KARVY STOCK BROKING

Budget

Budget Highlights – 2012-13

The finance minister had presented the highlights of the Budget before the Parliament. The main highlights of the Budget 2012-13 are given below:

FINANCE MINISTER ON GOVERNANCE

- For Indian economy, recovery was interrupted this year due to intensification of debt crises in Euro zone, political turmoil in Middle East, rise in crude oil price and earthquake in Japan.
- GDP is estimated to grow by 6.9 per cent in 2011-12, after having grown at 8.4 per cent in preceding two years.
- Growth moderated and fiscal balance deteriorated due to tight monetary policy and expanded outlays.
- Indicators suggest that economy is turning around as core sectors and manufacturing show signs of recovery.

FINANCE MINISTER ON THE STATE OF THE ECONOMY

- GDP growth estimated at 6.9 per cent in real terms in 2011-12. Slowdown in comparison to preceding two years is primarily due to deceleration in industrial growth.
- Headline inflation expected to moderate further in next few months and remain stable thereafter.
- Current account deficit at 3.6 per cent of GDP for 2011-12 and reduced net capital inflow in the 2nd and 3rd quarters put pressure on exchange rate.
- India's GDP growth in 2012-13 expected to be 7.6 per cent +/- 0.25 per cent.

BORROWING

- Net market borrowing seen at 4.8 trillion rupees in 2012-13

CURRENT ACCOUNT

- Current account deficit seen at 3.6 percent of GDP in 2011/12
- Expect smaller current account deficit in 2012/13

FISCAL DEFICIT

- Fiscal deficit seen at 5.9 percent of GDP in 2011-12
- Fiscal deficit seen at 5.1 percent of GDP in 2012-13

SPENDING

- Total expenditure in 2012-13 seen at 14.9 trillion rupees, up 29 percent
- Plan expenditure budgeted at 521.25 billion rupees in 2012/13, up 18 percent

REVENUE

- Gross tax receipts seen at 10.8 trillion rupees in 2012-13
- Non-tax revenue seen at 1.64 trillion rupees in 2012-13

SUBSIDIES

- To keep 2012/13 subsidies under 2 percent of GDP
- Major subsidies bill estimated at 1.8 trillion rupees in 2012-13
- Food subsidy bill in 2012-13 seen at 750 billion rupees
- Fertilizer subsidy bill in 2012-13 seen at 609.7 billion rupees
- Petroleum subsidy bill in 2012-13 seen at 435.8 billion rupees
- Revised petroleum subsidy bill for 2011-12 at 684.8 billion rupees
- To inject 159 billion rupees to capitalize state-run banks in 2012/13

GROWTH, INFLATION EXPECTATIONS

- Expect headline inflation to moderate in next few months and remain stable thereafter
- Economy expected to grow at 7.6 percent in 2012/13
- Economy expected to grow at 6.9 percent in 2011/12
- Signs of economy turning around in March quarter

TAXES

- Tax payer exemption limit to be raised to ₹2,00,000 from ₹1,80,000.
- Income Tax at 10% for ₹2-5 lakh
- Proposes to levy tax on all services except 17 items in the negative list from 2012/13
- Proposes to raise service tax rate to 12 percent from 10 percent

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- No change in corporate tax rates
- Income Tax deduction of 50 per cent on investments of up to ₹50,000 in savings scheme named after Rajiv Gandhi.
- Proposes to provide full exemption on import duty of thermal coal for power plants
- Proposes to double basic customs duty on gold
- Cars to attract ad valorem rate of 27 per cent
- Customs duty on import of parts of aircraft, tyres and testing equipment fully exempted
- Full exemption from basic customs duty for equipment for road and highway construction.

DISINVESTMENT

- Disinvestment target in 2012-13 of ₹30,000 Crores rupees

POLICY REFORMS

- Allow external commercial borrowing of up to $1 bln to raise working capital for airlines industry for 1 year
- To allow qualified foreign investors in Indian corporate debt markets
- To allow external commercial borrowing to part finance rupee debt in power projects
- Proposes to remove sector-specific restriction on venture capital fund investments
- Hope to achieve "broad-based consensus" to open multi-sector to foreign investors
- DTC Bill to be enacted at the earliest
- GST network to be set up as a National Information Utility and to become operational by August 2012.

SECTOR SPENDING

- Allocates ₹1,93,407 crore rupees for defence in 2012/13, up 18 percent
- ₹3,915 crore to be spent on National Rural Livelihood Mission.
- ₹1,000 crore to be provided for National Skill Development Corporation in 2012-13
- Interest subvention of 7 pc to women self groups for loans up to ₹3 lakh, additional 3 pc for those making timely repayment.
- ₹20,822 crore earmarked for National Rural Health Mission against ₹18,115 crore this year
- ₹20,000 cr to be spent on rural infrastructure development, including ₹5,000 cr for creating warehousing facilities.
- Government to set up ₹5000 crore venture fund for MSME sector.

AGRICULTURE

- Expects country to become self-sufficient in urea production in five years
- Proposes to raise Agriculture credit target to be raised by ₹1,00,000 cr to ₹5,75,000 cr

INFRASTRUCTURE

- During Twelfth Plan period, investment in infrastructure to go up to ₹50 lakh crore with half of this, expected from private sector.
- Tax free bonds of ₹60,000 crore to be allowed for financing infrastructure projects in 2012-13.
- External Commercial Borrowings (ECB) to be allowed to part finance Rupee debt of existing power projects.

TRANSPORT: ROAD & CIVIL AVIATION

- Target of covering a length of 8,800 kilometre under NHDP next year.
- Allocation of the Road Transport and Highways Ministry enhanced by 14 per cent to ₹25,360 crore.
- ECB to be permitted for working capital requirement of airline industry for a period of one year, subject to a total ceiling of US $ 1 billion.
- Proposal to allow foreign airlines to participate upto 49 per cent in the equity of an air transport undertaking under active consideration of the government.

Source: Internet