Budget 2016-17 &
The Indian Economy

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Real GDP annually grew 8.3% from 2003-04 to 2011-12. But it fell sharply in 2012-13. Under the present government, it has recovered to above 7%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Real</th>
<th>Nominal</th>
<th>2015-16 (Adv. Est.)</th>
<th>Real</th>
<th>Nominal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>5.6</td>
<td>13.9</td>
<td>Q1 (April-June)</td>
<td>7.6</td>
<td>8.7</td>
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<tr>
<td>2013-14</td>
<td>6.6</td>
<td>13.3</td>
<td>Q2 (July-Sept)</td>
<td>7.7</td>
<td>6.4</td>
</tr>
<tr>
<td>2014-15</td>
<td>7.2</td>
<td>10.8</td>
<td>Q3 (Oct-Dec)</td>
<td>7.3</td>
<td>9.2</td>
</tr>
<tr>
<td>2015-16*</td>
<td>7.6</td>
<td>8.6</td>
<td>Q4 (Jan-March)</td>
<td>7.8</td>
<td>10.1</td>
</tr>
</tbody>
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*Advance Estimate
Macroeconomic Stability Restored

- Inflation: CPI below 6% (from above 10% in 2013)
- CA Deficit: 1 to 2% (4-5% in 2013)
- Fiscal Deficit: 3.9% in 2015-16 (4.1% in 2014-15)
- FX Reserves in excess of $350 billion ($304 billion in 2013-14)
- R.E. Plan Expenditures in 2015-16 higher than the B.E. unlike the past years
End to paralysis and unblocking of the vast majority of infrastructure projects

End to inspector raj: Shram-Suvida portal allowing self-certification of compliance of central labor laws backed by random inspections

FDI: 49% in insurance and defense and 100% in railways

Labor law reforms in Rajasthan, Madhya Pradesh, Andhra Pradesh and Gujarat (in progress in Haryana)

Reform of Land Acquisition Act 2013 in Tamil Nadu

Modern bankruptcy law

DBT in LPG distribution

Accelerated infrastructure build up

No new cases of retrospective taxation
A Well-rounded Budget 2016-17

- Macroeconomic stability Maintained
- Reform measures across a wide variety of sectors (other than taxation and financial sector)
- Reform measures in taxation
- Reform measures in the financial sector
- Central focus on agriculture and rural economy
- Strengthening of social safety nets
Macroeconomic Stability Maintained

- Fiscal deficit pegged at 3.5% as per the commitment last year despite widespread calls for its breach to accommodate larger expenditures
- Revenue deficit down to 2.3% (from 2015-16 R.E. of 2.5%)
- Commitment to review the FRBM Act
- Statutory basis for Monetary Policy Framework and Monetary Policy Committee through Finance Bill 2016
Reforms Across Wide Variety of Sectors Proposed

* Statutory backing to AADHAR
* New policy on disinvestment and strategic sales
* Experiment with DBT in fertilizer
* Private entry in passenger road transport (enabling measure for the states wishing to take advantage)
* Deregulation of gas price for new discoveries
* Unified agricultural e-marketing platform
* Revamping of National Land Record Modernization Program
* Infrastructure to get a whopping Rs. 2.21 trillion in expenditure (target of approval of 10,000 km of National Highway; revival of un-served and underserved airports; and expansion, doubling and electrification of railway lines)
* Amendment of Companies Act to create enabling environment for start-ups
Continued commitment to the GST

Corporate Tax
- Option of 25% tax plus surcharge and cess to companies incorporated beginning March 1 2016
- Tax rate down to 29% plus surcharge and cess for companies with turnover of Rs. 5 crore or less beginning 2017-18

Presumptive Taxation
- Presumptive taxation of companies with turnover less than Rs. 2 crore (with income assumed to be 8% of the turnover) and of professionals with gross receipts of Rs. 50 lakh (with income presumed to be 50%)
Reforms: Taxation - II

* Litigation and Tax Certainty
  * Option to declare undisclosed income by paying 30% tax plus 7.5% penalty plus 7.5% cess
  * New dispute resolution scheme (no penalty in cases with tax liability below Rs. 10 lakh and 25% of the minimum imposable penalty in other disputes): Rs. 5.5 trillion worth of disputes are currently pending
  * One-time scheme for the resolution of cases under retrospective taxation on payment of assessed tax (with interest and penalty waived)

* Simplification and Rationalization
  * 13 cesses eliminated (these are cesses with revenue less than Rs. 50 crore)
  * Custom single window project at major ports and airports
A comprehensive Code on Resolution of Financial Firms to deal with bankruptcy situations in banks, insurance companies and financial sector entities

- Privatization of IDBI Bank
- Consolidation of public sector banks
- Allocation of Rs. 250 billion towards recapitalization of Public Sector Banks
- General Insurance Companies owned by the Government to be listed in the stock exchanges
Central Focus on Agriculture and Rural Economy

- PMKSY to be implemented in mission mode with additional 2.85 million hectares to be brought under irrigation (89 irrigation projects to be fast tracked)
- Dedicated long-term irrigation fund of Rs. 200 billion to be created at NABARD
- Soil and seed testing facilities at 2000 retail outlets of fertilizer companies
- PM crop insurance scheme
- Rs. 385 Billion for MNREGS
- Remaining 65,000 villages to be connected under PMGSY by 2019
- All villages to be brought under electrification by May 1, 2018
- Digital literacy mission to cover 60 million additional households
Rs. 1.51 trillion allocated to social sectors including education and health
LPG to 15 million new BPL households in 2016-17; to be expanded to 50 million households in three years
Health insurance for all BPL households for Rs. 100,000
3000 stores to be opened for medicines at low prices
SSA to focus on improved education quality
Regulatory architecture for 10 private and 10 public institutions to emerge as world-class teaching and research institutions
Unlike the Land Acquisition Act 2013 and retrospective taxation under the UPA, the present government has taken no steps that would call for reversal.

In large part, in designing its schemes, the present government has gone for Empowerment instead of entitlement.

Optically, the government may appear to be moving slowly but the reforms have accumulated marking substantial change.

This is why the prospects for the growth rate to cross the 8% mark are excellent.