REFLECTIONS ON THE UNION BUDGET 2015-16

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FORUM
OF FREE ENTERPRISE

"Free Enterprise was born with man and shall survive as long as man survives".

- A. D. Shroff
Founder-President
Forum of Free Enterprise

SHAILESH KAPADIA

(24-12-1949 – 19-10-1988)

Late Mr. Shailesh Kapadia, FCA, was a Chartered Accountant by profession and was a partner of M/s G.M. Kapadia & Co. and M/s Kapadia Associates, Chartered Accountants, Mumbai.

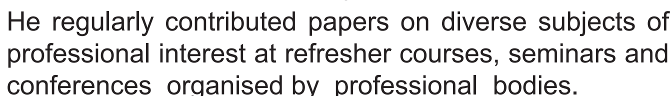
Shailesh qualified as a Chartered Accountant in 1974 after completing his Articles with M/s Dalal & Shah and M/s G.M. Kapadia & Co., Chartered Accountants, Mumbai. Shailesh had done his schooling at Scindia School, Gwalior and he graduated in Commerce from the Sydenham College of Commerce & Economics, Mumbai, in 1970.

Shailesh enjoyed the confidence of clients, colleagues and friends. He had a charming personality and was able to achieve almost every task allotted to him. In his short but dynamic professional career, spanning over fourteen years, Shailesh held important positions in various professional and public institutions.

Shailesh's leadership qualities came to the fore when he was the President of the Bombay Chartered Accountants' Society in the year 1982-83. During his tenure he successfully organized the Third Regional Conference at Mumbai.

Shailesh was member, Institute of Fiscal Studies, U.K.; member of the Law Committee and Vice-Chairman of the Direct Taxation Committee, Indian Merchants' Chamber. He was also a Director of several public companies in India and Trustee of various public Charitable Trusts.

He regularly contributed papers on diverse subjects of professional interest at refresher courses, seminars and conferences organised by professional bodies.



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INTRODUCTION

This booklet encapsulates very pertinent issues raised in the first budget presented by the UPA Government. It is certainly not a ‘Big Bang’ budget as quite a few had ardently wished for. Ground realities weighed heavily with the Finance Minister who combined caution with progression and prepared a well balanced document which even though not very ambitious will be met only with considerable effort and devoid of adverse external factors.

Mr. Homi Ranina a very seasoned critic of the Budget and an accomplished Tax Counsel, has succinctly dissected salient aspects of the Union Budget. We were also very fortunate to have the Ex-Finance Minister, Honorable Yashwant Sinha, an astute Parliamentarian and Chairman of the Select Committee for Finance, preside at the meeting and share his vast experience and insights on the subject. We reproduce a précis of their observations.

It may be mentioned here that our former President, Mr. Nani Palkhivala who was India’s foremost authority on taxation, had in his legendry addresses on the Budget drawn pointed attention to remove the unnecessary veil of secrecy of the budget provisions.

He quoted in his Budget speech of 1973-74:

“Sir Richard Clarke who is the originating genius of nearly every important development in British budgeting technique in the last fifteen years, said:

“The problems of long-term tax policy should surely be debated openly with the facts on the table….In my opinion, all governments should have just the same duty to publish their long-term taxation policy as they now have to publish their expenditure policy….Indeed, this obligation to publish taxation policy is really essential for the control of public expenditure. In order to get realistic expenditure decisions, governments must argue them, both within themselves and outside, against their taxation implications.”

Mr. Nani Palkhivala was also the first one to suggest in his 1994-95 Budget speech:

“ I am firmly of the view that the general budget should be presented in the morning, just as the railway budget is presented in the morning year after year. During the British days, the general budget used to be introduced at 5 p.m. for a reason which suited British rulers. No Indian Finance Minister has had the wisdom to change this practice, even though the justification for it has long ago vanished.”

As repeatedly pronounced by the PM in his pre-election and post election speeches, the thrust of the new Government is on growth and development. The share of services in India’s GDP is over 60% which is well above that of the other emerging economies. In contrast our share of manufacturing has declined to only 15%, well below that of the emerging countries in South East Asia and Latin America, between 25% and 35% of GDP. China, which has come to be recognized as the manufacturing hub of the world, had at its peak a share of manufacturing 45/50% of GDP.

In India agriculture contributes hardly 15% to our GDP but employs about 50% of the population. India with its demographic dividend must create about 11 million jobs a year to provide gainful employment to the youth. Hence the Prime Minister's slogan "Make in India" and thrust on manufacturing and urbanization is very relevant. However, the exact import of the oft-repeated object 'Make in India' is yet to be spelled out.

Priority is being rightly accorded to develop and build 100 Smart Cities in the next 15 to 20 years to accommodate the expected large surge in our urban population by around 400 million in the next two decades. Co-terminus with development of Smart Cities is the imperative necessity to substantially revamp existing and building new infrastructure, both social and physical, to lift India to the status of a middle income country within a generation.

Apart from our perennial resolve to implement projects as scheduled we always run short of funding large projects because of acute time and cost overruns. In several cases this is due to deliberate underestimation of project costs to get them approved. In the present budget efforts have been made to raise extra funds from domestic and foreign sources to undertake these projects. To accelerate the inflow of foreign investments the current distinction between portfolio and foreign direct investments is removed. It is also proposed to invest Rs.70,000/- crores for infrastructure in 2015-16. National investment and Infrastructure Fund is being set up and in which Rs.20,000 crores will be invested. Real bane in India is lethargic implementation of large

projects leading to massive time and cost overruns. Currently about 50,000 MW (almost 20% of our total installed capacity) is rendered non-operational for want of coal, gas and environment clearances. Besides lack of finance for several projects is a perennial problem.

Financial sector reforms to attract foreign investments are being pursued vigorously. Public Debt Management Agency (PDMA) is being established for deepening the bond market and bring convergence between Indian and external borrowings on a common platform.

To assist over half a million small scale units providing services a new institution, Micro Units Development Refinance Agency (MUDRA) is to be set up with a corpus of Rs.20,000/- crores and credit guarantee corpus of Rs.3000/- crores. This will help first generation entrepreneurs and small business to raise initial capital. To fund working capital and trade receivables an electronic Trade Receivables Discounting System is also envisaged.

There are few tax proposals to spur the growth of the corporate sector. The corporate tax rate will be reduced from 30% to 25% over the next four years but the pace of reduction is not indicated. An additional surcharge of 2% on companies, with taxable income of over Rs.1 crore from 2016-17 will be levied. Besides, exemptions and incentives will be phased out during the four year period. GAAR is deferred and will now apply only from 1st April 2017. Wealth tax both, for corporates and individuals is being abolished from 1st April 2016.

Estimate of revenue collections, even based on revised GDP figures, appear to be very optimistic. The nominal rise in GDP is expected to be 12.5% to 13% - while total tax revenues assumed are 15% higher. The revised higher GDP figure is yet to be validated, as the underlying assumptions have not been spelled out.

The growth target for 2015-16 is very challenging and assumes that most of the budget assumptions will be achieved. Given global uncertainties and severe domestic financial constraints this will be a very uphill task.

Incentives have been offered for encouraging small and medium scale industries by providing thrust to developing skills and arranging new programmes for self-employed and talent utilization. There is growing recognition that our youth are very enterprising and bubbling with energy to forge ahead. What they are really looking for is providing them with tools - adequate training, skills and empowerment.

Hon. Sinha has drawn pointed attention to the very high fiscal and revenue deficits. He was the Finance Minister at the time when the economy was riding high on the back of buoyancy in the global economy. The average annual rate of growth of our economy between 2005-07 was over 9%. The annual rate of savings was 37% and investment rate over 39% of GDP. He has particularly waved a red flag on the government's huge borrowings programme next year, Rs.5,50,000 crores, one-third of the total expenditure, a very large part of which will be utilized for consumption expenditure,

and not for Investments. Interest as a percentage of net tax revenue would swell to 50% from 40% of total expenditure. What is even more disturbing is that the revenue deficit will enlarge to Rs.4,50,000/-.

Hon. Sinha is a strong votary of fiscal discipline and had introduced Fiscal Responsibility and Budget Management Act in 2003. It had provided that the total fiscal deficit should not exceed 3% of GDP. To reduce the fiscal deficit to3% it was envisaged that the revenue deficit should be reduced to nil. We actually reached that figure in 2007-08: fiscal deficit 2.5%, revenue deficit only 1.1%. Unfortunately partly because of the global financial crisis and government's egregious and populist policies the fiscal deficit shot up to 6.5%. Since then it has been fluctuating and is projected to be 3.9% in 2015, still not a healthy situation. As a consequence prices, particularly of essentials, have risen sharply and we have experienced double digit inflation and sharp depreciation of the Rupee last year, compelling the RBI to raise interest rates13 times in the last three years.

While the Budget does provide growth impulses we have to keep in view the imperative necessity to provide Inclusive Growth – the kernel of which is to reduce inequalities and provide to large sections of our population opportunities to improve their lot through non-agricultural employment, empowerment and low cost housing.

Our growth in recent years has produced relatively very few jobs in the organized sector. Hence the urgent necessity for providing educational facilities

and opportunities for skill development for almost 11 million young people we will be turning out from our higher educational institutions.

He stressed the need for expanding the tax base which was very low, 3% of the total population despite rising incomes. Consequently the Tax / GDP ratio of the Central Government is below 10% and the Total Tax (Central and States)/GDP is below 18%.

The rate of savings and investments of GDP have also dropped substantially from a peak of 37% and 39% in 2007-8 to 32 to 30 respectively at present. This must be raised to 38% to 40% of GDP to achieve a sustained annual GDP growth of 8%. There is the urgent need for growth in financial savings which in recent years have gravitated to some extent to reality and gold.

The meeting ended on an optimistic note. Reforms are in place and we have a PM with a great vision of India and is passionately committed to putting India on a higher plane globally, both in economic and strategic terms. Hon. Sinha concluded that it is the most comprehensive budget I have ever seen.

This is a very well reasoned review of the Union Budget which is perceptive and well drafted. However the real challenge is in delivery.

Minoo R. Shroff

President

31st March, 2015 Forum of Free Enterprise

I

REFLECTIONS ON THE UNION BUDGET 2015-16

Yashwant Sinha*

Before I start, reflecting on the Budget recently presented by the Finance Minister, Mr. Arun Jaitley, let me make a couple of clarifications in response to the brilliant speech delivered by Mr. Homi Ranina. First, I would like to point out that the Gift Tax was not abolished by Chidambaram in 1994 (he was not even Finance Minister then) but it was actually abolished by me earlier. This fact was acknowledged by Mr. Chidambaram perhaps in his 2004-2005 budget speech - and he actually apologised and said it was a typographical error.

Second, every Finance Minister invariably goes through every word of the budget speech, atleast

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* *The author is a Former Union Finance Minister. The text is based on the Presidential remarks made at the public meeting addressed by Mr. H.P. Ranina on the subject in Mumbai on 2nd March 2015 and arranged jointly by Forum of Free Enterprise, Nani A. Palkhivala Memorial Trust, The A.D. Shroff Memorial Trust, M.R. Pai Foundation, Bombay Chartered Accountants' Society and Council for Fair Business Practices.*

20-25 times before he reads it in the Lok Sabha and, therefore, there could generally be no such errors in one's budget speech.

Third, I would like to begin by saying that the budget of the Government of India need not anymore be a secret document.

I had changed as some of you might recall a practice, which was coming from the British Raj, of presenting the budget at 5 o'clock in the afternoon to 11 o'clock in the morning.

If I had continued in the Ministry of Finance I would have certainly ensured that the budget is presented to the Parliament as proposals of the Government of India both on expenditure as well as on taxation side. The Parliament would then discuss it, as the country also discusses it. Various suggestions made by the experts and the people at large could be incorporated in the budget when it comes for discussion in the later part of the session of Parliament after the recess.

The Finance Minister then finalises the proposals. This is how it happens in most advanced democracies and this is how it should now happen in India. Therefore, all the excitement and intense debates in the media, especially on television channels would subside.

What is a budget? Apart from being the accounts of the Government of India, it is one significant event that one has in a year. However, economic

policy making does not begin and end with a budget. It is a continuous exercise especially with a Prime Minister who works 24/7 and 365 days in the year. Thus the budget is an important event but is neither the beginning nor the end of the world. Therefore the budget need not be a secret. It should just indicate the vision for the future as indeed this budget has done. This is one point which I want to make taking from what Mr. Ranina has said.

One of the striking points is the burden of interest payment . In the budget of about Rs. 18,00,000 crores, our borrowings to meet the fiscal deficit would be as high as Rs. 5,50,000 crores which is1/3rd of our total expenditure.

Further, the interest payments as a percentage of net tax revenue has gone up from roughly 40% in 2007-08 to 50% in 2015-16. If as much as 50% goes only towards interest payment how horrible the situation is! Mind you this does not represent debt servicing which includes actual repayment of debt.

Let us look at the deficits of the Government over a period of last 10 years from 2007-08 onwards. Incidentally 2007-08 was one of the best years in independent India's history from the economic point of view on various counts - growth rate, deficit financing, general wellbeing, etc. It would be observed that in absolute numbers the fiscal deficit was Rs. 1,27,000 crores in 2007-08 and is projected

to be Rs. 5,55,000 crores in 2015-16. Now if you are borrowing 1/3rd of your expenditure and most of it is for current consumption expenditure and not for investment expenditure, one can easily imagine how serious the situation is. What is the current consumption expenditure which is represented by the revenue deficit of the Government? Revenue deficit of the Government of India has gone up from something like Rs. 53,000 crores in 2007-08 to almost Rs. 4,00,000 crores in budget 2015-16.

What do all these figures represent? They indicate the fact that we are not able to make both ends meet, and hence we are using our sovereign powers to appropriate from the market through borrowings i.e. hard earned savings of the people of India. And therefore they are 'crowding out' the private sector. Can this or should this continue? The present Finance Minister talked of inter-generational equity in his last year's budget speech. I was talking about it all the time when I was the Finance Minister because I felt strongly about it then and even today. I brought what is known as the Fiscal Responsibility and Budget Management Act (FRBM) which was passed by the Parliament in 2003. This Act prescribed that fiscal deficit,- the gap between total receipts and total expenditure of the Government should not exceed 3% of GDP. Further we wanted the revenue deficit to be completely eliminated. That means, the Government will not borrow for its current consumption needs and meet the same through its own revenues.

By legislating in this fashion we thought we would move back to those better days when whatever the Government was borrowing was for investment and not for consumption. We know, specially those in business, small or big, that if borrowed funds are used for productive purposes only then one will be able to repay that loan. But if one borrows and spends on current consumption then it will be very difficult to repay that loan because it has not given any returns. That is very simple arithmetic and that's an arithmetic that one follows everyday as far as one's household expenses are concerned. And that is an arithmetic that Governments follow around the world and that is the arithmetic therefore our Government should follow.

Let me state that in 2007-08 the fiscal deficit had come down to 2.5% and revenue deficit was only 1.1% of GDP . If we had continued same way, by 31st March, 2009, the revenue deficit would have been eliminated and fiscal deficit could have been 2% or less of GDP. The Government's finances would have been in a very healthy position. Unfortunately that did not happen and in 2008-09 under the pretext of subprime crisis in the US, fiscal deficit was allowed to rise from 2.5% to 6%. It then went upto 6.5% in the following year.. It has since come down to 4.1% in 2014-15 and is now projected at at 3.9% in 2015-16 This is not a healthy situation.

Now, the Finance Minister points out that fiscal deficit cannot be reduced to less than 3.9% in 2015-16 as he wanted this elbow room to

make investment in infrastructure or productive investment. My point however is that the FRBM Act was passed after discussion in Parliament, in both Houses, and it became the law of the land. It should not be allowed to be amended through the Finance Bill as every Finance Minister has done. I heard Mr. Chidambaran say in a television interview that it should have been 3.6% and not 3.9%. But he is the one who took all this liberty and he is the one who not only postponed but took a holiday from the Act. Why? Because all that you have to do is to make a provision in the Finance Bill and say this is what I will do. And therefore I have suggested publicly that the FRBM Act should be discussed by the Parliament and it should decide whether we need the FRBM Act or we don't. If Parliament in its wisdom feels that we don't need it then let's do that. In case we feel that FRBM Act is worthwhile, then amendment to the FRBM Act should come and it should not be done somewhat surreptitiously through the Finance Bill. In the Finance Bill other things will also be discussed and I can assure you very few members of the Parliament understand what fiscal deficit is and much less what revenue deficit is? What is the impact of such deficits?

Some people have been asking me whether Reserve Bank of India (RBI) will continue with its rate cut policy, even after the fiscal glide path has not been adhered to. And I have said that RBI should go by the prevailing declining rate of inflation rather than by the Government's fiscal deficit. On

the inflation front, we are all aware that currently, we are in a comfortable position.. I have supported RBI whenever they have raised interest rates and they have raised it 13 times. Though I feel that as far as eating bread is concerned we will continue to eat those two rotis irrespective of what the rate of interest is. There are many kinds of demands which are inelastic and would not be impacted by RBI's policy of rate hike.

RBI had indeed raised the interest rates with its own consequences and therefore now we see a declining trend in inflation. Hopefully, in the next review the RBI Governor would feel justified in reducing the rate of interest not insignificantly but significantly, by a minimum of 50 basis points. If that happens then we have put in place that virtuous cycle which was in existence when Mr. Vajpayee was the Prime Minister of India. This was unfortunately skewed in 10 years of the UPA rule. So the first thing to restore the a virtuous cycle is control of fiscal deficit followed by a moderating inflation rate and softening of interest rates. This in turn would create opportunities for investment not only for the public sector but for the private sector as well. Once the investment cycle is restored in the economy, it would recreate consumption demand and together would generate growth momentum. I agree entirely with Mr. Ranina that growth is what we need. We have distributed poverty in this country for too long. Let's now distribute wealth for which we should first create wealth. Now when the Finance Minister sits

down to prepare the budget he has to look at what are the growth impulses that he is going to provide and there are plenty in this budget. But he has to keep in mind apart from growth some other issues also because all of us are not alike.

I am very fond of saying that in India our people have live in every century of time. And I have seen it with my own eyes when I visited some tribal villages in my erstwhile constituency where I find that they are living in conditions in which they would have lived maybe when Buddha was walking the earth. You travel 20-50 kms further and you come across the 21st Century India. If this is the kind of spread that we have in our country, this is the kind of variation we have in our country. No Finance Minister will succeed in his task if he does not provide for every segment of the population. And in order to provide for every segment of the population what does he need to do? He has to take care of the livelihood issue, job creation. India cannot afford jobless growth so whatever strategy you prepare must be to generate employment. And we must have employment-led growth in our country. It becomes essential also when we look at the demographic dividend. Otherwise the demographic dividend of India can become a demographic disaster. Why do we have Left wing extremism? More of it will happen if our young people are unemployed and hence livelihood is something that has to be taken care of.

You then have to take care of the quality of life issues, you have to look at the Mumbai slums, the urban slums and the kind of life people are forced to lead. You also have to look at the kind of life people are leading in the villages of India. Unless we bring drastic improvement in the quality of life by providing the basic minimum needs to them, this rural-urban drift will continue and make things even more difficult as we go by. So, the quality of life issues have to be looked at and then the issues of equity have to be seen. Backward areas have to be brought upto the level of rest of the country. Segments of population which are lagging behind have to be uplifted. So in spatial terms as well as in population terms you have to have equity in the country. No wonder that equity has been a very important consideration in our economic policy making from the beginning of the first Five-Year Plan. Today, we know equity by another name. It is called inclusive growth and growth has to benefit. Growth or the fruits of growth must become available to all the citizens. We have to look at imbalances which are developing and I would just point out that 50% of our population today are depending on agriculture as an occupation, while agriculture sector is contributing only 15% of the GDP. Now how can you have 15% of the GDP supporting 50% of the population? And this is a long term structural imbalance, which is developing in our economy and this has to be corrected. I am not going into the ways of how this could be done albeit there are various ways in which this could be done.

So when we talk of economic reforms in India and let me make it very clear even standing here that most of us do damage to the cause of economic reforms in our country by talking only about Foreign Direct Investment (FDI). I remember a TV anchor talking to me on a television channel some years ago, by then I had left the Ministry of Finance and I had moved to the External Affairs Ministry. He asked me, 'Mr. Sinha what would you regard as your most important contribution as Finance Minister?' And I looked at him and I said it is the scheme of Kissan Credit Cards. Now he was completely flabbergasted because he did not expect that this will be my reply. Today, when about 16 crore Kissan families in this country have received Kissan Credit Cards, I feel very good about it because this is a scheme which is helping the poor people. Why did we think of the rural roads? Why did Mr. Vajpayee think of rural roads when we thought of the National Highways because it was equity which demanded that our people in the villages cannot be left to their own destiny while we build our beautiful four lane highways. That is why some people believe that when you reduce the corporate tax rate from 30% to 25% there should have been something for the lowest slab of the taxpayer. May be the personal income-tax exemption of Rs. 2,50,000 should have been raised to Rs. 3,00,000. This would have given some relief to the small taxpayer. This is equity and we cannot proceed further in this country without equity.

Before I close, a couple of more points, I entirely agree with Mr. Ranina that when the Finance Minister says that he will look at the exemptions which are available to the corporate sector and he will then do away with the exemptions while reducing the rate from 30% to 25%, I can tell you from personal experience that while preparing one of my budgets I sat down with my officials and I said let's look at all the exemptions. And I wanted to do away with all the unnecessary exemptions. We sat down, we looked at all the exemptions and then I found that there was very little that I could remove. Why? Because a budget document relating to revenue foregone which is incidentally one of the very favourite topics of the Left thinkers alleging that the Government is always giving concessions to the corporates of Rs. 6,86,000 crores and if the poor man is given something we all protest. This document shows what these exemptions relate to? It shows that Income Tax Act, interalia, provides for tax incentives to promote exports for balanced regional development, creation of infrastructure facilities, employment, rural development, scientific research and scientific research and development and the corporate sectors donations for charity. Now which one would you like to remove? Shall we say exports are not important? Shall we say balanced regional development is not important or shall we say rural development is not important? So all these exemptions which survive on the direct taxes side are exemptions which are there for some economic purpose or for some social purpose.

And, therefore, they have continued. But I agree with Mr. Ranina and with Mr. Adi Godrej that may be the corporates will end up paying more. The effective rate of tax for them, may be, will go up to actually 25% which will be the minimum tax. It will not look like a huge concession. I heard Mr. Chidambaram in the same interview say that in the next 4 years the corporates are going to benefit to the extent of Rs. 2,00,000 crores and nothing for the poor man of this country. Is this equity? All these, therefore, also need to be seen as the fine print of what and how it comes.

All in all, when I was telling you that budget making is a complex exercise in a country like India and we have to take care of so many things, I have no hesitation in saying that this budget is one of the most comprehensive that I have ever seen.It has been very competently done. It augurs very well for the future. We are, indeed, a great country and with all the encouragement to domestic savings I can look forward to a day in the very near future when our domestic savings rate will go up again 37-38%. The icing on the cake will be foreign investment. Together we will have an investment rate again of may be over 40%. And if this is the kind of investment which goes into the economy and there are efficiencies measured by the incremental capital output ratio then nobody can prevent India from growing at 10% plus rate.

If we were to achieve that growth rate on a sustained basis not for 3 years but at least for 10 years then

that trajectory that we have seen on the cover of the Economic Survey, where one line is India's growth rate and the second line is China's growth rate, we are crossing it in 2015-16. India's growth rate is going up and China's is going down, I don't wish ill of China but then India will be the fastest growing economy in the world and that is what we must achieve.

I am glad to say that this budget is the beginning of that story which had stalled and which will again get revived.

II

LAYING THE FOUNDATION FOR DOUBLE-DIGIT GROWTH

H. P. Ranina*

The first full year budget of this Government delivers a clear pro-growth message by signaling second generation reforms. It is a well crafted budget with a clear vision and direction. The process of nation building has been accelerated. The budget proposals will re-ignite the economy. Substantial increase in investment outlays will ensure that India becomes one of the world's most dynamic economies as its GDP by 2019 will exceed the combined GDP of Germany and Japan.

One key aspect of the budget proposals is the recognition that India is a country of millions of enterprising citizens. An enabling environment is sought to be created to make it possible to commence new businesses. Helping young entrepreneurs to obtain finance and technology is the most promising announcement made by the Finance Minister (FM).

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* *The author is a noted tax expert. The text is based on the talk delivered at a public meeting on the subject in Mumbai on 2nd March 2015.*

The vision of the Government to make India the manufacturing hub of the world finds its imprint on the budget proposals by encouraging the spirit of enterprise among millions of Indians through training programmes to hone the skills of young entrepreneurs. A road map has been laid out for enhancing investments in key sectors and passing on the benefit of the growth process to the common man.

The Government has shown its sincerity and commitment for the jobless youth. The emphasis is to encourage young job seekers to become job creators. The Government has proposed a new programme known as Self Employment and Talent Utilisation which is a mechanism to support all aspects pertaining to starting new businesses, particularly in technology driven areas. The objective is to help young entrepreneurs to create value out of ideas and initiatives.

To promote ease of doing business, the Government has launched an e-Biz portal which will integrate 14 regulatory permissions. This will make it possible to start a new business without obtaining prior approvals, so long as such start-ups are in conformity with guidelines and criteria. For this purpose, draft legislation will be introduced in due course.

The initiative taken by the Government in this regard is to be appreciated because India has the potential to become the second largest ecosystem in the world. So far there have been 3,100 start-ups

and the target of 10,000 is expected to be reached by 2017. There is no doubt that India is becoming an innovation destination.

In order to help 5.77 crore small business units which are run by sole proprietors for manufacturing, trading and providing services, a new institution, Micro Units Development Refinance Agency (MUDRA), is to be set up with a corpus of Rs.20,000 crore and credit guarantee corpus of Rs.3,000 crore. This will help small businesses and first generation entrepreneurs to raise initial capital. To provide working capital and finance trade receivables, an electronic Trade Receivables Discounting System is being set up.

Financial Sector Reforms

Financial sector reforms are being pushed through with greater vigour. To attract foreign investment, it is proposed to deepen the Indian bond market by setting up a Public Debt Management Agency which will bring both India's external borrowings and domestic debt on a common platform.

The MUDRA Bank is to be structured as an apex refinancer to enable over fifty million unfunded entrepreneurs to access the formal credit institutions. They will be provided credit at reasonable rates of interest. MUDRA has the laudable objective of regulating and refinancing all small business finance institutions.

In order to strengthen regulation of commodity forwards markets and reduce speculation, the Forwards Markets Commission is to be merged with the Securities & Exchange Board of India. For the purpose of addressing grievances against all financial services providers, a Financial Redressal Agency is to be established. The Indian Financial Code is on the anvil and necessary legislation will be introduced in due course.

Investors will be greatly benefited by the issue of tax-free infrastructure bonds for projects in the rail, road and irrigation sectors. A huge amount of Rs.20,000 crore is proposed to be contributed every year to the National Investment & Infrastructure Fund.

One of the key proposals is to introduce a comprehensive Bankruptcy Code in the financial year 2015-16 which will make it possible for financial institutions to recover their dues from sick companies. Possibly, such law will be in line with bankruptcy laws prevailing in other countries of the world.

To unlock the value of the huge reserves of gold of more than 20,000 tons with the people of India, three measures are proposed. First, a Gold Monetisation Scheme will allow depositors of gold to earn interest in their metal account. Jewellers who need the gold for their business can tap into these reserves. Secondly, a sovereign gold bond will be available on tap so that persons can invest in this financial security instead of purchasing the metal. The bonds will carry a fixed rate of

interest. The bonds will be redeemable in cash based on the face value of the gold at the time of redemption. Thirdly, an Indian gold coin which will carry the Ashok Chakra on its face will be issued, so that the demand for coins minted outside India is reduced.

Unaccounted Income and Assets

With a view to unearth black money which is stashed outside India, the Government proposes to introduce a new piece of legislation in the budget session of Parliament. Under this legislation, a person can be punished with rigorous imprisonment upto ten years if he is found guilty of concealment of income and assets outside India or he has evaded tax in relation to such foreign assets. This would so even where the foreign assets are acquired in conformity with FEMA regulations.

Resident Indians are now permitted to remit funds upto stipulated limits fixed by the Reserve Bank of India. However, the income arising from such assets is taxable in India in the hands of all resident Indians. Therefore, concealment of such income will be viewed as a serious offence and a penalty at the rate of 300% of the tax evaded will be levied apart from prosecution of the tax evader.

The date of opening of foreign accounts would be required to be specified in the return of income. Even beneficiaries of foreign assets held in trust will be required to file returns in India, though they may not earn any taxable income. If the income earned

in respect of a foreign asset is not disclosed, such income will be taxed at the maximum marginal rate of 30% and no exemptions or deductions will be allowed in respect of such income.

The offence of concealment of income or evasion of tax in relation to a foreign asset will be covered by the Prevention of Money-Laundering Act, 2002. Therefore, enforcement agencies will be empowered to attach and confiscate unaccounted assets held abroad. In fact, attachment and confiscation of equivalent value of assets in India can also be effected if the asset located abroad cannot be forfeited for any reason. Action can also be taken for forfeiture of assets under the Foreign Exchange Management Act, 1999.

For controlling generation of black money in India, it is proposed to enact a comprehensive Benami Transactions (Prohibition) Bill. Therefore, property held in fictitious names or in the names of persons who are not men of means can also be confiscated. Acceptance or payment of advances of Rs.20,000 or more in cash for purchase of immovable property is now prohibited. For all purchase and sale transactions exceeding Rs.1 lakh, the permanent account number will have to be quoted.

FDI and Infrastructure Development

With a view to increase the flow of foreign investments, it is proposed to do away with the distinction between foreign portfolio investments and Foreign Direct Investments (FDI). There will

now be a composite limit for each sector. Foreign investments are now to be permitted in Alternative Investment Funds. These funds will not be required to pay tax because they have been given the pass through benefit. Tax will be levied only on the investors or unit holders of these funds.

Similar provision is made in respect of Real Estate Investment Trusts and Infrastructure Investment Trusts. They will also have the advantage of pass through provisions and sponsors of these funds will not be liable to pay capital gains tax at the time of listing of the units. However, they will be liable to the securities transaction tax. The rental income of the REITs will not be taxed in the hands of the trust but in the hands of the investors. The issue of Minimum Alternate Tax and Dividend Distribution Tax continues to disappoint investors.

Infrastructure development has been the core priority for all Governments in the last twenty years. It is proposed to invest an additional amount of Rs.70,000 crore for infrastructure development in the year 2015-16 over the fiscal year 2014-15. A National Investment and Infrastructure Fund is also being set up in which Rs.20,000 crore will be invested every year. Tax-free infrastructure bonds are proposed to be issued for projects in the rail, road and irrigation sectors. Additional amounts of Rs.14,031 crore and Rs.10,050 crore will be invested in roads and railways respectively during the financial year 2015-16.

To deal with the shortage of power in different parts of India, the Government has announced the setting up of five new ultra mega power projects, each of 4,000 MWs. Before the project is awarded by auction to the highest bidder, all clearances and approvals will be put in place. These five projects should attract investments to the extent of Rs.1,00,000 crore.

Tax proposals for corporate sector

The rates of corporate tax are proposed to be reduced from the present level of 30% to 25% by 2019, though a 2% additional surcharge will be applicable for companies having a taxable income in excess of Rs. 1 crore. The first rate cut will be applicable for the financial year 2016-17. It remains to be seen whether the tax rate reduction is to be of 1.25% every year over the next four years or whether the Government will first make a 1% reduction in each of the next three years and, thereafter, a 2% reduction in the last year.

It has been announced that exemptions and incentives will be phased out during this four-year period. However, the Government will be under great pressure to continue with the tax holiday provisions for infrastructure development, setting up of new industries in backward areas or special economic zones, and providing incentives for research and development.

Implementation of the General Anti Avoidance Rule is deferred and will now apply only from 1st April,

2017. For domestic enterprises, the threshold limit for application of transfer pricing norms has been increased from Rs.5 crore to Rs.20 crore.

Another welcome step is the reduction of the rate of income-tax on royalty and fees for technical services from 25% to 10%. Offshore funds will not be liable to tax in India even if its fund manager is located in India. The reason is that setting up of offices by fund managers will not be treated as a permanent establishment. Therefore, under the double tax avoidance agreements which India has entered into with several countries of the world, business profits earned by trading in securities in India will not be taxable. It is, therefore, expected that fund managers presently located in Singapore, Hong Kong and other countries will move to India.

In order to encourage the corporate sector to employ more persons, the benefit of section 80-JJAA is sought to be widened to cover wages paid to new regular workmen employed during a financial year in excess of fifty. Currently, this benefit is available only if new workmen are employed in excess of hundred. Further, this benefit can now be claimed by all tax payers and not just companies. The deduction under this provision is 30% of additional wages paid to new regular workmen employed in a factory as defined in the Factories Act, 1948.

Both companies and individuals will stand to benefit by the abolition of the Wealth-tax Act, 1957 with

effect from 1st April, 2016. This tax was levied almost sixty years ago pursuant to recommendations by Prof. Nicholas Kaldor who had suggested levy of wealth-tax, gift-tax, expenditure tax and estate duty in addition to income-tax. The expenditure tax was removed within a few years of its implementation. The Estate Duty Act, 1953 and the Gift Tax Act, 1958 have been removed, while introducing a provision that gifts received by individuals would be treated as their income if the value of such gifts received from non-relatives in a financial year exceeds Rs.50,000.

Companies over the next four years will have the benefit of lower rates of taxes and, therefore, the burden of the surcharge will be correspondingly reduced. In order that there are no leakages in revenue, it is provided that the value of assets which were earlier liable to wealth-tax will need to be disclosed in the income-tax return. In case the source of funding of these assets cannot be substantiated, such amount will be treated as the undisclosed income under the existing provisions of sections 69, 69-A and 69-B of the Income-tax Act, 1961.

No provision has been made to do away with the retrospective amendment of taxing capital gains pertaining to shares of foreign companies which are sold outside India. The retrospective amendment was made by the Finance Act, 2012 to supersede the decision of the Supreme Court in the case of Vodafone. This amendment has generated

dismay and disappointment among foreign investors and, even at present, this has been cited as a reason for foreign direct investment to be slow in coming to India.

The law has been amended to provide prospectively that capital gains will be taxable in respect of transfer of shares of a company located outside India only if fifty percent or more of the assets of the company are located in India. The further condition to be fulfilled for applicability of capital gains tax is that the value of Indian assets should exceed Rs.10 crore.

Indian companies which set up subsidiaries or joint ventures outside India will now be liable to tax in India on the profits earned by these foreign companies if the place of effective management of those foreign companies is in India. A place of effective management is defined to mean a place where key management and commercial decisions are made for the conduct of the business of the foreign company.

Indirect Taxes

While the Goods & Services Tax (GST) is proposed to be introduced with effect from 1st April, 2016, the general rate of central excise duty will now be 12.5%. The specific rate of excise duty on petrol and diesel has been revised, out of which Rs.4 per litre is converted into Road Cess to fund investment in roads.

In order to make the manufacturing sector more competitive, the basic customs duty on raw materials, intermediates and components has been reduced. This will remove the distortion currently present in the customs duty structure, whereby lower duty is being charged at present on finished goods and a higher duty was levied on import of raw materials and components.

The increase of service tax to 14% is a step taken to bring it closer to the future rate of the Goods & Services Tax (GST) to be levied by the Central Government. This is expected to be around 16%. However, State Governments will also be levying their own GST. If the aggregate of the rates of the Central and State GSTs is to exceed 22%, there will be substantial under-reporting of turnover and receipts. This will defeat the very purpose of introducing a modern tax regime comparable to what is prevailing in the other countries of the world. The Union Government should, therefore, endeavour to persuade the State Governments to fix a moderate rate of GST. This would now be possible as 42% of Central Government tax revenues are to be shared with the State Governments. Further, the State Governments would also be enriched by the royalties and other revenues earned from mineral resources located in their States.

Individual Taxation

The tax structure of individuals has not been changed, except for the 2% increase in surcharge

on the super rich who earn a taxable income of more than Rs.1 crore in a financial year. However, such persons will save on wealth-tax which is proposed to be abolished from the financial year 2015-16. Wealth-tax is chargeable at the rate of 1% on value of assets like land, buildings (except one residential house), gold, jewellery, motor cars, ships, yachts and cash on hand in excess of Rs.50,000, where the aggregate value exceeds Rs.30 lakhs on 31st March.

Considering the value of gold and jewellery at present, lakhs of tax payers are presently liable to pay wealth-tax. However, in view of non-declaration of these assets by tax payers, the Government has been able to collect no more than Rs.1,000 crore by way of wealth-tax. This tax is, therefore, discontinued with effect from the financial year 2015-16. However, the Government hopes to collect Rs.9,000 crore from the additional 2% surcharge.

The Finance Minister (FM) in paragraph 126 of his budget speech stated that an individual tax payer who is repaying a housing loan with interest would secure a tax deduction of Rs.4,44,200 taking into account the benefits under sections 80-C (life insurance premium, contribution of provident fund, etc.), 80-CCC/80-CCD (contribution to pension scheme), 80-D (health insurance premium) and section 24 (interest on housing loans), and the transport allowance of Rs.1,600 per month which has been exempted from tax.

If the initial exemption limit of Rs.2.5 lakhs is taken into account, individual tax payers can earn upto Rs.7 lakhs without being liable to pay any tax. In fact, there are other provisions which give further deductions for certain expenses and to certain individuals like medically challenged persons, which would enable an individual to enjoy tax-free income upto a larger amount. Thus, the tax regime is extremely benign and a family of two or more income earning individuals can enjoy tax-free income of Rs.20 lakhs or more if they all take advantage of the several incentives given under the tax law.

Macro-economic Reforms

The subsidy burden has been streamlined by overhauling the delivery system through direct transfer of cash benefits. This is to be accomplished by using the banking system which has been made more inclusive as a result of bank accounts being opened by almost 12.5 crore Indians who never had a bank account earlier. As a result, most of the international agencies have upgraded India's economic growth potential and investor confidence has grown substantially in the last nine months.

The Make in India programme has been devised to create enough jobs for the 20 million educated Indians who will join the work force in the next three years. The additional public investment outlay is pegged at an all time high of Rs.1.25 lakh crore.

The Government has left no stone unturned to restore the credibility of the Indian economy as an investment destination. Co-operative federalism has been the hallmark of this Government's initiative which will result in economically empowering all the States of India and make them equal partners in the India growth story.

The FM has to be complimented for his attempt at fiscal consolidation which will ensure that the fiscal deficit is restricted to 3.9% of GDP in 2015-16. The Government is committed to further strengthen India's fiscal position by improving the quality of expenditure and focusing on public investments. However, the recommendations of the Pay Commission will be announced shortly and there will be a larger outgo by way of salary and pension bill of Central Government employees. The achievement of the fiscal deficit target hinges on the Government's ability to raise Rs.69,500 crore from the proceeds of disinvestment.

The salary bill of Government employees could have been kept in check and even reduced had the Government taken note of the suggestions made on 28th February, 2001 by the then Finance Minister, Mr. Yashwant Sinha, who had suggested in paragraph 79 of his budget speech that the Government should be down sized by filling in only one-third of the vacancies caused by normal retirement of Central Government employees every year.

According to his suggestion, when 3% of the employees retire every year, only 1% new employees should be recruited so that the staff strength would be reduced by 2% annually. Even if the staff strength reduces by 1% every year, over a period of time, there would be substantial savings in salaries and pensions, leaving more space for plan expenditure, especially on developing the social infrastructure.

Socio-Economic Measures

For the first time, the Indian Government has made a serious attempt at setting up a social security system for its citizens who are at the bottom of the pyramid. While these systems are in existence in all developed countries of the world, they were conspicuous by their absence in India.

The FM has announced a universal social security system for the poor and underprivileged which will cover accidental death risks of Rs.2 lakhs for a premium of just Re.1 per month. Citizens can also subscribe to a pension scheme for which a premium will be payable. For those who open the pension account before 31st December, 2015, the Government will contribute 50% of the premium subject to a limit of Rs.1,000 each year; such Government subsidy will continue for five years. A life insurance scheme to cover natural and accidental death has also been proposed which will give a cover of Rs.2 lakhs for an annual premium of Rs.330.

Several schemes have been framed for the poor and vulnerable sections of society. Not only will two crore houses be constructed in urban areas, and four crore houses in rural areas, but all basic amenities like power, water and sanitation will be provided.

To strengthen the rural economy, there will be increase in irrigated areas, strengthening of irrigation systems, and providing a reasonable price for farm produce. The development of the eastern and north eastern regions has been given a high priority. An ambitious target of Rs.8.5 lakh crore of agricultural credit has been fixed for the financial year 2015-16. The creation of a unified national agriculture market will add substantial purchasing power in the hands of farmers which will fuel demand for consumer goods and, in turn, boost the manufacturing sector.

It remains to be seen whether the Government will be able to achieve by the year 2022 substantial reduction in poverty of the rural masses by ensuring that at least one member of each family has access to means of livelihood. It has been promised that each of the 1,78,000 unconnected habitation will be connected and all the remaining 20,000 villages will have the benefit of electrification. The rural masses have also been assured of medical services in each village and town and a senior secondary school without impinging on the quality of education.

New Financial Architecture

The Government is busy putting in place transparent systems for allocating natural resources to the private sector. Each State will be the direct beneficiary of the sale proceeds of such resources, apart from the fact that they will now be richer as a result of the recommendation of the 14th Finance Commission which requires that 42% of all taxes collected by the Central Government should be shared with the States.

There is no doubt that under the leadership of the Prime Minister, the Government at the Centre has been working virtually round the clock to pursue the twin objectives of accelerating growth and higher investments in all critical sectors of the economy. The capital market in India, which has been voted by international fund managers as the second best performing market among the developing countries in 2014-15, has responded positively to the initiatives taken by the new Government and this year's budget proposals.

A new financial architecture is enshrined in the budget proposals for the fiscal year 2015-16. There is a paradigm shift in direction by the FM announcing bold and decisive measures which will put India on the growth trajectory of 8-9% in the GDP and ensure double digit growth by 2018-19.

Some analysts have been disappointed that no big bang reform measures have been announced. While the big bang theory is good for a hilarious

television serial, it is not appropriate for economic development. Reforms are a continuous process; reforms need to be incremental and must be relentlessly pursued. The outcomes of policies need to be monitored on a continuous basis.

To conclude, the broad path of reforms has been put in place. Several promises are made by the Government in this year's budget proposals. Implementation has to follow. Even if two-thirds of the journey is completed by 2019, India will emerge as one of the three economically powerful nations in the world.

III

THE BUDGET 2015-16 – WHY SO SPECIAL!

Sunil S. Bhandare*

India has reached a sweet spot – rare in the history of nations – in which it could finally be launched on a double-digit medium-term growth trajectory.

So much of applause for the NDA government's first full-fledged budget! Many economists, professionals, businessmen and industrialists have acknowledged it as comprehensive, all-inclusive, reforms directional, and growth oriented with a longer-term perspective. Such positive vibes have been endorsed by stock markets – not that they invariably provide the true barometer of the state of the economy or should make the Finance Minister [FM] lose his sleep. What are then the core underpinnings of the budget? From our perspective, these are: first, the fiscal empowerment of the

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states; second, accelerating public spending driven infrastructure development; third, creation of building blocks for aspirational India; and fourth, working towards a more holistic strategy for an inclusive development [social security network]. This article, however, reflects primarily on the first two aspects.

Suffice it to say, all the above sub-structures are to a large extent influenced by [a] the optimistic assessment of the economy; [b] the path-breaking recommendations of the Fourteenth Finance Commission [FFC]; and [c] the growing pressures on the NDA government to deliver election promises to the people of this country. There are, of course, going to be several inevitable pitfalls, as the government actually embarks upon implementation of its reformed budgetary strategy.

The State of the Economy

A quick backdrop of the current economic scenario: The latest Economic Survey eloquently observes "…a momentous opportunity awaits. India has reached a sweet spot – rare in the history of nations – in which it could finally be launched on a double-digit medium-term growth trajectory. This trajectory would allow the country to attain the fundamental objectives of 'wiping every tear from every eye' of the still poor and vulnerable, while affording the opportunities for icreasingly young, middle-class, and aspirational India to realize its limitless potential". It further points out that "the macro-

economy has been rendered more stable, reforms have been launched, the deceleration in growth has ended and the economy appears now to be recovering, the external environment is benign, and challenges in other major economies have made India the near-cynosure of eager investors".

Fiscal Empowerment of States

Surely, the FM cannot take the entire credit for the states' fiscal empowerment. Really speaking, it is the 14th Finance Commission [Chairman Dr. Y. V. Reddy] that has paved the way for a decisive shift in the country's prevailing federal financial architecture. Its most decisive recommendation relates to an increase in the states' share of divisible pool of taxes from present 32% to 42%. This is the steepest and unprecedented hike in tax revenue transfers to the states. Together with grants, the total devolution of resources from the Center to the states works out to as much as 47%, as compared to 39.5% under the dispensation of previous Finance Commission. Experts estimate that the consequential fiscal dent on the Center's budgetary resources is equivalent of 0.9% of GDP. In quantitative terms, the FM points out that "the devolution to the states would be of the order of Rs.5.24 lakh crore in 2015-16 as against the devolution of Rs.3.38 lakh crore as per revised estimates of 2014-15. Another Rs.3.04 lakh crore would be transferred by way of grants and plan transfers. Thus, total transfer to the states will be about 62% of the total tax receipts of the country".

The moot point is how prudently the states would use such extra resources, and consequent fiscal autonomy, for promoting their developmental objectives. Would they not fritter away valuable resources for the populist programs? We are for greater fiscal decentralisation. But the states' past record of quality of fiscal management is far from inspiring. Dr. Subir Gokarn, the former RBI Dy. Governor observes that "more money and more freedom wihout the capacity to spend wisely could worsen development outcome for the country as a whole". Hence, it is imperative for the Finance Ministry / NITI Ayog to assess constantly the impact of this fiscal empowerment of the states.

In the process, the FM has been forced to softpedal his commitment to fiscal consolidation. We are now assured that instead of two years, he "will complete the journey to a fiscal deficit of 3% in 3 years" – targets being 3.9% for 2015-16; 3.5% for 2016-17; and 3.0% for 2017-18. Further, the budgetary arithmetic has also been calibrated as a result [see table below]. Thus, a sharp erosion in Center's growth of 'net' tax revenues in 2015-16 – gross tax revenues growth, however, is estimated at 15.8% – would be made good through an equally steep increase in growth of capital receipts, mostly through PSEs disinvestment/strategic sale.

We, however, need to commend two significant features of the budgetary arithmetic: [a] a cutback in growth of reveue expenditure from 8.5% in 2014-15 to 3.2% in 2015-16; and [b] a hefty expansion

in capital expenditure from 2.5% to 25.5%. The proposed growth of Central Plan expenditure, mostly on infrastructure programs, is expected to cause investment led growth stimulus. However, while resetting the commitment to fiscal responsibility, we wish the FM pursues aggressively with this divergent trend in growth rates in the composition of Center's expenditure over a longer time period. By so doing, a very healthy fiscal balance sheet would emerge during the current tenure of NDA government.

Public Spending & Infrastructure Development

Undoubtedly, a large part of the budget's growth ambitions is inextricably linked to infrastructure development. There are four key components of FM's proposals: First, a major thrust of public investment is on roads and railways, where the budgetary support would increase by ~Rs.140 bn and ~Rs.100 bn, respectively. At the same time, the PSEs are projected to expand their investments by ~Rs.808 billion over 2014-15 [RE] to Rs.3,179 bn in 2015-16. In substance, from the Centre's Funds and CPSEs' resources, total infrastructure investment would increase by as much as Rs.700 bn in 2015-16 over the previous year. Second, the budget proposes to establish a National Investment and Infrastructure Fund (NIIF), and for which an nnual flow of Rs.200 bn would be ensured.

In turn, this would enable the NIIF to raise debt, and which, in turn, would catalyse equity investment

in various infrastructure finance companies. The infrastructure finance companies can then leverage this extra equity, many-fold. Third, the budget proposes issuance of tax-free infrastructure bonds for the projects in rail, road and irrigation sectors. Fourth, the reform of PPP mode of infrastructure development in which the major issue of risk re-balancing would be addressed. It is proposed that in infrastructure projects, the sovereign would bear a major part of the risk without, of course, absorbing it entirely.

Concluding Observations

In substance, the Budget 2015-16 is unique in many ways. It unveils a longer-term aspirational outlook for the economy. The success of growth promoting factors would surely be determined by how the NDA government now steers public sector driven infrastructure investment and ensures progressive crowding in of private investments through actual policy actions. Going forward, there would be some pitfalls: [a] the downside risks of financial turmoil in some part of the world, a sudden reversal of international crude oil prices, etc.; and [b] near home, yet another bad monsoon in the coming fiscal year. Moreover, the NDA government would have to nurture political stability carefully by taking on board the opposition parties on several tough policy reforms. Also, there is so much of work-in-progress as many important budget proposals are required to be brought to fruition within a reasonable timeframe. In substance, the budget's

success would be determined by the deftness of its implementation.

[Rs. Billion]	2014-15 [RE]	2015-16 [BE]	*% increase in*	
			2015-16	***2014-15***
A. Revenue Receipts	11,263	11,416	1.4	11.0
[i] Tax Revenue	9,085	9,198	1.2	11.4
[ii] Non-Tax Revenue	2,178	2,217	1.8	9.5
B. Capital Receipts	5,549	6,359	14.6	1.9
Of which [iii] Internal Market Borrowings – net	4,469	4,564	2.1	- 1.5
[iv] PSEs Disinvestment	314	690	119.7	6.8
Total Receipts/ Expenditure [A+B or C+D]	16,812	17,775	5.7	7.8
13,C. Revenue Expenditure	14,888	15,360	3.2	8.5
D. Capital Expenditure	1,924	2,414	25.5	2.5
Of which Central Plan Expend.	1,011	1,353	33.8	0.5
Revenue Deficit [A-C]	3,625 ***[2.9%]***	3,945 ***[2.8%]***	8.8	1.5
Fiscal Deficit*	5,126 ***[4.1%]***	5,556 ***[3.9%]***	8.4	1.9

* *The views expressed in this booklet are not necessarily those of the Forum of Free Enterprise.*

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

- Eugene Black
Former President,
World Bank

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