



## Annual Budget for 2010-11 Presented



The Union Finance Minister, Mr. Pranab Mukherjee arrives at Parliament House to present the General Budget 2010-11, in New Delhi on February 26, 2010. The Ministers of State of Finance, Mr. S.S. Palanimanickam and Mr. Namo Narain Meena are also seen.

The Finance Minister of India, Mr. Pranab Mukherjee presented the Annual Budget for 2010-11 on February 26, 2010.

### Highlights of the Budget:

A total expenditure of Rs. 11,08,749 crore (approx \$239.4 billion) is proposed in the 2010-11 Budget, which is an increase of 8.6 per cent over last year. The Plan and Non Plan expenditures in 2010-11 are estimated at Rs. 3,73,092 crore (approx \$80.5 billion) and Rs. 7,35,657 crore (approx \$158.9 billion) respectively.

Fiscal deficit is projected at 5.5 per cent of GDP. Revenue deficit has been projected at 4% of GDP.

The actual net market borrowing of the Government in 2010-11 would be of the order of Rs.3,45,010 crore (approx \$74.52 billion).

### Key Fiscal Proposals:

The Government will implement the Direct Tax Code from April 1, 2011.

The Government is actively engaged with the Empowered Committee of State Finance Ministers to finalize the structure of Goods and Services Tax (GST)

as well as the modalities of its expeditious implementation. It is an endeavor to introduce GST by April, 2011.

The Government will follow the recommendations of the Thirteenth Finance Commission by capping the government debt. The Commission has recommended a capping of the combined debt of the Centre and the States at 68 per cent of the GDP to be achieved by 2014-15.

There is no change in corporate tax rates. The surcharge on domestic companies is being reduced from 10 per cent to 7.5 per cent. However, the minimum alternate tax (MAT) is being increased from 15 per cent to 18 per cent.

The rate of tax on services has been retained at 10%.

The rate reduction in Central Excise duties is to be partially rolled back and the standard rate on all non-petroleum products enhanced from 8 per cent to 10 per cent *ad valorem*.

A nutrient based subsidy policy for the fertilizer sector will become effective from April 1, 2010.

### Major Sector Specific Proposals

#### Infrastructure Development

The Budget has provided Rs 1,73,552 crore (approx \$37.48 billion) for infrastructure development which accounts for over 46 per cent of the total plan allocation.

The disbursements by India Infrastructure Finance Limited (IIFCL) are expected to touch Rs 9,000 crore (approx \$1.9 billion) by end March 2010 and reach around Rs 20,000 crore (approx \$4.32 billion) by March 2011.

Plan allocation for power sector has been doubled to Rs.5,130 crore (approx \$1.22 billion) in 2010-11.

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☞ A “Coal Regulatory Authority” to create a level playing field in the coal sector is proposed to be set up.

☞ The Government proposes to introduce a competitive bidding process for allocating coal blocks for captive mining to ensure greater transparency and increased participation in production from these blocks.

### **Agriculture**

☞ A four-pronged strategy would be followed to spur growth in agriculture sector. The elements of the strategy are (a) agricultural production; (b) reduction in wastage of produce; (c) credit support to farmers; and (d) a thrust to the food processing sector.

☞ The target for farm credit is being raised to Rs.3,75,000 crore (approx \$80.99 billion) in 2010-11 from Rs.3,25,000 crore (approx \$70.91 billion) in the current year.

☞ Five more Mega Food Parks will be set up in addition to the 10 already being established.

☞ External Commercial Borrowings will henceforth be available for cold storage, farm level pre-cooling and preservation and storage of agricultural and allied produce marine products and meat.

### **Inclusive Development:**

☞ A sum of Rs.1,37,674 crore (approx \$29.74 billion), representing 37 per cent of the total outlay, will be spent on social sector programmes.

☞ Plan Allocation for school education is being increased from Rs.26,800 crore (approx \$5.78 billion) to Rs.31,036 crore (approx \$6.70 billion) to support the children’s rights to free and compulsory education.

☞ It has been decided to provide appropriate banking facilities to habitations having population in excess of 2000 by March 2012. It is also proposed to extend insurance and other services to the targeted beneficiaries. These provisions are expected to cover 60,000 habitations.

☞ The Budget has provided Rs.66,100 (approx \$14.28 billion) for Rural Development.

☞ It has been decided to set up a National Social Security Fund for unorganized sector workers with an initial allocation of Rs.1,000 crore (approx \$215 million).

### **Financial Sector:**

☞ An apex level Financial Stability and Development Council will be set up with a view to strengthen and institutionalize the mechanism for maintaining financial stability. The Council would monitor macro-prudential supervision of the economy, including the functioning of large financial conglomerates, and address inter-regulatory coordination issues.

☞ Reserve Bank of India (RBI) is considering giving some additional banking licenses to private sector players. Non Banking Financial Companies could also be considered, if they meet the RBI’s eligibility criteria.

## **Railway Budget for 2010-11**

The Indian Railway Budget was presented in the Parliament by the Railway Minister, Ms. Mamta Banerjee on February 24, 2010.

### **Highlights:**

☞ The proposed outlay for 2010-11 is Rs.41,426 crore (approx \$8.95 billion). Out of this allocation, Rs.4,411 crore (\$952 million) have been proposed to achieve the target of 1,000 kilometers (621 miles) for new lines.

☞ Gross Traffic receipts for 2010-11 have been projected at Rs 94,765 crore (approx \$20.47 billion).

☞ A National High Speed Rail Authority is proposed to plan high speed rail corridor. Six corridors have been identified and the projects would be executed through PPP mode.

☞ No increase is planned for passenger fares of any class and in freight tariffs.