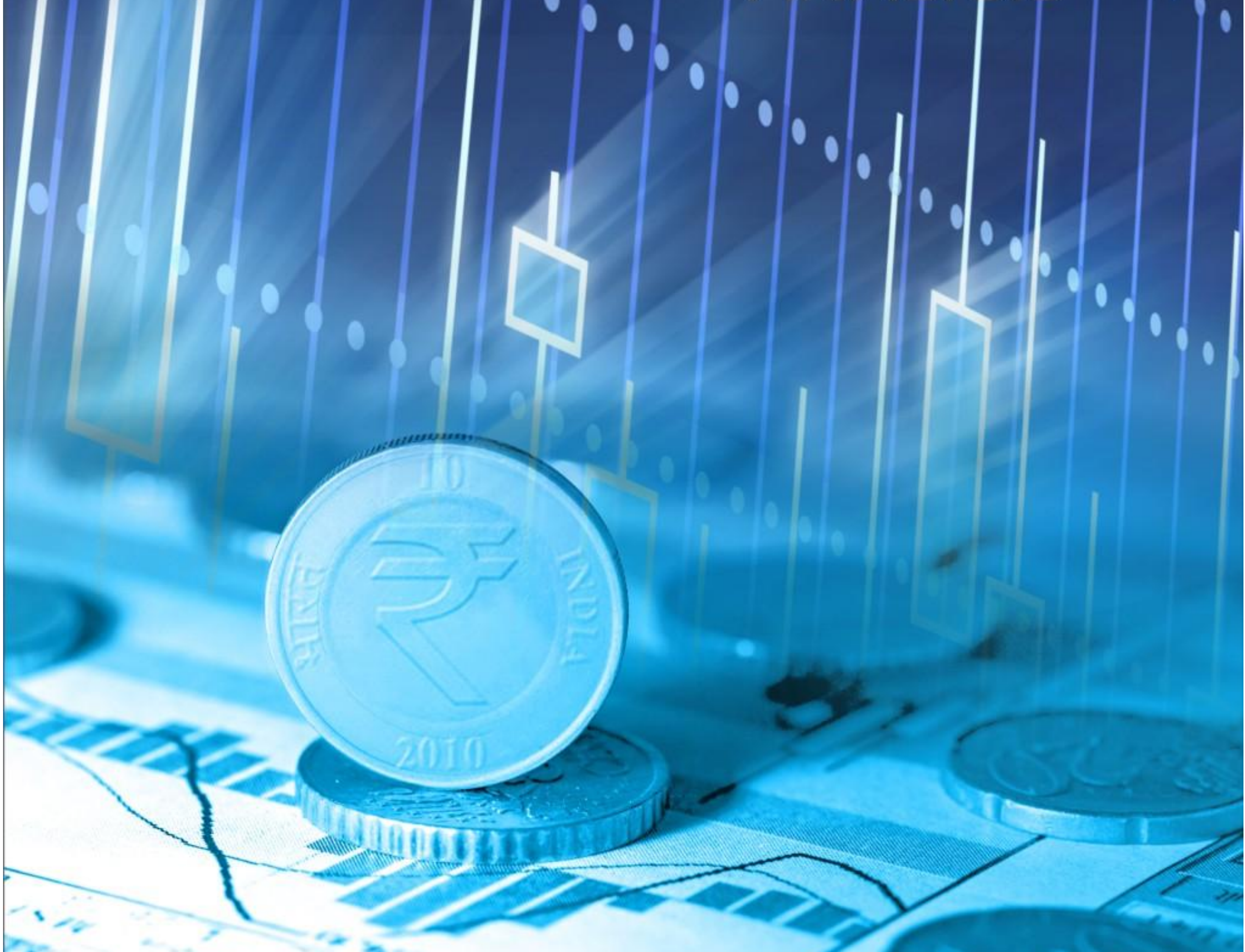
UNION BUDGET 2016 - 2017 ANALYSIS



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Part A

Macro Overview

Macro Overview

Union Budget 2016-17 sets a positive tone…

Union Budget 2016-17 is a giant leap forward towards achieving the broad development agenda of the Government reiterating its commitment to take the economy on a higher growth pedestal. The Union Budget indicates continuation of a positive direction on reforms making an honest attempt to address some of the most pressing challenges at hand.

Weak demand both on account of domestic and external factors has been a concern for some time now. As a result the domestic capex cycle has been stuck and the industry has been operating at sub optimal capacity utilization. The same has been reflected in the recent surveys conducted by FICCI as well. The Budget giving due cognizance to this concern aptly emphasizes on pump priming demand in the economy by laying adequate focus on the agriculture, rural and infrastructure sector.

The commitment to double farmer's income over the next five years is a welcome announcement. The policy measures taken to fortify the viability of the agriculture sector will help achieve this objective. Creation of a Long Term Irrigation Fund under NABARD and further push to the soil health card scheme, production of pulses and implementation of Unified Agriculture Marketing Scheme are all positive steps.

On the rural front increased allocation under MGNREGA and most importantly linking it with the creation of productive assets is laudable. This is expected to provide some respite to the rural and farm distress.

Further, the first two Budgets of the Government had laid adequate focus on the infrastructure sector and affordable housing and the same impetus has been carried forward in the current Budget as well. Both these sectors have the potential to create significant multiplier effect on economy and fostering job creation.

Putting a seamless infrastructure base in place is the need of the hour. The Government has already put across a grand vision of developing India's infrastructure and the total outlay of Rs 2.2 lakh crore for the infrastructure sector laid out in the Union Budget 2016-17 is a reaffirmation of its commitment to make India's infrastructure world class.

Keeping the promise of promoting affordable housing, the fiscal incentives provided for housing projects up to 30 sq. mtrs in metros and 60 sq. mtrs in non-metros, combined with other tax exemptions to developers and additional tax deduction on interest on housing loans will push both the demand and supply levers in this critical sector.

Further, the constant efforts of the Government on promoting entrepreneurship have been noteworthy. The Startup India Standup India vision launched earlier this year in January has been a landmark announcement and it is heartening to note that under the Stand Up India Scheme at least two projects per bank branch will be facilitated. This is expected to benefit about 2.5 lakh entrepreneurs and will play a significant role in creating livelihood opportunities. In addition to this, the measures undertaken to support start-ups either by way of 100% deduction of profits for 3 out of 5 years or through exemption of tax on capital gains will go a long way in supporting start-up activity in the country that has a huge entrepreneurial potential.

Furthermore, the Budget carries forward the agenda of widening the social security net for the masses. A new health protection scheme has been introduced which will provide health cover up to rupees one lakh per family and for senior citizens an additional top up package up to 30,000 will be provided.

Lastly, amid strong global headwinds, signs of a firm recovery are still elusive. Our exports have been in the negative terrain for over a year now given the frail global demand conditions. The expansion of coverage of duty drawback scheme is expected to provide much needed support to exporters and the Budget announcements would help in mitigating transaction costs and time for exporters and importers.

Government commits sticking to the path of fiscal prudence

The Government has been able to adhere to its budgeted fiscal deficit of 3.9% of GDP for 2015-16, which is commendable and the target for the year 2016-17 has been retained at 3.5%. Though the Government has indicated sticking to the fiscal roadmap, the Budget is certainly big on spending numbers and what arises as a concern is the challenge of funding this expenditure.

In India, Banks have been the primary source of funding growth and they are not in the best of health at present. The build-up in the level of stressed assets has been weighing heavy on the economy.

Resolving the issue of nonperforming assets has been a key priority of the Government. The budget announcement for amending the SARFAESI Act to enable sponsors of ARCs to hold up to a 100 percent stake, along with other measures to strengthen is a positive step. We also look forward to the passage of the Insolvency and Bankruptcy law in the Budget Session. In addition, the steps towards further deepening of the corporate bond market are welcome.

Expenditure Side

- Total expenditure has been budgeted to increase by 10.8% in the fiscal year 2016-17. In 2015-16, this was budgeted at 5.7%, while the revised estimates indicate a growth of 6.2%. The rise in total expenditure in 2015-16 was noted mainly on account of 2.0% growth in plan expenditure (the budget growth was (-) 0.6%). The non-plan expenditure, however, noted moderation in growth, growing by 7.8% in 2015-16 RE as against the budgeted growth of 8.2%. For the fiscal year 2016-17, plan expenditure is budgeted to increase by 15.3%, while the non-planned expenditure is budgeted to increase by 9.2%.

Trends in Receipts and Expenditure (in Rs crore)

	2013-14 (Actuals)	2014-15 (Actuals)	2015-16 (BE)	2015-16 (RE)	2016-17 (BE)	2016-17 BE over 2015-16 RE (%)	2015-16 RE over 2014-15 RE (%)	2015-16 BE over 2014-15 RE (%)
REVENUE RECEIPTS	**1014724**	**1101473**	**1141575**	**1206084**	**1377022**	**14.2**	**7.1**	**1.4**
Tax Revenue	815854	903615	919842	947508	1054101	11.2	4.3	1.3
Non-Tax Revenue	198870	197858	221733	258576	322921	24.9	18.7	1.8
CAPITAL RECEIPTS	**563894**	**484448**	**623861**	**601645**	**587843**	**-2.3**	**5.5**	**9.3**
Internal Debt-Market Borrowings (Net)	453550	445138	456405	401929	425181	5.8	-10.1	2.1
External Assistance(Net)	7292	12933	11173	11485	19094	66.3	18.3	15.1
Recovery of Loans	12497	13738	10753	18905	10634	-43.8	73.7	-1.2
Small Savings(Net)	12357	32226	22408	53418	22108	-58.6	60.5	-32.7
State Provident Funds(Net)	9753	11920	10000	11000	12000	9.1	10.0	0.0
Disinvestment Equity in PSEs	29368	37737	69500	25313	56500	123.2	-19.3	121.7

	2013-14 (Actuals)	2014-15 (Actuals)	2015-16 (BE)	2015-16 (RE)	2016-17 (BE)	2016-17 BE over 2015-16 RE (%)	2015-16 RE over 2014-15 RE (%)	2015-16 BE over 2014-15 RE (%)
TOTAL- RECEIPTS	**1578618**	**1663673**	**1765436**	**1785392**	**1978060**	**10.8**	**5.2**	**4.0**
Non-Plan Expenditure	1106120	1201029	1312200	1308194	1428050	9.2	7.8	8.2
Interest Payments	374254	402444	456145	442620	492670	11.3	7.6	10.9
Defence Expenditure	203499	218694	246727	224636	249099	10.9	1.0	11.0
Subsidies	254632	258258	243811	257801	250433	-2.9	-3.3	-8.6
Plan Expenditure	453327	462644	465277	477197	550010	15.3	2.0	-0.6
Revenue	352732	357597	330020	335004	403628	20.5	-8.7	-10.0
Capital	100595	105047	135257	142193	146382	2.9	40.7	33.9
Total Expenditure	**1559447**	**1663673**	**1777477**	**1785391**	**1978060**	**10.8**	**6.2**	**5.7**
Deficit on Revenue Account	**357048**	**365519**	**394472**	**341589**	**354015**			
Primary Deficit	**128604**	**108281**	**99504**	**92469**	**41233**			
Fiscal Deficit	**502858**	**510725**	**555649**	**535090**	**533904**			
Fiscal Deficit (as a % of GDP)	**4.5**	**4.1**	**3.9**	**3.9**	**3.5**			

Source: India Budget 2016-17, CMIE

- The total subsidies in 2016-17 are expected to amount to Rs 2, 50, 433 crore which is 2.9% lower vis-à-vis revised estimate for the previous year. All major subsidies – including food, fertilizer and petroleum have noted a decline. The petroleum subsidy has been estimated at Rs 26, 947 crore in 2016-17, which is a decline of 10.2% from the revised estimate of 2015-16. A further slippage in oil subsidy remains a possibility in the fiscal year 2016-17 given the muted crude oil prices. Nonetheless, geo political concerns especially in the Middle East can put strain on the oil bill, in addition to the possibility of Rupee vulnerability. Further, the Government remains committed to plugging leakages by expanding the ambit of Direct Benefits Transfer scheme to assure subsidies for the targeted group.

- Additional commitments on account of Seventh Pay commission and One Rank One Pension will add to the burden in the year 2016-17.

Trend in Subsidies (in Rs crore)

Indicators (Rs Crore)	2014-15 (Actuals)	2015-16 (BE)	2015-16 (RE)	2016-17 (BE)	2016-17 BE over 2015-16 RE (%)	2015-16 RE over 2014-15 RE (%)	2015-16 BE over 2014-15 RE (%)
Major Subsidies	249016	227388	241857	231782	-4.2	-4.7	-10.4
Fertilizer Subsidy	71076	72969	72438	70000	-3.4	2.1	2.8
Food Subsidy	117671	124419	139419	134835	-3.3	13.6	1.4
Petroleum Subsidy	60269	30000	30000	26947	-10.2	-50.2	-50.2
Total - Subsidies	258258	243811	257801	250433	-2.9	-3.3	-8.6

Source: India Budget 2016-17

Revenue Side

- The total receipts are budgeted to increase by 10.8% in the fiscal year. In the fiscal year 2015-16, the growth in total receipts was budgeted at 4.0%, however the revised estimates put across a better performance indicating a growth rate of 5.2%. The pick-up in total receipts has come on the back of a better than anticipated performance in revenue receipts. Growth in both, tax as well as non-tax revenue, accelerated during the 2015-16.

- The growth in tax revenues and non-tax revenues is budgeted at 11.2% and 24.9% respectively for 2016-17. The growth in non-tax revenue is anticipated at a much higher level this year. The budgeted growth for non-tax revenue in 2015-16 was 1.8%, while the revised estimated reported a growth of 18.7%.

- The capital receipts are expected to fall by 2.3% in 2016-17. The disinvestment receipts are targeted at Rs. 56,500 crore for the fiscal year 2016-17. This is lower than the budgeted target of Rs 69,500 crore in 2015-16. Also, it might be noted that the revised estimated for 2015-16, puts the disinvestment receipts at a much lower level of Rs. 25, 313 crore. Utilization of disinvestment in PSUs as a resource to generate higher receipts is essential for the government to fund its expenditure.

- The Finance Minister further reiterates the government's commitment to end tax related issues in the Union Budget 2016-17. In order to remove backlog of cases, the government has proposed to create a total of 11 new benches of Customs, Excise and Service Tax Appellate Tribunal. Also, a high level committee chaired by the Revenue Secretary was announced to be set up to oversee fresh cases where assessing officer applies for retrospective amendments.

Union Budget 2016-17: Critical Focus Areas- Major Announcements

	Focus	Budget Announcement
1	**Infrastructure**	• Total outlay for infrastructure – Rs. 2,21,246 crore • Amendments to be made in Motor Vehicles Act to encourage private sector participation in public transport sector • Action plan for revival of unserved and underserved airports to be drawn • Provide calibrated marketing freedom in order to incentivise gas production from deep-water, ultra deep-water and high pressure-high temperature areas • Steps to re-vitalise PPPs
2	**Education**	• Regulatory architecture to be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions • Higher Education Financing Agency to be set-up with initial capital base of Rs. 1000 Crores
3	**Social Welfare and Security**	• New health protection scheme will provide health cover up to Rs. One lakh per family. For senior citizens an additional top-up package up to Rs. 30,000 will be provided. • Cooking gas connection facility for BPL families
4	**Rural sector**	• 100% village electrification by 1st May, 2018 • A new Digital Literacy Mission Scheme for rural India to cover around 6 crore additional household within the next 3 years • Linking MGNREGA to asset creation

5	**Foreign Direct Investment**	• Reforms in FDI policy in the areas of Insurance and Pension, Asset Reconstruction Companies, Stock Exchanges • 100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India
6	**Financial Sector**	• A comprehensive Code on Resolution of Financial Firms to be introduced • Statutory basis for a Monetary Policy framework and a Monetary Policy Committee through the Finance Bill 2016 • Amendments in the SARFAESI Act 2002 to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non institutional investors to invest in Securitization Receipts • Allocation of Rs. 25,000 crore towards recapitalisation of Public Sector Banks
7	**Governance**	• Bill for Targeted Delivery of Financial and Other Subsidies, Benefits and Services by using the Aadhar framework to be introduced • Amendments in Companies Act to improve enabling environment for start-ups • "Ek Bharat Shreshtha Bharat" programme to be launched to link States and Districts in an annual programme that connects people through exchanges in areas of language, trade, culture, travel and tourism

Source: India Budget, 2016-17

Part B

Taxation

Taxation

Direct Tax Proposals

- No change in income-tax and income slabs. Surcharge increased from 12% to 15% for individuals having total income above Rs. 1 crore.
- Applicability of Place of Effective Management ('POEM') based residence test deferred by a year.
- Transition provisions to be notified in relation to foreign companies which are said to be resident in India for the first time as per POEM rules.
- Foreign companies not subject to MAT with retrospective effect from April 1, 2000.
- Introduction of equalization levy of 6% of the amount of consideration for specified services (online advertisement or provision of digital advertising space) received/receivable by a non-resident (not having a PE in India) from a person resident in India or non-resident (having a PE in India).
- Introduction of CbC reporting in line with OECD on Action Plan 13.
- Plan for phasing out of deductions and incentives.
- Deduction for provision for bad and doubtful debts of up to 5% of total income for NBFCs.
- Deduction of 100% of profits derived from eligible businesses by start-ups for 3 consecutive years out of 5 years beginning from the year in which the start-up is incorporated.
- 100% deduction of profits to an assessee engaged in developing and building affordable housing projects subject to fulfillment of conditions.
- Concessional tax of 10% (plus surcharge and cess) applicable to royalty income earned by resident taxpayers from patents developed and registered in India.
- Lower corporate tax of 25% to newly incorporated manufacturing companies.
- 30% additional tax incentive for employment generation to specified businesses.
- Benefit of additional depreciation extended to power transmission business.
- Tax relief for foreign companies engaged in mining of diamond and sale of crude oil subject to conditions.
- Spectrum fees to be amortized in equal installments.
- Increase in threshold limit for presumptive taxation scheme for persons having income from business from Rs. 1 crore to Rs. 2 crore.
- Increase in threshold limit for audit of persons earning income from profession from Rs. 25 lakhs to 50 lakhs.

- Introduction of presumptive taxation scheme for persons earning income from profession upto Rs. 50 lakhs.
- Buy-back tax to cover all modes of buy-back under company law. Also, rules to be framed for manner of determination of amount received by the company on issue of shares.
- Additional condition for tax exemption on conversion of company into LLP.
- Merger of plans within a mutual fund scheme also exempt in the hands of the unit holders.
- It is proposed to relax certain conditions for availing the safe harbor applicable to specified offshore funds.
- Declaration, distribution and payment of dividends by Indian companies wholly owned by business trusts proposed to be exempt from levy of Dividend Distribution Tax.
- It is proposed that no taxes shall be withheld in respect of payments made by Category-I and II investment funds to non-resident investors.
- Several tax incentives proposed for a company, being a unit located in IFSC.
- Exemption for units of funds for investing in start-ups.
- Capital gains for investing in shares of start-ups.
- Time period for acquisition and construction of self-occupied house property increased from 3 years to 5 years, in order to claim interest deduction.
- Long-term capital gains tax rate of 10% to be applicable for non-residents on transfer of shares of a closely held company (including a private company).
- Announcement made regarding decrease in minimum period of holding for unlisted shares from 3 years to 2 years.
- Additional deduction of Rs. 50000 in respect of interest paid on acquisition of residential property subject to fulfillment of conditions.
- Exemption for capital gains on redemption of Sovereign Gold Bonds.
- Tax exemption available on interest income/capital gains arising on deposit certificates issued under Gold Monetisation Scheme, 2015.
- In respect of capital gains arising to a non-resident investor from a rupee denominated bonds issued by an Indian company, gains arising as a result of appreciation of rupee against foreign currency to be ignored for the purpose of computing full value of consideration.
- Announcement of rationalization of disallowance under section 14A read with Rule 8D.
- Rationalization/liberalization of provisions relating to TDS/TCS.

- Penalty leviable at the rate of 50% of tax in case of underreporting of income and 200% of tax in case of misreporting.
- Immunity to the taxpayer from penalty if the assessment/re assessment order is not appealed and tax and interest demanded is paid.
- Rationalization/calibration of penalty provisions.
- Advance tax payment schedule rationalized.
- A new dispute resolution scheme proposed to be launched.
- Income Declaration Scheme, 2016 introduced for declaring undisclosed income of the past years.
- Set-off of losses not allowable against undisclosed income.
- Employers' contribution in excess of Rs. 150,000 (earlier Rs. 100,000) to an approved superannuation fund is now chargeable as perquisite in hands of employee.
- Non-compete fees in relation to carrying on 'profession' included within the scope of 'Income from business and profession' and the cost of improvement is to be considered as nil.
- Employer's annual contribution to recognized provident fund in excess of Rs. 150,000 deemed to be income of the employee.
- Time line for filing belated return and revised return modified.
- Processing of return made mandatory before making a scrutiny assessment.
- Time limit of 12 months proposed for tax authorities to accept or reject application for waiver of interest in case of taxpayers deemed to be in default.
- Interest on refund to be granted from the date of filing the return of income in case of belated return.
- Interest on refund of self-assessment tax to be granted from the date of payment of tax or filing of return, whichever is later.
- Delay in giving appeal effect to attract interest at the rate of 9% per annum.
- ITAT to rectify its order within 6 months from the end of the month in which order is passed.
- Revision in time limit for assessment in case of search and requisition and assessment of income of specified person.
- GAAR to be implemented from April 1, 2017.
- TCS applicable on sale of motor vehicles, cash sale of goods (other than bullion and jewellery) and cash receipts for services.

- Payment received by employees from National Pension system trust exempt upto 40%. Payment received by employees from Recognised Provident Fund/Superannuation Fund now exempt only upto 40% of the accumulated balance/annuity respectively.

Indirect Tax Proposals

Service Tax

New levies / Withdrawal of exemptions

- Assignment of the right to use radio-frequency spectrum by Government and subsequent transfers thereof included as a declared service
- Krishi Kalyan Cess ('KKC') at the rate of 0.5 percent of the value of taxable services to be notified from June 1, 2016. Consequently, effective rate of service tax to increase to 15 percent on some or all taxable services
- Inbound ocean freight from a place outside India upto the customs station in India
- Services related to construction of monorail and metro
- Services of transportation of passengers by air-conditioned stage carriage
- Services by way of construction and related services of low cost houses
- Service of transportation of passengers by ropeway, cable car or aerial tramway
- Legal services provided by senior advocates to advocates or partnership firms of advocates or business entities under forward charge mechanism
- Presumptive rate of service tax on single premium annuity policies reduced from 3.5 percent to 1.4 percent of the premium, in cases where the amount allocated for investment, is not intimated to the policy holder at the time of providing of service

Partial restoration of exemptions earlier withdrawn

- Services provided to Government by way of construction and related services of:
  - Civil structure for use other than commerce, industry or any other business or profession
  - Educational, clinical, or art & culture establishment
  - Residential complex for self-use or use of their employees
  - Original works pertaining to any port or airport

  These tax exemptions will be available until March 31, 2020. For the period April 01, 2015 to February 29, 2016 also, exemption sought to be restored with enactment of Finance Bill 2016 subject to specified conditions.

Compliance and dispute resolution

- Power to arrest significantly restricted and monetary limit for punishable offences enhanced
- Mandatory filing of service tax annual return by specified service tax assessees to be notified
- Compliance requirements for one person company brought on par with those of individuals and partnership firms

Excise Duty

- Rate of excise duty on aerated water and lemonade enhanced from 18 percent to 21 percent
- Wrist wearable devices (smart watches) to attract excise duty on retail sale price after claiming prescribed abatement
- Accessories of passengers and commercial vehicles and certain self -propelled vehicles such as trucks, forklifts to attract excise duty on retail sale price after claiming prescribed abatement
- Excise exemption on components and parts of mobile phones withdrawn
- Lower rate of excise duty for routers, modems, CCTV, digital video recorder, network video recorder subject to conditions
- In order to provide boost to indigenous manufacturing in the IT sector, excise duty exemption provided on parts and components of routers, modems, CCTV, digital video recorder, network video recorder used for manufacture of finished goods
- Inverted duty structure corrected for locomotives
- Excise duty exemption provided to tools and tool-kits used for maintenance, repair and overhaul of aircrafts and capital goods, spares thereof and raw materials, material handling equipment and consumables for repair of ocean going vessels.
- Excise duty on aviation turbine fuel supplied to any airline other than scheduled commuter airlines from regional connectivity scheme increased from 8 percent to 14 percent
- Excise duty exemption on certain sub-parts of rotor blades for wind operated electricity generators withdrawn
- Excise duty re- introduced for branded garments having retail sale price more than INR 1000/-. Option for payment of excise duty at lower rate available subject to non-availment of CENVAT Credit
- Excise duty re-introduced for all jewellery except studded silver jewellery
- Full exemption provided to ready-mix concrete manufactured at ‘site’ of construction. Definition of site to include any premise made available for manufacture of goods for such construction work

- Central Excise Rules proposed to be amended to provide an option for revision of monthly and annual excise returns

Cesses

- 'Infrastructure cess' introduced in the range of 1 percent to 4 percent for specified motor vehicles classified under HSN 8703. Exemption for certain special purpose motor vehicles. CENVAT Credit of such cess unlikely to be available

- Clean energy cess on coal renamed as 'clean environment cess'. Effective rate of such cess enhanced from Rs. 200 per tonne to Rs. 400 per tonne

- Oil industry development cess on domestically produced crude amended from Rs. 4500 per tonne to an ad valorem rate of 20 percent

Customs

- In support of Make in India initiative, custom duty benefits have been extended to inputs/ raw materials required for use in the manufacture of specified parts/ accessories of IT/ telecommunication, television products. For further alignment, certain exemptions on specified accessories of the IT/ telecommunication products withdrawn

- Effective customs duty for wide range of heavy machinery/ electrical equipment like steam boilers, steam turbines, super heaters, condensers, hydraulic turbines, wind turbine, gas turbine, high voltage electrical transforms etc. increased from 7.5 percent to 10 percent

- With the Government's agenda of increasing domestic capabilities with respect to defense products, the exemption for imports made by the Government or a contractor for Indian Navy or Coast Guard or Air Force stands withdrawn w.e.f. April 1, 2016. This brings parity for products manufactured in India

- Boost to MRO sector for aircraft maintenance by way of relaxations for ease of operations

- Multi-fold efforts to create assesse friendly tax environment with several initiatives being put forth (these would be effective on enactment of the Finance Bill, 2016) –

  - Enabling provision for customs duty deferral, however, details of the scheme would be notified through rules in due course

  - Bonded warehouses allowed to open anywhere across the nation; notification of specified areas as 'warehouse station' discontinued

  - Warehousing period has been enhanced as a trade facilitation measure

  - Custom control over public and private warehousing to be document based rather than through customs personnel resulting in lower transaction cost and faster clearance of consignments

  - Special warehouses, monitored by the customs, to be established for specified dutiable goods

  - Warehousing allowed till clearance/ consumption of goods by EOU, EHTP, STP, ship building units and warehouses with permission to undertake operations in bonded warehouse

- Duty of 7.5 percent imposed on e-reader; however, lower rate of basic customs duty on import of raw materials or parts used in manufacture of e-readers
- Project import benefit of 5 percent BCD granted to cold chains
- Simplification of procedures for claiming custom duty exemption for imports made by (i) ship repair units, and (ii) oil and gas sector
- Customs duty computation on import of motor vehicles to change due to imposition of infrastructure cess (at 1/ 2.5/ 4 percent) with effect from March 1, 2016

PART C

Sectoral Analysis

Sectoral Analysis

Agriculture

A. FICCI's Wish List

- Active engagement of private sector in procurement, logistics and distribution of food grain management
- Increased allocation for agriculture research and development
- Strengthening agri equipment sector by developing and scaling custom hiring banks model
- Creation of a common agriculture market
- Concept of farmer producer organizations should be strengthened.
- New weather based insurance system should be extended to all the states and crops as this can be more effective in mitigating farmers' risk.
- Restructuring of the agriculture extension system at centre and state would lead the way towards better utilization of resources and funds.
- The interest subvention scheme for farmers who store their produce should be extended to all farmers and all warehouse receipts rather than being restricted to only negotiable receipts and to only small and marginal farmers.
- Capital subsidy under the 'Grameen Bhandaran Yojana' should be restored. The Capital subsidy of 15%, which was announced in the 2014 budget, has been suspended and no budgets have been provided. In the interim the projects where the loans have been sanctioned should be restored.
- Extend capital subsidy for construction of vertical silos by organized private sector entities to give an impetus to modern and efficient storage structures.

B. Budget Announcements

- Total allocation for Agriculture and Farmers' welfare is Rs. 35,984 crore.
- **Market access:** The Unified Agricultural Marketing e-Platform will be inaugurated on April 14, 2016. Amendments to the APMC Acts of the States are a pre-requisite to join this e-platform.
- **Irrigation:**
  - A dedicated Long Term Irrigation Fund will be created in NABARD with an initial corpus of about Rs. 20,000 crore
  - 'Pradhan Mantri Krishi Sinchai Yojana' to be implemented in mission mode.
  - Implementation of 89 irrigation projects under Accelerated Irrigation Benefit Programme (AIBP) will be fast tracked
- **Soil Health & Fertility:** Soil health card scheme is being implemented and Rs. 368 Crore is allocated for National Project on Soil Health & Fertility
- **Crop Insurance:** A crop insurance scheme has been approved and Rs. 5,500 crore has been allocated for its implementation
- **Pulses:** Rs. 500 crore under food security mission earmarked for cultivation of pulses
- **Agri Credit:** Rs. 15,000 crore interest subvention for agriculture loans
- **Animal Husbandry:** Government to spend Rs. 850 crore in next 5 years on animal husbandry, cattle and livestock breeding under 4 new projects to make dairy farming more remunerative for farmers.
- Rs. 38,500 crore has been allocated for MGNREGA
- **Organic Farming:** Rs.412 crore to be set apart to encourage organic farming. Two schemes have been launched- 'Parmparagat Krishi Vikas Yojana' & 'Organic Value Chain Development' in North East Region

- **FDI in food processing:** 100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India

C. Implications of Announcements

- The announcement of Unified Agriculture Market and announcement of e-platform will increase market efficiency and competitiveness and will also enable a seamless integration of vastly spread out and diversified production centres to consumer base. This is a welcome step.
- Focus on irrigation under the budget is a welcome move. Implementation of Pradhan Mantri Krishi Sinchai Yojana in mission mode is important to expand cultivable area under assured irrigation. Currently, out of 141 million hectares of net cultivated area in the country, only 46% is covered with irrigation.
- Announcement on sustainable management of ground water and implementation of irrigation projects will develop appropriate infrastructure for enhancing access of water for farms. However, Government should also increase the area under micro irrigation.
- Soil erosion has been a major concern area. Budget allocation on soil health management and soil fertility will have positive impact on farming and food production.
- Currently, insurance penetration extends to hardly one fifth of the country's cropped area. The new crop insurance policy will help in increasing this proportion by making it attractive for farmers to take insurance protection.

D. Unmet Demand

- New weather based insurance system should be extended to all states and crops as this can be more effective in mitigating farmers' risk.
- Strengthening farm mechanisation sector by developing and scaling custom hiring banks model.
- Restructuring of the agriculture extension system at centre and state that would lead the way towards better utilization of resources and funds.
- Leveraging the private sector in transferring best practices from high productivity states to states with lower productivity in all crops and commercialize agro-technologies.

Banks & NBFCs

A. FICCI's Wish List

- Payment of interest to NBFCs should be excluded from the purview of provisions of Section 194A of the Act and tax collections through NBFCs should be made by way of advance tax.
- NBFCs are now subject to directions of RBI as regards income recognition and provisioning norms. Accordingly, NBFCs are also compulsorily required to make provisions for NPAs. Hence, NBFCs/ NBFC-MFIs should also be included under Sec. 36 (1) (viia) of the Act. [As per the provisions of Section 36(1)(viia) of the Act, provisions for bad and doubtful debts (if made as per RBI directions) made by banks are allowed as a deduction to the extent of 7.5% from the gross total income and 10% of aggregate average rural advances made by them.]
- Provisions of Section 43D of the Act should also be made applicable to NBFCs registered with RBI.
- NBFC – MFIs should be included as a specified entity eligible for claiming deduction to the extent of 20% of the profits derived from eligible business under Section 36 (1) (viii) of the Act.
- Banks should be granted exemption from TDS under Section 196 of the Act.
- In the definition of rural branches, the limit for population in a rural area should be increased to at least one lakh instead of ten thousand currently.
- Threshold limit for deduction of TDS on interest other than interest on securities should be increased from Rs. 10,000 to Rs. 1,00,000 where the payer is a banking company.
- The provisions of Section 115JG of the Act should provide clarity on certain transitional issues such as value at which closing 'block of assets' are to be transferred to subsidiary, treatment of allowability of expenses to subsidiary earlier disallowed under Section 43B in the hands of branch to achieve the intended objective of conversion of branch into a subsidiary.
- Deduction under Section 80P in respect of income of cooperative banks should be restored.
- Acceptance of Form 60/61 and Form 15G/15H by banks should be made automated to reduce paperwork
- Section 72AA of the Act should be amended to allow forward and set-off of accumulated loss and unabsorbed depreciation allowance in case of all types of banking consolidation.
- Announce creation of a government sponsored specialized institution called National Asset Management Company (NAMCO) to effectively tackle large NPAs in India. NAMCO shall focus on rehabilitation of large scale NPAs, restructured loans and other potential stressed assets, mainly in the infrastructure sector.
- Increase the budgetary allocation for recapitalization of PSBs

B. Budget Announcements

- The government will introduce a comprehensive Code on Resolution of Financial Firms during 2016-17.
- Amendments in the RBI Act, 1934 to provide statutory basis for a Monetary Policy Framework and a Monetary Policy Committee through the Finance Bill 2016.
- It is proposed to make necessary amendments in the SARFAESI Act 2002 to enable the sponsor of an ARC to hold up to 100% stake in the ARC and permit non institutional investors to invest in Securitisation Receipts.
- The government has proposed allocation of Rs. 25,000 crore for recapitalisation of Public Sector Banks (PSBs). The government will find resources to meet additional funding of the PSBs.
- The government proposes to lay a roadmap of consolidation of Public Sector Banks (PSBs)
- It is proposed to strengthen Debt Recovery Tribunals (DRTs) with focus on improving existing infrastructure, including computerised processing of court cases.
- The government proposes to increase the amount sanctioned by banks and NBFC – MFIs under Pradhan Mantri Mudra Yojana (PMMY) to Rs. 1,80,000 crore in FY17.

- The government will undertake rollout of ATMs and Micro ATMS in Post Offices over the next three years.

C. Implications of Announcements

- Introduction of a comprehensive Code will provide a specialised resolution mechanism to deal with bankruptcy situation in banks, insurance companies and financials sector entities effectively.
- A committee based approach will make RBI highly accountable and add lot of value and transparency to monetary policy decisions.
- Permitting non institutional investors to invest in Securitisation Receipts will increase the investor base and empower ARCs to effectively handle the problem of stressed assets.
- Allocation of Rs. 25,000 crore to Public Sector Banks (PSBs) will provide the much needed capital to these banks to ensure smooth functioning and support the credit needs of the economy.
- Strengthening Debt Recovery Tribunals (DRTs) is a step in the right direction as this has been proved as an important channel.
- Increasing the sanction amount to Rs 1,80,000 under PMMY will enable small business units to meet their funding needs appropriately and ensure that the development is holistic and all encompassing.
- Rollout of ATMs and Micro ATMS in Post Offices will provide better access to financial services especially in the rural areas and further the government's agenda of financial inclusion.

D. Unmet Demand

- In case of some PSU banks, government shareholding is close to 51%. Government can look at having a 26% share as a floor and bring in the concept of golden share to exercise control over critical decisions.
- Setting up of NAMCO

Capital Markets

A. FICCI's Wish List

- Removal/ lowering of Securities Transaction Tax (STT)
- DDT exemption on income from Special Purpose Vehicle (SPVs) to the Real Estate Investment trusts (REITs) and Infrastructure Investment Trust (INVITs)
- DDT exemption to companies located in International Financial Centre (IFC)
- Capital gains tax exemption to non-residents on gains arising on account of rupee appreciation at redemption of Rupee denominated bonds
- Deepening of corporate bond market

B. Budget Announcements

1. Corporate taxation

- DDT exemption on income from SPVs to the REITs and INVITs
- Complete pass through of income-tax to securitization trusts including trusts of ARCs; income will be taxed in the hands of the investors instead of the trust
- Reiterated commitment towards providing a stable and predictable taxation regime. Assured that government would not retrospectively create a fresh tax liability
- In addition to DDT paid by the companies, tax at 10% of gross amount of dividend will be payable by the recipients receiving dividend in excess of Rs. 10 lakh per annum
- Implementation of General Anti Avoidance Rules (GAAR) deferred by one year to 1.4.2017

2. Initiatives for increasing foreign investment

- MAT would not be applicable to a foreign company, w.e.f. 01.04.2001 if the foreign company does not have a permanent establishment under relevant Double Taxation Avoidance Agreement (DTAA) or a place of business in India
- Investment limit for foreign entities in Indian stock exchanges will be enhanced from 5% to 15% on par with domestic institutions
- The existing 24% limit for investment by FPIs in Central Public Sector Enterprises, other than Banks, listed in stock exchanges, will be increased to 49%
- The basket of eligible FDI instruments will be expanded to include hybrid instruments subject to certain conditions.
- FDI will be allowed beyond the 18 specified NBFC activities in the automatic route in other activities which are regulated by financial sector regulators.
- Foreign investors will be accorded Residency Status subject to certain conditions.
- Introduction of Centre State Investment Agreement- to facilitate effective implementation of Bilateral Investment Treaties signed with other countries
- Determination of residency of foreign company on the basis of Place of Effective Management is proposed to be deferred by one year and shall now apply w.e.f 1.04.2017
- Funds registered or set up in a country notified by the Central Government to be eligible for special taxation regime for offshore funds (section 9A IT Act). Condition of not having control and management of any business or not carrying on any business by the fund will be applicable only to activities in India and not from India.

- Capital gains tax exemption to non-residents on gains arising on account of rupee appreciation at redemption of rupee denominated bonds

3. Tax benefits to facilitate setting up of International Financial Centre (IFC) in India

- DDT exemption to companies located in the IFC
- MAT to be charged at 9% from units located in the IFC
- STT exemption on sale of equity share or units of equity oriented funds or units of a business trust in foreign currency on a recognised stock exchange established in the IFC; tax exemption on gains arising from transfer of such long term capital asset
- Commodity transaction tax exemption on sale of commodity derivatives in foreign currency on a recognised association established in the IFC

4. Measures for deepening the corporate bond market

- LIC to set up dedicated fund to provide credit enhancement to infrastructure projects
- RBI to issue guidelines to encourage large borrowers to access a certain portion of their financing needs through market mechanism instead of banks
- Investment basket of FPIs will be expanded to include unlisted debt securities and pass through securities issued by securitisation of SPVs.
- An e-auction platform to be introduced by SEBI for primary debt offer- towards developing an ecosystem for private placement market in corporate bonds
- RBI and SEBI to jointly develop an information repository for corporate bonds, covering both primary and secondary market segments
- RBI to develop framework for an electronic platform for repo market in corporate bonds

5. Other Capital Markets related announcements / initiatives

- Government to undertake public listing of general insurance companies
- Proposal to amend the SEBI Act 1992 to provide for more members and benches of the Securities Appellate Tribunal
- Benefit of long term capital gain regime in case of unlisted companies proposed to be reduced from three to two years
- To improve greater retail participation in Government securities, RBI will facilitate their participation in the primary and secondary markets through stock exchanges and access to NDS-OM trading platform
- Rate of STT in case of 'Options' is proposed to be increased from 0.017% to 0.05%

C. Implications of Announcements

- The key hurdle to implementation of REITs and InVITs was DDT on income from SPVs. Exemption on DDT is a key positive initiative for real estate and infrastructure companies and this market is likely to pick up
- Several initiatives have been introduced for foreign investors including increasing foreign investment limits, non-applicability of MAT, stable and predictable taxation regime. These will help in improving the investment sentiment in India and attracting foreign capital inflows
- The tax benefits that have been proposed for IFCs are a positive move
- The measure proposed to deepen the corporate bond market will help diversify the source of long term borrowing beyond banks
- Increase in tax liability on dividend income could discourage portfolio investors into investing in Indian equity markets

Commodities Sector

A. FICCI's Wish List

- Removal of Commodity Transaction Tax (CTT) from Processed Agri-Commodities.
- Inclusive Growth of Farmers by Providing them Access to National Regulated Markets
- Creation of Central Repository Agricultural Data
- Participation of Banks and AMCs in Futures Market

B. Budget Announcements

- Unified Agricultural Marketing e-Platform set to be launched on April 14, 2016
- Rs 500 crores under National Food Security Mission have been assigned to pulses in order to enhancement of pulses production. Buffer Stocks for pulses has been introduced to deal with price inflation of pulses, food security and nutritional quality.
- SEBI to introduce new products in commodity derivatives.
- Government has approved Crop Insurance Scheme in the name of Prime Minister Fasal Bima Yojana and allocated a sum of Rs. 5,500 crore in the Budget 2016-17.
- Agricultural credit of Rs. 9 lakh crore and provision of Rs. 15000 crore towards interest subvention to reduce burden of loan repayment, has been allowed.
- Pradhan Mantri Krishi Sinchai Yojana will aim for 28.5 lakh hectares to be brought under irrigation with a dedicated irrigation fund with Rs. 20,000 crore under NABARD
- Conserve soil fertility with balanced use of fertilizer - Soil Health Card Scheme to cover 14 crore farm holdings by March 2017
- Krishi Kalyan Cess, @ 0.5% to be applicable on all taxable services, w.e.f. 1 June 2016. Proceeds would be exclusively used for financing initiatives for improvement of agriculture and welfare of farmers. Input tax credit of this cess will be available for payment of this cess.

C. Implications of Announcements

- Unified Agricultural Marketing e-Platform – will make farmer producers better off by providing them access to a much wider national market. This is critical for income of farmers as well as sharing and dispersal of newer and efficient technologies and techniques
- Prime Minister Fasal Bima Yojana will provide protection to farmers against natural calamities.
- Various programmes viz, Pradhan Mantri Krishi Sinchai Yojana; Soil Health Card Scheme, Krishi Kalyan Cess; Digitalization of land records etc. will help farmers increase their income
- Emphasis on enhancement of pulse production and introduction of buffer stocks of pulses will be helpful in dealing with price inflation of pulses, food security and improving nutritional quality for the population.
- Thrust on digitization of rural India would enable farmers to connect to the national markets at large; increase employment opportunities among others. Digitization of land records is critical and would help in formal classification of farmers and landowners as cultivators that in turn will improve their access to institutional credit.

D. Unmet Demand

- CTT was kept untouched in the budget.

- Participation of diverse entities such as banks and mutual funds in commodities market did not find any mention.
- Post SEBI-FMC Merger, there is a strong demand for common clearing house across asset classes under a unified regulator (SEBI) to bring in efficiencies and benefits for all stakeholders. This is not addressed in the budget.
- To increase transparency we expect the regulator to mandatorily make the companies disclose their positions on commodity exchanges

Education

Higher Education

A. FICCI's Wish List

- To address the shortage of faculty in the country, the Government should expedite the launch of National Mission for Faculty Development and provide a tax relief to the tune of 50% to Universities / Higher Educational Institutions that spend on the capacity development and training of their staff.
- Given the priority of Skill Development in the national agenda, Government should make the following provisions-
  - Any person enrolling for a Skills Certification course be eligible for a 20% tax rebate (only applicable for the tuition fee amount)
  - Any Educational Service Provider opening a Skills Centre in a backward area should be given an exemption from income tax for the first 3 years.
- All donations (and not just restricted only to research funding) to qualified Higher Educational Institutions should be eligible for 200% tax deduction.
- New or existing educational institutions making a fresh investment of Rs. 75 crores or above should be eligible for a preferred and long term loan facility with interest rates at par with Base Rate for a tenor of up to 15 years with step up repayment plan.
- Higher Educational Institutions should be free to set up campuses overseas freely and a line of credit of at least US$ 500m should be set up by the Exim Bank, as a part of India's diplomatic efforts and use of soft power.
- Tax break to corporates which nominate their employees for higher education either through the continuing education model or a full time program. The fees paid by corporate for employees' education should qualify for investment in human resources and hence exempted for tax purposes.
- As colleges fees have increased tremendously income taxpayers should be allowed a deduction against gross total income up to a minimum of Rs 1,00, 000 per child for fees paid to a higher educational institution recognized by Government. This will mitigate the cost of higher education.
- Industries setting up higher education research institutes at an investment of Rs. 20 crores or more should be eligible for a preferred and long term loan facility with interest rates at par with Base Rates for a tenor of up to 10 years with step up repayment
- Manufacturing industries investing in technical skill development institutes to the tune of Rs. 5 crores or more should be eligible for a preferred and long term loan facility with interest rates at par with Base Rates for a tenor of up to 5 years with step up repayment.
- Service tax exemption should also be granted to services related to;
  - Development of course content,
  - Information and Communication Technology
  - Outsourced manpower

B. Budget Announcements

- To set up a Higher Education Financing Agency (HEFA) with an initial capital base of Rs. 1,000 crores.
- An enabling regulatory architecture will be provided to 10 public and 10 private institutions to emerge as world-class Teaching and Research Institutions.
- It is proposed to establish a Digital Depository for School Leaving Certificates, College Degrees, Academic Awards and Mark sheets, on the pattern of a Securities Depository.
- Rs. 1,700 crore allocated for setting up 1500 multi-skill development centres.
- Rs 500 crore allocated for "Stand Up India Scheme" to promote entrepreneurship among SC/ST and Women.

- Two digital literacy schemes to be launched to cover 6 crore additional rural households in the next three years.
- Entrepreneurship Education and Training will be provided in 2200 colleges, 300 schools, 500 Government ITIs and 50 Vocational Training Centres through Massive Open Online Courses.
- 100 Model Career Centres operational by the end of 2016-17.

C. Implications of Announcements

- Allocating Rs. 1000 crore capital base for HEFA is indeed a welcome announcement. It will support expansion & growth of higher education infrastructure.
- Promoting formation of world class Teaching and Research Institutes will provide access to world class education and attract foreign students also. However, the research funding support to these institutions should be extended according to their outcomes.
- A digital depository of certificates will allow each student to create a lifelong personal portfolio and prevent frauds. It will also facilitate student mobility in and from India.
- Establishment of multi-skill development centres will increase the employability of people and will help not just the large industries but also the MSME in remote areas of India, where the skills deficiency is substantially high.

D. Unmet Demand

- Service tax exemption in development of course content, Information and Communication Technology and Outsourced manpower.
- Higher Educational Institutions should be free to set up campuses overseas freely and a line of credit of at least US$ 500m should be set up by the Exim Bank, as a part of India's diplomatic efforts and use of soft power
- All donations (and not just restricted only to research funding) to qualified Higher Educational Institutions should be eligible for 200% tax deduction
- To address the shortage of faculty in the country, the Government should expedite the launch of National Mission for Faculty Development and provide a tax relief to the tune of 50% to Universities / Higher Educational Institutions that spend on the capacity development and training of their staff.

School Education

A. FICCI's Wish List

- **Use central funds strategically to spur policy reform in states:** The Centre can create a Rs. 1000 crore 'State Policy Reform Fund' to incentivise states that implement measures such as merit-based headmaster selection, transparent process for teacher recruitment, allotment and transfers and merit-based teacher promotions.
- **Education quality and capacity building of existing institutions:** The country needs setting up of new specialized research and training institutes with focus on areas such as standardized assessments, school leadership, early literacy & numeracy, pedagogy etc.
- **Strategic initiatives such as assessments, ICT and teacher/ headmaster development:** There is a need to substantially increase investment on student learning assessment surveys from the current Rs. 12 crore to Rs. 100 crore so that states have sufficient funds for instrument development and implementation, dissemination of results across stakeholders and training of functionaries in the use of assessment data for designing quality improvement interventions.
- Spending on the teacher education scheme should be increased by 50% as this is critical for strengthening teacher education institutes across states.

B. Budget Announcements

- 62 New Navodaya Vidyalayas to provide quality education

C. Implications of Announcements

- While establishing 62 new Navodaya Vidyalayas is a welcome move, it would be prudent to assess at some point of time as to whether adding new infrastructure is also incrementally resulting in proportionate increase in overall student enrolments in different geographies. It has been seen that such initiatives witness shift of students from existing government schools, thus making the existing schools more redundant. Time has come to also work actively towards improving the quality of existing schools

D. Unmet Demand

- Rs. 1000 crore 'State Policy Reform Fund' to incentivise states that implement measures such as merit-based headmaster selection, transparent process for teacher recruitment, allotment and transfers and merit-based teacher promotions
- Substantially increase investment on student learning assessment surveys from the current Rs. 12 crore to Rs. 100 crore
- A 50 % increase in the spending on the teacher education scheme as this is critical for strengthening teacher education institutes across states
- Investment in the implementation of quality improvement interventions such as headmaster training, ICT, research and evaluation

Environment, Climate Change and Water Sanitation

A. FICCI's Wish List

- Appropriate fiscal benefits should be provided to encourage manufacturers to adopt environment friendly "clean" technologies.
- The clean energy cess levied on coal should be restricted to only those manufacturers who do not adopt clean technologies as it impacts adversely on the cost competitiveness of manufacturers.
- Exemption to income from Sale of Carbon Credit Entitlements

B. Budget Announcements

- Excise duty on sacks and bags of any plastic is being rationalized.
- Rs. 9000 crore has been allocated to Swacch Bharat Abhiyaan. A policy for conversion of city waste into compost has also been approved under the Swachh Bharat Abhiyan. Fertilizer companies will also co-market city compost which increases efficacy of chemical fertilizer.
- Infrastructure cess has been imposed on all vehicles for reducing pollution and encouraging the use of hybrid cars. 1% on LPG/CNG and small petrol cars; 2.5 % on diesel; and 4% on higher engine capacity and SUVs.
- Allocations under MGNREGA will be used for creating 10 lakh compost pits for organic manure production.
- Clean Energy Cess has been renamed as Clean Environment Cess and the cess has also been doubled from Rs 200/tonne to Rs 400/tonne of coal and lignite and peat mined or imported.
- Customs and excise duty concessions on specified parts of electric vehicles / hybrid vehicles have been extended beyond 31st March 2016 (no time limit specified).
- Plans to extend LPG connection to 1.5 crore BPL households
- Measures have been announced for reducing sensitivity and enhancing adaptive capacity of farmers to climate change. These include
  - Nominal premium and highest ever compensation in case of crop loss under the Prime Minister Fasal Bima Yojana; Rs 5,500 crores earmarked for FY 2016-17
  - In the event of calamities, special focus has been given to ensure timely flow of credit with a target of Rs. 9 lakh crore in FY 2016-17.
  - Provision of Rs. 412 crore has been made to encourage organic farming, and two schemes have been launched, 'Parmparagat Krishi Vikas Yojana' which will bring 5 lakh acres under organic farming over a three year period and value chain based organic farming scheme called "Organic Value Chain Development in North East Region"

Water and Sanitation

- Dedicated long term irrigation fund will be created with a corpus of Rs. 20,000 crore under NABARD
- Programme for sustainable management of ground water resources, with an estimated cost of Rs.6,000 crore has been prepared and proposed for multilateral funding
- 28.5 lakh hectares to be brought under irrigation under the Pradhan Mantri Krishi Sichai Yojana
- Water conservation initiatives to be bolstered through MGNERGA. Allocations under MGNREGA will be used for creating at least 5 lakh farm pond and dug wells in rain fed areas.

C. Implications of Announcements

- The proposed policy for conversion of city waste into compost approved by the Government under the Swachh Bharat Abhiyan can enhance private sector participation in the waste management space.

- Small and marginal farmers practising agriculture on rain-fed farms are most vulnerable to climate change. Key steps to enhance farmers’ welfare will also enhance their adaptive capacity against climate hazards. Schemes to promote organic farming will increase crop yield in rain fed areas.
- Ensuring universal coverage with LPG connections will address GHG emissions from burning of biomass.
- Impetus to irrigation and target of completing certain percentage of projects by March 2017 could translate to more opportunities for the private technology players in this sector.
- The focus on organic agriculture has the potential to open up business opportunities in organic farming sector including the post processing and marketing segment.
- A programme for ground water management along with the emphasis on creating water conservation and storage structure under MGNREGA, could prove to be a timely initiative to address the issue of unsustainable groundwater extraction in the country.

FMCG

A. FICCI's Wish List

Indirect Taxes:

- Build safeguards in order to ensure that coercive measures are not used to demand excise, service tax, and custom duties in case of excise litigation involving duty payments/credits in excess of Rs. 50 lakhs. These need to be used in case of tax evaders and not where the question of interpretation of law in concerned.
- Reduction in the rate of excise duty and service tax to reduce the cost of goods and services to the consumers and contain inflation.
- Phasing out of CST to promote inter-state movement of goods and paving way for GST
- The rule in respect of service tax credit utilization to be simplified such as setting up of new unit.

Cigarettes:

- No increase in Excise Duties
- Length Based Specific Duty Structure of Excise for Cigarettes be continued
- Length based Segments in the Cigarette Duty Structure be reviewed
- Standardize Tobacco Taxation across all types of Tobacco Products
- It is recommended that paper rolled beedis be classified as cigarettes and appropriate excise duty based on length be imposed.

B. Budget Announcements

- Excise duties on various tobacco products other than beedi raised by about 10 to 15%.
- Basic Custom Duty and Excise Duty on Refrigerated containers reduced
- Excise duty on waters including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored being increased from 18% to 21%
- Basic Customs Duty on cashew nuts in shell being increased from 0% to 5%
- Concessional 5% Basic Customs Duty as presently available under project imports for cold storage, cold room (including for farm level pre-cooling) being extended for 'cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers' also.
- Up to 100% foreign direct investment (FDI) through FIPB is allowed in marketing of food products produced and manufactured in India
- Special emphasis on rural and infrastructure sectors

C. Implications of Announcements

- Cigarettes, Gutkhas and Pan Masala to become costlier, which will increase cost burden on manufacturers/ consumers. This would also encourage circulation of fake and smuggled products.
- Allowing 100% FDI in marketing of food products produced and manufactured in India will help in reducing wastage, helping farm diversification and encourage industry to produce locally within the country. This far reaching reform will benefit farmers, give impetus to food processing industry and will create employment opportunities.
- Increase in public expenditure would boost aggregate demand especially from the rural sector

- Impetus given to the rural and infrastructure sector is also a positive for the FMCG sector as development of these two sectors will help in creating jobs and also help in generating demand and propel economic growth

Food Processing

A. FICCI's Wish List

- Extension of Concessional Rate of Excise Duty on Capital Goods for Food Processing Industry
- Reduction in custom duty on food processing machinery & equipment
- Cold Chain Services to be exempt from levy of Service Tax

B. Budget Announcements

- 100% FDI will be allowed through FIPB route in marketing of food products produced and manufactured in India
- Concessional 5% Basic Customs Duty as presently available under project imports for cold storage, cold room (including for farm level pre-cooling) being extended for 'cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers'
- Basic Customs Duty on refrigerated containers being reduced from 10% to 5%
- Excise duty on refrigerated containers being reduced from 12.5 % to 6%
- Services provided by National Centre for Cold Chain Development (NCCD) under Department of Agriculture, Cooperation and Farmer's Welfare, Government of India, by way of knowledge dissemination, being exempted from Service tax with effect from 01.04.2016

C. Implications of Announcements

- Above measures would help reduce wastage and encourage value addition of perishable produce.
- It shall help to build an integrated cold chain network which is much needed. The support was earlier restricted to farm level only.
- The integrated approach shall improve sorting & grading, processing of perishable produce and most importantly market reach.
- It will provide a fillip to Make in India initiative.
- Exemption of Service tax on services of NCCD shall help utilise knowledge and expertise to further develop cold chain infrastructure.

Gems & Jewellery

A. FICCI's Wish List

- Import duty on Gold to be reduced as CAD has slowly been controlled
- All restrictions on imports of gold should be reviewed as it has proven to be counter-productive for exports - caused a 45% de-growth resulting in loss of precious foreign exchange earnings.
- Reduction in benign assessment procedure (BAP) rate.
- Considering the sector's immense contribution towards employment and exports, thrust should be given to Gems & Jewellery under 'Make in India' programme

B. Budget Announcements

- An excise duty of '1% without input tax credit or 12.5% with input tax credit' levied on articles of jewellery [excluding silver jewellery, other than studded with diamonds and some other precious stones], with a higher exemption and eligibility limits of Rs. 6 crores and Rs. 12 crores respectively. Necessary steps will also be taken to enable the new taxpayers to comply with this levy without any difficulty.
- Basic customs duty on imitation jewellery increased from 10% to 15%
- It is proposed to provide that redemption by an individual of Sovereign Gold Bond issued by Reserve Bank of India under Sovereign Gold Bond Scheme, 2015 shall not be charged to capital gains tax. It is also proposed to provide that long terms capital gains arising to any person on transfer of Sovereign Gold Bond shall be eligible for indexation benefits
- It is proposed to provide that interest earned on Deposit Certificates issued under Gold Monetisation Scheme, 2015 and capital gains arising from them shall be exempt from tax

C. Implications of Announcements

- Introduction of excise duty on jewellery is a negative step as about 90% of the country's jewellery is manufactured by small & micro enterprises and hence implementation of the duty would be difficult.
- Jewellery manufacturing is a true 'Make in India' initiative which had potential to capture a large portion of US$ 270 billion global jewellery market, and increase in excise duty would discourage the manufacturing stimulus.
- Exemption on tax on capital gains arising out of Gold Monetization Scheme and Sovereign Bond would further popularize the new schemes.

Healthcare

A. FICCI's Wish List

- Increase budget share of healthcare sector, to reach 2.5-3.0% of GDP, through greater provision for national programmes
- Exemption from service tax for all input services to cancer treatment
- Exemption from service tax for all Healthcare Education and Training services, especially life-saving ones.
- Increase in Tax Holiday from current five year to ten year time frame under section 80-IB for private healthcare provider**s** in non-metros for minimum of 50 bedded hospitals instead of current 100 beds
- To promote voluntary organ donation, provide a lifetime health coverage to the donor through insurance benefits
- Provide Income Tax/MAT exemption for at least 15 years for domestically manufactured medical technology products.
- To incentivise hospitals and diagnostic laboratories to undergo accreditation, there should be 100% deduction on approved expenditure incurred for securing accreditation from NABH and NABL respectively.
- Provide financial incentives / grants to willing institutions to encourage move to Electronic Health Records. Extend 250% deduction on investment made for implementation of Electronic Health Records.
- 250% deduction for approved expenditure incurred on operating technology enabled healthcare services like telemedicine, remote radiology etc.
- Healthcare sector should be exempted from Minimum Alternative Tax.
- **Raise the tax exemption limit on preventive health check-up from the current Rs 5,000 per person to a maximum of Rs 20,000 under section 80-D of Income Tax Act 1961**. With the huge impact on NCD'S (Non-communicable diseases) on the Indian population it is absolutely imperative to increase the focus on prevention and preventive healthcare.

B. Budget Announcements

- Healthcare sector has been allocated Rs. 39,533 crore in 2016-17, 19.3% higher than previous budget of Rs. 33,150 crore.
- Rs 2,000 crore allocated for initial cost of providing **LPG connections** to BPL families.
- 3,000 stores to be opened under **Prime Minister's Jan Aushadhi Yojana** during 2016-17.
- **National Dialysis Services Programme**' to be started under National Health Mission through PPP mode in all district hospitals. To reduce the cost, certain parts of dialysis equipment will be exempt from basic customs duty, excise/CVD and SAD.
- **Braille paper** has been exempted from basic customs duty, to fall in line with other assistive devices and rehabilitation aids meant for differently abled persons.

C. Implications of Announcements

- Increased allocation for the healthcare sector is an encouraging step and would aid in implementation of the universal health coverage agenda.

- LPG connection: This will help in improving the health of women of BPL families who otherwise use smoking *chullahs* for cooking, which is a major health hazard.
- National Dialysis Services Program is an encouraging step as kidney-related ailments have been on the rise in India, with some studies suggesting their prevalence to be as high as 17% in cities.
- Opening of new generic drug stores will increase affordability of medicines, especially for the poor as well as give a boost to the country's generic drug industry.
- Braille paper, which was subjected to 10% import duty, will become cheaper now. This will go a long way in reducing the cost of education of people with visual impairment.

D. Unmet Demand

- Exemption from service tax for all input services to cancer treatment
- Exemption from service tax for all Healthcare Education and Training services, especially life-saving ones.
- Increase in Tax Holiday from current five year to ten year time frame under section 80-IB for private healthcare providers in non-metros for minimum of 50 bedded hospitals instead of current 100 beds
- To promote voluntary organ donation provide a lifetime health coverage to the donor through insurance benefits
- Provide Income Tax / MAT exemption for at least 15 years for domestically manufactured medical technology products
- 100% deduction on approved expenditure incurred for securing accreditation from NABH and NABL respectively to incentivise hospitals and diagnostic laboratories to undergo accreditation.
- Provide financial incentives/grants to willing institutions to encourage move to Electronic Health Records. Extend 250% deduction on investment made for implementation of Electronic Health Records
- 250% deduction for approved expenditure incurred on operating technology enabled healthcare services like telemedicine, remote radiology etc.
- Healthcare sector should be exempted from Minimum Alternative Tax

Health Insurance

A. FICCI's Wish List

- To promote Health insurance penetration in the country, it should be mandated that organizations insure every employee for a minimum amount of Rs.1 Lakh.
- Medical Insurance Premium for senior citizen should be subsidized
- Service Tax Exemption on health insurance premiums
- CENVAT credit should be made eligible to be availed in respect of inputs for the Rashtriya Swasthya Beema Yojana (RSBY) policies to keep the cost of servicing these policies low.
- In order to encourage investment in health insurance policies, it is suggested that the current limit of Rs 25,000 prescribed under section 80D of the Act be enhanced to Rs 50,000.
- For an insurance company, claims expense includes reserve towards claim which is *Incurred But Not Reported* ("IBNR"). IBNR reserves should be included as allowable expense.
- It is recommended that the Income Tax law be amended to provide that any sum paid by the employer for medical treatment of the employee or a member of his family is exempt from tax in the hands of the employee if the treatment is in any hospital or nursing home which is empanelled with any registered health insurance company in India as a provider of health insurance.

B. Budget Announcements

- Launch of a new health protection scheme for the poor and economically weaker sections providing health cover up to Rs.1 lakh per family.
- An additional top-up package, up to Rs 30,000 will be provided to senior citizens with age 60 years and above belonging to this category.
- Service Tax on the services of general insurance business provided under 'Niramaya' Health Insurance scheme launched by National Trust for the Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disability being exempted, with effect from 01.04.2016.

C. Implications of Announcements

- The proposal for additional Rs 30,000 health cover for senior citizens will help reduce the burden of healthcare expenditure for the aged.
- The new health protection scheme will ensure penetration of health insurance and promote financial inclusion. The new scheme should offer a helping hand to those 'Below Poverty Line families' who are not covered by any health insurance scheme.
- A cut in service tax on the insurance policies, under Niramaya scheme, should reduce the premium for these policies. This makes them affordable.

D. Unmet Demand

- No mention of Universal Health Coverage in the budget.
- Service tax holiday to be given at least for the next 5 years.
- Limit for preventive health has not been increased.
- No announcements on compulsory health insurance of MSME employees.

Insurance

A. FICCI's Wish List

- Considering the long gestation period and the limit for carry forward, set off of business losses should be allowed for an indefinite period.
- It is suggested that the sum assured multiple be lowered to 5 times of the premium paid or the tax benefits should be linked with the tenure of the policy rather than the sum assured. Accordingly, the tax benefit should be given only on policies with a minimum tenure of 10 years.
- **Enhanced Deduction of Life Insurance Premium under Section 80C of the Act**
- **Discrimination in Taxation of Pension Products vis-a-vis Non-Pension Products-** Considering the importance of pension products in India due to lack of any other Social Security measures, taxability of Pension products should be treated at par with traditional and ULIP products.
- **Taxability of Re-insurance Premiums earned by Foreign Re-insurers- I**t should be explicitly clarified that the re-insurance premium earned by foreign re-insurers from Indian insurance companies wherein no part of the operations of the reinsurer is carried out in India is not liable to tax in India. Further, it is recommended that clarity be provided on the aspect of taxability of re-insurance premium paid by Indian insurance companies.
- **Adjustment of TDS in case of Free Look Cancellations-** It should be provided that taxes that were already deducted under Section 194D of the Act and paid to the Government Treasury on the commission amounts, which no longer would be payable on account of free look cancellations, should be allowed to be adjusted in meeting the subsequent TDS liability of the insurers. Alternatively, a mechanism should be laid down for claiming refund of such excess TDS deposited.
- **TDS on Policy Holders' Pay-out -** Section 194DA of the Act was introduced vide the Finance Act (No 2), 2014, for applying TDS on policyholders pay-out where amount exceeds Rs 1 Lakh. This Section should be repealed as it is detrimental to the insurance business. The threshold limit of Rs 1 Lakh under Section 194DA should be enhanced in line with the basic exemption limit applicable to individuals.
- **Enhance Threshold Limit for TDS on Insurance Commission-** The threshold limit for deduction of tax at source under section 194D of the Act may be increased to Rs. 50,000/-.
- **Extend the Deduction under Section 80CCD to Approved Pensions Plans of IRDAI**
- **Taxation of Income Distributed by Securitization Trusts to Insurance Companies-** It should be clarified that no additional tax would be payable in respect of income distributed by the securitization trust on investments made from IRDA approved pension fund set up by a life insurance company.
- **Tax Treatment on Assignment of Keyman Insurance Policies-** It is requested that, CBDT should issue a clarification to provide that the maturity proceeds under a keyman insurance policy should be reduced by the amount on which tax has already been paid at the time of assignment of such policy.
- **Deduction in Respect of Insurance Premium:** Presently, deduction under Section 80C of the Act is available for payments made for life insurance premium and deduction under Section 80D is available for payments for medical insurance premium. On similar lines, it is suggested that premium paid for personal accident policy, home insurance and travel policy should be allowed as deduction to the policy holders.

B. Budget Announcements

- **FDI in Insurance and Pensions** - Foreign investment will be allowed in the insurance and pension sectors in the automatic route up to 49% subject to the extant guidelines on Indian management and control to be verified by the Regulators.
- The **general insurance companies owned by the Government will be listed in the stock exchanges.**

- **Financial Data Management Centre** proposed to be created under the aegis of the Financial Stability Development Council (FSDC) will be set up to facilitate integrated data aggregation and analysis in the financial sector.
- Pensions Sector Announcements:-
  - **National Pension Scheme** - Withdrawal up to 40% of the corpus at the time of retirement would be tax exempt.
  - Exemption from service tax of the Annuity services provided by the National Pension System (NPS) and Services provided by EPFO to employees.
  - Proposed to reduce service tax on Single Premium Annuity (Insurance) Policies from 3.5% to 1.4% of the premium paid in certain cases.

C. Implications of Announcements

- Liberalising FDI norms in Insurance and Pensions sector by allowing investment through the automatic route would further advance the government's move to promote ease of doing business in the country and also attract foreign capital. Currently FDI up to 26% is permitted through automatic approval route.
- Listing of the public sector general insurance companies would allow them to infuse more capital into the system. This step would help in increasing the general insurance penetration in India.
- Government's announcements regarding tax sops under NPS and Single Premium Insurance Annuity products would encourage retirement planning and provide the necessary social security net to citizens. However, by limiting the tax benefit at withdrawal stage for EPFO and other pension products need to be reviewed.
- A cut in service tax on the single premium annuity (Insurance) Policies would reduce the premium for these policies, making them more attractive.
- Availability of a data warehouse is a much needed move for the overall financial sector and the insurance industry in particular. Availability and usage of data plays a very crucial role for the Insurance industry right from offering better services to designing innovative products for the consumers.

D. Unmet Demand

- Period of Carry Forward and Set-off of Losses in Case of Insurance Business
- Sum Assured to Premium Ratio for Life Insurance Policies
- Enhanced Deduction of Life Insurance Premium under Section 80C of the Act
- Deduction in Respect of Insurance Premium
- Taxability of Re-insurance Premiums earned by Foreign Re-insurers
- Adjustment of TDS in case of Free Look Cancellations
- TDS on Policy Holders' Pay-out
- Enhance Threshold Limit for TDS on Insurance Commission
- Extend the Deduction under Section 80CCD to Approved Pensions Plans of IRDAI
- Taxation of Income Distributed by Securitization Trusts to Insurance Companies
- Tax Treatment on Assignment of Keyman Insurance Policies

Medical Devices & Equipment

A. FICCI's Wish List

- Medical devices, medical equipments and IVDs used in critical care, consumables used with devices in the specific critical care treatment procedure and their spare parts should be exempted from Customs Duty
- To provide direct larger budgetary allocation for the sector as against the current allocation of ~ 1% of GDP (Draft National Health Policy 2015 proposes an allocation of 2.5% of GDP on Public Health. Developing countries like Brazil & Thailand already spend around 3% & 4% respectively on Public health.)
- Larger & focused budgetary allocation towards "Health System Skilling", as current health coverage challenges arise also from huge skill gaps in this sector.

B. Budget Announcements

- Budget Speech proposes to start a 'National Dialysis Services Programme'. Funds will be made available through PPP mode under the National Health Mission, to provide dialysis services in all district hospitals. To reduce cost, certain parts of dialysis equipment to be exempted from basic customs duty, excise/CVD and SAD.
  - Disposable sterilized dialyzer and micro barrier of artificial kidney being exempted from Basic Customs Duty, Excise Duty / CVD and SAD
- Basic customs duty on import of Medical Use Fission Molybdenum-99 by Board of Radiation and Isotope Technology (BRIT) for manufacture of radio pharmaceuticals being exempted

C. Implications of Announcements

- Basic custom duty exemption on Dialysis equipments is a good initiative w.r.t enhancing renal care in Public Health delivery systems. Industry welcomes PPP opportunity in increasing healthcare access in rural India.
- Duty exemption on radio pharmaceuticals goes a long way in ensuring affordable access to diagnostic nuclear medical imaging like PET scans for cancer patients

D. Unmet Demand

- Incentives on indigenous manufacturing in terms of excise benefit , R&D benefits , tax holidays for Medical Technology clusters have not been explicitly announced, in spite of this being a focus sector under Make in India
- **Recent Announcement of Increase in Import Duty (as per custom notification No.2016/04-05):** There is a need for incentivizing the Local Manufacturing and not disincentivization by imposing taxes and duties on the imported lifesaving products and other equipment. The imposing of taxes and import duties could put strain on the Access & Availability of resources to a large population of India, specifically with regards to the high tech products which have a longer gestation period and need stronger ecosystem support, and thus cannot be locally manufactured quickly.

  India should rather aim to achieve Indigenous manufacturing Ecosystem which over a long period of time will reduce our Import dependence.
- Overall health spend (as % of GDP) has not been increased despite being proposed in National Draft health policy

Mines & Metals

A. FICCI's Wish List

- Exemption from levy of import duty on Copper Concentrate from 2.5% to NIL
- Increase in customs duty on Copper products from 5% to 10%
- Impose export duty of 5% on Alumina
- Reduce import duty on Aluminium Fluoride from 7.5% to 2.5%
- Reducing import duty on CT Pitch and Caustic Soda from 5% and 7.5% respectively to 2.5%
- Increasing of export duty on Bauxite from 20% to 30%
- Increase in basic customs duty on Primary Aluminium from 5% to 10%
- Increase in import duty on Steel Long and Flat products to 15%
- Reduction in import duty of Iron Ore from 2.5% to NIL
- Reduction in customs duty on Coking Coal from 2.5% to NIL
- Import duty on steel grade limestone and dolomite from 2.5% to NIL
- Reduction of basic custom duty on metallurgical coke from 5% to NIL
- Reduction of custom duty in natural Gas to NIL
- Increasing customs duty on Stainless Steel Products from 7.5% to 15%
- Reduction in customs duty on Ferro Nickel, Pure Nickel, Ferro Moly and Ferro Chrome to NIL
- Import duty on Manganese ore, Chrome ore from 2.5% to NIL
- Customs duty on seconds and defective goods falling under Chapter 72 from 15% to 40%
- Reduction of excise duty on Pre-fabricated Structurals from 12% to 8%
- Exemption on Special Additional Duty (SAD) on Manufacturers, Cum Importers from 4% to NIL
- Clean Energy Cess to be brought down to NIL or Rs. 100 per tonne from Rs 200 per tonne

B. Budget Announcements

- Reduction in export duty on Bauxite from 20% to 15%
- Increase in basic customs duty on Primary Aluminium from 5% to 7.5% and on other Aluminium products from 7.5% to 10%
- Reduction in export duty on low grade iron ore (with Fe content below 58%) lumps and fines from 30% and 10% respectively to NIL
- Reduction in export duty on Chromium ores and Concentrates from 30% to NIL
- Clean Energy Cess is renamed as "Clean Environment Cess" and has been increased from Rs. 200 per tonne to Rs. 400 per tonne

C. Implications of Announcements

- Reduction of export duty on Bauxite would encourage more exports and would lead to a shortage of Bauxite for domestic aluminium producers
- Increase in basic customs duty on Primary Aluminium would help in reducing the imports and would boost the demand for domestic manufacturers
- Low grade iron ore has negligible demand in the domestic market. Therefore the reduction of export duty would support the miners in finding markets overseas
- Reduction of export duty of chromium ore and concentrates would lead to a shortage of chromium ore for domestic producers and increase their dependency on imports
- Increase of Clean Energy Cess would increase the overall cost of production for power, metals and other products; which would ultimately be passed on to the consumers

D. Unmet Demand

- Exemption from the levy of import duty on Copper Concentrate from 2.5% to NIL
- Increase in customs duty on Copper products from 5% to 10%
- Imposition of export duty of 5% on Alumina
- Reducing import duty on Aluminium Fluoride from 7.5% to 2.5%
- Increase in import duty on Steel Long and Flat products to 15%
- Reduction in customs duty on Coking Coal from 2.5% to NIL
- Import duty on steel grade limestone and dolomite from 2.5% to NIL
- Reduction of basic custom duty on metallurgical coke from 5% to NIL
- Reduction of custom duty in natural Gas to NIL
- Increasing customs duty on Stainless Steel Products from 7.5% to 15%
- Reduction in customs duty on Ferro Nickel, Pure Nickel, Ferro Moly and Ferro Chrome to NIL
- Import duty on Manganese ore from 2.5% to NIL
- Increasing customs duty on seconds and defective goods falling under Chapter 72 from 15% to 40%
- Reduction of excise duty on Pre-fabricated Structurals from 12% to 8%
- Exemption on Special Additional Duty (SAD) on Manufacturers, Cum Importers from 4% to NIL

MSME

A. FICCI's Wish List

- MSMEs should be allowed to deposit PF & ESI towards employer's contribution only. The contribution from employee should not be the responsibility of the employer.
- Micro & Small Sectors should be exempted from the purview of Service Tax for rental for their office / factory/ warehouse premises for their own use.
- Payment of Service Tax by the 5th of next month is too early for MSMEs to comply with. This may be extended to at least till 20th of the month.
- A special relaxation for payment of service tax for MSMEs may be provided so that they do not have to pay taxes in advance from their resources but the payment is affected on realization of their dues from the buyers.

B. Budget Announcements

- National SC/ST Hub to be set up in partnership with industry associations to promote SC/ST entrepreneurship. "*Stand Up India Scheme*" to facilitate at least two SC/ST/Women projects per bank branch.
- The government will pay contribution of 8.33% for all new employees enrolling in EPFO for the first three years of their employment. Budget provision of Rs. 1000 crore has been made for this scheme.
- Amount sanctioned under *Pradhan Mantri Mudra Yojana* to be increased to Rs. 1,80,000 crore.
- 100% FDI to be allowed through FIPB route in marketing of food products produced and manufactured in India.
- The turnover limit under Presumptive Taxation Scheme under section 44AD of the Income Tax Act proposed to be increased to Rs. 2 crores.
- Extension of presumptive taxation scheme to professionals with gross receipts up to Rs. 50 lakh with the presumption of profit being 50% of the gross receipts.
- Corporate Tax rate proposals:
  - New manufacturing companies incorporated on or after 1.3.2016 to be given an option to be taxed at 25% + surcharge and cess provided they do not claim profit linked or investment linked deductions and do not avail of investment allowance and accelerated depreciation.
  - Lower the corporate tax rate for the next financial year for relatively small enterprises i.e companies with turnover not exceeding Rs 5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.
- 100% deduction of profits for 3 out of 5 years for startups setup during April, 2016 to March, 2019. MAT will apply in such cases.
- Changes in customs and excise duty rates on certain inputs to reduce costs and improve competitiveness of domestic industry in sectors like Information technology hardware, capital goods, defence production, textiles, mineral fuels & mineral oils, chemicals & petrochemicals, paper, paperboard & newsprint, Maintenance repair and overhauling [MRO] of aircrafts and ship repair.

C. Implications of Announcements

- For the MSME sector, the announcements made in the budget are expected to bring down the litigations being faced by entrepreneurs and simplify the taxation & other procedures, which would help units to focus more on their business.
- The measures announced in the budget 2016-17 such as the Government's contribution of 8.33% for of all new employees enrolling in EPFO for the first three years of their employment and sanction of Rs. 1,80,000 crore under *Pradhan Mantri Mudra Yojana* would certainly help the MSME sector and encourage entrepreneurship leading to employment generation.
- Tax incentives for Start-ups & reduction in Corporate tax rates for new manufacturing companies at 25% + surcharge & cess shows government's commitment towards better entrepreneurship ecosystem and extending ease of doing business conditions for new entrepreneurs.
- 100% deduction of profits for 3 out of 5 years for startups setup during April, 2016 to March, 2019 is a welcome move. However, imposing MAT would reduce the quantum of benefit extended.
- Lowering of Corporate tax to 29% plus surcharge & cess for the units with turnover not exceeding Rs. 5 crore would provide a relief to large section of the Micro & Small units across the nation.
- The increase in the threshold turnover limit under Presumptive Taxation Scheme to Rs. 2 crores from Rs. 1 crore would help MSMEs curtail the expenditure on maintaining accounts and spending heavy fees on CAs.

Pharmaceuticals Industry

A. FICCI's Wish List

- Exemption for Oncology and Critical care/ICU drugs from excise duties
- Correction of Inverted Duty Structure in Pharmaceutical Industry: Pharmaceutical products taxed at 6% while Active Pharmaceutical Ingredients (APIs) taxed at 12.5%. It is suggested that the excise duty on APIs be reduced to 6%.
- Excise Duty Exemption for Essential Medicines
- Drugs listed in the National List of Essential Medicines considered by Department of Pharmaceuticals for Price Control should also be exempted from the levy of excise duties with a view to reduce their prices.
- Weighted Deduction under Section 35(2AB) for computing Book Profits
- In order to promote in-house R&D in India, the amount of weighted deduction under section 35(2AB) of the Act should be deducted while computing book profit for the purpose of MAT.
- Clinical Trials - Weighted Deduction under Section 35(2AB) should be enhanced from 200% to 250% for a 10 years up to 31st March 2024

B. Budget Announcements

- Allocation of Rs. 1,51,581 crore for social sector including education and health care
- 3,000 Stores under Prime Minister's Jan Aushadhi Yojana will be opened during 2016-17
- 'National Dialysis Services Programme' to be started under National Health Mission through PPP mode
- Benefit of deductions for Research u/s. 35(2AB) would be limited to 150% from 1.4.2017 and 100% from 1.4.2020
- Benefit of deduction for contribution/donation to approved scientific research association u/s. 35(1)(ii) (like GCS) will be restricted to 150% from 01/04/2017 to 31/03/2020 and 100% from 01/04/2020.

C. Implications of Announcements

- Government's focus on healthcare is in the right direction and is a welcome move.
- Opening of new Jan Aushadhi stores and National Dialysis Services program are good initiatives.
- However phasing out of the deductions is a worrisome factor for companies involved in R&D activities.

D. Unmet Demand

- Exemption for Oncology and Critical care/ICU drugs from excise duty
- Correction of Inverted Duty Structure in Pharmaceutical Industry
- Excise Duty Exemption for Essential Medicines
- Clinical Trials - Weighted Deduction under Section 35(2AB)

Private Security & Homeland Security

A. FICCI's Wish List

- The government should allow flexibility for payment of service tax by the service provider (Private Security Company) only after the receipt of payment from the service recipient. As per rule 6 of the Service Tax Rules 1994, the service provider is liable to deposit the service tax liability on or before 5th of the month (6th in case of deposit through online banking) irrespective of realization of dues from the customers.

B. Budget Announcements

- Customs duties exemption on direct imports of specified goods for defence purposes by Government of India or State Governments being withdrawn, with effect from 01.04.2016. (Existing: *Basic Customs Duty* (BCD) - Nil, Countervailing duty (CVD) – Nil, Special Additional Duty (SAD) – Nil; Proposed: Basic Customs Duty – 5% to 10% CVD – 12.5% SAD – 4%)
- Basic Customs Duty exemption on specified goods imported by contractors of Government of India Public Sector Undertakings (PSUs), or sub-contractors of such PSUs for defence purposes being withdrawn, with effect from 01.04.2016. (Existing: Nil; Proposed: 7.5% to 10%)

C. Implications of Announcements

- Changes in customs and excise duty rates on specified goods imported for the purpose of defence and security will make domestic production lucrative and improve the competitiveness of Indian Homeland Security sector.

D. Unmet Demand

- Flexibility for payment of service tax by the service provider (Private Security Company) only after the receipt of payment from the service recipient.

Publishing

A. FICCI's Wish List

- Clarification on definition of software royalty – Section 9(1)(vi) of the Finance Act 2012:
  - It is suggested to roll back Explanation 4 to Section 9(1)(vi) of the Act.
  - Further, it is suggested that in view of the international tax practices and keeping in mind the impact on Indian industry, it should be clarified that the payments for use of copyrighted software made to non-residents would not be covered under the definition of 'royalty'.
  - In line with international practices and the OECD Commentary, it is suggested that the terms 'transmission', 'uplinking', 'amplification', 'downlinking' could be specifically defined in the Act to remove ambiguity on its scope/ coverage in the definition of 'royalty'.
  - The definition of the term 'transmission' should explicitly clarify that payments for the use of a 'facility' as a service charge, without any control on the process and where the payer is only interested in the service and not in the use of process, should not be covered within its meaning.
  - It is suggested that the terms 'transmission by satellite, cable, optic fibre or by any other similar technology' could be specifically defined in the Act to remove ambiguity on its scope/ coverage definition of 'royalty' and also a detailed circular may be issued elucidating the types of payments covered within the purview of the said terms and thus constituting royalty.
  - It is recommended to suitably exclude the payment for the use/access to online databases, reports, journals etc. and any other payments made by the payer from the purview of royalty, which are essentially made for the use of 'facility' as a service charge and where (a) the payer is only interested in the service and not in the use of process/technology used for transmission (b) does not have any control on the process/ technology used for transmission.
  - Alternatively, the amendment should have only prospective application.

- Clarification on inclusion of Explanation 5 to Section 9(1)(vi) of the Finance Act 2012: Suggestion that Explanation 5 to Section 9(1)(vi) of the Act inserted by the Finance Act, 2012 may be omitted altogether, as this is clearly against the basic principle of the definition of the term royalty provided under Explanation 2 clause (via) and as also understood internationally.

B. Budget Announcements

- Corporate income tax rate lowered for the next financial year of relatively small enterprises, i.e., companies with turnover not exceeding Rs. 5 crore (in the financial year ending March 2015), to 29% plus surcharge and cess.

C. Implications of Announcements

- It will aid the publishing industry as a large proportion of publishers fall within the category of MSME. The provision will have a positive effect on the small publishers.

D. Unmet Demand

- Items mentioned in Wish List in Section A.

Real Estate

A. FICCI's Wish List

- Grant Industry status to the real estate sector
- Reduction in service tax rates for group housing projects to reduce cost of asset for the end user.
- Zero duty on key input material for projects under affordable housing or Pradhan Mantri Awas Yojana
- Developers be incentivized to create 'rental housing' as a separate asset class with appropriate incentives
- Removal of Dividend Distribution Tax (DDT) on distribution of dividend by Special Purpose Vehicle (SPV) to Real Estate Investment Trusts (REITs)
- Government should consider providing 3 percent interest rate subvention (as provided to exporters) for loan taken up to Rs 10 lakhs. Stamp duty exemption may also be provided for such dwellings.

B. Budget Announcements

- **'Housing for all' by 2022**
    - 100% deduction for profits to an undertaking in housing project for flats upto 30 sq. meters in four metro cities and 60 sq. metres in other cities, approved during June 2016 to March 2019 and completed in three years. MAT will apply to these undertakings.
    - Exemption from service tax on construction of affordable houses up to 60 square meters under any scheme of the Central or State Government including PPP Schemes.
- Deduction for additional interest of Rs.50,000 per annum for loans up to Rs.35 lakh sanctioned in 2016-17 for first time home buyers, where house cost does not exceed Rs.50 lakh.
- **Real Estate Investment Trusts (REITs):** Distribution made out of income of Special Purpose Vehicle (SPV) to the REITs and Infrastructure Investment Trusts (INVITs) having specified shareholding will not be subjected to Dividend Distribution Tax, in respect of dividend distributed after the specified date.
- Excise duty exemption, presently available to Concrete Mix manufactured at site for use in construction work extended to Ready Mix Concrete (RMC).
- Increase in the limit of deduction of rent paid under section 80GG from Rs. 24000 per annum to Rs. 60000, to provide relief to those who live in rented houses.

C. Implications of Announcements

- The 100% deduction of profits for constructing affordable housing projects is expected to act as a huge incentive for developers and encourage them to undertake affordable housing projects.
- FICCI had suggested that rates of service tax for group housing projects be reduced so that the cost of acquisition of a home for the end consumer be lower. The exemption of service tax on construction of affordable houses is an extremely welcome step and adds to the fulfilling of the Government's agenda of "Housing for all by 2022".
- Deduction for additional interest of Rs. 50,000 per annum for loans up to Rs. 35 lakh sanctioned in 2016-17 for first time home buyers would provide a fillip to the demand for houses.
- Excise duty exemption for RMC manufactured and consumed at site would bring in some relief to the construction sector.
- This budget has provided much-awaited clarity on REITs suggested by FICCI and this will make REITs attractive for investors.
- FICCI had suggested that increasing the limit of deduction in respect of rent paid from Rs. 24,000 per annum to Rs. 60,000 per annum will boost rental housing. If the demand for rental housing increases, private sector may find it lucrative to get into the business of rental housing and create supply of rental houses.

D. Unmet Demand

- Industry status to the real estate sector
- Clarity on taxation of unsold inventory: Stock held in trade of a developer to be out of the purview of section 22 of IT Act.
- Clarity on Joint Development Agreement ('JDA') taxation

Renewable Energy

A. FICCI's Wish List

- Provide monetary incentives to discoms on fulfilling renewable purchase obligation and net metering purchase.
- Include renewable energy under infrastructure projects which would make long term and low cost financing from insurance and pension funds available for the sector.
- Renewable energy sector should be separated from the conventional power sector and have its own exposure limit (sectoral limit) to increase lending to this sector.
- The subsidy on solar rooftop should be extended to all adopters and should be a fixed price on approved capex for a definite period and reviewed thereafter.
- Allocation for sovereign fund to support dollar based tariff/competitive bidding in solar power generation procurement.
- Instead of MAT applicability now, the renewable units in SEZ should enjoy the IT benefit as before for a period of 5 years from start up.
- All exports of photovoltaic (PV) cells from India should be eligible for 2% export incentives.
- VAT exemption is available on solar products in few states and hence that should be extended nation-wide to avoid anomaly of CST and VAT on solar products.
- The excise duty exemption for manufacturing solar products within a SEZ / DTA should be extended for all components that are to be sold in DTA, which may not directly be a solar product but a component used in the manufacturing of a solar product.
- Removal of cap for margins and maturity under the ECB guidelines for solar power generation projects.
- Uncapped capital lending from Holdcos should be allowed as part of the Yieldco arrangement to enable higher ECB fund availability
- The possibility of Green Bonds for Solar Sector may be considered for projects once they achieve CoD and rated at AA or above. These should be tax free bonds (as allowed to NTPC recently). This will reduce the cost of borrowing to 7% - 7.5%.
- Solar parks should be treated on par with SEZs and MAT exemption may be provided to power projects within Solar Parks.
- Section 80 IA benefits should be available to an entity that is merged or amalgamated with its parent or subsidiary or sister company.
- Standalone storage solutions should be included under the definition of the renewable generation. Customs and excise duties on Energy Storage Batteries and their ancillaries associated with Solar Roof top and Utility scale renewable power plants should be waived.
- Exemption of service tax for companies providing power backup services.

B. Budget Announcements

- 5,542 of 18,542 un-electrified villages have been electrified as on Feb 2016; Government committed to achieving 100% electrification of villages by May 2018.
- Clean Energy Cess has been renamed to Clean Environment Cess. The cess has also been doubled from Rs. 200/Tonne to Rs. 400/Tonne of coal and lignite and peat mined or imported.
- To draw a plan spanning 15-20 years to augment capacity in nuclear power sector; Rs. 3000 crore/annum of budgetary allocation has been announced for this.
- Excise duty on carbon pultrusions used for manufacture of rotor blades, and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators being reduced from 12.5% to 6%. Excise duty on Unsaturated Polyester Resin (polyester based infusion resin and hand layup resin), Hardeners/Hardener for adhesive resin, Vinyl Easter Adhesive (VEA) and Epoxy Resin used for

manufacture of rotor blades, and intermediates, parts and sub-parts of rotor blades for wind operated electricity generators proposed to be increased.

- To incentivise ‘Make in India’- Basic Custom Duty (BCD) on Industrial solar water heater being increased from 7.5 % to 10%; BCD exemption on solar tempered glass/solar tempered (anti-reflective coated) glass has been withdrawn and 5% concessional BCD being imposed and solar lamp exempted from duty.
- Valid agreement between importer/producer of power with urban local body for processing of municipal solid waste has been provided as an alternative condition for availing concessional customs/excise duty benefits in case of power generation project based on municipal and urban waste.

C. Implications of Announcements

- Doubling of Coal cess would increase the cost of power generation. However it would also double the national clean energy fund which must have clearly defined targets, and an effective monitoring and feedback mechanism.
- Accelerating rural electrification would increase the adoption of decentralised renewable energy technologies and applications.
- Customs duty on solar applications will promote domestic solar manufacturing.
- Plans to augment country’s nuclear capacity are a crucial step in realising India’s INDC target of ensuring that *40*% of the total installed capacity is based on *non-fossil* fuels (by 2030).

Retail & Internal Trade

A. FICCI's Wish List

- Appropriate abatement for levy of service tax on renting of immovable property
- Tax Subsidy/Incentive on investment on back end integration including Cold Storage Investment.
- Benefits of Section 72A of the Income Tax Act 1961 should be extended to retail companies
- Tax incentives for backward integration - Farm to fork - Promoting retail zones and tax holidays;
- Grant Industry Status to Retail Sector

B. Budget Announcements

- The Government is implementing the Unified Agriculture Marketing Scheme which envisages a common e-platform that will be deployed in selected 585 regulated wholesale markets. Amendments to the APMC Acts of the States are a pre-requisite to join this e-platform.
- Model Shops and Establishments Bill to be circulated to States for adoption on a voluntary basis
- Up to 100% foreign direct investment (FDI) to be allowed through FIPB in marketing of food products produced and manufactured in India
- Excise duty on readymade garments with retail price of Rs. 1000 or more proposed to be raised to 2% without input tax credit or 12.5% with input tax credit.
- Concessional 5% Basic Customs Duty as presently available under project imports for cold storage, cold room (including for farm level pre-cooling) being extended for 'cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers' also.
- To collect tax at source at the rate of 1% on purchase of luxury cars exceeding value of Rs. 10 lakhs and purchase of goods and services in cash exceeding Rs. 2 lakhs.

C. Implications of Announcements

- The Government's proposal to create e-market for farmers through 'Unified Agri Marketing platform' will positively impact country's farmers by giving them better access to markets.
- Retail sector receiving recognition as an employment generator, reforms in Shops & Establishment act will help in ease of doing business for the retailers
- Allowing 100% FDI in marketing of food products produced and manufactured in India will give impetus to food processing industry, create vast employment opportunities, help in reducing wastage, aid farm diversification and encourage industry to produce locally within the country.
- Prices of branded garments to increase
- Reduction in basic customs duty for cold chain including pre-cooling unit, pack houses, sorting and grading lines and ripening chambers will help in strengthening the backend supply chain for retail by bringing in more investments.

D. Unmet Demand

- No change with respect to service tax on immovable property
- No announcement on Industry Status for Retail

Skill Development

A. FICCI's Wish List

- Increase the allocation of resources towards the Centre's skill development schemes such as Pradhanmantri Kaushal Vikas Yojana (PMKVY) and Deendayal Upadhyay Grameen Kaushalya Yojana (DUGKY).
- Introduce an exclusive window under PMKVY for entrepreneurship training, that fits in to the agenda of Start Up India.
- All companies involved in Skill Development should be exempted from Income Tax or Service Tax. 200% weighted tax deduction should be given to companies spending money on Corporate Social Responsibility (CSR) in order to incentivize them for spending on CSR.
- Service tax exemption currently available to Vocational Training Provider (VTP) courses should be extended for all Skill projects approved by all ministries. Currently even projects from even Ministry of Rural Development (MORD) and other projects are subject to service tax liability.
- Provide tax incentives for employers to employ skilled workforce by paying wage premium, create more apprenticeship opportunities and empower workers through recognition of prior learning (RPL) and continuous learning.
- Set up sector specific Centres of Excellence for advanced trainings in the sectors relevant to 'Make In India' on PPP basis, Capex by Government and Opex by private sector, with VGF support for operations
- Make a special budget provision for skill development in states having tribal population such as Odisha, Jharkhand, Chhattisgarh, Telangana and Vidarbha region of Maharashtra similar to the last budget's special allocation of Rs. 150 Crore for skill development in North-east.

B. Budget Announcements

- Announcement of bringing entrepreneurship in the scope of Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
- Provision of establishment of National Board for Skill Development Certification in partnership with the industry and academia.
- Provision of providing Entrepreneurship Education and Training through 2200 colleges, 300 schools, 500 Government ITIs and 50 Vocational Training Centres through Massive Open Online Courses and connect with mentors and credit markets.
- Incentivizing industry by paying the Employee Pension Scheme contribution of 8.33% for all new employees enrolling in EPFO for the first three years of their employment.
- Establishment of 100 Model Career Centres operational by the end of 2016-17 and proposal of inter-linking State Employment Exchanges with the National Career Service platform.
- Extending weighted deduction under section 35CCD for skill development till 1.4.2020.
- Exemption from service tax on services provided under Deen Dayal Upadhyay Grameen Kaushalya Yojana and services provided by Assessing Bodies empaneled by Ministry of Skill Development & Entrepreneurship.
- Skill 10 million youth in the next 3 years under the Pradhan Mantri Kaushal Vikas Yojana and announcement of setting up 1,500 multi-skill training institutes across the country.

C. Implications of Announcements

- Skill development considered as one of the nine transformative distinct pillars of 'Transform India' is a very positive move to make India a knowledge based and productive society.

- Scope of PMKVY is widened and Entrepreneurship is added under its ambit which was earlier confined to wage employment only. FICCI suggests having distinct percentage for wage and entrepreneurship to make training imparted under PMKVY more focused, measurable and impactful. Presently, there are no performance based provisions such as conversion into employment post training etc. to monitor the impact of the training.
- Government contribution in EPF will incentivize the employers to recruit unemployed persons and also to bring into the books the informal employees. This will create great "pull factor" in skill development. It does not seem feasible to implement this intent with a budget provision of Rs.1,000 crore for this scheme as the target industry will be larger in number, never the less it's a good beginning, FICCI suggests to increase fiscal allocation cap under this scheme and also suggest the certification of the employees through Sector Skill Council should be considered as "must requisite" by employers to avail benefits. Sector Skills Council can certify existing workers through Recognition of Prior Learning (RPL) and for new hire by fresh training model.
- FICCI further suggests to exempt service providers of Pradhan Mantri Kaushal Vikas Yojna, Sector Skill Councils and other National Skill Development Corporation (NSDC) affiliated service providers from paying the service tax.
- FICCI however believes that fund (Rs.1,700 crore) allocated for PMKVY is not adequate, in FY 14-15 when this scheme was launched, Rs. 1500 Cr were allocated which could skill only 24,00,000 youth.
- FICCI suggest clear implementation road map for setting up National Board for Skill Development Certification with time line ensuring the sustainability of industry driven Sector Skill Councils are not affected (Assessment & Certification constitute around 80% of the revenue of SSCs)

D. Unmet Demand

- Allocation for Ministry of Skill Development and Entrepreneurship has been increased to INR 1700 Crore this financial year from Rs. 1530 Crore in FY 15-16. The funds have increased, however, they are inadequate to skill youth as planned in the National Skill policy 2015. The allocated amount towards skilling is very low compare to other national level schemes. It is imperative to provide appropriate financial intervention by the government for building and strengthening the skills ecosystem of India.
- Special budget provision for skill development in states having tribal population
- Allocation for setting up sector specific Centres of Excellence for advanced trainings in the sectors relevant to 'Make In India'
- Income Tax or Service Tax exemption for companies involved in Skill Development
- There is no budgetary allocation for providing Entrepreneurship Education through schools/colleges

Telecommunications and Information Technology

A. FICCI's Wish List

- Clarification sought that payments made for trading/ sharing of spectrum are not royalty, hence do not attract withholding tax obligations.
- To avoid increase in cost of telecom services, definition of 'royalty' should be amended with retrospective effect to exclude telephony and internet bandwidth.
- Clarification sought that distributors' margins on sale of SIM cards and prepaid vouchers is not in the nature of 'commission', hence not subject to withholding tax provisions or prescribe a lower rate of withholding, say 1%.
- Clarification sought that spectrum fees is an intangible asset eligible for depreciation under Section 32 of the Act.
- Exemption for telecommunication services from levy of Swachh Bharat Cess.
- Introduction of a provision for maintenance of regular balance of unutilized credit to the extent of credit disputed.
- Reduction in the the rate of interest on delayed payment of service tax from 30%.
- Huge balance of cess is lying in the books of the service providers, which are not eligible to be set off against any output service tax liability. Therefore, it is recommended that a similar amendment be made to allow utilisation of such credit of cess balance available in the books of the service providers as on May 31, 2015.
- To promote the 'Make in India' campaign, tax incentives should also be announced to encourage domestic manufacturing of mobile handsets, telecom equipment, including fostering indigenous Research and Development and intellectual property rights creation.
- For further growth of IT sector, the government should continue the exemptions in SEZ especially in Tier 2 and Tier 3 cities and further provide R&D Benefits for IT companies to promote innovation.
- Industry also expects clarity on the issues of dual levy of taxes both as a service and product on Software and correction in the formulae to define export turnover under Section 10 A and Section 10AA
- **Developing an affordable device ecosystem:** Building an affordable device ecosystem for masses is the key in achieving the government's broadband vision. To increase internet penetration, the government should look at subsidizing low price internet handsets through the Budget, so they are affordable for mass consumers.

B. Budget Announcements

- Unified Agricultural Marketing E Platform to provide a common emarket platform for wholesale markets
- To spread digital literacy in rural areas – plans like National Digital Literacy Programme and Digital Saksharta Abhiyan will be implemented under Digital Literacy Mission for rural India to cover around 6 crore additional households within the next 3 years
- The National Land Record Modernisation Programme has been revamped under the Digital India Initiative and will be implemented as a Central sector scheme with effect from 1st April, 2016. The revamped Programme will build an integrated land information management system. Rs. 150 crore has been provided for this purpose.
- Giving a statutory backing to AADHAR platform to ensure benefits reach the deserving
- Changes in customs and excise duty rates on certain inputs used in the sector
- Online courses will be launched for education development and job creation.
- For better governance all the states and districts will be digitally linked to each other.

C. Implications of Announcements

- Changes in customs and excise duty rates on certain inputs provide the right impetus to IT hardware and telecom equipment manufacturing sector.
- Service tax benefits will induce more spectrum transactions and less litigation and further strengthen Digital India programme.
- Involvement of Digital Technologies would bring in high levels of governance and transparency and create demand for IT services.

D. Unmet Demand

- No announcement related to clarification that spectrum fees is an intangible asset eligible for depreciation under Section 32 of the Act.
- Demands and expectation related to ICT sector have not been addressed directly.
- The Swachh Bharat Cess has remained part of taxes

Transport Infrastructure

A. FICCI's Wish List

- Allow private airport developers to issue tax free infrastructure bonds.
- Provide a 10 year tax holiday to aeronautical manufacturing and Maintenance Repair and Overhauling (MRO) sector.
- Support services of airport like fuel facility, parking, cargo facilities, etc. to be termed as infrastructure.
- Section 72A of the Act should be amended to extend the benefits to the entire airline industry
- Tax deduction should be extended to 8 years from existing 5 years to the aerospace manufacturing companies.
- Exemption from custom duties for X-ray Baggage Inspection Systems and other Airport Security Systems.
- Amendment of Section 80-IA for extension of benefits under it for up-gradation/extension of the existing infrastructure facility.
- MAT on infrastructure companies should be abolished to boost investments in the infrastructure sector.
- Dividend Distribution Tax (DDT) on industrial undertakings or enterprises engaged in infrastructure development should be abolished. Exemption from DDT should also be granted to the 'infrastructure capital company/fund'.

B. Budget Announcements

- Total allocation of Rs. 97,000 crore for the road sector, including Pradhan Mantri Gram Sadak Yojana (PMGSY) allocation, during 2016-17.
- 50,000 km of state highways to be taken up for upgradation as national highways.
- Government to build 10,000 kms of national highways in 2016-17.
- Amendments to be made in Motor Vehicles Act to open up the road transport sector in the passenger segment.
- Action plan for development of 160 non-functional airports in partnership with the respective State Governments and development of 10 non-operational air strips under Airports Authority of India (AAI).
- Public Utility (Resolution of Disputes) Bill will be introduced during 2016-17.
- Guidelines for renegotiation of PPP Concession Agreements will be issued.
- A new credit rating system for infrastructure projects to be introduced.
- Rs. 800 crore has been allocated for development of ports and Inland Water Transport (IWT) for the year 2016-17.
- Single Window Customs clearance to be implemented at major ports & airports starting from next fiscal.
- Exemption on custom and excise duties on MRO of aircrafts.

C. Implications of Announcements

- Increase in allocation for the roads & highways sector will provide a huge push to the sector at a time when the road developers are struggling with stretched balance sheets. This increased allocation will help in awarding more projects on Hybrid Annuity or EPC basis during the financial year 2016-17.
- Opening up the road transport sector in the passenger segment by Amending the Motor Vehicles Act would help in attracting private players for providing efficient public transport facilities, greater public convenience and generating employment.

- Development of 160 non-operational airports and 10 defunct airstrips will help in improving regional connectivity and promoting economic development in the remote and inaccessible areas.
- Introduction of the 'Public Utility (Resolution Dispute) Bill' will revive projects which have been languishing for years due to delays in redressal of disputes. It will also help unlock large amounts of fund which have been blocked for a long time due to delays in dispute settlements.
- Establishing guidelines for re-negotiation of concession agreements of PPP projects will ensure accurate revenue projections and return on projects as per current market levels, remove redundant policies and provide overall structural flexibility.
- A new credit rating system for infrastructure projects will give emphasis to various in-built credit enhancement structures and help in reducing the borrowing cost for the financially stressed construction companies
- Development of new ports and National Waterways would help in handling fast growing cargo traffic and improving transportation capacity for handling the growing EXIM trade.
- Single Window Customs clearance at ports and airports would help in setting up seamless logistics flow between logistics hub and enhancing the 'Ease of Doing Business'.
- Servicing an aircraft in India is about 40% to 50% more expensive than its competing destinations due to multiple duties. Tax exemptions for MRO companies would reduce airline's O&M costs and also enable India to establish itself as a hub for such facility.

D. Unmet Demand

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