INITIATIVES AND SALIENT ACHIEVEMENTS IN THE LAST SIX MONTHS

28-DECEMBER-2014

MINISTRY OF FINANCE

MAJOR POLICY INITIATIVES, PROGRAMMES/SCHEMES ANNOUNCED AND ACHIEVEMENTS MADE WITH REGARD TO THE MINISTRY OF FINANCE SINCE THE NEW GOVERNMENT CAME TO POWER

Actions to curb Black Money

- First major decision taken by the present Government after taking over reins of power in May, 2014 was to constitute a Special Investigating Team (SIT) to implement the decision of the Hon'ble Supreme Court on large amount of money stashed abroad by evading taxes or generated through unlawful activities.
- While focusing upon non-intrusive measures, due emphasis on intrusive enforcement measures in high impact cases with a view to prosecute the offenders at the earliest possible, for creating effective deterrence against tax evasion.
- Joining the global efforts to combat tax evasion, including supporting implementation of a uniform global standard on Automatic Exchange of Information on a fully reciprocal basis, facilitating exchange of information regarding persons hiding money in offshore centres.
- Legislative measures, wherever required, including amendment to section 285BA of the Income-tax Act, 1961 vide Finance (No.2) Act, 2014 facilitating the Automatic Exchange of Information.

Pradhan Mantri Jan-Dhan Yojana (PMJDY)

- Another major initiative of the Government was to launch a major campaign to open bank accounts. Major achievements have been made with regard to the implementation of the Pradhan Mantri Jan-Dhan Yojana (PMJDY) which was launched by the Prime Minister on 28th August, 2014. Target was to open bank accounts of at least one household amouting to opening of 7.5 crore accounts by 26th January, 2015. Target has now been revised to opening of 10 crore accounts by 26th January, 2015
- A dedicated website for PMJDY launched
- As on 23.12.2014, 9.91 Crore accounts have been opened under PMJDY.
- RuPay Cards have been issued in case of 7.39 Crore accounts.
- As on 1.12.2014, States of Goa, Kerala, Tripura & Madhya Pradesh, Union Territories of Chandigarh, Puducherry and Lakshadweep have achieved 100% Saturation (in terms of coverage of all households with at least one bank account).

Varishtha Pension Bima Yojana (VPBY)

- The Union Finance Minister Shri Arun Jaitley relaunched the Varishtha Pension Bima Yojana (VPBY) which will benefit the vulnerable section of society with limited resources and will provide monthly pension ranging from Rs 500/ to Rs 5,000/ per month to senior citizens of the country.
- The revived scheme will remain open during the window stretching from 15th August, 2014 to 14th August, 2015 for the benefit of citizens aged 60 years and above, and will provide financial security by ensuring regular income during their advancing years. Like on the last occasion, the scheme will be administered by the LIC. The subscription to the scheme is likely to create a corpus of more than Rs. 10,000 crore, and would thus also be a significant source of resource mobilization for the development of the country. About 5 lakh senior citizens are likely to be covered under this Scheme during the current year 2014-15.

Direct Benefit Transfer (DBT)

- The vision of DBT is to transfer cash or benefits directly to the beneficiaries' accounts, preferably Aadhar seeded, cutting down several layers of the intermediaries in order to achieve timely and more frequent payments, target intended beneficiaries more accurately, remove fake, ghost beneficiaries and de duplicate and improve efficiency in delivery system.
- This is also to create transparency and accountability in government delivery systems and empower beneficiaries.

Goods and Services Tax

- Constitutional Amendment Bill was introduced in Loksabha in the winter session to facilitate the introduction of Goods and Services Tax (GST) in the country.
- The proposed amendments in the Constitution will confer powers both to the Parliament and State legislatures to make laws for levying GST on the supply of goods and services in the same transaction.
- GST will simplify and harmonise the indirect tax regime in the country. GST will broaden the tax base, and result in better tax compliance due to a robust IT infrastructure. Due to the seamless transfer of input tax credit from one state to another in the chain of value addition, there is an in-built mechanism in the design of GST that would incentivize tax compliance by traders. It is thus, expected that introduction of GST will foster a common and seamless Indian market and contribute significantly to the growth of the economy.

Following are the salient features of this Constitution Amendment Bill:

- A new Article 246A is proposed which will confer simultaneous power to Union and State legislatures to legislate on GST.
- A new Article 279A is proposed for the creation of a Goods & Services Tax Council which will be a joint forum of the Centre and the States. This Council would function under the Chairmanship of the Union Finance Minister and will have Ministers in charge of Finance/Taxation or Minister nominated by each of the States & UTs with Legislatures, as members. The Council will make recommendations to the Union and the States on important issues like tax rates, exemptions, threshold limits, dispute resolution modalities etc.
- It is proposed to do away with the concept of 'declared goods of special importance' under the Constitution.
- Centre will compensate States for loss of revenue arising on account of implementation of the GST for a period up to five years. A provision in this regard has been made in the Amendment Bill (The compensation will be on a tapering basis, i.e., 100% for first three years, 75% in the fourth year and 50% in the fifth year).

Kisan Vikas Patra (KVP)

- while presenting the Union budget for 2014-15, the Finance Minister had announced the re-launch of the Kisan Vikas Patra (KVP).In order to meet the commitment, the Finance Minister re-launched the Kisan Vikas Patra (KVP) on 18.11.2014 to attract investment of people for small savings scheme
- Reintroduction of Kisan Vikas Patra (KVP) is a welcome step not only in the direction of providing safe and secure investment avenues to the small investors but will also help in augmenting the savings rate in the country. The scheme will also safeguard small investors from fraudulent schemes.
- With a maturity period of 8 years 4 months, the collections under the scheme will be available with the Govt. for a fairly long period to be utilized in financing developmental plans of the Centre and State Governments and will also help in enhancing domestic household financial savings in the country.
- The Kisan Vikas Patras (KVP) will be available to the investors in the denomination of Rs. 1000, 5000, 10,000 and 50,000, with no upper ceiling on investment.
- The certificate can also be pledged as security to avail loans from the banks and in other case where security is required to be deposited. Initially the certificates will be sold through post offices, but the same will soon be made available to the investing public through designated branches of nationalised banks
- The certificates can be issued in single or joint names and can be transferred from one person to any other person / persons, multiple times.
- KVP have unique liquidity feature, where an investor can, if he so desires, encash his certificates after the lock-in period of 2 years and 6 months and thereafter in any block of six months on pre-determined maturity value. The investment made in the certificate will double in 100 months.

Committee to examine un-claimed amount

- The Union Finance Minister approved the setting-up of a Committee under the Chairmanship of Deputy Governor, Reserve Bank of India(RBI) to examine un-claimed amount remained in PPF, Post Office, Savings Schemes etc and recommend how this amount can be used to protect and further the financial interest of the senior citizens.
- Based on defined scope, by Reserve Bank of India, estimation of amount lying unclaimed under various scheme`s (Small Savings and other Savings Schemes of banks) with Post Offices/ Public Sector Banks;
- Procedure for bringing such unclaimed deposits to a common pool to be suggested by the Committee. Changes, if any, required to be made in the legal framework may be suggested. Committee to also suggest if such a pool should be placed within Government account or outside it.

Committee to recommend how this unclaimed amount can be used to protect and further financial interests of the senior citizens.

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Expenditure Reforms

- The Union Finance Minister also announced during his Budget Speech in July 2014 to set-up an '**Expenditure Management Commission'** to achieve the objective of 'Minimum Government, Maximum Governance'. The Commission will look into various aspects of expenditure reforms to be undertaken by the Government. Keeping that in view, the Government constituted an 'Expenditure Management Commission' under the Chairmanship of Shri Bimal Jalan, former Governor of RBI.

The Commission will look into among others rationalisation of subsidies given by the Government such as subsidy for food, kerosene, LPG, and fertilizers etc and give its interim report within current financial year.

Government announced **austerity measures** for fiscal prudence and economy:

- Every Ministry/department to effect a mandatory 10% cut in Non-Plan Expenditure
- Utmost economy to be observed in organizing, conferences seminars and workshops
- Ban on purchase of vehicles
- In all cases of air travel, the lowest air fare tickets available for entitled class to be purchased/procured.

Economy and Growth

- GDP growth which was below 5 percent in the last two years has grown at 5.5 per cent in the first half of the current year.
- **Inflation as measured by Consumer Price Index is at its lowest ever level in November 2014 (4.4 per cent) since the introduction of the new series in 2011-12.**
- **Wholesale Price Index inflation is 0.0 per cent for November, 2014, lowest since 2009.** This has been achieved

largely due to constant monitoring and measures taken such as delisting of vegetables and perishables from APMC Act, release of food grains stocks, fixing of minimum export prices for key commodities.

- India's external sector is now far more resilient and robust than before. Current account deficit was 1.9 per cent of GDP in the first half of 2014-15 as against 3.1 percent of GDP in the first half of 2013-14.
- Capital flows particularly investment flows have been buoyant in the first half of 2014-15 and there has been significant addition to the foreign exchange reserves. Total Investment
- **Flows are placed at USD 43.4 billion in April-October, 2014 as against USD 9.4 billion in April-October,2013.** Foreign Exchange Reserves stood at US$ 314.7 billion as on December 5, 2014.

Tax Collection and Tax Relief

- Indirect Tax Revenue (Provisional) collections have increased from Rs 2,69,909 crore in April-October 2013 to Rs.2,85,126 crore during April-October 2014. Thus an increase of 5.6 % has been registered during April-October 2014 over the corresponding period in the previous year. This is an overall achievement of 45.7% of the target fixed at BE 2014-15.
- Measures to boost domestic manufacturing sector: A number of changes in the customs and excise duty structure including rectification of inverted duty structure have been made to promote domestic manufacture, attract new investment, increase capacity utilization & enable domestic value addition in sectors, such as electronics & IT, steel, chemicals & petrochemicals, and renewable energy.
- As clean energy initiative, Rate of Clean Energy Cess, levied on coal, lignite and peat, increased from Rs. 50 per tonne to Rs. 100 per tonne so as to replenish the National Clean Energy Fund for clean environment and energy purposes. Services provided by common bio-medical waste treatment facility operators for safe disposal of waste exempted from service tax.
- Direct tax collections achievement has also been up to the mark and the Government has made net collections of Direct taxes to the tune of Rs. 2,96,802 crore from 1st April-20th October, 2014. The target for Current Financial Year has been fixed at Rs. 7,36,221 crore which the Government is quite optimistic to achieve.
- The Finance Minister while presenting the Union Budget 2014-15 in Lok Sabha on 10th July, 2014, announced **the raising of the personal income-tax exemption limit by Rs. 50,000/- that is, from Rs. 2 lakh to Rs. 2.5 lakh in the case of individual taxpayers, below the age of 60 years, and from Rs. 2.5 lakh to Rs. 3 lakh in the case of senior citizens.** However there is no change in the rate of surcharge either for the corporates or the individuals, HUFs, firms etc. The budget proposes to continue education cess at 3 percent.
- Investment limit under section 80C of the Income-tax Act has also been raised from Rs. 1 lakh to Rs. 1.5 lakh and Deduction limit on account of interest on loan in respect of self occupied house property raised from Rs.1.5 lakh to Rs.2 lakh.
- To incentivize small entrepreneurs an Investment allowance at the rate of

15 percent to a manufacturing company that invests more than Rs. 25 crore in any year in new plant and machinery.

- The benefit to be available for three years i.e for investments upto 31.03.2017. Investment allowance to manufacturing company investing more than Rs.100 crore announced last year to continue in parallel till 31.03.2015.
- To promote savings rate in the economy investment limit under Public Provident Fund increased from Rs 1 lakh to Rs 1.5 lakh;
- In furtherance of its objective to improve the efficiency and equity of the tax system and to promote voluntary compliance, the emphasis of the government has been for providing a non adversarial tax regime. Accordingly, the Central Board of Direct Taxes has issued detailed instructions to its field formations to ensure that the dignity of the taxpayers is respected while dealing with them, no frivolous demands are raised and no unnecessary litigation is continued.

Fillip to the capital goods and automobile sector

- In order to provide a fillip to the capital goods and automobile sector, the Government has decided to extend the duty concessions up-to 31st December, 2014. It was expected that the benefit of these duty concessions will be passed on to the consumers at large. The major items covered under aforesaid duty concessions include:
- Small cars, motorcycles, scooters, three wheelers and commercial vehicles from 12% to 8%; Mid-segment cars from 24% to 20%; Large cars from 27% to 24%; and SUVs from 30% to 24%.

Scheme for Girl Child and Nirbhaya Fund

- 'Nirbhaya Fund' has been created to ensure dignity and safety of girl children and women. The Fund has been created as a corpus in public account in Department of Economic Affairs (DEA). Rs. 2000/- crore has been credited in the Fund. As and when the schemes from Ministries/Departments are approved to be funded from 'Nirbhaya Fund' suitable allocations are done in their respective demands and the corpus in DEA is reduced by that amount. Allocation from Nirbhaya Fund has been made for the following schemes:
- 'Scheme on Women Safety on Public Road Transport' administered by Ministry of Road Transport and Highways – Rs. 50,00 crore;
- 'Schemes on Backend Integration of Distress Signal from Victims with Mo bile Vans and Control Rooms' administered by Ministry of Home Affairs – Rs. 150.00 crore.
- A scheme exclusively for the girl child has been notified. The scheme will provide funds at the stage of "Education" and "Marriage" of the girl child.

Disinvestment

- Actual disinvestment: Government has disinvested 5% equity in SAIL and realized Rs.1,720 crore. This Offer for Sale (OFS) of Shares through Stock Exchange Mechanism was one of the best ever by the Government in terms of high percent subscription and low discount offered.
- Operationalizing the Action Plan on Disinvestment: CCEA approved the disinvestment proposals of Coal India Ltd (10% equity), ONGC (5%), NHPC (11.36%), PFC (5%) and REC (5%). Government sees disinvestment of CPSEs as a tool for realizing their productive potential, while improving corporate governance, public ac countability, participation of the people and raising resources for priority Government social and economic programs.
- Making the disinvestment program more inclusive: Earlier there was no reservation for retail investors in OFS. However, on 8 August, 2014, SEBI has mandated that minimum 10% of the offer size shall be reserved for retail investors in OFS and a discount has also been made admissible to them. Subsequent to this amendment in OFS Guidelines, Government has approved upto 20% of the offer size being reserved for retail investors. Further, retail investors may be allocated shares at a discount. This is likely to improve public participation in the disinvestment program.
- Minimum Public Shareholding norms: In August 2014, SEBI has amended the minimum public shareholding norms for every listed CPSE. After this amendment, every listed CPSE has to increase its public shareholding to at least 25%, within a period of 3 years. This is likely to give further impetus to disinvestment of CPSEs with attendant benefits.

Swachh Bharat Abhiyan initiatives

- **Swachh Bharat Kosh (SBK) has been set-up** to attract Corporate Social Responsibility (CSR) funds from corporate sector and contributions from individuals and philanthropists in response to the call given by Hon'ble Prime Minister on 15th August, 2014 to achieve the objective of Clean India (Swachh Bharat) by the year 2019, the 150th year of the birth anniversary of Mahatma Gandhi through Swachh Bharat Mission
- The house keeping activities divided into Daily, Weekly and Monthly activities for better implementation and monitoring.
- Special provisions made for waste disposal, especially for e-waste, furniture, old news papers, old vehicles etc. A quarterly report on waste disposal will be prepared and approved by the Secretary.
- Cleanliness committee will be formed to inspect rooms and to adjudge 'Cleanest room of the week/month'.
- Separate space on website of department called 'Endeavours for Swatchh Bharat' will be kept for hoisting the activities/events/function there.
- Action will be taken against offenders/ habitual offenders who indulge in behaviour not conducive to cleanliness.
- Special drive on awareness creation