2011

Current Affairs

March 1

Praveen
http://indiancurrentaffairs.wordpress.com
3/1/2011

Union Budget 2011-12 – Highlights

Finance Minister Pranab Mukherjee presented the Union government's Annual Financial Statement in Lok Sabha for the ensuing fiscal 2011-12 and his sixth such exercise in a long political career.

Highlights

- Stainless steel exempted from excise customs duty.
- No new tax exemption limits for women.
- **Central excise duty rate remains unchanged at 10 per cent.**
- **Service tax remains at 10 per cent.**
- Direct tax sops to cost exchequer Rs 11,500 cr.
- **Plan expenditure peggeed at Rs 4.14 lakh crore.**
- **Surcharge brought down from 7.5 per cent to 5 per cent for companies**.
- **Tax exemption limit raised from Rs 1.6 lakh to Rs 1.8 lakh.**
- **Senior citizen benefits to begin at 60 instead of 65.**
- **Fiscal deficit seen at 4.6 per cent.**
- **Non-tax revenue now at Rs 1,25,000 crore.**
- Indian rupee symbol will be introduced on keyboards in Unicode in keeping with 'international standards'.
- Plans to roll out e-stamping in all states in three years. Only six states have introduced e-stamping so far.
- Computerisation of commercial tax collection is helping taxpayers everywhere, says Pranab.
- **Rs 8,000 crore allocated for J&K, doubles grants to N-E states.**
- Aadhar unique ID scheme will help deliver social security better.
- **Literacy mission to get Rs 21,000 crore.**
- FM plans five-point strategy to rein in black money.
- Metro projects will get support for speedy completion.
- **Rs 5,000 crore for National Skill Development Council.**
- Rural citizens to be encouraged to open bank accounts.
- **10 years Green India mission launched**

- **Rs 1 crore International award to mark Tagore's 150th birth anniversary.**
- **Education sector allocated Rs 52,057 crore**
- 40 lakh SC/ST students to benefit from new scholarships.
- Secondary education to be vocationalised to improve employability of young people.
- **Govt plans to spend Rs 1.6 lakh crore on social projects, up by 17 per cent.**
- **Anganwadi workers, NREGA workers will get higher wages**.
- Food Security Bill to be soon finalised.
- **National Mission for Hybrid Vehicles coming soon.**
- **Rashtriya Krishi Vikas Yojana allocation to go up from Rs 6755 crore to Rs 7860 crore.**
- India has joined global drive for tax transparency.
- Pranab plans to encourage organic farming.
- **Divestment target for 2012 is Rs 40,000 crore.**
- **Public-private partnership a success in infrastructure building**.
- New Companies Bill to be introduced in the current session
- Priority home loan limit upped from Rs 20 lakh to Rs 25 lakh
- **To create Rs 100 crore equity fund for micro-finance companies**
- **50 more food parks to be implemented**
- To give 3 per cent interest subsidy to farmers
- To allow disinvestment in mutual funds
- **FIIs allowed to invest in mutual funds**
- **1 per cent interest subvention on home loans of up to Rs 15 lakh.**
- **Subvention for farmers who promptly repay their loans raised from 2 to 3 per cent.**
- **Rural infrastructure development fund corpus will be raised by Rs 180 billion.**
- Support for production of nutritious cereals like bajra, jowar, ragi.
- **Rs 300 crore to encourage vegetable production.**
- **Rs 2000 crore set aside for warehousing.**
- **Capital infusion of Rs 20,157 crore in public sector banks.**
- **FII cap on coporate bonds raised by 20 billion dollars.**
- **Foreign institutional investors can invest in mutual funds.**

- **Kerosene and fertiliser subsidies will be 'directly transferred' to beneficiaries through cash**
- RBI will step in to ease inflation.
- **Current account deficit is a concern.**
- **GDP at 8.6%**
- **Agriculture growth at 5.4%**
- 'Government simplifying procedures, and fighting bureaucratic delays.'
- 'Corruption is a problem we have to fight collectively.'
- We must get out of the quagmire of global economic slowdown, says Pranab.
- 'Food price inflation has fallen, but remains a concern.'
- Growth in 2010 was swift and broad-based, says Pranab.

Taxes

- Exemption limit on tax raised from 1.6 lakh to 1.8 lakh, giving uniform relief of Rs 2,000
- No new tax exemption limits for women
- Senior citizen benefit to begin from 60 years
- **Basic food, fuel exempted from central excise duty**
- Cut in import duties of raw material for mobile phones
- **Tax sops of Rs 20,000 on infra bonds extended by a year**
- **Service tax remains at 10 per cent**
- Foreign unit dividend tax rate cut to 15 percent for Indian companies
- Propose to reduce surcharge on corporate tax to 5 per cent
- **Net tax to Centre will be Rs 6,64,457 crore**.
- **Non-tax receipts pegged at Rs 1,25,435 crore**
- **FY12 gross tax receipts at Rs 9.32 lakh crore**
- Process of service tax refunds will be simplified soon
- **Propose to allow tax free infra bonds worth Rs 30000 crore for PSBs**
- Electronic filing of taxes available all over the country
- **GST to be implemented in this session**
- **DTC to be implemented from FY12**

Sectors

- **SEZ to come under MAT**
- **MAT increased to 18.5%**
- **FY12 health sector outlay at Rs 26760 crore, up 20%**
- **Banks to cover 20,000 villages for opening accounts in FY12**
- **Education sector allocated Rs 57,057 crore in FY12 up 40%**
- **FY12 health sector outlay at Rs 26760cr, up 20%**
- Vocational schemes to be introduced for the employment of the youth
- To set up independent debt management office; public debt management bill to be introduced
- Rural broadband connectivity to be provided in 3 years
- **Infrastructure spending to be raised by 23%**
- **Rs 300 crore to be allocated for oil palm production.**
- Upped priority home loan limit to Rs 25 Lakh Vs Rs 20 Lakh
- 50 new food parks to be implemented
- MF can accept subscription foreign investors who meet KYC norms
- FII limit in corporate bond is being raised of $20bn taking the limit to $25bn.
- Actively considering new fertilizer policy for Urea

Market Reaction

- Nifty up 42 points at 5345, Sensex up 125 points at 17830
- Education stocks Aptech, NIIT, Everonn, Edserv up 3-5% on budget proposals.

Facts & Figures

- The biggest surprise is the finance minister's attempt to contain **fiscal deficit at 4.6% in FY12.**
- The bounty of **3G receipts in FY11, at 1.1 lakh crore**, has been used astutely to help control next year's deficit.
- The current year's deficit, which most analysts were expecting to be at 4.7%, has jumped to 5.1%. This is due to the lower roll-over of subsidies and some advancement of expenses to this year.

- **The government borrowing programme, at 3.4 lakh crore, a good 15% lower than market expectations**, will ensure private investment is not crowded out and growth momentum is sustained.
- **Despite experts sermonising him to compromise growth and contain deficit and inflation, the FM has refrained from increasing excise duty and service tax rates. This will help maintain the tempo of domestic consumption, which is the key to sustaining growth.**
- Allowing a sharp rise in FII investment limit in corporate bonds in the infrastructure space to $25 billion from $5 billion will not only spur investments in the sector, but will also have a cascading impact on other sectors.
- While the finance minister **has disappointed insurance and retail sectors by not allowing more FDI flow,** there was a pleasant surprise in the form of direct FII investment in mutual funds. He has also moved forward on Goods & Service Tax and Direct Taxes Code.
- Those who would not be happy with the Budget are **SEZ players and iron ore exporters. Units in SEZs will be subject to MAT,** which can impact tax liability.

Rupee comes from and goes to?

- In a good sign, the government will depend less on borrowing to finance budgetary proposals in 2011-12 than in the ongoing 2010-11 financial year.
- **Borrowings will comprise 27 paise out every rupee that the government plans to spend in 2011-12**, compared to 29 paise in the current financial year, as per the proposals presented by Finance Minister.
- As far as expenses are concerned**, the central plan will account for 22 paise of every rupee spent,** while **interest payments will account for an outgo of 18 paise, the second highest expense.**
- **The gross borrowings of the government in 2011-12 are estimated at Rs. 4.17 lakh crore, about Rs. 40,000 crore lower than the current fiscal's borrowing plan, which was pegged at Rs. 4.47 lakh crore.**
- **As the single largest source of revenue income, collections from corporate tax are estimated to increase to 24 paise in FY'12** from 23

paise in the current fiscal, **indicating an improvement in tax revenue generation.**

- In addition, income **tax will constitute 11 paise out of every rupee earned by the government in the 2011-12 financial year, as against 9 paise in the current fiscal.** This indicates that overall, **the direct tax contribution to every rupee earned by the government will be 35 paise.**
- An improvement is also seen in **indirect tax collection, including service tax and other heads, which are expected to contribute 27 paise to every rupee earned in 2011-12**, as against 25 paise in the current fiscal.
- **Central excise duty will account for 11 paise out of every rupee earned** by the government in 2011-12, compared to 10 paise in 2010-11, while **service tax and other taxes will constitute 6 paise of every rupee earned.**
- The contribution of **non-tax revenue, however, is projected to come down to 8 paise of every rupee, as against 11 paise in the current fiscal.**
- However, **the subsidy burden on the government would remain static at 9 paise** and so would the outgo on defence activities, at 11 paise, in 2011-12.
- What is more, **non-plan expenditure is expected to account for 11 paise of every rupee spent by the government in 2011-12,** down from from 13 paise in 2010-11, while the **states' share of taxes and duties would amount to 17 paise of every rupee earned**, compared to 16 paise in 2010-11.
- **Plan assistance to states and Union Territories has been retained at 7 paise in 2011-12.**

What it means for the economy?

Financial Reforms Get Going

- A big push for financial sector reforms, on hold for the last 6 years. Laws to raise overseas investment in insurance to 49% from 26%, hike the share capital of India's largest life insurer, LIC, from ``` 5 crore to 100 crore are on the anvil. So are two new Bills to create a pension fund regulator and to reform archaic banking laws. Intentions are fine, but will the government have the majority in the Rajya Sabha to push these reforms through?

Divestment to Boost Revenue

- **The exchequer will end up with 22,144 crore after selling stakes in PSUs this fiscal.** While stake sales in ONGC and SAIL could happen this year, the proceeds from the SAIL sale could go on the government's books next year.
- Next year's target is 40,000 crore, with stakes of several PSUs including PFC on the block. If successful, these sales could help the FM meet his tight deficit targets.

Towards a Leaner Debt Profile

- The government seems to be on track in its mission to reduce **public debt** as a percentage of GDP. It **has set next year's target at 44.2%**, *much lower that the 52.5% target of the 13th Finance Commission.*
- **Big Bucks for Infra Reform**
- **With the government's own outlay jumping by more than 23% to 214,000 crore, infrastructure is a big gainer.**
- Long term overseas money will also flow in, because the FII market for 5-year infrastructure bonds has been quintupled, to $25 billion per year.
- Agencies like the Railways and NHAI can issue tax free bonds worth 30,000 crore to boost railways, roads, ports and housing. Now, start building.

FM hits all the right buttons on reforms front

- Investment by Foreign nationals directly into Indian mutual fund schemes is a huge positive. This will pave the way for not only big growth for the fund industry, but will attract much more stable and long-term foreign retail investments into equities.
- The potential for inflows into Indian MFs can be gauged from the fact that while **foreign investors own nearly $350 billion worth of Indian**

equities, the size of assets in equities of Indian MFs is hardly $50 billion.

- Overall, the Budget has kept most of the broad headline macro-economic figures well within expectations. Thus, fiscal deficit and the government borrowing numbers have been big positives. Obviously, concerns and questions do exist on how this will be achieved.
- **After many years, government spending on capital expenditure has seen a negative growth**.
- **The subsidy provided for FY12 is lower despite higher global oil and fertiliser prices and also, lower allocation to states for capex programmes**.
- On the policy front, statements on GST and DTC were on expected lines.
- The FM mentioned every expected reform — FDI in a few sectors, banking reforms including new licences, corruption, schemes to tax and repatriate illicit money, targeted subsidies on LPG and kerosene and the like.
- Most proposed reforms would be taken up by the respective agencies in coming months. Thus, 2011-12 can be an action packed year in terms of reforms.
- **The increase in FII limit for investment in corporate bonds of infrastructure companies has been raised by a huge $20 billion**.
- *This not only enables the infrastructure sector to raise the much needed funds at competitive rates, but eases to a large extent the current deficit concerns. Besides causing the rupee to be stable, this investment will also ease significantly the tight liquidity and thus, arrest a further rise in interest rates.*

Growth is back on the Agenda, and Markets are happy and relieved

- Stimulus stays, the standard rate of central excise duty retained at 10%.
- Even on the direct tax front, the FM has chosen to maintain a benign environment. The reduction of surcharge on domestic companies is a positive step. The exemption limit for individual tax payers has also been raised.
- The Budget is growth-oriented — the FM used the word ‘growth’ 21 times in his speech. He is aiming for 9% real GDP growth in FY12, with an ambitious gross tax revenue increase of 24.8%. But he seems confident of reining in fiscal deficit at 4.6%.

- The government's focus on infrastructure and rural development is clear from the increased allocations. The enhancement of FII limit for investment in corporate bonds issued by infrastructure companies will boost flow of funds to the sector.
- Inflation was a key theme of the speech, and understandably so. The recognition that there are shortcomings in distribution and marketing systems and the government's resolve to take corrective measures are key positives.
- On the reforms front, DTC and GST now appear set for implementation. RBI has proposed amendments to the Banking Regulation Act and will issue the guidelines for licences during this fiscal.
- The FM has also left indirect taxes largely untouched, which is good for many sectors.
- **While one might be tempted to say there is nothing new in the Budget, one did not expect much, to begin with.**

Defence budget up 11.6 per cent for fiscal 2011-12

- With some major deals expected to be clinched this year, **Government** yesterday **substantially raised its defence budget by 11.6% to Rs 1,64,415 crore for 2011-12** from last year's Rs 1,47,344 crore.
- Of the total outlay, Rs 69,199 crore has been allocated for the acquisition of modern and new weapon systems.
- However, the hike is 8.47 per cent on the basis of revised estimates of Rs 1,51,582 crore for the same year.
- With several big ticket deals to likely to be finalised this year, the capital expenditure for defence forces has been hiked by Rs 8,366 crore from Rs 60,833 to Rs 69,199 crore.
- Defence Ministry sources said **the 13.75 per cent hike in capital expenditure has been made keeping in mind the big ticket deals to procure 126 multi-role combat aircraft, 197 light helicopters, 145 Ultra-light Howitzers and C-17 heavy-lift aircraft.** These deals are likely to be signed this year.
- From the Rs 69,199 crore capital outlay, the Army got around Rs 18,988 crore, Navy Rs 5,688 crore, Naval Fleet Rs 7,320 crore and Air Force Rs 29,722 crore.

- The largest share of the increased capital expenditure would go to the IAF, which will spend Rs 22,055 crore for procuring fighter and transport aircraft and helicopters of different types and origin in this decade.
- India has plans of spending over USD 100 billion on defence acquisitions in the next five to 10 years.
- Of the total revenue expenditure of Rs 95,216 crore allocation for the next fiscal, the Army has been granted Rs 64,251 crore, Navy Rs 10,589 crore, Air Force Rs 15,928 crore and DRDO Rs 5,624 crore.
- **The defence budget accounts for the 13.07 per cent of the total expenditure to be made by the Central government in the next fiscal.**
- **Despite the hike of Rs 17,071 crore, the defence expenditure continues to hover around the 2.5 per cent mark of country's GDP and remains much less than the percentage of it spent by adversaries China and Pakistan.**

Cash transfers to replace subsidy regime on kerosene, fertilisers from 2012

- With an **estimated 60 per cent of subsidised fuel not reaching its targeted population,** the Finance Minister yesterday announced that **BPL families will get direct cash subsidy to buy fertilizers and cooking fuel at prevailing market prices from 2012.**
- While the roadmap for rolling out direct cash transfers will be available by March 2012, Mukherjee announced about **13 per cent reduction in subsidy of fuel, food and fertilisers for 2011-12 fiscal to Rs 1,34,210 crore from Rs 1,53,962 crore in the revised estimates for the current fiscal.**
- **Currently, 6.52 crore BPL families are covered under the Public Distribution System (PDS).**
- **A task force headed by Nandan Nilekani has been set-up to work out modalities for the proposed system of direct transfer of subsidy for kerosene, LPG and fertilisers.** The interim report of the task force is expected by June 2011
- A significant proportion of subsidised fuel does not reach the targeted beneficiaries and there is large scale diversion of subsidised kerosene oil. It is diverted for adulteration in auto fuel. Similarly, subsidised domestic LPG gets diverted to commercial establishment.

- Currently, kerosene oil is sold through ration shops at subsidised rate of Rs 20.57 a litre, while domestic LPG is given at a discount of Rs 356.07 per 14.2-kg cylinder.
- Once the cash transfersystem comes into force, kerosene and domestic LPG will be sold at market price. The difference between the market price and subsidised rate will be provided by way of coupons or some other appropriate means to the BPL families.
- **For the 2011-12 fiscal, the government estimated lower oil subsidy bill at Rs 23,640 crore, compared to Rs 38,386 crore in the current fiscal.**
- **The budget also estimated a decline in fertiliser subsidy bill at Rs 49,997 crore for the next fiscal, as against Rs 54,976 crore in the 2010-11 financial year.**
- **The nutrient-based subsidy (NBS) policy on potash and phosphatic fertlisers, which was introduced in last year's Budget,** has received good response from stakeholders and the **government is considering to extend NBS to cover urea.**
- The government's **food subsidy, given to run the public distribution system, is also estimated to decline marginally to Rs 60,572 crore next fiscal from Rs 60,599 crore in 2009-10.**

Coins carrying the new Rupee symbol soon: FM

- A new series of coins will be unveiled soon carrying the Rupee symbol, Finance Minister Pranab Mukherjee announced in the Budget yesterday.
- "Indian Rupee now has a new symbol, which has been notified for use by the Central and State Governments, business entities and the general public. A new series of coins carrying this symbol will be issued shortly," Mukherjee said in his Budget speech.
- He said the government has approached **Unicode Standards Authority** for inclusion of the symbol in international standards. **Unicode is an international standard that allows text data to be interchanged globally without conflict.**
- **In July last year, the Indian Rupee got a unique identity mark a blend of the Devanagri 'Ra' and Roman 'R' and joined the league of global**

currencies like the US dollar, euro, British pound and Japanese yen that have distinct currency symbols.

Focus Infrastructure

- **A key developmental initiative has been seen towards infrastructure financing, which has been given a boost by increasing FII investment limits in corporate bonds with residual maturity of over five years issued by companies in the infrastructure sector by $20 billion.**
- While the stated measure seems to be positive for domestic infrastructure financing, the overall response from FIIs to the increased limit needs to be seen.
- The experience with the earlier $5-billion window was lukewarm, with foreign inflows of less than $500 million garnered so far.
- **FIIs would also be permitted to invest in unlisted bonds with a minimum lock-in period of three years, with the FIIs being allowed to trade among themselves during the lock-in period.**
- **Additionally, 30,000 crore worth of tax-free bonds can be issued by IRFC, NHAI, HUDCO and ports in FY12.** Access to offshore funds by domestic entities to finance domestic infrastructure projects may, however, gain traction as interest payments on the borrowings of domestic infrastructure funds will now be subject to a reduced withholding tax of 5% from the earlier 20%, thus lowering the cost of raising foreign capital for this purpose.
- **Additionally, mutual funds have been permitted to raise funds abroad through foreign investors.** All of the aforementioned measures should lead to attracting money from offshore, thus building a marginally positive bias for the rupee in the medium term.

Direct Payments to replace existing Fertilizer Subsidy regime

- The Government has set a March 2012 deadline for kicking off direct payment of fertiliser subsidy to farmers below the poverty line, taking a leap of faith to promote farm sector growth.

- **The cash transfer is likely to be governed by the modalities set by a task force led by Nandan Nilekani** that is expected to file its report in June. **Currently, the subsidies are paid through fertilizer companies.**
- Direct transfer of subsidy will ease working capital problems faced by the industry due to delayed subsidy payments by the government.
- **The Budget has set aside 49,997.87 crore towards subsidy payments**, *much lower than last year's revised figure of 54,976.68 crore.*
- **The Budget has accorded infrastructure status to cold storage and all postharvest technologies to cut wastage**.
- **Currently, post-harvest losses are estimated at 50,000 crore per annum due to poor storage practices.**
- The FM has reduced customs duty on import of all cold storage equipment to 2.5% and exempted cold storage conveyer belts and refrigeration panels from excise duty.
- **There is an estimated 32 million tonne shortage in storage capacity, requiring investments of over 10,000 crore.**
- **Economy grows at 8.2% in Q3; courtesy, agriculture showdown**
- **Indian Economy expended 8.2% in the third quarter of the current financial year** *on the back of robust growth in agriculture and services sectors*.
- The growth number was in line with expectations, but lower than 8.9% growth recorded in the previous two quarters, government data showed.
- **Farm output grew 8.9% over the year-ago period**, boosted by strong monsoon rains, while **the manufacturing sector experienced a slowdown at 5.6%.**
- The decline in investments, which grew 5.99% in the quarter compared with 17.84% in the previous quarter, remained a concern.

Focus – Taxation

- **Income tax exemption limit for individuals has been raised from Rs 1.6 lakh to Rs 1.8 lakh, giving a relief of Rs 2000 to every tax payer**, in the Budget for 2011-12 which widened the Service Tax net to cover more services that will raise the cost of air travel, hotel accommodation and those who drink in AC restaurants.

- **The FM preferred not to roll back central excise duty levels to November 2008 and kept it at 10 per cent while he levied a nominal one per cent central excise duty on 130 items** that will enter the tax net.
- Basic food and fuel items will continue to be exempted while the new levy will not apply to precious metals and stones. Jewellery made of gold, silver and precious metals sold under brand name would be covered by the new levy.
- **Minimum Alternate Tax on book profits of companies has been raised from 18 to 18.5 per cent and the lower rate of Excise Duty raised from 4 to 5 per cent.**
- **The income tax sops included reducing eligibility age of senior citizens from 65 to 60 and enhancing the exemption limit for them from Rs 2.40 lakh to Rs 2.50 lakh. He also created a new category of ''Very Senior Citizens'' of 80 years and above who will be eligible for a higher exemption limit of Rs 5 lakh.**
- **The Minister estimated a net revenue loss of Rs 200 crore in the Budget**.
- **The proposal related to indirect taxes are estimated to result in a net revenue gain of Rs 11,300 crore**, including Rs 4000 crore on Service Tax expansion.
- **The proposals on direct taxes are expected in a revenue loss of Rs 11,500 crore.**
- **The Budget for next year pegs the fiscal deficit at 4.6 per cent of GDP for 2011-12** which works out to Rs 4,12,817 crore.
- **Gross tax receipts are estimated at Rs 9,32,440 crore, an increase of 24.9 per cent over Budget estimates for 2010-11.**
- **Net non-tax revenue receipts for the next financial year are estimated Rs 1,25,435 crore.**
- **The total expenditure proposed for 2011-12 is Rs 12,57,729 crore.**
- **Plan expenditure will be Rs 4,41,547 crore, an increase of 18 per cent** and **non-Plan expenditure will be Rs 8,16,182 crore, an increase of 10.9 per cent** over Budget estimates of 2010-11.

Corporate Tax surcharge reduced to 5%; MAT up marginally

- Bringing some cheer to the industry, Finance Minister lowered the **surcharge tax limit on corporate tax to 5 per cent from 7.5 per cent even while marginally raising the Minimum Alternate Tax.**
- **The government retained the corporate tax at 30 per cent**, to be paid by domestic firms earning total income of over Rs 1 crore a year.
- **It increased the Minimum Alternate Tax (MAT) to 18.5 per cent from 18 per cent on book profits.**
- The initiative of phasing out the surcharge continued in this budget too, to reduce the current surcharge of 7.5 per cent on domestic companies to 5 per cent".
- The minister also proposed to bring developers in **Special Economic Zones (SEZs) under the MAT.**
- Industry chambers have been demanding reduction in corporate tax to 25 per cent to spare the India Inc with more money to undertake big-ticket investments.
- With a view to providing incentive for Indian companies to repatriate money from offshore subsidiaries, the minister also proposed a lower rate of 15 per cent tax on dividends received by an Indian company from its foreign subsidiary.
- The latest proposals come two years after the government did away with surcharge on income tax during the 2009-10 Budget.
- During last year's Budget also, the government had reduced surcharge on corporate tax while hiking the rate of MAT.

Eastern India poised for next Green Revolution

- Seeking to usher in a Green Revolution in the Eastern region, including Finance Minister Pranab Mukherjee's home state West Bengal, **the Union Budget yesterday announced an additional Rs 400 crore for the purpose.**
- To realise the potential of the Eastern Region, last year's initiative would be continued in 2011-12 as well. In addition to this, a further allocation of Rs 400 crore for the region for the purpose was made.

- **The programme would target improvement in the rice-based cropping system of Assam, West Bengal, Orissa, Bihar, Jharkhand, Eastern Uttar Pradesh and Chattisgarh**.
- The Eastern Region remained largely untouched by the **Green Revolution of 70s** which had **brought farm revolution mainly in Northern states of Punjab and Haryana**.
- The Union Budget 2010-11 had earlier allocated additional Rs 400 crore under Rashtriya Krishi Vikas Yojana (RKVY) for extending green revolution to the Eastern Region.
- **Green revolution envisages adoption of new seed varieties, farm machines, nutrients, pesticides and knowledge based intervention as developed for different agro climatic zones**.
- In order to implement the initiative, a preliminary meeting was held with State Agriculture secretaries/Directors of the proposed states on 18th March, 2010 during the National Kharif Conference at New Delhi.
- A background note has also been prepared based on the report of the working group of sub-committee of **National Development Council on Agriculture & related issues on region/crop specific productivity analysis and agro-climatic zones chaired by Orissa Chief Minister Naveen Patnaik.**
- It suggested agro-ecological zone wise strategy for agriculture development in states.

Salary earners with income till Rs 5 lakh need not file returns

- Salary earners having an income of less than Rs 5 lakhs will not have to file tax returns from this year, CBDT chairman Sudhir Chandra told reporters at the customary post-Budget press conference.
- The exemption from filing tax returns come into effect from the assessment year 2011-12.
- In case such a salary earner has income from other sources like dividend, interest etc. and does not want to file returns, he will have to disclose such income to his employer for tax deduction.
- The government is working out a scheme and will notify it "very soon".
- **The Form 16 issued to salaried employees will be treated as Income Tax Return,** he added.

- According to the Memorandum to the Finance Bill 2011, the government will be issuing a notification exempting ''classes of persons'' from the requirement of furnishing income tax returns.
- **The decision, which will come into effect from June 1, 2011,** will reduce the compliance burden on small taxpayers.
- Every person whose income exceeds the taxable limit is presently required to file returns. Another finance ministry official said the decision to raise tax exemption limit of very senior citizens (80 years above) to Rs 5 lakh will benefit about 15,000 tax payers.
- FM announced an increase in the income tax limit of very senior citizens to Rs 5 lakh. They will have to pay a tax of 20 per cent for income between Rs 5 lakh and Rs 8 lakh and 30 per cent beyond Rs 8 lakh.

FM proposes new simplified tax return form 'Sugam'

These pointers will serve purpose while writing answers on tax reforms, as well as e-governance.

- To reduce compliance burden of small taxpayers, Finance Minister Pranab Mukherjee yesterday proposed to introduce **a new simplified income tax return form 'Sugam'**, for those who fall within the scope of presumptive taxation.
- He also said the Income Tax Department will launch 58 more Aaykar Seva Kendra (ASK) or the Sevottam centre scheme for serving tax payers more efficiently.
- ASK is a pilot project initiated by the I-T Department to set up a one-stop service centre for enquiries.
- "The three pilot projects of Aaykar Seva Kendras (ASKs) under CBDT have come of age. CBDT will commission eight more such centres this year. In 2011-12, another fifty ASKs will be set up across the country," Mukherjee said in his Budget speech.
- Currently, these pilot projects are at Pune, Cochin and Chandigarh.
- Besides, **the Centralised Processing Centre (CPC) at Bengaluru has increased its daily processing capacity from 20,000 to 1.5 lakh returns in 2010-11.**

- "Two more CPCs will become operational in Manesar and Pune by May, 2011 and a fourth CPC will come up in Kolkata in 2011-12," he added.
- CBDT will provide a separate web-based facility to enable a direct, stand-alone interface for taxpayers with the I-T Department, so that they can report and track the resolution of their refunds and credit for prepaid taxes.
- Mukherjee also proposed to launch **a new scheme with an outlay of Rs 300 crore to provide assistance to states to modernise their stamp and registration administration and roll out e-stamping in all the districts in the next three years**.
- "With the development of the economy, the need to review the provisions of the Indian Stamp Act, 1899 has been felt over the years. I **propose to introduce a Bill shortly to amend the Indian Stamp Act,"** he added.