

Budget Highlights – 2011-12

The finance minister had presented the highlights of the Budget before the Parliament. The main highlights of the Budget 2011-12 are given below:

FINANCE MINISTER ON GOVERNANCE

- ☞ "Certain events in the past few months may have created an impression of drift in governance and a gap in public accountability ... such an impression is misplaced."
- ☞ Corruption is a problem, must fight it collectively

FINANCE MINISTER ON THE STATE OF THE ECONOMY

- ☞ "Fiscal consolidation has been impressive. This year has also seen significant progress in those critical institutional reforms that will pave the way for double digit growth in the near future."
- ☞ "At times the biggest reforms are not the ones that make headlines, but the ones concerned with details of governance which affect the everyday life of *aam aadmi* (common man). In preparing this year's budget, I have been deeply conscious of this fact."
- ☞ Food inflation remains a concern
- ☞ Current account deficit situation poses some concern
- ☞ Must ensure that private investment is sustained
- ☞ "The economy has shown remarkable resilience."

BORROWING

- ☞ Gross market borrowing for 2011-12 seen at 4.17 trillion rupees
- ☞ Net market borrowing for 2011-12 seen at 3.43 trillion rupees
- ☞ Revised gross market borrowing for 2010-11 at 4.47 trillion rupees

FISCAL DEFICIT

- ☞ Fiscal deficit seen at 5.1 percent of GDP in 2010-11
- ☞ Fiscal deficit seen at 4.6 percent of GDP in 2011-12
- ☞ Fiscal deficit seen at 3.5 percent of GDP in 2013-14

SPENDING

- ☞ Total expenditure in 2011-12 seen at 12.58 trillion rupees
- ☞ Plan expenditure seen at 4.41 trillion rupees in 2011-12, up 18.3 percent

REVENUE

- ☞ Gross tax receipts seen at 9.32 trillion rupees in 2011-12
- ☞ Corporate tax receipts seen at 3.6 trillion rupees in 2011-12
- ☞ Tax-to-GDP ratio seen at 10.4 percent in 2011-12; seen at 10.8 percent in 2012-13
- ☞ Customs revenue seen at 1.52 trillion rupees in 2011-12
- ☞ Factory gate duties seen at 1.64 trillion rupees in 2011-12
- ☞ Non-tax revenue seen at 1.25 trillion rupees in 2011-12
- ☞ Service tax receipts seen at 820 billion rupees in 2011-12
- ☞ Revenue gain from indirect tax proposals seen at 113 billion rupees in 2011-12
- ☞ Service tax proposals to result in net revenue gain of 40 billion rupees in 2011-12

SUBSIDIES

- ☞ Subsidy bill in 2011-12 seen at 1.44 trillion rupees
- ☞ Food subsidy bill in 2011-12 seen at 605.7 billion rupees
- ☞ Revised food subsidy bill for 2010-11 at 606 billion rupees
- ☞ Fertiliser subsidy bill in 2011-12 seen at 500 billion rupees
- ☞ Revised fertiliser subsidy bill for 2010-11 at 550 billion rupees
- ☞ Petroleum subsidy bill in 2011-12 seen at 236.4 billion rupees
- ☞ Revised petroleum subsidy bill in 2010-11 at 384 billion rupees
- ☞ State-run oil retailers to be provided with 200 billion rupee cash subsidy in 2011-12

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GROWTH, INFLATION EXPECTATIONS

- ☛ Inflation seen at 5 percent in 2011-12
- ☛ Economy expected to grow at 9 percent in 2012, plus or minus 0.25 percent

TAXES

- ☛ Standard rate of excise duty held at 10 percent
- ☛ Service tax rate kept at 10 percent
- ☛ To widen scope of service tax
- ☛ To raise minimum alternate tax to 18.5 percent from 18 percent
- ☛ Iron ore export duty raised to 20 percent
- ☛ Personal income tax exemption limit raised to 180,000 rupees
- ☛ To reduce surcharge on domestic companies to 5 percent

DISINVESTMENT

- ☛ Disinvestment in 2011-12 seen at 400 billion rupees

POLICY REFORMS

- ☛ Foreign direct investment policy to be liberalised further in 2011-12
- ☛ To create infrastructure debt funds
- ☛ To boost infrastructure growth with tax-free bonds of 300 billion rupees
- ☛ Raised foreign institutional investor limit in 5-year corporate bonds for investment in infrastructure by \$20 billion
- ☛ Food security bill to be introduced this year
- ☛ To permit Securities and Exchange Board of India (SEBI) registered mutual funds to access subscriptions from foreign investments
- ☛ Public debt bill to be introduced in parliament soon

SECTOR SPENDING

- ☛ To allocate more than 1.64 trillion rupees to defence sector in 2011-12
- ☛ Corpus of rural infrastructure development fund raised to 180 billion rupees in 2011-12
- ☛ To provide 201.5 billion rupees capital infusion in state-run banks in 2011-12
- ☛ To allocate 520.5 billion rupees for the education sector
- ☛ To raise health sector allocation to 267.6 billion rupees

AGRICULTURE

- ☛ To focus on removal of supply bottlenecks in the food sector in 2011-12
- ☛ To raise target of credit flow to agriculture sector to 4.75 trillion rupees
- ☛ Gives 3 percent interest subsidy to farmers in 2011-12
- ☛ Cold storage chains to be given infrastructure status
- ☛ Capitalisation of National Bank for Agriculture and Rural Development (NABARD) of 30 billion rupees in a phased manner
- ☛ To provide 3 billion rupees for 60,000 hectares under palm oil plantation
- ☛ Actively considering new fertiliser policy for urea

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