



Government of India

“Management of the economy is a continuing responsibility, governance can neither pause nor cease, and measures to fully consolidate, and continuously enhance the growth momentum must always be adopted in time. Only in that manner can we realise the vision of economic and social progress that we have cherished since independence.”

INTERIM BUDGET 2004-05

February 3, 2004.

## Key Features of Interim Budget 2004-2005

### BUDGET APPROACH

- Commitment to lifetime concerns: enhanced employment, and eradication of poverty; a second green revolution in agriculture; infrastructure development; fiscal consolidation; and greater manufacturing sector efficiency.
- Moderate inflation, declining interest rates and healthy markets have set the economy on the path of accelerated growth.
- Focus on preserving the strength of macroeconomic fundamentals.

### REFORM MEASURES



#### ***Antyodaya Anna Yojana***

- Coverage extended by 50 lakh families to 2 crore BPL families whilst ensuring that tribal states, districts or belts receive added allocations.



#### ***Pradhan Mantri Swasthya Suraksha Yojana***

- Six new AIIMS like hospitals, one each in Bihar, Chhatisgarh, Madhya Pradesh, Orissa, Rajasthan and Uttaranchal.
- One medical college each in Andhra Pradesh, Jammu & Kashmir, Jharkhand, Tamil Nadu, Uttar Pradesh and West Bengal to be upgraded to the level of AIIMS.



#### ***Rural***

- Commitment to ensuring the availability of timely credit at affordable rates to farmers and other citizens in rural India.
- Banks being urged to offer loans for agricultural purposes at rates lower than those prevailing currently.
- Banks insist on mortgaging the entire land holding as security for advances for agricultural purposes; therefore, being advised not to routinely insist on additional collateral through a mortgage of the entire land holding.
- All eligible farmers to receive Kisan Credit Cards by March 31, 2004. Existing Kisan Credit Card will be modified, upon individual request, for use on ATM machines.
- Farm Income Insurance Scheme introduced in 20 districts, on a pilot basis; will be extended to 100 districts.
- Special promotional campaign for Self Help Groups. In the first phase, an intensive programme will be launched in Uttar Pradesh, Rajasthan and Madhya Pradesh.

- *Tea*: Special Tea Term Loan, repayable in five years, with a moratorium of one year, shall be provided. Feasibility of a debt amelioration scheme to be examined.
- *Sugar*: A revitalisation package will be prepared in consultation with all the stakeholders.
- A scheme to revitalize the cooperative credit structure, envisaging an outlay of about Rs.15,000 crore, to be shared between the Central and State Governments, has been prepared.



### ***Laghu Udyami Credit Cards***

- Public sector banks will increase the credit limit of their cards, for borrowers who have a satisfactory track record, from Rs.2 lakh to Rs.10 lakh. Banks are being advised to make the modified scheme operational from March 1, 2004.

### ***Stamp Duty Reform***

- Decision to reduce stamp duty on all such instruments where the authority to fix rates is of the Central Government.
- Existing stamp duty structure being reduced by 50 per cent on all Central Government stamp papers. For duty on Receipts, the threshold for payment of stamp duty to be increased from Rs.500 to Rs.50,000.

### ***Special Areas***



#### ***Island territories***

- A hard area allowance at the rate of 25 per cent of basic pay will be paid to all Government employees posted in the Nicobar group of islands.
- Status of Port Blair to be raised from 'C' to 'B-1' class city, for purposes of house rent allowance (HRA).
- Rural areas of the Union Territory of Andaman and Nicobar Islands and the entire Union Territory of Lakshadweep will also stand upgraded from 'unclassified' to 'C' class city, for the purpose of HRA.
- Goa being upgraded from 'C' to 'B-1', for the purposes of HRA.



#### ***Desert Areas***

- A Task Force for Integrated Development of Desert Areas to be established.
- The Indira Gandhi canal project will be accelerated through a fresh Centre-State initiative, including additional innovative funding. Ministry of Finance will work with the Government of Rajasthan for an extension of the Narmada Canal into Rajasthan.
- Last date for setting up of new industrial units in the Kutch Districts of Gujarat for purpose of exemption from excise duty, being extended from July 31, 2004 to December 31, 2004.



### ***Water Scarcity in Metropolitan Cities***

- Decision to initiate an accelerated drinking water supply scheme for mega cities, such as Bangalore, Chennai, Delhi and Hyderabad. Provision for existing Central scheme for infrastructure development in mega-cities to be augmented by accessing the Infrastructure Fund, the Life Insurance Corporation and other such funding sources.



### ***Convention Centres***

- Four global standard international convention centres, to be established through private-public partnership, will be located in Delhi and Mumbai, and one each in Goa and Rajasthan.
- Airport in Jaipur will be converted into an international airport so that the convention centre in Jaipur functions effectively.



### ***Development Finance***

- Decision to designate IDBI as the lead developmental finance institution.
- Industrial Finance Corporation of India (IFCI) will be restructured through transfer of its impaired assets to an Asset Reconstruction Company and merger with a large public sector bank.

### ***Other Schemes***

- The Agricultural Infrastructure and Credit Fund (to be called 'Lok Nayak Jai Prakash Narayan Fund'), the Small and Medium Enterprise Fund, and the Industrial Infrastructure Fund to be operational shortly; will provide credit at highly competitive rates, which is expected to be 2 percentage points below the Prime Lending Rate (PLR).



### ***Defence Modernisation Fund***

- A non-lapsable, Defence Modernisation Fund of Rs.25,000 crore will be made available from the new financial year.



### ***Employee Welfare***

- DA, to the extent of 50 per cent of pay, will be merged with basic pay with effect from April 1, 2004.



### ***DIRECT TAXES***

- Fiscal benefits available to new projects in the power sector should be extended upto 2012 instead of 2006, and also be available to cases of take-over from State Electricity Boards.

- The regime of listed equities acquired on or after March 1, 2003 being exempt from long-term capital gains tax should be extended for a further period of three years.
- To make Indian shipping internationally competitive, a tonnage tax scheme, with notional income at a fixed rate, on the basis of net registered tonnage should be considered.
- Capital gains on acquisition of agricultural land should be exempt from tax. There should also be no deduction of tax at source on the interest earned on enhanced compensation for acquisition of such land.
- If outsourced services are ancillary and auxiliary in nature and adequate remuneration is paid to the Indian call centre, then there shall be no tax on such foreign company as has outsourced its activity to India.
- Need to revisit the issues of revising the standard deduction for salaried class, the tax treatment of family pension of war widows, and the present exemption limits.



## INDIRECT TAXES

- **Capital Goods:** Ministry of Finance, in consultation with Ministry of Commerce, will examine the suggestion that wherever there is exemption from countervailing duty on an imported capital good, deemed export benefits should be given to the very same capital good, manufactured indigenously.
- **Power:** A suitable legislative measure should be considered for a retrospective exemption from excise duty on residual fuel oils for units licensed under the Electricity Supply Act, 1948 .
- **Baggage rules:** Free baggage allowance raised from Rs.12,000 to Rs.25,000. Customs duty on such baggage also reduced from 50 per cent to 40 per cent with immediate effect.

### *User-friendly tax administration*

- Round the clock electronic filing of customs documents for clearance of goods to be extended to 23 customs formations by March 31, 2004.
- Customs clearance to be based on self-assessment and selective examination from June 30, 2004.
- An 8-digit code classification of goods for the levy of excise to be adopted by September 30, 2004.
- Compounding of offences under Union excise rules, for quick settlement of disputes, to be introduced from June 30, 2004.
- E-filing of excise returns to be introduced from June 30, 2004.



### **Service tax:**

- Only a simple verification being made for grant of registration.
- A single registration and single return for assesses providing more than one taxable service.
- Automation enhanced by extending e-filing of returns and also their electronic scrutiny to all the 58 taxable services.

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## NOTES