agriculture in clusters under National Rural Livelihood Programme.

23. Our ecology supports cultivation of highly specialized medicinal and aromatic plants. India is also home to a large number of small and cottage industries that manufacture perfumes, essential oils and other associated products. Our Government shall support organized cultivation and associated industry. I propose to allocate a sum of ₹200 crore for this purpose.

24. Food Processing sector is growing at an average rate of 8% per annum. Prime Minister Krishi Sampada Yojana is our flagship programme for boosting investment in food processing. Allocation of Ministry of Food Processing is being doubled from ₹715 crore in RE 2017-18 to ₹1400 crore in BE 2018-19. Government will promote establishment of specialized agro-processing financial institutions in this sector.

25. Tomato, onion and potato are basic vegetables consumed throughout the year. However, seasonal and regional production of these perishable commodities pose a challenge in connecting farmers and consumers in a manner that satisfies both. My Government proposes to launch an “Operation Greens” on the lines of “Operation Flood”. “Operation Greens” shall promote Farmer Producers Organizations (FPOs), agri-logistics, processing facilities and professional management. I propose to allocate a sum of ₹500 crore for this purpose.

26. India’s agri-exports potential is as high as US \$ 100 billion against current exports of US \$ 30 billion. To realize this potential, export of agri-commodities will be liberalized. I also propose to set up state-of-the-art testing facilities in all the forty two Mega Food Parks.

27. I propose to extend the facility of Kisan Credit Cards to fisheries and animal husbandry farmers to help them meet their working capital needs. Small and marginal farmers will get more benefits.

28. Bamboo is ‘Green Gold’. We removed bamboo grown outside forest areas from the definition of trees. Now, I propose to launch a Re-structured National Bamboo Mission with an outlay of ₹1290 crore to promote bamboo sector in a holistic manner.

29. Many farmers are installing solar water pumps to irrigate their fields. Generation of solar electricity is harvesting of Sun by the farmers using their lands. Government of India will take necessary measures and encourage State Governments to put in place a mechanism that their surplus solar power is purchased by the distribution companies or licencees at reasonably remunerative rates.

30. Our Government set up a Long Term Irrigation Fund (LTIF) in NABARD for meeting funding requirement of irrigation works. Scope of the Fund would be expanded to cover specified command area development projects.

31. Last year, I had announced setting up of Micro Irrigation Fund (MIF) for facilitating expansion of coverage under micro irrigation and Dairy Processing Infrastructure Development Fund (DPIDF) to help finance investment in dairying infrastructure. It is now time to expand such focused investment Funds. I, now, announce setting up a Fisheries and Aquaculture Infrastructure Development Fund (FAIDF) for fisheries sector and an Animal Husbandry Infrastructure Development Fund (AHIDF) for financing infrastructure requirement of animal husbandry sector. Total Corpus of these two new Funds would be ₹10,000 crore.

32. Our Government has been steadily increasing the volume of institutional credit for agriculture sector from year-to-year from ₹8.5 lakh crore in 2014-15 to ₹10 lakh crore in 2017-18. I now propose to raise this to ₹11 lakh crore for the year 2018-19.

33. Presently, lessee cultivators are not able to avail crop loans. Consequently, a significant proportion of arable land remains fallow and tenant cultivators are forced to secure credit from usurious money lenders. NITI Aayog, in consultation with State Governments, will evolve a suitable mechanism to enable access of lessee cultivators to credit without compromising the rights of the land owners.

34. Government will extend a favourable taxation treatment to Farmer Producers Organisations (FPOs) for helping farmers aggregate their needs of inputs, farm services, processing and sale operations. I shall give details in Part B of my speech.

35. Air pollution in the Delhi-NCR region has been a cause of concern. A special Scheme will be implemented to support the efforts of the governments of Haryana, Punjab, Uttar Pradesh and the NCT of Delhi to address air pollution and to subsidize machinery required for in-situ management of crop residue.

36. Madam Speaker, the present top leadership of this country has reached at this level after seeing poverty at close quarters. Our leadership is familiar with the problems being faced by the SC, ST, Backward Classes and economically weaker sections of the society. People belonging to poor and middle class are not case studies for them, on the other hand they themselves are case study.

37. The Lower and Middle Class have been the focus of our Government during the last three years. This Government is continuously striving to alleviate all the small and major problems of the poor.

38. We launched Prime Minister's Ujjwala Scheme to make poor women free from the smoke of wood. Initially our target was to provide free LPG connections to about 5 crore poor women. But in view of the pace of implementation of Ujjwala scheme and its popularity among the women, we propose to increase the target of providing free connection to 8 crore poor women.

39. Our Government has launched Prime Minister Saubhagya Yojana for providing electricity to all households of the country. Under this scheme, four crores poor households are being provided with electricity connection free of charge. We are spending ₹16000 crore under this scheme. You can very well imagine our anxiety and restlessness even with one hour power cut. Think about those women and children whose houses will not get electricity. Their life is going to change because of Pradhan Mantri Saubhagya Yojana.

40. Swachh Bharat Mission has benefited the poor. Under this mission, Government has already constructed more than 6 crore toilets. The positive effect of these toilets is being seen on the dignity of ladies, education of girls and the overall health of family. Government is planning to construct around 2 crore toilets.

41. Madam Speaker, a roof for his family is another concern of the poor. Far from the Benami properties earned by corruption, the poor only desire to have a roof, a small house by his earning of honesty. Our Govt. is helping them so that they may fulfil the dream of their own house. We have fixed a target that every poor of this country may have his own house by 2022. For this purpose Prime Minister Awas Yojana has been launched in rural and urban areas of the country. Under Prime Minister Awas Scheme Rural, 51 lakhs houses in year 2017-18 and 51 lakh houses during 2018-19 which is more than one crore houses will be constructed exclusively in rural areas. In urban areas the assistance has been sanctioned to construct 37 lakh houses.

42. My Government will also establish a dedicated Affordable Housing Fund (AHF) in National Housing Bank, funded from priority sector lending shortfall and fully serviced bonds authorized by the Government of India.

43. Loans to Self Help Groups of women increased to about Rupees 42,500 crore in 2016-17, growing 37% over previous year. The

Government is confident that loans to SHGs will increase to ₹75,000 crore by March, 2019. I propose to substantially increase allocation of National Rural Livelihood Mission to ₹5750 crore in 2018-19.

44. Ground water irrigation scheme under Prime Minister Krishi Sinchai Yojna- Har Khet ko Pani will be taken up in 96 deprived irrigation districts where less than 30% of the land holdings gets assured irrigation presently. I have allocated ₹2600 crore for this purpose.

45. As my proposals outlined indicate, focus of the Government next year will be on providing maximum livelihood opportunities in the rural areas by spending more on livelihood, agriculture and allied activities and construction of rural infrastructure. In the year 2018-19, for creation of livelihood and infrastructure in rural areas, total amount to be spent by the Ministries will be ₹14.34 lakh crore, including extra-budgetary and non-budgetary resources of ₹11.98 lakh crore. Apart from employment due to farming activities and self employment, this expenditure will create employment of 321 crore person days, 3.17 lakh kilometers of rural roads, 51 lakh new rural houses, 1.88 crore toilets, and provide 1.75 crore new household electric connections besides boosting agricultural growth. Details are in Annexure I.

Health, Education and Social Protection

46. My Government's goal is to assist and provide opportunity to every Indian to realize her full potential capable of achieving her economic and social dreams. Our Government is implementing a comprehensive social security and protection programme to reach every household of old, widows, orphaned children, divyaang and deprived as per the Socio-Economic Caste Census. Allocation on National Social Assistance Programme this year has been kept at ₹9975 crore.

47. We have managed to get children to School but the quality of education is still a cause of serious concern. We have now defined learning outcomes and National Survey of more than 20 lakh children has been conducted to assess the status on the ground. This will help in devising a district-wise strategy for improving quality of education. We now propose to treat education holistically without segmentation from pre-nursery to Class 12.

48. Improvement in quality of teachers can improve the quality of education in the country. We will initiate an integrated B.Ed. programme for teachers. Training of teachers during service is extremely critical. We

have amended the Right to Education Act to enable more than 13 lakh untrained teachers to get trained.

49. Technology will be the biggest driver in improving the quality of education. We propose to increase the digital intensity in education and move gradually from “black board” to “digital board”. Technology will also be used to upgrade the skills of teachers through the recently launched digital portal “DIKSHA”.

50. The Government is committed to provide the best quality education to the tribal children in their own environment. To realise this mission, it has been decided that by the year 2022, every block with more than 50% ST population and at least 20,000 tribal persons, will have an Ekalavya Model Residential School. Ekalavya schools will be on par with Navodaya Vidyalayas and will have special facilities for preserving local art and culture besides providing training in sports and skill development.

51. To step up investments in research and related infrastructure in premier educational institutions, including health institutions, I propose to launch a major initiative named “Revitalising Infrastructure and Systems in Education (RISE) by 2022” with a total investment of ₹1,00,000 crore in next four years. Higher Education Financing Agency (HEFA) would be suitably structured for funding this initiative.

52. Our Government has taken major initiative of setting up Institutes of Eminence. There has been tremendous response to this initiative by institutions both in public and private sectors. We have received more than 100 applications. We have also taken steps to set up a specialized Railways University at Vadodara.

53. We propose to set up two new full-fledged Schools of Planning and Architecture, to be selected on challenge mode. Additionally, 18 new SPAs would be established in the IITs and NITs as autonomous Schools, also on challenge mode.

54. The Government would launch the “Prime Minister’s Research Fellows (PMRF)” Scheme this year. Under this, we would identify 1,000 best B.Tech students each year from premier institutions and provide them facilities to do Ph.D in IITs and IISc, with a handsome fellowship. It is expected that these bright young fellows would voluntarily commit few hours every week for teaching in higher educational institutions.

55. Now I come to the Health Sector. सर्वे भवन्तु: सुखिन, सर्वे संतु: निरामया is the guiding principle of my Government. Only Swasth Bharat can be a Samriddha Bharat. India cannot realize its demographic dividend without its citizens being healthy.

56. I am pleased to announce two major initiatives as part of "Ayushman Bharat" programme aimed at making path breaking interventions to address health holistically, in primary, secondary and tertiary care system covering both prevention and health promotion.

57. The National Health Policy, 2017 has envisioned Health and Wellness Centres as the foundation of India's health system. These 1.5 lakh centres will bring health care system closer to the homes of people. These centres will provide comprehensive health care, including for non-communicable diseases and maternal and child health services. These centres will also provide free essential drugs and diagnostic services. I am committing ₹1200 crore in this budget for this flagship programme. I also invite contribution of private sector through CSR and philanthropic institutions in adopting these centres.

58. Madam Speaker, we are all aware that lakhs of families in our country have to borrow or sell assets to receive indoor treatment in hospitals. Government is seriously concerned about such impoverishment of poor and vulnerable families. Present Rashtriya Swasthya Bima Yojana (RSBY) provide annual coverage of only ₹30,000 to poor families. Several State Governments have also implemented/supplemented health protection schemes providing varying coverage. My Government has now decided to take health protection to more aspirational level.

59. We will launch a flagship National Health Protection Scheme to cover over 10 crore poor and vulnerable families (approximately 50 crore beneficiaries) providing coverage upto 5 lakh rupees per family per year for secondary and tertiary care hospitalization. This will be the world's largest government funded health care programme. Adequate funds will be provided for smooth implementation of this programme.

60. Madam Speaker, these two far-reaching initiatives under the Ayushman Bharat will build a New India 2022 and ensure enhanced productivity, well being and avert wage loss and impoverishment. These Schemes will also generate lakhs of jobs, particularly for women. The Government is steadily but surely progressing towards the goal of Universal Health Coverage.

61. TB claims more lives every year than any other infectious disease. It affects mainly poor and malnourished people. My Government has, therefore, decided to allocate additional ₹600 crore to provide nutritional support to all TB patients at the rate of ₹500 per month for the duration of their treatment.

62. In order to further enhance accessibility of quality medical education and health care, we will be setting up 24 new Government Medical Colleges and Hospitals by upgrading existing district hospitals in the country. This would ensure that there is at least 1 Medical College for every 3 Parliamentary Constituencies and at least 1 Government Medical College in each State of the country.

63. Our resolve of making our villages open defecation free is aimed at improving the life of our villagers. We will launch a Scheme called Galvanizing Organic Bio-Agro Resources Dhan (GOBAR-DHAN) for management and conversion of cattle dung and solid waste in farms to compost, fertilizer, bio-gas and bio-CNG.

64. Pradhan Mantri Jeevan Jyoti Beema Yojana (PMJJBY) has benefitted 5.22 crore families with a life insurance cover of ₹2 lakh on payment of a premium of only ₹330/- per annum. Likewise, under Pradhan Mantri Suraksha Bima Yojana, 13 crore 25 lakh persons have been insured with personal accident cover of ₹2 lakh on payment of a premium of only ₹12 per annum. The Government will work to cover all poor households, including SC/ST households, under these in a mission mode.

65. The Government will expand the coverage under Prime Minister Jan Dhan Yojana by bringing all sixty crore basic accounts within its fold and undertake measures to provide services of micro insurance and unorganized sector pension schemes through these accounts.

66. Our commitment towards “Beti Bachao Beti Padhao” is unflinching. Sukanya Samridhi Account Scheme launched in January 2015 has been a great success. Until November, 2017 more than 1.26 crore accounts have been opened across the country in the name of girl-child securing an amount of ₹19,183 crore.

67. Cleaning the Ganga is work of national importance and it is our firm commitment. Members will be happy to learn that this work has gathered speed. A total of 187 projects have been sanctioned under the Namami Gange programme for infrastructure development, river surface cleaning, rural sanitation and other interventions at a cost of

₹16,713 crore. 47 projects have been completed and remaining projects are at various stages of execution. All 4465 Ganga Grams – villages on the bank of river - have been declared open defecation free.

68. To give focused attention and to achieve our vision of an inclusive society, the Government has identified 115 aspirational districts taking various indices of development in consideration. The Government aims at improving the quality of life in these districts by investing in social services like health, education, nutrition, skill upgradation, financial inclusion and infrastructure like irrigation, rural electrification, potable drinking water and access to toilets at an accelerated pace and in a time bound manner. We expect these 115 districts to become model of development.

69. Economic and social advancement of hard working people of Scheduled Castes (SCs) and Scheduled Tribes (STs) has received core attention of Government. Our Government increased total earmarked allocation for SCs in 279 programmes from ₹34,334 crore in 2016-17 to ₹52,719 crore in RE 2017-18. Likewise, for STs, earmarked allocation was increased from ₹21,811 crore in 2016-17 to ₹32,508 crore in RE 2017-18 in 305 programmes. I propose an earmarked allocation of ₹56,619 crore for SCs and ₹39,135 crore for STs in BE 2018-19.

70. Government's estimated schematic budgetary expenditure on health, education and social protection for 2018-19 is ₹1.38 lakh crore against estimated expenditure of ₹1.22 lakh crore in BE 2017-18. Details are in Annexure II. This expenditure is likely to go up by at least ₹15,000 crore in 2018-19 on account of additional allocation during the year and extra budgetary expenditure, including through Higher Education Financing Agency.

Medium, Small and Micro Enterprises (MSMEs) and Employment

71. Medium, Small and Micro Enterprises (MSMEs) are a major engine of growth and employment in the country. I have provided ₹3794 crore to MSME Sector for giving credit support, capital and interest subsidy and innovations. Massive formalization of the businesses of MSMEs is taking place in the country after demonetization and introduction of GST. This is generating enormous financial information database of MSMEs' businesses and finances. This big data base will be used for improving financing of MSMEs' capital requirement, including working capital.

72. It is proposed to onboard public sector banks and corporates on Trade Electronic Receivable Discounting System (TReDS) platform and link this with GSTN. Online loan sanctioning facility for MSMEs will be revamped for prompt decision making by the banks. Government will soon announce measures for effectively addressing non-performing assets and stressed accounts of MSMEs. This will enable larger financing of MSMEs and also considerably ease cash flow challenges faced by them. In order to reduce tax burden on MSMEs and to create larger number of jobs, I will be announcing some tax measures in Part B of my speech.

73. MUDRA Yojana launched in April, 2015 has led to sanction of ₹4.6 lakh crore in credit from 10.38 crore MUDRA loans. 76% of loan accounts are of women and more than 50% belong to SCs, STs and OBCs. It is proposed to set a target of ₹3 lakh crore for lending under MUDRA for 2018-19 after having successfully exceeded the targets in all previous years.

74. Non-Bank Finance Companies (NBFCs) stepped up financing of MSMEs after demonetization. NBFCs can be very powerful vehicle for delivering loans under MUDRA. Refinancing policy and eligibility criteria set by MUDRA will be reviewed for better refinancing of NBFCs.

75. Use of Fintech in financing space will help growth of MSMEs. A group in the Ministry of Finance is examining the policy and institutional development measures needed for creating right environment for Fintech companies to grow in India.

76. Venture Capital Funds and the angel investors need an innovative and special developmental and regulatory regime for their growth. We have taken a number of policy measures including launching “Start-Up India” program, building very robust alternative investment regime in the country and rolling out a taxation regime designed for the special nature of the VCFs and the angel investors. We will take additional measures to strengthen the environment for their growth and successful operation of alternative investment funds in India.

77. Creating job opportunities and facilitating generation of employment has been at the core of our policy-making. During the last three years, we have taken a number of steps to boost employment generation in the country. These measures include:-

- Contribution of 8.33% of Employee Provident Fund (EPF) for new employees by the Government for three years.

- Contribution of 12% to EPF for new employees for three years by the Government in sectors employing large number of people like textile, leather and footwear.
- Additional deduction to the employees of 30% of the wages paid for new employees under the Income Tax Act.
- Launch of National Apprenticeship Scheme with stipend support and sharing of the cost of basic training by the Government to give training to 50 lakh youth by 2020.
- Introducing system of fixed term employment for apparel and footwear sector.
- Increasing paid maternity leave from 12 weeks to 26 weeks, along with provision of crèches.

78. These measures have started showing results. An independent study conducted recently has shown that 70 lakh formal jobs will be created this year.

79. To carry forward this momentum, I am happy to announce that the Government will contribute 12% of the wages of the new employees in the EPF for all the sectors for next three years. Also, the facility of fixed term employment will be extended to all sectors.

80. To incentivize employment of more women in the formal sector and to enable higher take-home wages, I propose to make amendments in the Employees Provident Fund and Miscellaneous Provisions Act, 1952 to reduce women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution.

81. The Government is setting up a model aspirational skill centre in every district of the country under Pradhan Mantri Kaushal Kendra Programme. 306 Pradhan Mantri Kaushal Kendra have been established for imparting skill training through such centers.

82. The Government had approved a comprehensive textile sector package of ₹6000 crore in 2016 to boost the apparel and made-up segments. I, now propose to provide an outlay of ₹7148 crore for the textile sector in 2018-19.

Infrastructure and Financial Sector Development

83. Infrastructure is the growth driver of economy. Our country needs massive investments estimated to be in excess of ₹50 lakh crore in infrastructure to increase growth of GDP, connect and integrate the nation with a network of roads, airports, railways, ports and inland waterways and to provide good quality services to our people.

84. We have made an all-time high allocation to rail and road sectors. We are committed to further enhance public investment. Provision of key linkages like coal for power, power for railways and railway rakes for coal have been rationalized and made very efficient. Prime Minister personally reviews the targets and achievements in infrastructure sectors on a regular basis. Using online monitoring system of PRAGATI alone, projects worth 9.46 lakh crore have been facilitated and fast tracked.

85. To secure India's defences, we are developing connectivity infrastructure in border areas. Rohtang tunnel has been completed to provide all weather connectivity to the Ladakh region. Contract for construction of Zozila Pass tunnel of more than 14 kilometer is progressing well. I now propose to take up construction of tunnel under Sela Pass. For promoting tourism and emergency medical care, Government will make necessary framework for encouraging investment in sea plane activities.

86. Urbanization is our opportunity and priority. My Government has rolled out two interlinked programmes – Smart Cities Mission and the AMRUT.

87. Smart Cities Mission aims at building 100 Smart Cities with state-of-the-art amenities. I am happy to inform that 99 Cities have been selected with an outlay of ₹2.04 lakh crore. These Cities have started implementing various projects like Smart Command and Control Centre, Smart Roads, Solar Rooftops, Intelligent Transport Systems, Smart Parks. Projects worth ₹2350 crore have been completed and works of ₹20,852 crore are under progress. To preserve and revitalize soul of the heritage cities in India, National Heritage City Development and Augmentation Yojana (HRIDAY) has been taken up in a major way.

88. India is blessed with an abundance of tourist attractions. It is proposed to develop ten prominent tourist sites into Iconic Tourism destinations by following a holistic approach involving infrastructure and skill development, development of technology, attracting private

investment, branding and marketing. In addition, tourist amenities at 100 Adarsh monuments of the Archaeological Survey of India will be upgraded to enhance visitor experience.

89. The AMRUT programme focuses on providing water supply to all households in 500 cities. State level plans of ₹77,640 crore for 500 cities have been approved. Water supply contracts for 494 projects worth ₹19,428 crore and sewerage work contract for 272 projects costing ₹12,429 crore has been awarded.

90. Reforms are being catalyzed by these missions. 482 cities have started credit rating. 144 cities have got investment grade rating.

91. My Ministry will leverage the India Infrastructure Finance Corporation Limited (IIFCL) to help finance major infrastructure projects, including investments in educational and health infrastructure, on strategic and larger societal benefit considerations.

92. Our Government has scaled new heights in development of Road Infrastructure sector. We are confident to complete National Highways exceeding 9000 kilometers length during 2017-18. Ambitious Bharatmala Pariyojana has been approved for providing seamless connectivity of interior and backward areas and borders of the country to develop about 35000 kms in Phase-I at an estimated cost of ₹5,35,000 crore. To raise equity from the market for its mature road assets, NHA will consider organizing its road assets into Special Purpose Vehicles and use innovative monetizing structures like Toll, Operate and Transfer (TOT) and Infrastructure Investment Funds (InvITs).

93. Strengthening the railway network and enhancing Railways' carrying capacity has been a major focus of the Government. Railways' Capex for the year 2018-19 has been pegged at ₹1,48,528 crore. A large part of the Capex is devoted to capacity creation. 18,000 kilometers of doubling, third and fourth line works and 5000 kilometers of gauge conversion would eliminate capacity constraints and transform almost entire network into Broad Gauge.

94. There has also been significant improvement in the achievement of physical targets by Railways as well. We are moving fast towards optimal electrification of railway network. 4000 kilometers are targeted for commissioning during 2017-18.

95. Work on Eastern and Western dedicated Freight Corridors is in full swing. Adequate number of rolling stock – 12000 wagons, 5160

coaches and approximately 700 locomotives are being procured during 2018-19. A major programme has been initiated to strengthen infrastructure at the Goods sheds and fast track commissioning of private sidings.

96. A 'Safety First' policy, with allocation of adequate funds under Rashtriya Rail Sanraksha Kosh is cornerstone of Railways' focus on safety. Maintenance of track infrastructure is being given special attention. Over 3600 kms of track renewal is targeted during the current fiscal. Other major steps include increasing use of technology like "Fog Safe" and "Train Protection and Warning System". A decision has been taken to eliminate 4267 unmanned level crossings in the broad gauge network in the next two years.

97. Redevelopment of 600 major railway stations is being taken up by Indian Railway Station Development Co. Ltd. All stations with more than 25000 footfalls will have escalators. All railway stations and trains will be progressively provided with wi-fi. CCTVs will be provided at all stations and on trains to enhance security of passengers. Modern train-sets with state-of-the-art amenities and features are being designed at Integrated Coach Factory, Perambur. First such train-set will be commissioned during 2018-19.

98. Mumbai's transport system, the lifeline of the City, is being expanded and augmented to add 90 kilometers of double line tracks at a cost of over ₹11,000 crore. 150 kilometers of additional suburban network is being planned at a cost of over ₹40,000 crore, including elevated corridors on some sections. A suburban network of approximately 160 kilometers at an estimated cost of ₹17,000 crore is being planned to cater to the growth of the Bengaluru metropolis.

99. Foundation for the Mumbai-Ahmedabad bullet train project, India's first high speed rail project was laid on September 14, 2017. An Institute is coming up at Vadodara to train manpower required for high speed rail projects.

100. In the last three years, the domestic air passenger traffic grew at 18% per annum and our airline companies placed orders for more than 900 aircrafts. Regional connectivity scheme of UDAN (Ude Desh ka Aam Nagrik) initiated by the Government last year shall connect 56 unserved airports and 31 unserved helipads across the country. Operations have already started at 16 such airports. सरकार की इस पहल से हवाई चप्पल पहनने वाले नागरिक भी हवाई जहाज में यात्रा कर रहे हैं। Airport Authority of India (AAI) has 124 airports. We propose to expand our airport capacity more than

five times to handle a billion trips a year under a new initiative - NABH Nirman. Balance sheet of AAI shall be leveraged to raise more resources for funding this expansion.

101. Our efforts to set up a Coalition on Disaster Resilient Infrastructure for developing international good practices, appropriate standards and regulatory mechanism for resilient infrastructure development are moving well. I propose to allocate ₹60 crores to kick start this initiative in 2018-19.

102. The Government and market regulators have taken necessary measures for development of monetizing vehicles like Infrastructure Investment Trust (InvIT) and Real Investment Trust (ReITs) in India. The Government would initiate monetizing select CPSE assets using InvITs from next year.

103. In the current year, we included, in the scope of harmonized list of infrastructure, ropeways to promote tourism, logistics parks and expanded the scope of railways infrastructure to include development of commercial land around railway stations.

104. Reserve Bank of India has issued guidelines to nudge Corporates access bond market. SEBI will also consider mandating, beginning with large Corporates, to meet about one-fourth of their financing needs from the bond market.

105. Corporate bonds rated 'BBB' or equivalent are investment grade. In India, most regulators permit bonds with the 'AA' rating only as eligible for investment. It is now time to move from 'AA' to 'A' grade ratings. The government and concerned regulators will take necessary action.

106. We will take reform measures with respect to stamp duty regime on financial securities transactions in consultation with the States and make necessary amendments the Indian Stamp Act.

107. International Financial Service Centre (IFSC) at Gift City, which has become operational, needs a coherent and integrated regulatory framework to fully develop and to compete with other offshore financial centres. The Government will establish a unified authority for regulating all financial services in IFSCs in India.

108. Global economy is transforming into a digital economy thanks to development of cutting edge technologies in digital space – machine

learning, artificial intelligence, internet of things, 3D printing and the like. Initiatives such as Digital India, Start Up India, Make in India would help India establish itself as a knowledge and digital society. NITI Aayog will initiate a national program to direct our efforts in the area of artificial intelligence, including research and development of its applications.

109. Combining cyber and physical systems have great potential to transform not only innovation ecosystem but also our economies and the way we live. To invest in research, training and skilling in robotics, artificial intelligence, digital manufacturing, big data analysis, quantum communication and internet of things, Department of Science & Technology will launch a Mission on Cyber Physical Systems to support establishment of centres of excellence. I have doubled the allocation on Digital India programme to ₹ 3073 crore in 2018-19.

110. Task of connecting one lakh gram panchayat through high speed optical fiber network has been completed under phase I of the Bharatnet project. This has enabled broadband access to over 20 crore rural Indians in about two lakh fifty thousand villages. The Government also proposes to setup five lakh wi-fi hotspots which will provide broadband access to five crore rural citizens. I have provided ₹10000 crore in 2018-19 for creation and augmentation of Telecom infrastructure.

111. To harness the benefit of emerging new technologies, particularly the 'Fifth Generation' (5G) technologies and its adoption, the Department of Telecom will support establishment of an indigenous 5G Test Bed at IIT, Chennai.

112. Distributed ledger system or the block chain technology allows organization of any chain of records or transactions without the need of intermediaries. The Government does not consider crypto-currencies legal tender or coin and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system. The Government will explore use of block chain technology proactively for ushering in digital economy.

113. The system of toll payments physically by cash at road toll plazas is being fast replaced with Fastags and other electronic payment systems to make road travel seamless. Number of Fastags has gone up from about 60,000 in December, 2016 to more than 10 lakh now. From December, 2017 all class "M" and "N" vehicles are being sold only with the Fastags. The Government will come out with a policy to introduce toll system on "pay as you use" basis.

114. In order to create employment and aid growth, Government's estimated budgetary and extra budgetary expenditure on infrastructure for 2018-19 is being increased to ₹5.97 lakh crore against estimated expenditure of ₹4.94 lakh crore in 2017-18. Details are in **Annexure III**.

Building Institutions and Improving Public Service Delivery

115. Our armed forces have played a stellar role in meeting the challenges we have been facing on our borders as well as in managing the internal security environment both in Jammu and Kashmir and the North East. I would like to place on record our appreciation for the efforts and the sacrifices made by the three services in defending the interests of the Nation.

116. Ever since the NDA Government has assumed office in 2014, lot of emphasis has been given to modernizing and enhancing the operational capability of the Defence Forces. A number of initiatives have been taken to develop and nurture intrinsic defence production capability to make the Nation self-reliant for meeting our defence needs. Ensuring adequate budgetary support will be our priority.

117. We have opened up private investment in defence production including liberalizing foreign direct investment. We will take measures to develop two defence industrial production corridors in the country. The Government will also bring out an industry friendly Defence Production Policy 2018 to promote domestic production by public sector, private sector and MSMEs.

118. Aadhar has provided an identity to every Indian. Aadhar has eased delivery of so many public services to our people. Every enterprise, major or small, also needs a unique ID. The Government will evolve a Scheme to assign every individual enterprise in India a unique ID.

119. To carry the business reforms for ease of doing business deeper and in every State of India, the Government of India has identified 372 specific business reform actions. All States have taken up these reforms and simplifications in a mission mode constructively competing with each other. Evaluation of performance under this Programme will now be based on user feedback.

120. Capital of the Food Corporation of India will be restructured to enhance equity and to raise long-term debt for meeting its standing working capital requirement.

- 121.** Budgeting of Government of India's contribution in equity and debt of the metro ventures floated by the State Governments will be streamlined.
- 122.** Department of Commerce will be developing a National Logistics Portal as a single window online market place to link all stakeholders.
- 123.** The Government has approved listing of 14 CPSEs, including two insurance companies, on the stock exchanges. The Government has also initiated the process of strategic disinvestment in 24 CPSEs. This includes strategic privatization of Air India.
- 124.** Process of acquisition of Hindustan Petroleum Corporation by the ONGC has been successfully completed. Three public sector general insurance companies National Insurance Company Ltd., United India Assurance Company Limited and Oriental India Insurance Company Limited will be merged into a single insurance entity and will be subsequently listed.
- 125.** The Government introduced Exchange Traded Fund Bharat-22 to raise ₹14,500 crore, which was over-subscribed in all segments. DIPAM will come up with more ETF offers including debt ETF.
- 126.** 2017-18 Budget Estimates for disinvestment were pegged at the highest ever level of ₹72,500 crore. I am happy to inform the House that we have already exceeded the budget estimates. I am assuming receipts of ₹1,00,000 crore in 2017-18. I am setting the disinvestment target of ₹80,000 crore for 2018-19.
- 127.** Bank recapitalization program has been launched with bonds of ₹80,000 crore being issued this year. The programme has been integrated with an ambitious reform agenda, under the rubric of an Enhanced Access and Service Excellence (EASE) programme. This recapitalization will pave the way for the public sector banks to lend additional credit of ₹5 lakh crore.
- 128.** It is proposed to allow strong Regional Rural Banks to raise capital from the market to enable them increase their credit to rural economy.
- 129.** National Housing Bank Act is being amended to transfer its equity from the Reserve Bank of India to the Government. Indian Post Offices Act, Provident Fund Act and National Saving Certificate Act are being amalgamated and certain additional people friendly measures are being introduced. To provide the Reserve Bank of India an instrument to manage excess liquidity, Reserve Bank of India Act is being amended to institutionalize an Uncollateralized Deposit Facility. Securities and

Exchange Board of India, Act 1992, Securities Contracts (Regulation) Act 1956, and Depositories Act 1996, are being amended to streamline adjudication procedures and to provide for penalties for certain infractions. These proposals are in the Finance Bill.

130. For easier access, links to all Detailed Demand for Grants will be provided at india.gov.in. The Government will also consider feasibility of providing disclosed fiscal information in a machine readable form.

131. The Government is transforming method of disposal of its business by introduction of e-office and other e-governance initiatives in central Ministries and Departments. These initiatives are listed in Annexure IV.

132. The Government will formulate a comprehensive Gold Policy to develop gold as an asset class. The Government will also establish a system of consumer friendly and trade efficient system of regulated gold exchanges in the country. Gold Monetization Scheme will be revamped to enable people to open a hassle-free Gold Deposit Account.

133. Outward Direct Investment (ODI) from India has grown to US\$15 billion per annum. The Government will review existing guidelines and processes and bring out a coherent and integrated Outward Direct Investment (ODI) policy.

134. Hybrid instruments are suitable for attracting foreign investments in several niche areas, especially for the startups and venture capital firms. The Government will evolve a separate policy for the hybrid instruments.

135. The emoluments of the President, the Vice President and the Governors were last revised with effect from 1st January, 2006. These emoluments are proposed to be revised to ₹5 lakh for the President, ₹4 lakhs for the Vice President and to ₹3.5 lakh per month for the Governors.

136. There has been a public debate with regard to the emoluments paid to the Members of Parliament. Present practice allows the recipients to fix their own emoluments which invites criticism. I am, therefore, proposing necessary changes to re-fix the salary, constituency allowance, office expenses and meeting allowance payable to Members of Parliament with effect from April 1, 2018. The law will also provide for automatic revision of emoluments every five years indexed to inflation. I am sure Hon'ble Members will welcome this initiative and will not suffer such criticism in future.

137. Our country will commemorate 150th birth anniversary of Mahatma Gandhi, Father of the Nation, from 2nd October, 2019 to 2nd October 2020. The Government and the People of India will rededicate them, through their actions, to the ideals that the Mahatma taught and lived by. A National Committee, chaired by the Prime Minister, which includes Chief Ministers of all the States, representatives from across the political spectrum, Gandhians, thinkers and eminent persons from all walks of life, has been constituted to formulate a Commemoration Programme. My Government has earmarked ₹150 crore for the year 2018-19 for the activities leading to the Commemoration.

Section III - Fiscal Management

138. I now turn to the fiscal situation for 2017-18 and fiscal estimates for 2018-19.

139. In 2017-18, Central Government will be receiving GST revenues only for 11 months, instead of 12 months. This will have fiscal effect. There has also been some shortfall in Non-Tax revenues on account of certain developments, including deferment of spectrum auction. A part of this shortfall has been made up through higher direct tax revenues and bigger disinvestment receipts.

140. Total Revised Estimates for expenditure in 2017-18 are ₹21.57 lakh crore (net of GST compensation transfers to the States) as against the Budget Estimates of ₹21.47 lakh crore.

141. Our Government assumed office in May, 2014 when fiscal deficit was running at very high levels. Fiscal Deficit for 2013-14 was 4.4% of GDP. The Prime Minister and the Government have always attached utmost priority to prudent fiscal management and controlling fiscal deficit. As Hon'ble Members would recall, we embarked on the path of consistent fiscal reduction and consolidation in 2014. Fiscal Deficit was brought down to 4.1% in 2014-15 to 3.9% in 2015-16, and to 3.5% in 2016-17. Revised Fiscal Deficit estimates for 2017-18 are ₹5.95 lakh crore at 3.5% of GDP. I am projecting a Fiscal Deficit of 3.3% of GDP for the year 2018-19.

142. In order to impart unquestionable credibility to the Government's commitment for the revised fiscal glide path, I am proposing to accept key recommendations of the Fiscal Reform and Budget Management Committee relating to adoption of the Debt Rule and to bring down Central Government's Debt to GDP ratio to 40%. Government has also accepted the recommendation to use Fiscal Deficit target as the key operational parameter. Necessary amendment proposals are included in the Finance Bill.

PART B

Madam Speaker,

143. I shall now present my tax proposals.

144. The attempts made by our Government for reducing the cash economy and for increasing the tax net have paid rich dividends. The growth rate of direct taxes in the financial years 2016-17 and 2017-18 has been significant. We ended the last year with a growth of **12.6%** in direct taxes and in the current year, the growth in direct taxes up to 15th January, 2018 is **18.7%**. The average buoyancy in personal income tax of seven years preceding these two years comes to **1.1**. In simple terms tax buoyancy of **1.1** means that if nominal GDP growth rate of the country is **10%**, the growth rate of personal income tax is **11%**. However, the buoyancy in personal income tax for financial years 2016-17 and 2017-18 (RE) is **1.95** and **2.11** respectively. This indicates that the excess revenue collected in the last two financial years from personal income tax compared to the average buoyancy pre 2016-17 amounts to a total of about **₹90,000 crores** and the same can be attributed to the strong anti-evasion measures taken by the Government.

145. Similarly, there has been huge increase in the number of returns filed by taxpayers. In financial year 2016-17, **85.51 lakhs** new taxpayers filed their returns of income as against **66.26 lakhs** in the immediately preceding year. By including all filers as well as persons who did not file returns but paid tax by way of advance tax or TDS, we can derive the figure of Effective Taxpayer Base. This number of effective tax payer base increased from **6.47 crores** at the beginning of F.Y.14-15 to **8.27 crores** at the end of F.Y.16-17. We are enthused by this success of our measures and we pledge to continue to take all such measures in future by which the black money is contained and the honest taxpayers are rewarded. Demonetization was received well by honest taxpayers as "*imandari ka utsav*" only for this reason.

146. Madam Speaker, recognising the need for facilitating compliance, Government had liberalized the presumptive income scheme for small traders and entrepreneurs with annual turnover of less than ₹2 crores and introduced a similar scheme for professionals with annual turnover of less than ₹50 lakhs with the hope that there would be significant increase in compliance. Under this scheme, **41%** more returns were filed during this year which shows that many more persons are joining the tax net under simplified scheme. However, the turnover shown is still not encouraging. The Department has received **44.72 lakh** returns for assessment year

2017-18 from individual, HUF and firms with a meagre average turnover of ₹17.97 lakhs and an average tax payment of ₹7,000/- only. The tax compliance behaviour of professionals is no better; the department has received 5.68 lakh returns under the presumptive income scheme for assessment year 2017-18 with average gross receipts of ₹5.73 lakhs only. Average tax paid by them is only ₹35,000/-.

Tax incentive for promoting post-harvest activities of agriculture

147. Madam Speaker, at present, hundred per cent deduction is allowed in respect of profit of co-operative societies which provide assistance to its members engaged in primary agricultural activities. Over the last few years, a number of Farmer Producer Companies have been set up along the lines of co-operative societies which also provide similar assistance to their members. In order to encourage professionalism in post-harvest value addition in agriculture, I propose to allow hundred per cent deduction to these companies registered as Farmer Producer Companies and having annual turnover up to ₹100 crores in respect of their profit derived from such activities for a period of five years from financial year 2018-19. This measure will encourage “Operation Greens” mission announced by me earlier and it will give a boost to Sampada Yojana.

Employment generation

148. Currently, a deduction of 30% is allowed in addition to normal deduction of 100 % in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year under section 80-JJAA of the Income-tax Act. However, the minimum period of employment is relaxed to 150 days in the case of apparel industry. In order to encourage creation of new employment, I propose to extend this relaxation to footwear and leather industry. Further, I also propose to rationalise this deduction of 30% by allowing the benefit for a new employee who is employed for less than the minimum period during the first year but continues to remain employed for the minimum period in subsequent year.

Incentive for real estate

149. Currently, while taxing income from capital gains, business profits and other sources in respect of transactions in immovable property, the consideration or circle rate value, whichever is higher, is adopted and the difference is counted as income both in the hands of the purchaser and seller. Sometimes, this variation can occur in respect of different properties in the same area because of a variety of factors including shape of the plot and location. In order to minimize hardship in real estate transaction,

I propose to provide that no adjustment shall be made in a case where the circle rate value does not exceed 5% of the consideration.

Incentivising micro, small and medium entrepreneurs

150. In the Union Budget, 2017, I had announced the reduction of corporate tax rate to 25% for companies whose turnover was less than **₹50 crore** in financial year 2015-16. This benefitted **96%** of the total companies filing tax returns. Towards fulfilment of my promise to reduce corporate tax rate in a phased manner, I now propose to extend the benefit of this reduced rate of 25% also to companies who have reported **turnover up to ₹250 crore** in the financial year 2016-17. This will benefit the entire class of micro, small and medium enterprises which accounts for almost **99%** of companies filing their tax returns. The estimate of revenue forgone due to this measure is **₹7,000 crores** during the financial year 2018-19. After this, out of about 7 lakh companies filing returns, about 7,000 companies which file returns of income and whose turnover is above **₹250 crores** will remain in 30% slab. The lower corporate income tax rate for 99% of the companies will leave them with higher investible surplus which in turn will create more jobs.

Relief to salaried taxpayers

151. The Government had made many positive changes in the personal income-tax rate applicable to individuals in the last three years. Therefore, I do not propose to make any further change in the structure of the income tax rates for individuals. There is a general perception in the society that individual business persons have better income as compared to salaried class. However, income tax data analysis suggests that major portion of personal income-tax collection comes from the salaried class. For assessment year 2016-17, **1.89 crore salaried individuals** have filed their returns and have paid total tax of **₹1.44 lakh crores** which works out to average tax payment of **₹76,306/- per individual salaried** taxpayer. As against this, **1.88 crores individual business** taxpayers including professionals, who filed their returns for the same assessment year paid total tax of **₹48,000 crores** which works out to an average tax payment of **₹25,753/- per individual business** taxpayer. In order to provide relief to salaried taxpayers, I propose to allow a standard deduction of **₹40,000/-** in lieu of the present exemption in respect of transport allowance and reimbursement of miscellaneous medical expenses. However, the transport allowance at enhanced rate shall continue to be available to differently-abled persons. Also other medical reimbursement benefits in case of hospitalization etc., for all employees shall continue. Apart from reducing paper work and compliance, this will help middle class employees even

more in terms of reduction in their tax liability. This decision to allow standard deduction shall significantly benefit the pensioners also, who normally do not enjoy any allowance on account of transport and medical expenses. The revenue cost of this decision is approximately ₹8,000 crores. The total number of salaried employees and pensioners who will benefit from this decision is around 2.5 crores.

Relief to senior citizen

152. A life with dignity is a right of every individual in general, more so for the senior citizens. To care of those who cared for us is one of the highest honours. To further the objective of providing a dignified life, I propose to announce the following incentives for senior citizens:

- Exemption of interest income on deposits with banks and post offices to be increased from ₹10,000/- to ₹50,000/- and TDS shall not be required to be deducted on such income, under section 194A. This benefit shall be available also for interest from all fixed deposits schemes and recurring deposit schemes.
- Raising the limit of deduction for health insurance premium and/ or medical expenditure from ₹30,000/- to ₹50,000/-, under section 80D. All senior citizens will now be able to claim benefit of deduction up to ₹50,000/- per annum in respect of any health insurance premium and/or any general medical expenditure incurred.
- Raising the limit of deduction for medical expenditure in respect of certain critical illness from, ₹60,000/- in case of senior citizens and from ₹80,000/- in case of very senior citizens, to ₹1 lakh in respect of all senior citizens, under section 80DDB.

These concessions will give extra tax benefit of ₹4,000 crores to senior citizens. In addition to tax concessions, I propose to extend the Pradhan Mantri Vaya Vandana Yojana up to March, 2020 under which an assured return of 8% is given by Life Insurance Corporation of India. The existing limit on investment of ₹7.5 lakh per senior citizen under this scheme is also being enhanced to ₹15 lakh.

Tax incentive for International Financial Services Centre (IFSC)

153. The Government had endeavoured to develop a world class international financial services centre in India. In recent years, various measures including tax incentives have been provided in order to fulfil this objective. To further this objective, I propose to provide two more concessions for IFSC. In order to promote trade in stock exchanges located in IFSC, I propose to exempt transfer of derivatives and certain securities by

non-residents from capital gains tax. Further, non-corporate taxpayers operating in IFSC shall be charged Alternate Minimum Tax (AMT) at concessional rate of 9% at par with Minimum Alternate Tax (MAT) applicable for corporates.

Further Measures to control cash economy:

154. Currently, the income of trusts and institutions is exempt if they utilise their income towards their objects in accordance with the relevant provisions of the Income-tax Act. However, there is no restriction on these entities for incurring expenditure in cash. In order to have audit trail of the expenses incurred by these entities, it is proposed that payments exceeding ₹10,000/- in cash made by such entities shall be disallowed and the same shall be subject to tax. Further, in order to improve TDS compliance by these entities, I propose to provide that in case of non-deduction of tax, 30% of the amount shall be disallowed and the same shall be taxed.

Rationalisation of Long Term Capital Gains (LTCG)

155. Madam Speaker, currently, long term capital gains arising from transfer of listed equity shares, units of equity oriented fund and unit of a business trust are exempt from tax. With the reforms introduced by the Government and incentives given so far, the equity market has become buoyant. The total amount of exempted capital gains from listed shares and units is around ₹3,67,000 crores as per returns filed for **A.Y.17-18**. Major part of this gain has accrued to corporates and LLPs. This has also created a bias against manufacturing, leading to more business surpluses being invested in financial assets. The return on investment in equity is already quite attractive even without tax exemption. There is therefore a strong case for bringing long term capital gains from listed equities in the tax net. However, recognising the fact that vibrant equity market is essential for economic growth, I propose only a modest change in the present regime. I propose to tax such long term capital gains **exceeding ₹1 lakh** at the rate of **10%** without allowing the benefit of any indexation. However, all **gains up to 31st January, 2018 will be grandfathered**. For example, if an equity share is purchased six months before 31st January, 2018 at ₹100/- and the highest price quoted on 31st January, 2018 in respect of this share is ₹120/-, there will be no tax on the gain of ₹20/- if this share is sold after one year from the date of purchase. However, any gain in excess of ₹20 earned after 31st January, 2018 will be taxed at 10% if this share is sold after 31st July, 2018. The gains from equity share held up to one year will remain short term capital gain and will continue to be taxed at the rate of 15%. Further, I also propose to introduce a tax on distributed income by equity oriented mutual fund at the rate of 10%. This will provide level playing field across

growth oriented funds and dividend distributing funds. In view of grandfathering, this change in capital gain tax will bring marginal revenue gain of about ₹20,000 crores in the first year. The revenues in subsequent years may be more.

Health and Education Cess

156. Madam Speaker, at present there is a three per cent cess on personal income tax and corporation tax consisting of two per cent cess for primary education and one per cent cess for secondary and higher education. In order to take care of the needs of education and health of BPL and rural families, I have announced programs in Part A of my speech. To fund this, I propose to increase the cess by one per cent. The existing three per cent education cess will be replaced by a four per cent “Health and Education Cess” to be levied on the tax payable. This will enable us to collect an estimated additional amount of ₹11,000 crores.

E-assessment.

157. We had introduced e-assessment in 2016 on a pilot basis and in 2017, extended it to 102 cities with the objective of reducing the interface between the department and the taxpayers. With the experience gained so far, we are now ready to roll out the E-assessment across the country, which will transform the age-old assessment procedure of the income tax department and the manner in which they interact with taxpayers and other stakeholders. Accordingly, I propose to amend the Income-tax Act to notify a new scheme for assessment where the assessment will be done in electronic mode which will almost eliminate person to person contact leading to greater efficiency and transparency.

158. My other tax proposals on direct tax are listed in Annexure 5 of my speech.

Indirect Tax.

159. On the Indirect Taxes side, this is the first budget after the roll out of the Goods and Service Tax. Excise duties to a large extent and service tax have been subsumed in GST, along with corresponding duties on imports. Hence, my budget proposals are mainly on the customs side.

160. In this budget, I am making a calibrated departure from the underlying policy in the last two decades, wherein the trend largely was to reduce the customs duty. There is substantial potential for domestic value addition in certain sectors, like food processing, electronics, auto components, footwear and furniture. To further incentivise the domestic value addition and Make in India in some such sectors, I propose to increase

customs duty on certain items. I propose to increase customs duty on mobile phones from 15% to 20%, on some of their parts and accessories to 15% and on certain parts of TVs to 15%. This measure will promote creation of more jobs in the country. Details of changes made in rates of customs duty as well as certain changes made in the excise duty structure are given in Annexure 6 to my speech.

161. To help the cashew processing industry, I propose to reduce customs duty on raw cashew from 5% to 2.5%.

162. I propose to abolish the Education Cess and Secondary and Higher Education Cess on imported goods, and in its place impose a Social Welfare Surcharge, at the rate of 10% of the aggregate duties of Customs, on imported goods, to provide for social welfare schemes of the Government. Goods which were hitherto exempt from Education Cesses on imported goods will, however, be exempt from this Surcharge. In addition, certain specified goods, mentioned in the Annexure 6 to my speech will attract the proposed Surcharge at the rate of 3% of the aggregate duties of customs only.

163. I also propose to make certain changes to the Customs Act, 1962, to further improve ease of doing business in cross border trade, and to align certain provisions with the commitments under the Trade Facilitation Agreement. To smoothen dispute resolution processes and to reduce litigation, certain amendments are being made, to provide for pre-notice consultation, definite timelines for adjudication and deemed closure of cases if those timelines are not adhered to.

164. With the roll out of GST, I propose to change the name of Central Board of Excise and Customs [CBEC] to Central Board of Indirect Taxes and Customs (CBIC). The necessary changes in law for this are proposed in the Finance Bill.

165. Madam, while making the proposals in this year's Budget, we have been guided by our mission to especially strengthen agriculture, rural development, health, education, employment, MSME and infrastructure sectors of Indian economy. I am sure the New India which we aspire to create now will emerge. Swami Vivekanand had also envisioned decades ago in his Memoirs of European Travel, *"You merge yourselves in the void and disappear, and let new India arise in your place. Let her arise – out of the peasants' cottage, grasping the plough; out of the huts of the fisherman. Let her spring from the grocer's shop, from beside the oven of the fritter-seller. Let her emanate from the factory, from marts, and from markets. Let her emerge from groves and forests, from hills and mountains"*.

166. With these words, Madam Speaker, I commend the Budget to the House.