THE UNION BUDGET 2015

The Union Budget of India, referred to as the Annual Financial Statement, is the annual budget of the Republic of India, presented each year on the last working day of February, by the Finance Minister in the Parliament. It is presented by means of a Finance Bill, which has to be passed by the House before it can come into effect on 1st April (start of the financial year).

It's time to make India globally competitive, continuing on the path of growth, in times where the world economy is slowing down. And this is what our budget proposes to do.

Key highlights of the Union Budget are:

- ✓ Fiscal deficit was promised at 3.6%. However, the proposed public spending has sent the deficit to 3.9%. The goal was set to reach a fiscal deficit of 3% in two years, which has been revised to 3 years. Current account deficit is projected to be below 1.3% of GDP.
- ✓ GDP growth rate is seen at between 8 and 8.5%. Aiming a double digit growth rate seems achievable soon.
- ✓ Inflation is committed to be below 6%. GOI-RBI, and not just RBI, will fix interest rates now.
- ✓ Several stringent measures have been proposed to curb black money – having an undisclosed foreign bank account or assets, buying properties in cash and the like can cause not only tax penalties, but also lead to immediate prosecution. Also, if you send over Rs 1 lakh in any store, you are liable to give your PAN to leave a trail for the tax offices. Existing laws will be further tightened and new laws will be enacted to curb the black money floating in our economy.
- ✓ For corporators, it is time to cheer. The corporate tax is currently at 30%, one of the highest rates in the world. This will gradually be reduced to 25% within a span of 4 years to make the tax rates in line with Asean rates. However, no rate cut is announced for FY 2015-16.
- ✓ The limit for domestic transfer pricing has been raised from Rs 5 crores to Rs 20 crores.
- ✓ For investors, there shall be no capital gains tax for mutual fund investors in case of scheme mergers. SEBI gets powers over more markets as commodities regulator FMC is merged with it. FIIs are out of the MAT net.
- ✓ For individual taxpayers, there is more choice for retirement planning as employees can switch from Provident Fund to equity heavy National Pension Schemes. Rs 50,000 deduction shall be permissible for contribution to NPS (within the overall 80C limit of Rs 1.5 lakhs). The transport allowance, currently at Rs 800 pm, has risen to Rs 1,600 pm.
- ✓ Mediclaim deduction has been raised from Rs 15,000 to Rs 25,000 and for senior citizens from Rs 20,000 to Rs 30,000.
- ✓ Due to poor collections and administrative hassles, wealth tax has been abolished, and in its place, there shall be a levy of 2% surcharge on the income of the super rich, i.e., taxable income above Rs 1 crore.

- ✓ General Anti Avoidance Rules - GAAR has been postponed by 2 years, to come into effect 'prospectively' from 1.4.2017. Retrospective tax provisions will be avoided GST will come into effect from 1.4.2016.
- ✓ Excise Duty rates have risen from 12.36% to 12.5%. Customs duty shall be reduced on 22 items.
- ✓ Service Tax rates have been enhanced from 12.36% to 14% plus 2% surcharge for Swachh Bharat, thereby making it 14.28%.
- ✓ Net gain from various tax proposals is seen at Rs 150.68 billion.
- ✓ Investment in infrastructure will go up by Rs 700 billion in comparison to last year.
- ✓ National investment infrastructure funds will be set up. Tax-free infrastructure bonds are proposed for projects in roads, rails and irrigation. Additional 1 lakh km of roads are proposed to be constructed.
- ✓ Plan expenditure is seen at Rs 4.65 trillion and non plan expenditure at Rs 13.12 trillion.
- ✓ The Budget focuses on rural development, social upliftment, infrastructure boost, Swachh Bharat, path for an advanced and predictable tax regime with competitive tax rates and paves the way for a future aimed at growth and progress.
- ✓ Only time will tell how realistic are these estimates.

-CA Akshay Shah