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Research Paper

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Indian Union Budget 2016-17- in The Path of Growth

Subhrangshu Sekhar Sarkar Professor Department of Business Administration Tezpur University Napaam Assam 784 028

ABSTRACT *India is one of the fastest growing economies of the world. India is a federal republic means it has existence of state governments as well as a Union Government. By the nature of the organization of the country, the Union Government is powerful than the state governments. It is always an interesting event to watch the Union Finance Minister placing the budget on the floor of the Parliament on the last day of February every year. This paper makes an attempt to analyze the fine points of the Union Budget of the India for the year 2016-17 which was presented on 29th of February 2016.*

KEYWORDS : Budget, Union, Government

It has become a ritual for any Union Finance Minister to present a sweet and sour view of the Indian economy before presenting the budget. Keeping the same tradition, Finance Minister Arun Jaitley also followed the same path. Having a GDP growth rate of 7.6 percent makes any Finance Minister comfortable as well as when the International Monetary Fund (IMF) hailed India as a 'bright spot' amongst the slowing global economy. The country could boast of its highest ever foreign exchange reserve of about 350 billion US dollars. In spite of all these positives, the next fiscal is going to face big challenges in implementation of the Seventh Central Pay Commission

recommendations as well as that of One Rank One Pension (OROP). What is liked in the Budget speech of the Finance Minister is that he made nine strategic priorities for the coming year viz. agriculture and farmer's welfare, rural sector, Social Sector including healthcare, Education, skills and Job Creation, Infrastructure and Investment, financial sector reforms, Governance and Ease of Doing Business, Fiscal Discipline, and Tax Reforms. It made the speech very much organized as he narrated the plans and outlay for the next fiscal in each of the nine identified priorities. For agriculture and farmers' welfare, a whooping amount of Rs. 35,984 crores is allocated, allocation for rural sector has been Rs. 87,765 crores while a sum of Rs. 38,500 crore is allocated for MGNREGS. Allocation for social sector including education is given prominence and accordingly, Rs, 1,51,581 crores is earmarked for the next fiscal. Even after spending a huge amount for development expenditure, the Finance Minister claims to restrict fiscal deficit at 3.9 percent in 2015-16 and aims 3.5 percent for 2016-17.

One of the important announcements in this year budget, which is important for academic interest also, is that the Plan/Non Plan classification will no longer be there from the fiscal 2016-17. We will have to wait to see its implication as we were accustomed to have such classification for a long time. The budget speech of any Finance Minister has an interesting turn when he talks on tax proposals. In this front, this year's budget has completely failed. Mr. Jaitley, for some reasons could not show his guts to tinker with the tax systems rather he preferred to go with the status quo. As far as any tax relief is concerned, only small tax payers whose taxable income does not exceed Rs. 5 lakh, will receive a benefit of Rs. 3,000. Those who live in rented house but do not receive any House Rent Allowance will get an additional maximum benefit of Rs. 36.000/- per annum. The Finance Minister has completely ignored the salaried class and other tax payers in providing any additional tax relief.

With the aim of Government of India's "Make in India", "Skill India", "Startup India" programmes, the Finance Minister, has widened the purview of Presumptive Taxation. Proposals are being made for changes in customs and excise duties on certain inputs for making in-house production cost-effective. In an endeavor for moving towards a Pension society, it is proposed that withdrawal upto 40 percent of the corpus at the time of retirement to be tax exempt in case of National Pension Scheme (NPS). However, annuity plan which goes to the legal heir will be exempt from tax. Reading between the lines, this proposal created a lot of furor among the salaried class , as till now, any withdrawal from recognized provident after five years happens to be tax-free. Thus, there is fear that this proposal will make such withdrawals taxable. However, on the very next day of the presentation of the budget, officials from Ministry of Finance came out with some clarification. However, the cloud of confusion in this regard is yet to be cleared.

In a very cautious way, the Finance Minister has tried to gather additional revenue to finance the expenditure to be incurred on agriculture, rural economy and clean environment. An additional tax of 10 percent of gross amount of dividend is imposed on recipient of dividend over Rs. 10 lakhs per annum. Going with Ronbinhood policy, surcharge is increased from present 12 percent to 15 percent on persons having taxable income of more than Rs. 1 crore. In a unique way, there is a proposal for deduction (charge) of 1 percent income tax when a person purchases a car costing Rs. 10 lakhs. While this makes no issue for a person who files income return, but it will definitely be a cost for those who are outside the income-tax net for reasons whatsoever. This rule will also apply for any purchase of goods and services over Rs. 2 lakhs. Already loaded with Sachch Bharat cess, there will be an additional 0.50 percent Krishi Kalyan Cess on taxable services from 1st of June, 2016. Because of changing in tax rates, prices of jewelry, readymade garments, tobacco products going to increase.

The budget failed to provide any remarkable boost to the business arena and hence, capital market has not welcomed the budget. During the day of budget presentation, Sensex had a roller coaster ride and ultimately ended at 152 point lower at 23002. The Finance Minister has not mentioned GST, probably as it is in the process. However, the business community expected something concrete regarding GST in this year's budget. Not considering enhancement of ceiling of Section 80C, has failed to revitalize the financial market.

Being the third budget of Sri Jaitley, he has given emphasis on agriculture and rural sector. If we anlayse the income and expenditure, it can be seen that from every rupee spent, the majority goes to Defence and subsidies. Being a welfare country, it is not possible for any finance minister to garner the entire revenue. In the budget 2016-17, it is estimated that from every rupee earned 19 paise comes from Corporation tax , 14 paise is collected from Income tax , 12 paise from Union excise duty, 9 paise from Customs, 9 paise from service and other taxes, 13 from non-tax revenue and 3 paise from non-debt capital receipts. Thus, there is a deficit of 13 paise that is covered by way of borrowings and other liabilities. Table 1 shows the detailed analysis of statement of affairs of Government of India for the coming year in comparison to the previous year

Table 1 Details of Revenue Deficit and Fiscal Deficit (as per Union Budget 2016-17)

		2014-2015	2015-2016	2015-2016	2016-2017
				Revised	
		Actuals @	Budget	Estimates	Budget
			Estimates		Estimates

Revenue Deficit	365519	394472	341589	354015
	(2.9)	(2.8)	(2.5)	(2.3)
Effective Revenue Deficit	234759	268000	209585	187175
	(1.9)	(2.0)	(1.5)	(1.2)
Fiscal Deficit	510725	555649	535090	533904
	(4.1)	(3.9)	(3.9)	(3.5)
Primary Deficit	108281	99504	92469	41234
	(0.9)	(0.7)	(0.7)	(0.3)

Figures in the Parenthesis show percentage on Gross Domestic Product, absolute figures are in crores of Indian Rupees. Source: indiabudget.nic.in

The Finance Minister has been lucky enough for the falling price of international crude price last year. A substantial amount of revenue could be earned by way of excise duty without giving any pinch to the citizens. The challenge of the Finance Minister will be smart managing the economy in the coming year so that he can control the fiscal deficit at 3.5 percent of the GDP.