

**Press Information Bureau  
Government of India  
Ministry of Finance**

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**Budget Summary**

The Union Budget for 2013-14 aims at 'higher growth leading to inclusive and sustainable development.' With this as *mool mantra*, the Finance Minister Shri P Chidambaram has sought to increase allocation to key areas and provide incentives for investments and savings while containing the fiscal deficit to 4.8% of GDP.

Presenting the Union Budget in Parliament today, the Finance Minister expressed the hope that the India would achieve high economic growth despite slowdown in the global economic growth.

The Minister said that his government has been able to contain the fiscal deficit at 5.2% in 2012-13 by following the path of fiscal consolidation. But the current account deficit (CAD) is a greater worry, the Minister added. He, therefore, proposes to encourage foreign investment that is consistent with India's economic objectives.

The Finance Minister said that the other areas of concern addressed by his Government are inflation and government expenditure. "Our efforts in the past few months have brought down headline WPI inflation to about 7.0 percent and core inflation to about 4.2 percent. It is food inflation that is worrying, and we shall take all possible steps to augment the supply side to meet the growing demand for food items," he said. The Minister further said that he had no choice but to rationalize government expenditure in view of huge fiscal deficit in 2012-13. "We also took some policy decisions that had been deferred for too long, corrected some prices, and undertook a review of certain tax policies."

**THREE PROMISES: TO WOMEN, YOUTH AND THE POOR**

Shri Chidambaram made promises to the women, the youth and the poor - the three faces that represent the majority of the people of India. Stating that the government pledges to do everything possible to empower the women and to keep them safe and secure, he said that a number of initiatives were underway and many more would be taken by the Government as well as non-government organizations. He announced the setting up of a fund - Nirbhaya Fund - with the Government contributing Rs. 1000 crore.

The Minister also announced a Rs. 1,000 crore scheme for training youth to boost their employability and productivity. The National Skill Development Corporation will be asked to set the curriculum and standards for training different skills. Trained youth who pass a test at the end of training will get a monetary reward of Rs.10000 on an average. This initiative is likely to motivate 10 lakh youth.

For the benefit of the poor, the Minister assured that Direct Benefit Transfer (DBT) schemes will be rolled out throughout the country during the term of the UPA Government. "We are redoubling our efforts to ensure that the digitized beneficiary lists are available; that a bank account is opened for each beneficiary; and that the bank account is seeded with Aadhaar in due course," he said.

## **RURAL DEVELOPMENT, AGRICULTURE AND FOOD SECURITY**

The allocation for Rural Development Ministry has been raised by 46 percent to Rs 80,194 crore in 2013-14.

Pradhan Mantri Gram Sadak Yojana (PMGSY)-II has been carved out to benefit States that have substantially fulfilled the objectives of PMGSY. This will benefit states such as Andhra Pradesh, Haryana, Karnataka, Maharashtra, Punjab and Rajasthan.

Ministry of Agriculture gets a rise of 22 per cent over the revised estimates (RE) for 2012-13, at Rs 27,049 crore. Rs 500 crore is being allocated to start a programme on crop diversification. It will encourage farmers in the original green revolution states to choose alternative crops. A pilot programme on Nutri-Farms will be started for introducing new crop varieties that are rich in micro nutrients, such as iron-rich bajra. A sum of up to Rs 200 crore is to be provided to start the pilots.

The Budget seeks to support Farmer Producer Organizations (FPO), including Farmer Producer Companies (FPC) which have emerged as aggregators of farm produce and link farmers directly to markets.

The target of agricultural credit for 2012-13 (Rs. 5,75,000 crore) is likely to be exceeded, and a target of Rs 7,00,000 crore farm credit has been fixed for the next year.

The interest subvention scheme for short-term crop loans is proposed to be continued for loans by public sector banks, RRBs and Cooperative banks, and expanded to private scheduled commercial banks. Under the scheme, a farmer who repays the loan on time is able to get credit at 4 cent per year.

Rs.307 crore have been provided for setting up of the National Livestock Mission. This will attract investment and enhance livestock productivity. A sub-mission of this Mission seeks to increase the availability of feed and fodder.

Expressing the hope that the National Food Security Bill will be passed by Parliament as early as possible, the Finance Minister has set apart Rs. 10,000 crore towards the incremental cost that is likely under the Act.

## **OTHER MAJOR ALLOCATIONS**

Education has been allocated Rs. 65,867 crore, an increase of 17 per cent over the RE for 2012-13.

ICDS gets Rs. 17,700 crore representing an increase of 11.7 per cent. A multi-sectoral programme to tackle maternal and child malnutrition that was announced last year will

be implemented in 100 districts during 2013-14. It will be further scaled up to cover 200 districts the year after.

Ministry of Health and Family Welfare has been allocated Rs. 37,330 crore. Of this, the new National Health Mission that combines the rural mission and the proposed urban mission will get Rs. 21,239 crore - an increase of 24.3 percent over the RE.

The Backward Regions Grant Fund (BRGF) has been allocated Rs. 11,500 crore and will include a State component for Bihar, the Bundelkhand region, West Bengal, the KBK districts of Odisha and the 82 districts under the Integrated Action Plan.

Science and Technology related Departments have been allocated funds with substantial enhancements.

A National Institute of Sports Coaching is proposed to be set up at Patiala at a cost of Rs. 250 crore over a period of three years.

Drinking water and sanitation will receive Rs. 15,260 crore. Rs. 1,400 crore is being provided for setting up water purification plants to cover arsenic and fluoride effected rural habitations.

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) will receive Rs. 14,873 crore as against RE of Rs. 7,383 crore in the current year. Out of this, a significant portion will be used to support the purchase of upto 10,000 buses, especially by hill States.

Defence gets an allocation of Rs. 2,03,672 crore and the assurance that constraints will not come in the way of providing any additional requirement for the security of the nation.

Stating that adequate funds must be provided for programmes that benefit women, children and minorities, as also the scheduled castes and scheduled tribes, the Finance Minister proposed to allocate Rs 41,561 crore to the scheduled caste sub-plan and Rs 24,598 crore to the tribal sub-plan. The programmes relating to women get Rs. 97,134 crore and child budget, Rs. 77,236 crore. The Ministry of Women and Child and Development has been asked to design a scheme that will address women's concerns, and an additional sum of Rs. 2,000 crore has been provided to the Ministry to began work in this regard. Ministry of Minority affairs has been allocated Rs. 3,511 crore and the Department of Disability Affairs, Rs. 110 crore.

## **INVESTMENT AND INFRASTRUCTURE**

The Finance Minister stated that the key to restart the growth engine was to attract more investment, and that the government will improve communication of its policies to remove any apprehension or distrust in the minds of investors.

A number of steps to mobilize investment have been announced in the Budget keeping in view that as per 12<sup>th</sup> Plan the private sector will share 47 percent of Rs 55,00,000 crore investment in infrastructure. Infrastructure Debt Funds (IDF) will be encouraged. India Infrastructure Finance Corporation (IIFCL) will offer credit enhancement to infrastructure

companies that wish to access the bond market to tap long term funds. Some institutions will be allowed to issue tax - free bonds up a total sum of Rs 50,000 crore (as against Rs 25,000 crore in 2012-13). Assistance of the World Bank and Asian Development Bank will be sought to build roads in the North Eastern States and connect them to Myanmar. The corpus of Rural Infrastructure Development Funds (RIDF) is proposed to be raised to Rs. 20,000 crore. A sum of Rs 5,000 crore will be made available to NABARD to finance construction of warehouses, godowns, silos and cold storage units designed to store agricultural produce.

Shri Chidambaram informed that the newly set-up Cabinet Committee on Investment has held two meetings and taken decisions in respect of a number of oil and gas, power and coal projects. CCI will take up some more projects shortly, he said. The Minister also informed that a regulatory authority is being constituted for the road sector. Bottlenecks stalling road projects have been addressed and 3,000 km of road projects in Gujarat, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh will be awarded in the first six months of 2013-14.

The Budget introduces an investment allowance for new high value investment. A company investing Rs. 100 crore or more in plant and machinery during the period 1.4.2013 to 31.3.2015 will be entitled to deduct an investment allowance of 15 percent of the investment (in addition to depreciation).

## **INDUSTRIAL SECTOR**

Plans for seven new cities have been finalized for industrial corridors and work on two new smart industrial cities at Dholera (Gujarat) and Shendra Bidkin (Maharashtra) will start during 2013-14. A comprehensive plan is being prepared for the Chennai Bengaluru industrial corridor. Preparatory work has started for the next corridor - Bengaluru Mumbai industrial corridor.

Two new ports will be established in Sagar (West Bengal) and in Andhra Pradesh. In addition, a new outer harbour will be developed in the VOC port at Thoothukkudi (Tamil Nadu) through PPP at an estimated cost of Rs 7,500 crore.

A power transmission system will be constructed from Srinagar to Leh and for this Rs. 226 crore have been provided in 2013-14.

The oil and gas exploration policy will be reviewed to move from profit sharing to revenue sharing contracts. A policy to encourage exploration and production of shale gas will be announced. The natural gas pricing policy will be reviewed and uncertainties regarding pricing will be removed.

To provide greater support to Micro, Small and Medium Enterprises (MSMEs), the refinancing capability of SIDBI is proposed to be enhanced from Rs. 5,000 crore to Rs. 10,000 crore per year. SIDBI will also be provided a corpus of Rs 500 crore to set up a Credit Guarantee Fund for factoring.

Apparel Parks are proposed to be set up within the Integrated Textile Parks, to house apparel manufacturing units. A new scheme, Integrated Processing Developing Scheme, is being started to address to environmental concerns of the textile industry. Working capital and

term loans to the handloom sector will be available at a concessional interest of 6 per cent. This will benefit 1.5 lakh weavers and 1,800 primary co-operative societies.

## **SAVINGS**

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The Budget proposes three measures to promote household savings. One, the income limit for Rajiv Gandhi Equity Saving Scheme for first time investors is being raised from Rs. 10 lakh to Rs. 12 lakh. Two, persons taking loan for first home up to Rs 25 lakh will be entitled to an additional deduction of interest of up to Rs 1 lakh. Three, instruments such as Inflation Indexed Bonds will be introduced to protect savings from inflation.

## **FINANCIAL SECTOR**

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Shri Chidambaram proposed to constitute a Standing Council of Experts in the Ministry of Finance to analyse the international competitiveness of the Indian financial sector.

The Finance Minister announced that Rs. 14,000 crore worth of capital infusion will be made into public sector banks. It will be ensured that these banks meet the Basel III regulations.

India's first women's bank is proposed to be set up with Rs. 1,000 crore as initial capital.

The government has finalized a number of proposals relating to the insurance sector in consultation with IRDA. These include empowering insurance companies to open branches in Tier II cities and below without prior approval of IRDA, having an office of LIC and a public general-insurance company in all towns with the population of 10,000, and permitting banks to act as insurance broker.

The Rashtriya Swasthya Bima Yojana, which cover 34 million families below the poverty line, will now be extended to other categories such as rickshaw, auto-rickshaw and taxi-drivers, sanitation workers, rag pickers and mine workers.

The Finance Minister proposes to evolve a comprehensive social security package by converging various schemes for life-cum-disability cover, health cover, maternity assistance and pension benefits.

A number of proposals relating to capital market have been finalized in consultation with SEBI. These include simplification of procedure and uniform norms for foreign portfolio investors, clarity relating to FDI investment, allowing FIIs to participate in new areas, etc.

## **BUDGET ESTIMATES**

The total expenditure in the Union Budget 2013-14 is pegged at Rs. 16,65,297 crore. Out of it Rs.5,55,322 crore (33%) is Plan expenditure. The non-Plan expenditure is estimated at Rs 11,09,975 crore.

The Plan expenditure in 2013-14 will be 29.4 per cent more than the revised estimates of the current year. All flagship programmes have been fully and adequately funded.

Juxtaposing economic welfare with the economic policy, the Minister said that the link between policy and welfare can be expressed in a few words: opportunities, education, skills, jobs and incomes. The Budget has before it one overarching goal - to create opportunities for the youth to acquire education and skills that will get them decent jobs or self-employment that will bring them adequate incomes that will enable them to live with their families in a safe and secure environment. The Budget sets a target of skilling 90 lakh people in 2013-14, for which funds will be released by the National Rural Livelihood Mission and National Urban Livelihood Mission.

## TAXES

The General Budget reiterates that clarity in tax laws, a stable tax regime, a non-adversarial tax administration, a fair mechanism for dispute resolution and independent judiciary for greater assurance is underlying theme of tax proposals. It is proposed to set up the Tax Administration Reforms Commission.

As regards Direct Taxes, a relief of Rs. 2000 for the Tax Payers in the first bracket of Rs. 2 lakhs to Rs. 5 lakhs have been proposed. A surcharge of 10 percent on persons (other than companies) whose taxable income exceeds Rs.1 crore have been levied. Surcharge has been increased from 5 to 10 percent on domestic companies whose taxable income exceed Rs. 10 crore. In case of foreign companies, surcharge will increase from 2 to 5 percent, if the taxable income exceeds Rs. 10 crore. Additional surcharges to be in force for only one year. Mr. Chidambaram said, education cess to continue at 3 percent.

The Finance Minister announced the grant of investment allowance at the rate of 15 percent to manufacturing companies that invest more than Rs. 100 crore in plant and machinery during the period 1.4.2013 to 31.3.2015. Concessional rate of tax of 15 per cent on dividend received by the Indian companies from its foreign subsidiary proposed to continue for one more year. It is proposed that TDS at the rate of one percent on the value of the transfer of immovable property where the consideration exceeds Rs. 50 lakhs to be levied. Agricultural land to be exempted from TDS. Modified provisions of GAAR will come into effect from 1.4.2016. It is also proposed to increase the rate of tax on payments by way of royalty and fees for technical services to non-residents from 10 percent to 25 percent. The Budget also proposes to introduce Commodities Transaction Tax (CTT) in a limited way. However, agricultural commodities will be exempted. A number of administrative measures such as extension of refund banker system to refund more than Rs. 50,000, technology based processing, extension of e-payment through more banks and expansion of in the scope of annual information returns by Income-tax Department.

With regards to Indirect Taxes, the Finance Minister proposed no change in the normal rates of 12 percent for excise duty and service tax. Similarly, no change has been made in the peak rate of custom duty of 10 percent for non-agricultural products. Custom duty on free gold limit increased to Rs. 50,000 in case of male passenger and Rs. 1,00,000 in case of a female passenger subject to conditions. Duty on imported luxury goods such as high end motor vehicles, motor cycles, yachts and similar vessels increased. Custom duty on Set Top Boxes increased from 5 to 10 percent while on raw silk increased from 5 to 15 percent to boost domestic production. Custom duty on specified machinery for manufacture of leather and leather goods including footwear reduced from 7.5 to 5 percent. The Budget also

proposes that period of concession available for specified part of electric and hybrid vehicles extended upto 31 March 2015.

Excise duty on SUVs increased from 27 to 30 percent. However, this will not apply to SUVs registered as taxis. Cigarettes will cost more as specific excise duty increased by about 18 percent. Similar increases are proposed on cigars, cheroots and cigarillos. Duty on mobile phones priced above Rs. 2000 has been raised to 6 percent from the current one percent.

The Budget proposes 'Voluntary Compliance Encouragement Scheme' where a defaulter may avail of the scheme on condition that he files a truthful declaration of Service Tax dues since 1.10.2007. It is a one-time scheme in which interest, penalty and other consequences will be waived.

The Budget proposes to mobilize Rs. 18,000 crore in which new proposals in indirect taxes will yield Rs. 4,700 crore and direct taxes of Rs. 13,300 crore.

In a major step to rationalize taxation on goods and services, the Budget has earmarked Rs. 9,000 crore towards the first installment of the balance of CST compensation. The Minister said that overwhelming majority States have agreed that there is a need for Constitutional amendment to pass GST law. It will be drafted by the State Finance Ministers and the GST Council, the Minister added.

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