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Phalguna 09, 1936 (Saka)

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LOK SABHA DEBATES

LOK SABHA

Saturday, February 28, 2015/Phalguna 09, 1936 (Saka)

The Lok Sabha met at Eleven of the Clock

[HON. SPEAKER *in the Chair*]

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GENERAL BUDGET (2015-16)^{1*}

[English]

HON. SPEAKER: Item No. 1, Shri Arun Jaitley to present the General Budget.

THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY): Madam Speaker, I rise to present the Budget of the Union for the year 2015-16.

I present this Budget in an economic environment which is far more positive than in the recent past. When other countries are facing serious challenges, India is about to take-off on a faster growth trajectory once again. The International Monetary Fund (IMF) has downgraded its earlier forecast of the global economic growth by 0.3 per cent, and the World Trade Organization has revised its forecast of the world trade growth from 5.3 per cent to 4 per cent. Forecasts for India, however, have either been upgraded, or remained the same, without downgrades. Madam Speaker, we have also embraced the States as equal partners in the process of economic growth. States have been economically empowered more than ever before. It is my belief that every rupee of public expenditure, whether undertaken by the Centre or the States, will contribute to the betterment of the people's lives through job creation, poverty elimination and economic growth.

In the last nine months, the NDA Government headed by Prime Minister Shri Narendra Modi, has undertaken several significant steps to energise the economy. The credibility of the Indian economy has been re-established. The world is predicting that it is India's chance to fly.

^{1*} Placed in Library. See No. LT 1843/16/15.

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*Kuch to phool khilaye humne, aur kuch phool khilane hai
Mushkil yeh hai bag me ab tak, kaante kai purane hai*

Though the Union Budget is essentially a Statement of Account of public finances, it has historically become significant opportunity to indicate the direction and pace of India's economic policy. My proposals, therefore, lay down the roadmap for accelerating growth, enhancing investment and passing on the benefit of growth process to the common man, woman, youth and child: those, whose quality of life needs to be improved. This is the path we will doggedly and relentlessly pursue. As the Prime Minister has often said, we are a round-the-clock, round-the-year Government.

Madam, allow me to describe the changes of the Indian economy since we first took office. In November, 2012, CPI inflation, stood at 11.2 per cent, the current account deficit by the first quarter of 2013-14 had reached 4.6 per cent of GDP, and the normal foreign exchange flows until March 2014 were \$15 billion. We inherited a sentiment of, if I may say so, doom and gloom, and the investor community had almost written us off.

We have come a long way since then. The latest CPI inflation is 5.1 per cent, and the wholesale price inflation is negative; the current account deficit for the year is expected to be below 1.3 per cent of GDP; based on the new series, real GDP growth is expected to accelerate to 7.4 per cent, making India the fastest growing large economy in the world; foreign inflows since April 2014 have been about \$ 55 billion, so that our foreign exchange reserves have increased to a record of \$40 billion; the rupee has become stronger by 6.4 per cent against a broad basket of currencies; and ours is the second-best performing stock market amongst the major economies. In short, Madam Speaker, we have turned around the economy dramatically, restoring macro-economic stability and creating conditions for sustainable poverty elimination, job creation and durable double-digit economic growth. Domestic and international investors are seeing us with renewed interest and hope.

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While being mindful of the challenges, Madam Speaker, this gives us reason to feel optimistic. With all humility at my command, I submit that this opportunity has arisen because we have created it. The people of India have voted resoundingly for quick change, faster growth and highest levels of transparency. They wanted the scam, scandal and corruption Raj to end. They wanted a Government in which they can trust. We have lived up to that trust.

Our actions have not only been confined to the core or the macro-economic areas alone. Illustratively, action has been taken with regard to allocation of natural resources; financial inclusion; health and hygiene of the common man; girls and their education; employment for the youth; improved and non-adversarial tax administration; effective delivery of benefits; investment and job creation; welfare of labour; agricultural productivity and increasing farm incomes; power; digital connectivity; skilling our youth; efficient and better work culture in our Government; ease of doing business; mainstreaming North Eastern States; and, reviving our pride in the nation and culture. I am giving the details in an Annexure to this speech, which were laid on the Table.

Madam Speaker, of the work that we have done, I would like to talk of three achievements as they demonstrate the quality and conviction of our government. One is the success of the Jan Dhan Yojana. Financial inclusion has been talked about for decades now. Who would have thought that in a short span of 100 days, over 12.5 crore families could have been brought into the financial mainstream? The other is coal auctions. Earlier, the States only got benefit of royalty. Now, by transparent auction process that we are carrying out, the coal bearing States will be getting several lakhs of crore of rupees which they can use for the creation of long awaited community assets and the welfare of their people.

The third is 'Swachh Bharat' which we have been able to transform into a movement to regenerate India. I can speak of, for example, the 50 lakh toilets already constructed in 2014-15, and I can assure the Members of this august House that we will indeed attain the target of building six crore toilets. But, Madam,

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Swachh Bharat is not a programme of hygiene and cleanliness but, at a deeper level, a programme of preventive health care, and building awareness.

We have now embarked on two more game changing reforms. GST and what the Economic Survey has called the JAM Trinity – Jan Dhan, Aadhar and Mobile – to implement the direct transfer of benefits. GST will put in place a state-of-the-art indirect tax system by 1st April, 2016. The JAM Trinity will allow us to transfer benefits in a leakage-proof, well-targetted and cashless manner.

Madam Speaker, one of the achievements of my government has been to conquer inflation. This decline, in my view, represents a structural shift. Going forward, we expect the CPI inflation to remain at close to 5 per cent by the end of the year. This will allow further easing of monetary policy.

To ensure that our victory over inflation is institutionalized and hence continues, we have concluded a Monetary Policy Framework Agreement with the Reserve Bank of India and as I had promised in my Budget Speech for 2014-15. This Framework clearly states objective of keeping inflation below 6 per cent. We will move to amend the RBI Act this year, and provide for a Monetary Policy Committee.

The Central Statistics Office has recently released a new series of GDP, which involves a number of changes relative to the old series. Based on the new series, estimated GDP for 2014-15 is 7.4 per cent. Growth in 2015-16 is expected to be between 8 and 8.5 per cent. Aiming for a double-digit rate seems feasible very soon.

I will now come to the task ahead of us. In respect of social and economic indicators, for decades now, we have worked in terms of percentages, and numbers of beneficiaries covered. It is quite obvious that incremental change is not going to take us anywhere. We have to think in terms of a quantum jump.

The year 2022 will be the *Amrut Mahotsav*, the 75th year, of India's Independence. The vision of what the Prime Minister has called 'Team India', led by the States and guided by the Central Government, should include:

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- (i) A roof for each family in India. The call given for 'Housing for all' by 2022 would require Team India to complete 2 crore houses in urban areas and 4 crore houses in rural areas.
- (ii) Each house in the country should have basic facilities of a 24-hour power supply, clean drinking water, a toilet, and be connected to a road.
- (iii) At least one member of each family should have access to means of livelihood and, employment or economic opportunity, to improve his or her lot.
- (iv) Substantial reduction of poverty. All our schemes should focus on and centre around the poor. Each of us has to commit ourselves to this task of eliminating absolute poverty.
- (v) Electrification, by 2020, of the remaining 20,000 villages in the country, including by off-grid solar power generation.
- (vi) Connecting each of the 1,78,000 unconnected habitations by all weather roads. This will require completing 1,00,000 kms. of roads currently under construction plus sanctioning and building another 1,00,000 kms. of road.
- (vii) Good health is a necessity for both quality of life, and a person's productivity and ability to support his or her family. Providing medical facilities in each village and city is absolutely essential.
- (viii) Educating and skilling our youth to enable them to get employment is the altar before which we must bow. To ensure that there is a senior secondary school within 5 km. reach of each child, we need to upgrade over 80,000 secondary schools and add or upgrade 75,000 junior / middle, to the senior secondary level. We have also to ensure that education improves in terms of quality and learning outcomes.
- (ix) Increase in agricultural productivity and realization of reasonable prices of agricultural production is essential for the welfare of rural people. We should commit to increasing the irrigated area, improving

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efficiency of existing irrigation schemes, promoting agro-based industries for value addition and increasing farm incomes, and reasonable prices for farm produce.

- (x) In terms of communication, the rural / urban divide should no longer be acceptable to us. We have to ensure connectivity to all villages without it.
- (xi) Two-thirds of our population is below 35. To ensure that our young get proper jobs, we have to aim to make India the manufacturing hub of the world. The Skill India and the Make in India programmes are aimed at doing this.
- (xii) We have also to encourage and grow the spirit of entrepreneurship in India and support the new start-ups. Thus can our youth turn into being from being job-seekers, to job-creators.
- (xiii) The Eastern and North Eastern regions of our country are lagging behind in development on many fronts. We need to ensure that they are at par with the rest of the economy.

By the time of the 75th year of Indian independence, Amrut Mahotsav of our Independence is reached, we have to achieve all of the above, so that India becomes a prosperous country; and a responsible global power. This will be our true and meaningful tribute to our freedom fighters.

Major Challenges Ahead

As I have said earlier, Madam Speaker, I am also mindful of the five major challenges I have to reckon with. Firstly, Agricultural incomes are under stress. Our second challenge is increasing investment in infrastructure. With private investment in infrastructure via the public private partnership (PPP) model still weak, public investment needs to step in, to catalyse investment.

Our third major challenge is that manufacturing has declined from 18% to 17% of GDP as per new GDP data; and manufacturing exports have remained

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stagnant at about 10% of GDP. The Make in India programme is aimed at meeting this challenge, thus creating jobs.

Fourth, we have to be mindful of the need for fiscal discipline in spite of rising demands for public investment. In keeping with the true spirit of co-operative federalism, we have devolved a 42% share of the divisible pool of taxes to States. As members of this august House are aware, this is an unprecedented increase which would empower states with more resources. The devolution to the States would be of the order of ₹5.24 lakh crore in 2015-16 as against the devolution of ₹3.38 lakh crore as per revised estimates of 2014-15. Another ₹3.04 lakh crore would be transferred by way of grants and plan transfers. Thus, total transfer to the States will be about 62% of the total tax receipts of the country. *[Translation]*

If the tax revenue of the Centre and the states is added, then 62 percent will go to the states and 38 percent will go to the Centre.

[English]

In spite of the consequential reduced fiscal space for the Centre, the Government has decided to continue supporting important national priorities such as agriculture, education, health, MGNREGA, and rural infrastructure including roads. Programmes targeted for the poor and the under-privileged, will be continued by us.

With fiscal space not just reduced but squeezed, I have to meet the fifth challenge of maintaining fiscal discipline. Economic growth this year, at 11.5%, is lower in nominal terms by about 2%, due to lower inflation. Consequently, tax buoyancy was also significantly lower. Despite this, Madam, I have kept my word, and we will meet the challenging fiscal deficit target of 4.1% of GDP, that we had inherited. Madam Speaker, I need to overcome these challenges to reduce and eliminate poverty.

Fiscal Roadmap

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I want to underscore that my government still remains firm on achieving the medium term target of 3% of GDP. This is the fiscal target. But that journey has to take account of the need to increase public investment. The total additional public investment over and above the RE is planned to be Rs. 1.25 lakh crore out of which Rs. 70,000 crore would be capital expenditure from budgetary outlays. We also have to take into account the drastically reduced fiscal space; uncertainties in the implementation of GST will create; and the likely burden of the 7th Pay Commission. Rushing into, or insisting on, a pre-set time-table for fiscal consolidation pro-cyclically would, in my opinion, not be pro-growth. With the economy improving, the pressure for accelerated fiscal consolidation too has decreased. In these circumstances, I will complete the journey to a fiscal deficit of 3% in 3 years, rather than the two years envisaged previously. Thus, for the next three years, my targets are: 3.9%, for 2015-16; 3.5% for 2016-17; and, 3.0% for 2017-18. The additional fiscal space will go towards funding infrastructure investment.

I will be moving amendments accordingly, in the Finance Bill, to the FRBM Act.

Madam Speaker, I want to round up the discussion on the fiscal road map on an optimistic note. While there is a compositional shift, the aggregate envelope for job creation, poverty elimination and building infrastructure is not disturbed; in fact it goes up this year, and every subsequent year, in the same proportion as the tax revenues of the Union, and the State Governments increase. From this national perspective of public finances, not only is the path to fiscal consolidation on track, aggregate annual capital expenditure of the Governments, as a whole, can be expected to rise significantly, by more than 0.5% of GDP.

[Translation]

HON. SPEAKER: If you want, you may sit and read it out.

[English]

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SHRI ARUN JAITLEY: As I need it, I will certainly request for it.

Madam Speaker, it may be noted that the budget reflects considerable scaling up of disinvestment figures. This will include both disinvestment in loss making units, and some strategic disinvestment.

Good Governance

Madam, Speaker, this Government is committed in its resolve, as Indians, to regain our pre-eminence as a just and compassionate society. Well-intentioned schemes introduced in the past, have often been ill-targeted, riddled with leakages and delivered with inefficiency. The same is true of subsidies. Subsidies are needed for the poor and those less well off. What we need is a well targeted system of subsidy delivery. We need to cut subsidy leakages, not subsidies themselves. We are committed to the process of rationalizing subsidies based on this approach.

We have embarked on that path. The direct transfer of benefits, started mostly in scholarship schemes, will be further expanded with a view to increasing the number of beneficiaries from the present 1 crore to 10.3 crore. Similarly, Rs. 6,335 crore has so far been transferred directly, as LPG subsidy to 11.5 crore LPG consumers. I am sure, persons who are better-off, such as those in the top tax bracket, and those genuinely concerned for the welfare of the poor, such as members of this House, will give up their LPG subsidy voluntarily.

Agriculture

Our commitment to farmers runs deep. We have already taken major steps to address the two major factors critical to agricultural production: soil and water. An ambitious Soil Health Card Scheme has been launched to improve soil fertility on a sustainable basis. In order to improve soil health, I also propose to support Agriculture Ministry's organic farming scheme – "Paramparagat Krishi Vikas Yojana". The Pradhanmantri Gram Sinchai Yojana is aimed at irrigating the field of every farmer and improving water use efficiency to provide 'Per Drop More Crop'. I am allocating Rs. 5,300 crore to support micro-irrigation, watershed

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development and the Pradhan Mantri Krishi Sinchai Yojana. I urge the States to chip in substantially in this vital sector.

To support the agriculture sector with the help of effective and hassle-free agriculture credit, with a special focus on small and marginal farmers, I propose to allocate Rs. 25,000 crore in 2015-16 to the corpus of Rural Infrastructure Development Fund (RIDF) set up by NABARD; Rs. 15,000 crore for Long Term Rural Credit Fund; Rs. 45,000 crore for Short Term Cooperative Rural Credit Refinance Fund; and Rs. 15,000 crore for Short Term RRB Refinance Fund.

Farm credit underpins the efforts of our hard-working farmers. I have, therefore, set up an ambitious target of Rs. 8.5 lakh crore of credit during the year 2015-16 which, I am sure, the banks will surpass.

Our government is committed to supporting employment through MGNREGA. We will ensure that no one who is poor is left without employment. We will focus on improving the quality and effectiveness of activities under MGNREGA. I have made an initial allocation of Rs. 34,699 crore for the programme.

While the farmer is no longer in the clutches of the local trader, his produce still does not command the best national price. To increase the incomes of farmers, it is imperative that we create a National agricultural market, which will have the incidental benefit of moderating price rises. I intend this year to work with the States, in NITI, for the creation of a Unified National Agriculture Market.

Funding the Unfunded

Madam Speaker, our government firmly believes that development has to generate inclusive growth. While large corporate and business entities have a role to play, this has to be complemented by informal sector enterprises which generate maximum employment. There are some 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. 62% of these are owned by SCs/STs/OBCs. These bottom-of-the-pyramid, hard-working entrepreneurs find it difficult, if not impossible, to access

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formal systems of credit. I, therefore, propose to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of `20,000 crore, and credit guarantee corpus of `3,000 crore. MUDRA Bank will refinance Micro-Finance Institutions through a Pradhan Mantri Mudra Yojana. In lending, priority will be given to SC/ST enterprises. These measures will greatly increase the confidence of our young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activities. Just as we are banking the un-banked, we are also funding the unfunded.

A significant part of the working capital requirement of a MSME arises due to long receivables realization cycles. We are in the process of establishing an electronic Trade Receivables Discounting System (TReDS) financing of trade receivables of MSMEs, from corporate and other buyers, through multiple financiers. This should improve the liquidity in the MSME sector significantly.

Bankruptcy law reform, that brings about legal certainty and speed, has been identified as a key priority for improving the ease of doing business. SICA (Sick Industrial Companies Act) and BIFR (Bureau for Industrial and Financial Reconstruction) have failed in achieving these objectives. We will bring a comprehensive Bankruptcy Code in the year 2015-16, that will meet global standards and provide necessary judicial capacity.

The Government is committed to increase access of the people to the formal financial system. In this context, the Government proposes to utilise the vast Postal network with nearly 1,54,000 points of presence spread across the villages of the country. I hope that the Postal Department will make its proposed Payments Bank venture successful so that it contributes further to the Pradhan Mantri Jan Dhan Yojana. With this, all post offices will be involved in banking work.

To bring parity in regulation of Non-Banking Financial Companies (NBFCs) with other financial institutions in matters relating to recovery, it is proposed that NBFCs registered with RBI and having asset size of Rs. 500 crore and above will

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be considered for notifications as 'Financial Institution' in terms of the SARFAESI Act, 2002.

From Jan Dhan to Jan Suraksha

A large proportion of India's population is without insurance of any kind - health, accidental or life. Worryingly, as our young population ages, it is also going to be pension-less. Encouraged by the success of the Pradhan Mantri Jan Dhan Yojana, I propose to work towards creating a universal social security system for all Indians, specially the poor and the under-privileged.

The soon-to-be-launched Pradhan Mantri Suraksha Bima Yojna will cover accidental death risk of ₹2 lakh for a premium of just ₹12 per year.

[Translation]

With the transfer of ₹ one per month from Jan Dhan account, every poor person will get accident insurance worth ₹2 lakh.

[English]

Similarly, we will also launch the Atal Pension Yojana, which will provide a defined pension, depending on the contribution, and its period. To encourage people to join this scheme, the Government will contribute 50% of the beneficiaries' premium limited to `1,000 each year, for five years, in the new accounts opened before 31st December, 2015.

[Translation]

Its details will be made public today, every month a poor person will contribute in it, the Government will contribute half of the total contribution and the person will start getting pension from the age of 60.

[English]

The third Social Security Scheme that I wish to announce is the Pradhan Mantri Jeevan Jyoti Bima Yojana which will cover the natural and accidental death risk of 2 lakhs. The premium will be Rs. 330 per year, or less than one rupee per day, for the age group 18-50.

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Madam, there are unclaimed deposits of Rs. 3,000 crore in PPF, and approximately Rs. 6,000 crore in EPF corpus. I have proposed to create a Senior Citizens Welfare Fund, in the Finance Bill, for appropriation of these amounts to a corpus which will subsidize the premiums of the vulnerable groups such as old age pensioners, BPL card-holders, small and marginal farmers and others. A detailed scheme would be issued in March this year.

Madam Speaker, with regard to the needs of the population of senior citizens in the country which is now approximately 10.5 crore, out of which over one crore are above the age of 80 years. 70% live in rural areas and a large number are in the BPL category. A sizeable percentage of them suffer from age related disabilities. Ours is a society that venerates its elders. I, therefore, propose a new scheme for providing Physical Aids and Assisted Living Devices for senior citizens, living below the poverty line.

In sum, these social security schemes reflect our commitment to utilize the Jan Dhan platform, to ensure that no Indian citizen will have to worry about illness, accidents, or penury in old age. Being sensitive to the needs of the poor, under-privileged and the disadvantaged, the Government also remains committed to the ongoing welfare schemes of the SCs, STs and Women. Despite serious constraints on Union finances, allocations made this year are as follows:

SC	Rs. 30,851 crore
ST	Rs. 19,980 crore
Women	Rs. 79,258 crore

An integrated education and livelihood scheme called 'Nai Manzil' will be launched this year to enable Minority Youth who do not have a formal school-leaving certificate to obtain one and find a better employment. Further, to showcase civilization and culture of the Parsis, the Government of India will support, in

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2015-16, an exhibition, 'The Everlasting Flame'. The allocation of the Ministry of Minority Affairs is being protected. The BE for the year 2015-16 is Rs. 3,738 crore.

Infrastructure

Madam, this is no secret that the major slippage in the last decade has been on the infrastructure front. Our infrastructure does not match our growth ambitions. There is a pressing need to increase public investment. I have, therefore, increased outlays on both the roads and the gross budgetary support to the railways, by Rs. 14,031 crore, and Rs. 10,050 crore respectively. The CAPEX of the public sector units is expected to be Rs. 3,17,889 crore, an increase of approximately Rs. 80,844 crore over RE 2014-15. In fact, all told, investment in infrastructure will go up by Rs. 70,000 crore in the year 2015-16, over the year 2014-15 from the Centre's Funds and resources of CPSEs. But Madam, we need much more investment than Rs. 70,000 crore more.

Secondly, I intend to establish a National Investment and Infrastructure Fund (NIIF), which find monies to ensure an annual flow of Rs. 20,000 crore to it. Rs. 20,000 Crore is what the Government will be giving. This will enable the Trust to raise debt, and in turn, invest as equity, in infrastructure finance companies like the IRFC and NHB. The infrastructure finance companies can then leverage this extra equity, many folds. Thirdly, I also intend to permit tax free infrastructure bonds for the projects in the rail, road and irrigation sectors. Fourthly, the PPP mode of infrastructure development has to be revisited, and revitalised. The major issue involved is rebalancing of risk. In infrastructure projects, the sovereign will have to bear a major part of the risk without, of course, absorbing it entirely.

Fifth, I intend to establish, in NITI, an Atal Innovation Mission (AIM). AIM will be an Innovation Promotion Platform involving academics, entrepreneurs, and researchers and draw upon national and international experiences to foster a culture of innovation, R&D and scientific research in India. The platform will also promote

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a network of world-class innovation hubs and Grand Challenges for India. Initially, a sum of Rs. 150 crore will be earmarked for this purpose.

India has a well regarded and world-class IT industry with revenues of about US\$ 150 billion, over US\$ 100 billion of exports, employing nearly 40 lakh people directly. We are now seeing a growing interest in start-ups. Experimenting in cutting edge technologies, creating value out of ideas and initiatives and converting them into scalable enterprises and businesses is at the core of our strategy for engaging our youth and for inclusive and sustainable growth of the country. Concerns such as more liberal system of raising global capital, incubation facilities in our Centres of Excellence, funding for seed capital and growth, and ease of Doing Business etc. need to be addressed to create lakh of jobs and hundreds of billion dollars in value.

With this objective, the Government is establishing a mechanism known as SETU (Self-Employment and Talent Utilisation). SETU will be a Techno-Financial, Incubation and Facilitation Programme to support all aspects of start-up businesses, and other self-employment activities, particularly in technology-driven areas. I am setting aside Rs. 1,000 crore initially in NITI Aayog for this purpose.

As the success of so-called minor ports has shown, the ports can be an attractive investment possibility for the private sector. Ports in the public sector need to both attract such investment as well as leverage the huge land resources lying unused with them. To enable us to do so, ports in public sector will be encouraged, to corporatize, and become companies under the Companies Act.

Madam Speaker, investors spend a large amount of time and resources in getting the multiple permissions required. We aim towards ease of doing business in India. I have myself launched the e-Biz Portal which integrates 14 regulatory permissions at one source. Good States are embracing and joining this platform. However, if we really want to create jobs, we have to make India an investment

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destination which permits the start of a business in accordance with publically stated guidelines and criteria.

[Translation]

Today, it takes years to get the permission itself and the projects do not start.

I intend to appoint an Expert Committee for this purpose to examine the possibility and prepare a draft legislation where the need for multiple prior permissions can be replaced with a pre-existing regulatory mechanism.

[Translation]

The regulatory mechanism will have guidelines, start work accordingly, it will be a substitute for prior permission.

[English]

The Government also proposes to set up 5 new Ultra Mega Power Projects, each of 4000 MWs in the plug-and-play mode. All clearances and linkages will be in place before the project is awarded by a transparent auction system. This should unlock investments to the extent of Rs. 1 lakh crore. The Government would also consider similar plug-and-play projects in other infrastructure projects such as roads, ports, rail lines, airports etc. I am happy to announce that the second unit of Kudankulam Nuclear Power Station will be commissioned in 2015-16.

Madam Speaker, I hope to garner some additional resources during the year from tax buoyancy. If I am successful, then over and above what I have provided in the budget allocation, I will endeavour to enhance allocations to MGNREGA by ₹5,000 crore; *[Translation]* Madam Speaker, Kharge ji will be very happy. *[English]*

This will have two features. This will make this year's allocation the highest ever in MGNREGA. *[Translation]* Moreover, it will also help to increase rural wages which are decreasing. I will further be allocating to the Integrated Child Development Scheme (ICDS) by Rs. 1,500 crore; to Integrated Child Protection Scheme (ICPS) another Rs. 500 crore; and to the Pradhan Mantri Krishi Sinchai

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Yojana another Rs. 3,000 crore; and the initial inflow of Rs. 5,000 crore into the National Infrastructure Investment Fund, which I have just announced.

Financial Markets

One vital factor in promoting investment in India, including in the infrastructure sector, is the deepening of the Indian Bond market, which we have to bring at the same level as our world class equity market. I intend to begin this process this year by setting up a Public Debt Management Agency (PDMA) which will bring both India's external borrowings and domestic debt under one roof.

I also propose to merge the Forwards Markets Commission with SEBI to strengthen regulation of commodity forward markets and reduce wild speculation. Enabling legislation, amending the Government Securities Act and the RBI Act is proposed in the Finance Bill, 2015.

Capital Account Controls is a policy, rather than a regulatory, matter. I, therefore, propose to amend, through the Finance Bill, Section-6 of FEMA to clearly provide that control of capital flows as equity will be exercised by the Government.

A properly functioning capital market also requires proper consumer protection. I, therefore, propose to create a Task Force to establish a sector-neutral Financial Redressal Agency that will address grievances against all financial service providers. I am also glad to inform the House that work assigned to the Task Forces on the Financial Data Management Centre, the Financial Sector Appellate Tribunal, the Resolution Corporation, and the Public Debt Management Agency are progressing satisfactorily. We have also received a large number of suggestions regarding the Indian Financial Code (IFC), which are currently being reviewed by the Justice Srikrishna Committee. I hope, sooner rather than later, to introduce the Indian Financial Code in Parliament for consideration.

Madam, Speaker, this is just the beginning. I have a vision of putting in place a direct tax regime which is internationally competitive on rates, is without exemptions, incentivises savings, and does not realize tax from intermediaries. Such

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a direct tax regime would match the modernized indirect taxes regime we are putting in place by way of GST, and will bring both greater transparency and greater investments.

Madam Speaker the situation with regard to the dormant Employees Provident Fund (EPF) accounts and the claim ratios of ESIs is too well known to be repeated here. It has been remarked that both EPF and ESI have hostages, rather than clients. Further, the low paid worker suffers deductions greater than the better paid workers, in percentage terms.

With respect to the Employees Provident Fund (EPF), the employee needs to be provided two options. Firstly, the employee may opt for EPF or the New Pension Scheme (NPS). Secondly, for employees below a certain threshold of monthly income, contribution to EPF should be optional, without affecting or reducing the employer's contribution. With respect to ESI, the employee should have the option of choosing either ESI or a Health Insurance product, recognized by the Insurance Regulatory Development Authority (IRDA). We intend to bring amending legislation in this regard, after stakeholder consultation.

Monetizing Gold

India is one of the largest consumers of gold in the world and imports as much as 800-1000 tonnes of gold each year. Though stocks of gold in India are estimated to be over 20,000 tonnes, mostly this gold is neither traded, nor monetized. I propose to:

- (i) Introduce a Gold Monetization Scheme, which will replace both the present Gold Deposit and Gold metal Loan Schemes. The new scheme will allow the depositors of gold to earn interest in their metal accounts and the jewelers to obtain loans in their metal account. Banks/other dealers would also be able to monetize this gold.
- (ii) Also develop an alternate financial asset, a Sovereign Gold Bond, as an alternative to purchasing metal gold. The Bonds will carry a fixed rate

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of interest, and also be redeemable in cash in terms of the face value of the gold, at the time of redemption by the holder of the Bond.

- (iii) Commence work on developing an Indian Gold Coin, which will carry the Ashok Chakra on its face. Such an Indian Gold Coin would help reduce the demand for coins minted outside India and also help to recycle the gold available in the country.

One way to curb the flow of black money is to discourage transactions in cash. Now that a majority of Indians has or can have, a RUPAY debit card. All Jan Dhan account holders will have a Rupay Debit Card. I, therefore, propose to introduce soon several measures that will incentivize credit or debit card transactions, and disincentivise cash transactions. This will be in the direction of making India a cashless society.

Investment

Alternate Investment Funds Regulations have been notified by SEBI. Such alternate investment funds provide another vehicle for facilitating domestic investments. Keeping in view the need to increase investments from all sources, I propose to also allow foreign investments in Alternate Investment Funds.

To further simplify the procedures for Indian Companies to attract foreign investments, I propose to do away with the distinction between different types of foreign investments, especially between foreign portfolio investments and foreign direct investments, and replace them with composite caps. The sectors which are already on a 100% automatic route would not be affected.

The 'Act East' policy of the Government of India endeavours to cultivate extensive economic and strategic relations in South-East Asia. In order to catalyze investments from the Indian private sector in this region, a Project Development Company will, through separate Special Purpose Vehicles (SPVs), set up

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manufacturing hubs in CMLV countries, namely, Cambodia, Myanmar, Laos and Vietnam.

Safe India

My Government is committed to safety and security of women. In order to support programmes for women security, advocacy and awareness, I have decided to provide another ` 1,000 crore to the Nirbhaya Fund.

Tourism

While India has 25 (twenty five) Cultural World Heritage Sites. These facilities are still deficient and require restoration, including landscape restoration; signage and interpretation centres; parking; access for the differently abled; visitors' amenities, including securities and toilets; illumination and plans for benefiting communities around them. I hope this practice continues for next year onwards also. I propose to provide resources to start work along these lines for the following Heritage Sites:

- (i) Churches & Convents of Old Goa
- (ii) Hampi, Karnataka
- (iii) Elephanta Caves, Mumbai
- (iv) Kumbalgarh and other Hill Forts of Rajasthan
- (v) Rani ki Vav, Patan, Gujarat
- (vi) Leh Palace, Ladakh, J&K
- (vii) Varanasi Temple town, UP
- (viii) Jalianwala bagh, Amritsar, Punjab
- (ix) Qutub Shahi Tombs, Hyderabad, Telengana

After the success of VISAS on arrival issued to travelers of 43 countries, I propose to increase the countries covered to 150, in stages. Last year, we had

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announced Visas on arrival in 43 countries. The tourism in this country has increased. I propose to increase the countries covered under this scheme to 150 in different stages.

Green India

Madam, as environmental degradation hurts the poor more than others, we are committed to make our development process as green as possible. Our de facto 'Carbon Tax' on most petroleum products compares favourably with international norms. With regard to coal, there is a need to find a balance between taxing pollution, and the price of power. However, beginning this year, I intend to start on that journey too. My Government is also launching a Scheme for Faster Adoption and manufacturing of Electric Vehicles (FAME). I am proposing an initial outlay of ₹75 crore for this Scheme in 2015-16. The Ministry of New Renewable Energy has revised its target of renewable energy capacity to 1,75,000 MW till 2022, comprising 100,000 MW Solar, 60,000 MW Wind, 10,000 MW Biomass and 5000 MW Small Hydro.

Madam, Speaker, we are putting the scam, scandal and corruption Raj behind us. Malfeasance in public procurement can perhaps be contained by having a procurement law and an institutional structure consistent with the UNCITRAL model. I believe, Parliament needs to take a view soon on whether we need a procurement law, and if so, what shape it should take.

On the other hand, disputes arising in public contracts take long to resolve, and the process is very costly too. Therefore, projects are stalled. My Government proposes to introduce a Public Contracts (Resolution of Disputes) Bill to streamline the institutional arrangements for resolution of such disputes.

There is also a need, I feel, to tackle the lack of common approach and philosophy in the regulatory arrangements prevailing even within the different sectors of infrastructure. Our Government, therefore, also proposes to introduce a regulatory reform law that will bring about a cogency of approach across various sectors of infrastructure.

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Skill India

India is one of the youngest nations in the world with more than 54% of the total population below 25 years of age. Our young people have to be both educated and employable for the jobs of the 21st Century. The Prime Minister has explained how Skill India needs to be closely coordinated with Make in India. Yet today less than 5% of our potential workforce gets formal skill training to be employable and stay employable.

We will soon be launching a National Skills Mission through the Skill Development and Entrepreneurship Ministry. The Mission will consolidate skill initiatives spread across several Ministries and allow us to standardize procedures and outcomes across our 31 Sector Skill Councils.

With rural population still forming close to 70% of India's population, enhancing the employability of rural youth is the key to unlocking India's demographic dividend. With this in mind, we had launched the Deen Dayal Upadhyay Gramin Kaushal Yojana. ` 1,500 crore has been set apart for this scheme. Disbursement will be through a digital voucher directly into qualified student's bank account.

This is the year when we will be entering the 100th birth anniversary of Shri Deen Dayalji Upadhyay. The intention of the Government is to celebrate the anniversary of this great nationalist, in a befitting manner. A 100th Birthday Celebration Committee will be announced soon, and adequate resources provided for the celebration.

With a view to enable all poor and middle class students to pursue higher education of their choice without any constraint of funds, I propose to set up a fully IT based Student Financial Aid Authority to administer and monitor Scholarship as well Educational Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram. We will ensure that no student misses out on higher education for lack of funds.

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Hon'ble Members will remember that in the Budget Speech of July, I had indicated my intention to provide one major Central Institute in each State. *[Translation]* Madam, if any state is left out, then it may be considered during the year and even after the Budget. *[English]* In the fiscal year 2015-16, I propose to set up All India Institutes of Medical Sciences in J&K, Punjab, Tamil Nadu, Himachal Pradesh and Assam. Keeping in view the need to augment Medical Sciences in Bihar, where AIIMS already exist, I propose to set up another AIIMS like institution in these States. I propose to set up an IIT in Karnataka, and upgrade Indian School of Mines, Dhanbad into a full-fledged IIT. I also propose to set up a Post Graduate Institute of Horticulture Research and Education in Amritsar. IIMs will be setup in J&K and Andhra Pradesh. In Kerala, I propose to upgrade the existing National Institute of Speech and Hearing to a University of Disability Studies and Rehabilitation. I also propose three new National Institutes of Pharmaceutical Education and Research: in Maharashtra, Rajasthan, and Chhattisgarh; and an Institutes of Science and Education Research in Nagaland and Odisha. I also propose to set up a Centre for Film Production, Animation and Gaming in Arunachal Pradesh, for the North-Eastern States; and Apprenticeship Training Institute for Women in Haryana and Uttrakhand.

In order to improve the Governance of Public Sector banks, the Government intends to set up an autonomous bank Board Bureau. The Bureau will search and select heads of Public Sector banks and help them in developing differentiated strategies and capital raising plans through innovative financial methods and instruments. This would be an interim step towards establishing a holding and investment Company for Banks.

Digital India

Madam, Speaker, I would like to inform the House we are making good progress towards making Digital India. The National Optical Fibre Network Programme (NOFNP) of 7.5 lakh kms. networking 2.5 lakh villages is being further

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speeded up by allowing willing States to undertake its execution, on reimbursement of cost as determined by Department of Telecommunications. Andhra Pradesh is the first State to have opted for this manner of implementation.

As Members are aware, in making their recommendations, the Finance Commission has not distinguished between special category and other states. Moreover, both Bihar and West Bengal are going to be amongst the biggest beneficiaries of the recommendations of the Finance Commission. Yet, the Eastern States have to be given an opportunity to grow even faster. This is what the Prime Minister reiterated even yesterday that East needs an extra boost. I, therefore, propose to give similar special assistance to Bihar and West Bengal as has been provided by the Government of India in the case of Government of Andhra Pradesh. As regards Andhra Pradesh and Telangana, the Government is committed to comply with all the legal commitments made to these States at the time of reorganization.

12.00 hrs

In spite of the large increase in devolution to States, which implies reduced fiscal space for the Centre in the same proportion, we are committed to the welfare of the poor and the neo-middle class. Keeping this in mind, adequate provision is being made for the schemes for the poor and the disadvantaged. Illustratively, I have allocated Rs. 68,968 crore to the education sector including mid-day meals, Rs.33,152 crore to the health sector and Rs.79,526 crore for rural development activities including MGNREGA, Rs. 22,407 crore for housing and urban development, Rs.10,351 crore for women and child development, Rs.4,173 crore for Water Resources and Namami Gange. The significant sums that will be spent by the States on these programmes will ensure a quantum leap in expenditures in these areas. I urge the States to utilize their enhanced resources effectively in these areas.

Madam Speaker, I am delighted to report good progress for DMIC corridors. The Ahmedabad-Dhule Investment Region in Gujarat, and the Shendra-Bidkin Industrial Park near Aurangabad, in Maharashtra, are now in a position to start work on basic infrastructure. In the current year, I have earmarked an initial sum of

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Rs.1,200 crore. However, as the pace of expenditure picks up, I will provide them additional funds.

Defence of every square inch of our motherland comes before anything else. So far we have been over dependent on imports with its attendant unwelcome spin-offs. Our Government has already permitted FDI in defence so that the Indian-controlled entities also become manufacturers of defence equipment, not only for us but for export. We are thus pursuing the Make in India policy to achieve greater self-sufficiency in the area of defence equipment including aircraft. Members of this august House would have noted that we have been both transparent and quick in making defence equipment related purchase decisions, thus keeping our defence forces ready for any eventuality. This year too, I have provided adequately for the needs of the armed forces. As against the likely expenditure of this year of Rs.2,22,370 crore the budget allocation for 2015-16 is Rs. 2,46,727 crore.

While India produces some of the finest financial minds, including in international finance, they have very few avenues in India to fully exhibit and exploit their strength to the country's advantage. GIFT in Gujarat was envisaged as International Finance Centre that would actually become as good an International Finance Centre as Singapore or Dubai, which incidentally are largely manned by Indians. The proposal has languished for years. I am glad to announce that the first phase of GIFT will now become a reality. Appropriate regulations will be issued in the month of March.

For the quick resolution of commercial disputes, the Government proposes to set up exclusive commercial divisions in various High Courts in India based on the recommendations of the 253rd Report of the Law Commission. The Government proposes to introduce a Bill in Parliament after consulting stakeholders in this regard.

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Madam Speaker, the Government will, during the course of this Session, also place before the Parliament the required Bills to convert Ordinances issued by the Government into Acts of Parliament.

BUDGET ESTIMATES

I now turn to the Budget Estimates for the year 2015-16.

Non-Plan expenditure estimates for the Financial Year are estimated at Rs.13,12,200 crore. Plan expenditure is estimated to be Rs.4,65,277 crore, which is very near to the R.E. of 2014-15. Total Expenditure has accordingly been estimated at Rs.17,77,477 crore. The requirements for expenditure on Defence, Internal Security and other necessary expenditures are adequately provided.

Gross Tax receipts are estimated to be Rs.14,49,490 crore. Devolution to the States is estimated to be Rs.5,23,958 crore. Share of Central Government will be Rs.9,19,842 crore. Non Tax Revenues for the next fiscal are estimated to be Rs.2,21,733 crore.

With the above estimates, Fiscal Deficit will be 3.9 per cent of GDP and Revenue Deficit will be 2.8 per cent of GDP.

PART B

Madam Speaker, I now turn to my tax proposals.

Taxation is an instrument of social and economic engineering. Tax collections help the Government to provide education, healthcare, housing and other basic facilities to the people to improve their quality of life and to address the problems of poverty, unemployment and slow development. To achieve these objectives, it has been our endeavour in the last nine months to foster a stable taxation policy and non-adversarial tax administration. A very important dimension to our tax administration is the fight against the scourge of black money. A number of measures have already been taken in this direction. I propose to do much more.

We need to revive growth and investment to ensure that more jobs are created for our youth and benefits of development reach millions of our people. We need an enabling tax policy for this. I have already introduced the Bill to amend the

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Constitution of India for Goods and Services Tax (GST) in the last Session of this august House. GST is expected to play a transformative role in the way our economy functions. It will add buoyancy to our economy by developing a common Indian market and reducing the cascading effect on the cost of goods and services. We are moving on various fronts to implement GST from the next year.

We need to match this transformative piece of legislation in indirect taxation with transformative measures in direct taxation. The basic rate of Corporate Tax in India is 30 per cent. It is higher than the rates prevalent in the other major Asian economies, making our domestic industry uncompetitive. Moreover, the effective collection of Corporate Tax is only 23 per cent. We lose out on both counts. We are considered as having a high Corporate Tax regime but we do not get that tax due to excessive exemptions. A regime of exemptions has led to pressure groups, litigation and loss of revenue. It has also given room for avoidable discretion. I, therefore, propose to reduce the rate of Corporate Tax from 30 per cent to 25 per cent over the next 4 years. This will lead to higher level of investment, higher level of growth and more jobs. ... (*Interruptions*) This process of reduction has to be necessarily accompanied by rationalisation and removal of various kinds of tax exemptions and incentives for corporate taxpayers, which incidentally account for a large number of tax disputes.

I wanted to start the phased reduction of corporate tax rate and phased elimination of exemptions right away; but I thought it would be appropriate to give advance notice of these changes which will start from the next financial year. Our stated policy is to avoid surprises and instability in tax policy. Exemptions to individual taxpayers will, however, continue since they facilitate savings and get transferred to investment and economic growth.

While finalising my tax proposals, I have adopted certain broad themes, which include:

(A) Measures to curb black money;

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- (B) Job creation through revival of growth and investment and promotion of domestic manufacturing and 'Make in India';
- (C) Minimum government and maximum governance to improve the ease of doing business;
- (D) Benefits to middle class taxpayers;
- (E) Improving the quality of life and public health through Swachh Bharat initiatives; and
- (F) Stand alone proposals to maximise benefits to the economy.

Madam Speaker, the first and foremost pillar of my tax proposals is to effectively deal with the problem of black money which eats into the vitals of our economy and society. The problems of poverty and inequity cannot be eliminated unless generation of black money and its concealment is dealt with effectively and forcefully.

In the last 9 months several measures have been initiated in this direction. A major breakthrough was achieved in October, 2014 when a delegation of the Revenue Department visited Switzerland and the Swiss authorities agreed to (a) provide information in respect of cases independently investigated by the Income-tax Department; (b) confirm genuineness of bank accounts and provide non-banking information; (c) provide such information in a time bound manner; and (d) commence talks with India for Automatic Exchange of Information between the two countries at the earliest. Investigation into cases of undisclosed foreign assets has been accorded the highest priority, resulting in detection of substantial amounts of unreported income. For strengthening collection of information from various sources domestically, a new structure is being put in place which includes electronic filing of statements by reporting entities. This will ensure seamless integration of data and more effective enforcement.

Tracking down and bringing back the wealth which legitimately belongs to the country is our abiding commitment to the country. Recognising the limitations under the existing legislation, we have taken a considered decision to enact a

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comprehensive new law on black money to specifically deal with such money stashed away abroad. To this end, I propose to introduce a Bill in the current Session of the Parliament.

With your permission, Madam Speaker, I would like to highlight some of the key features of the proposed Bill.

(1) Concealment of income and assets, and evasion of tax in relation to a foreign asset will be prosecutable with punishment of rigorous imprisonment up to 10 years. Further,

- this offence will be made non-compoundable;
- the offenders will not be permitted to approach the Settlement Commission; and
- penalty for such concealment of income and assets at the rate of 300 per cent of tax shall be levied.

(2) Non filing of return or filing of return with inadequate disclosure of foreign assets will be liable for prosecution with punishment of rigorous imprisonment up to 7 years.

(3) Income in relation to any undisclosed foreign asset or undisclosed income from any foreign asset will be taxable at the maximum marginal rate. Exemptions or deductions which may otherwise be applicable in such cases, shall not be allowed.

(4) Beneficial owner or beneficiary of foreign assets will be mandatorily required to file return, even if there is no taxable income.

(5) Abettors of the above offences, whether individuals, entities, banks or financial institutions will be liable for prosecution and penalty.

(6) Date of Opening of foreign account would be mandatorily required to be specified by the assessee in the return of income.

(7) The offence of concealment of income or evasion of tax in relation to a foreign asset will be made a predicate offence under the Prevention of Money-laundering Act, 2002 (PMLA). This provision would enable the

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enforcement agencies to attach and confiscate unaccounted assets held abroad and launch prosecution against persons indulging in laundering of black money.

(8) The definition of 'proceeds of crime' under PMLA is being amended to enable attachment and confiscation of equivalent asset in India where the asset located abroad cannot be forfeited.

(9) The Foreign Exchange Management Act, 1999 (FEMA) is also being amended to the effect that if any foreign exchange, foreign security or any immovable property situated outside India is held in contravention of the provisions of this Act, then action may be taken for seizure and eventual confiscation of assets of equivalent value situated in India. These contraventions are also being made liable for levy of penalty and prosecution with punishment of imprisonment up to five years.

As regards curbing domestic black money, a new and more comprehensive Benami Transactions (Prohibition) Bill will be introduced in the current session of the Parliament. This law will enable confiscation of benami property and provide for prosecution, thus blocking a major avenue for generation and holding of black money in the form of benami property, especially in real estate.

A few other measures are also proposed in the Budget for curbing black money within the country. The Finance Bill includes a proposal to amend the Income-tax Act to prohibit acceptance or payment of an advance of Rs 20,000 or more in cash for purchase of immovable property. Quoting of PAN is being made mandatory for any purchase or sale exceeding the value of Rs 1 lakh. The third party reporting entities would be required to furnish information about foreign currency sales and cross border transactions. Provision is also being made to tackle splitting of reportable transactions. To improve enforcement, CBDT and CBEC will leverage technology and have access to information in each other's database.

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Madam Speaker, the second pillar of my taxation proposals this year is job creation through revival of growth and investment and promotion of domestic manufacturing and 'Make in India'. I propose to undertake a series of steps in this direction to attract capital, both domestic and foreign. Tax 'pass through' is proposed to be allowed to both Category-I and Category-II Alternative Investment Funds, so that tax is levied on the investors in these Funds and not on the Funds per se. This will step up the ability of these Funds to mobilise higher resources and make higher investments in small and medium enterprises, infrastructure and social projects and provide the much required private equity to new ventures and start-ups.

A step was taken in the last Budget to encourage Real Estate Investment Trusts (REITs) and Infrastructure Investments Trusts (InvITs) by providing partial pass through to them. These collective investment vehicles have an important role to revive construction activity. A large quantum of funds is locked up in various completed projects which need to be released to facilitate new infrastructure projects to take off. I therefore propose to rationalise the capital gains regime for the sponsors exiting at the time of listing of the units of REITs and InvITs, subject to payment of Securities Transaction Tax (STT). The rental income of REITs from their own assets will have pass through facility.

The present taxation structure has an inbuilt incentive for fund managers to operate from offshore locations. To encourage such offshore fund managers to relocate to India, I propose to modify the Permanent Establishment (PE) norms to the effect that mere presence of a fund manager in India would not constitute PE of the offshore funds resulting in adverse tax consequences.

Implementation of the General Anti Avoidance Rule (GAAR) has been a matter of public debate. The investment sentiment in the country has now turned positive and we need to accelerate this momentum. There are also certain contentious issues relating to GAAR which need to be resolved. It has therefore

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been decided to defer the applicability of GAAR by two years. Further, it has also been decided that when implemented, GAAR would apply prospectively to investments made on or after 01.04.2017.

Today I see a lot of young entrepreneurs running business ventures or wanting to start new ones. They need latest technology. Therefore, to facilitate technology inflow to small businesses at low costs, I propose to reduce the rate of income tax on royalty and fees for technical services from 25% to 10%.

To generate greater employment opportunities, it is proposed to extend the benefit of deduction for employment of new regular workmen to all business entities. The eligibility threshold of minimum 100 regular workmen is being reduced to fifty.

The role of indirect taxes is also very important in the context of promotion of domestic manufacturing and Make in India. In indirect taxes, therefore, I propose to reduce the rates of basic customs duty on certain inputs, raw materials, intermediates and components (in all 22 items) so as to minimise the impact of duty inversion and reduce the manufacturing cost in several sectors. Some other changes address the problem of CENVAT credit accumulation due to the levy of SAD. I propose to fully exempt all goods, except populated printed circuit boards for use in manufacture of ITA bound items from SAD and reduce the SAD on imports of certain other inputs and raw materials subject to actual user condition. These changes are detailed in the to the Budget Speech which were laid on the Table.

My next proposal is regarding minimum government and maximum governance with focus on ease of doing business and simplification of Tax Procedures without compromising on tax revenues. The total wealth tax collection in the country was Rs 1,008 crore in 2013-14. Should a tax which leads to high cost of collection and a low yield be continued or should it be replaced with a low cost and higher yield tax? The rich and wealthy must pay more tax than the less affluent

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ones. I have therefore decided to abolish the wealth tax and replace it with an additional surcharge of 2% on the super-rich with a taxable income of over Rs 1 crore. This will lead to tax simplification and enable the Department to focus more on ensuring tax compliance and widening the tax base. As against a tax sacrifice of Rs 1,008 crore, through these measures the Department would be collecting about Rs 9,000 crore from the 2% additional surcharge. Further, to track the wealth held by individuals and entities, the information regarding the assets which are currently required to be furnished in wealth-tax return will be captured in the income tax returns. This will ensure that the abolition of wealth tax does not lead to escape of any income from the tax net.

The provision relating to indirect transfers in the Income-tax Act which is a legacy from the previous government contains several ambiguities. This provision is being suitably cleaned up. Further, concerns regarding applicability of indirect transfer provisions to dividends paid by foreign companies to their shareholders will be addressed by the Central Board of Direct Taxes through a clarificatory circular. These changes would eliminate the scope for discretionary exercise of power and provide a hassle free structure to the taxpayers. I reiterate what I had said in the last Budget that ordinarily retrospective tax provisions adversely impact the stability and predictability of the taxation regime and resort to such provisions shall be avoided.

Further, to reduce the associated hassles to smaller taxpayers and the compliance costs in domestic transfer pricing, I propose to increase the threshold limit from Rs 5 crore to Rs 20 crore.

In order to rationalise the MAT provisions for FIIs, profits corresponding to their income from capital gains on transactions in securities which are liable to tax at a lower rate, shall not be subject to MAT.

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The Tax Administration Reform Commission (TARC) has given a number of recommendations to improve the administration in the Tax Departments. These recommendations are in advanced stage of examination and will be appropriately implemented during the course of this year.

As part of the movement towards GST, I propose to subsume the Education Cess and the Secondary and Higher Education Cess in Central Excise duty. In effect, the general rate of Central Excise Duty of 12.36% including the cesses is being rounded off to 12.5%. I also propose to revise the specific rates of Central Excise duty in certain other commodities, as detailed in the Annexure which were laid on the Table.. However, in the case of petrol and diesel such specific rates are being revised only to the extent of subsuming the quantum of education cess presently levied on them, keeping the total incidence of excise duties unchanged. The ad-valorem rates of excise duty lower than 12% and those higher than 12% with a few exceptions are not being increased. Some changes are also being made to excise levy on cigarettes and the compounded levy scheme applicable to pan masala, gutkha and certain other tobacco products.

To give a boost to domestic leather footwear industry, the excise duty on footwear with leather uppers and having retail price of more than Rs 1000 per pair is being reduced to 6%.

To further facilitate the ease of doing business, online central excise and service tax registration will be done in two working days. The assesseees under these taxes will be allowed to issue digitally signed invoices and maintain electronic records. These measures will cut down lot of paper work and red tape. Time limit for taking CENVAT credit on inputs and input services is being increased from six months to one year as a measure of business facilitation.

Introduction of GST is eagerly awaited by Trade and Industry. To facilitate a smooth transition to levy of tax on services by both the Centre and the States, it is

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proposed to increase the present rate of service tax plus education cesses from 12.36% to a consolidated rate of 14%.

Madam Speaker, cleanliness of households and clean environment are very important social causes. The fourth pillar of my taxation proposals this year therefore relates to initiatives for the Swachh Bharat Abhiyan. In my direct tax proposals, I have proposed 100% deduction for contributions, other than by way of CSR contributions, to the Swachh Bharat Kosh. A similar tax treatment is also proposed for the Clean Ganga Fund.

In indirect taxes, I propose to increase the Clean Energy Cess from Rs 100 to Rs 200 per metric tonne of coal, etc. to finance clean environment initiatives. Excise duty on sacks and bags of polymers of ethylene other than for industrial use is being increased from 12% to 15%. It is also proposed to have an enabling provision to levy Swachh Bharat Cess at a rate of 2% or less on all or certain services if need arises. This Cess will be effective from a date to be notified. Resources generated from this cess will be utilised for financing and promoting initiatives towards Swachh Bharat.

It is also proposed to exempt services by common affluent treatment plants from service tax. The concessions from customs and excise duties currently available on specified parts for manufacture of electrically operated vehicles and hybrid vehicles are being extended by one more year i.e. up to 31.3.2016.

Madam Speaker, the fifth pillar of my taxation proposals this year is extension of benefits to middle class tax payers. The proposals in this regard are as follows:

Increase in the limit of deduction in respect of health insurance premium from Rs 15,000 to Rs 25,000. This is being done to encourage people to take health insurances as a part of our social security programme. This will also enable tax rebate.

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- For senior citizens the limit will stand increased to Rs 30,000 from the existing Rs 20,000.
- For very senior citizens of the age of 80 years or more, who are not covered by health insurance, deduction of ₹30,000 towards expenditure incurred on their treatment will be allowed. Every senior citizen will get an annual deduction of ₹30,000 for medical treatment.

The deduction limit of Rs 60,000 towards expenditure on account of specified diseases of serious nature is proposed to be enhanced to Rs 80,000 in case of very senior citizens.

Additional deduction of Rs 25,000 will be allowed for differently abled persons under Section 80DD and Section 80U of the Income-tax Act.

The limit on deduction on account of contribution to a Pension Fund and the New Pension Scheme is proposed to be increased from Rs1 lakh to Rs 1.5 lakh.

This proposal is important. To provide social safety net and the facility of pension to individuals, an additional deduction of ₹50,000 is proposed to be provided for contribution to the New Pension Scheme under Section 80CCD. This will enable India to become a pensioned society instead of a pensionless society. *[Translation]* Anyone who contributes up to Rs 50,000 annually to the pension fund during the earning period of his life will get tax exemption for that year, so that he can get pension in the future as a senior citizen.

[English]

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Investments in the Sukanya Samriddhi Scheme which was recently launched by the Prime Minister is already eligible for deduction under Section 80C. All payments to the beneficiaries including interest payment on deposit will also be fully exempt.

Transport allowance exemption is being increased from Rs 800 to Rs 1,600 per month.

For the benefit of senior citizens, service tax exemption will be provided on Varishta Bima Yojana.

Madam Speaker, I am giving these concessions to individual taxpayers despite inadequate fiscal space. After taking into account the tax concessions given to middle class tax payers in my last Budget and in the present one including the earlier concessions, an individual tax payer can now get tax benefit up to Rs. 4,44,200 as detailed in the annexure which were laid on the Table. As and when my fiscal capacity improves, individual taxpayers will have a lot to look forward to.

Madam Speaker, there are several stand-alone proposals relating to taxation. These include conversion of existing excise duty on petrol and diesel to the extent of ₹4 per litre to Road Cess to fund investment in roads and other infrastructure.
[Translation]

The topic that was raised here yesterday that there has been a decline in oil prices in the world, the benefits, arisen from fall of crude price globally, have been passed on to the consumers and it will also be used for construction of highway and towards railways.

[English]

An additional sum of Rs. 40,000 crore will be made available through this measure to these sectors. In service tax, exemption is being extended to certain pre-cold storage services in relation to fruits and vegetables so as to incentivise value addition

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in this crucial sector. The Negative List under service tax is being slightly pruned and certain other exemptions are being withdrawn to widen the tax base.

Yoga is India's well acknowledged gift to the world. It is proposed to include yoga within the ambit of charitable purposes of Section 2(15) of the Income-tax Act. Further, to mitigate problems faced by many genuine charitable organisations, it is proposed to modify the ceiling on receipts from activities in the nature of trade, commerce, business to 20% of the total receipts from the existing ceiling of Rs. 25 lakh. A national database on the non-profit organisations is also being developed.

Enactment of the Direct Taxes Code (DTC) has been under discussion for quite some time. Most of the provisions of the DTC have been included in the Income-tax Act. Amongst the very few aspects of DTC which were left out, we have addressed some issues in the present Budget. Further, jurisprudence under the Income-tax Act is well evolved. Considering these aspects, there is no great merit in going ahead with the Direct Tax Code as it exists today.

Madam, the detailed direct and indirect tax proposals are given in the Annexure to the Budget speech and the other budget documents which are being laid on the Table of the House. My direct tax proposals would result in revenue loss of Rs. 8,315 crore, whereas my proposals in indirect taxes will yield Rs. 23,383 crore. The net impact of all my tax proposals would be a revenue gain of Rs. 15,068 crore.

CONCLUSION

To conclude, Madam, it is no secret that expectations from this Budget have been high. People who urge us to undertake Big Bang Reforms also say that the Indian economy is a super giant, which moves slowly but surely. Even our worst critics would admit that we have moved rapidly. In this speech, I have clearly outlined not only what we are going to do immediately, but also a roadmap for the future.

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I think I can genuinely stake, for our Government, a claim of intellectual honesty. We have been consistent in what we have said, and what we are doing. We are committed, Madam Speaker, to achieving what we have been voted to power for: change, growth, jobs and genuine, effective upliftment of the poor and under-privileged. Our commitment to the ‘*Daridra Narayan*’ is steadfast, as is commitment to the Constitutional principles of Equality and Justice for All, without concern for caste, creed and religion. This is the spirit of the Upanishad-inspired mantra:

Om Sarve Bhavantu Sukhinah

Sarve Santu Nir-Aamayaah

Sarve Bhadraanni Pashyanttu

Maa KashcHid-Duhkha-Bhaag-Bhavet

Om Shaantih Shaantih Shaantih

(*Om!* May All Be Happy

May All Be Free From Illness

May All See What is Beneficial

May No One Suffer)

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

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12.34 hrs

STATEMENT RE: ESTIMATED RECEIPTS AND EXPENDITURE

THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY): Madam, I wish to present a statement of the estimated receipts and expenditure of the Government of India for the year 2015-16.

12.34 ½ hrs

**STATEMENTS RE: (i) MACRO-ECONOMY FRAMEWORK;
(ii) MEDIUM-TERM FISCAL POLICY; AND
(iii) FISCAL POLICY STRATEGY^{2*}**

HON. SPEAKER: Item No. 2 – Hon. Minister.

THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY): Madam, I beg to lay on the Table the following Statements under Section 3(1) of the Fiscal Responsibility and Budget Management Act, 2003:-

- (i) Macro-Economic Framework Statement;
- (ii) Medium-Term Fiscal Policy Statement; and
- (iii) Fiscal Policy Strategy Statement.

^{2*} Laid on the Table and also placed in Library. See No. LT 1844/16/15

28.02.2015

12.35 hrs

FINANCE BILL, 2015*

HON. SPEAKER: Now, the Finance Bill to be introduced.

THE MINISTER OF FINANCE, MINISTER OF CORPORATE AFFAIRS AND MINISTER OF INFORMATION AND BROADCASTING (SHRI ARUN JAITLEY): Madam, I beg to move for leave to introduce a Bill to give effect to the financial proposals of the Central Government for the financial year 2015-2016.

HON. SPEAKER: The question is:

“That leave be granted to introduce a Bill to give effect to the financial proposals of the Central Government for the financial year 2015-2016.”

The motion was adopted.

SHRI ARUN JAITLEY: Madam, I introduce ** the Bill.

HON. SPEAKER: The Finance Bill, 2015 has been introduced.

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12.36 hrs

ANNOUNCEMENT BY THE SPEAKER

HON. SPEAKER: Many hon. Members have demanded that the sitting fixed on the Thursday, 5th March, 2015, be cancelled on account of Holi.

[Translation]

Everyone requested that the sitting should not be held on 5th March. Agreeing to your request, I announce that the sitting scheduled for 5th March is cancelled.

[English]

The House stands adjourned to meet again on Monday, 2nd March, 2015 at 11 a.m.

12.37 hrs

The Lok Sabha then adjourned till Eleven of the Clock on Monday, March 2, 2015/Phalguna 11, 1936 (Saka).

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