Union budget for 2017-18 published on 01st February, 2017 with three major reforms. First time in history budget was presented on 1st February, to enable ministries to operationalize activities for the start of financial year. Second, Railway budget was merged with general budget. This will help Government to bring railway budget to center stage of fiscal policy. And last is removal of classification of expenditure for having clear view of allocation for sectors and ministries.

This third budget of Modi Government continue to be a bitter dose for the Indian economy. As it is more focused budget with no big soaps for any one. Like past budgets of the present Government, this budget also focuses on agriculture, rural development, skill development, infrastructure and most important Digital Economy. This union budget is a big step towards transparent and cashless economy.

However, this budget has got something for everyone. Specially for Rural population of the country. Salient features of this budget and its impact on different sectors of Indian economy is analyzed here.

**Personal Income Tax (Most sought after section)**

* Income tax rate between Rs 2.5 to 5 Lakh range has been reduced to half (From 10% to 5%). Also, rebate of 2,500 is allowed for income upto Rs 3.5 Lacs. It means now effectively basic exemption limit is Rs. 3 Lacs for person earning Rs 4.5 Lacs (Considering deduction of Rs. 1.5 Lacs u/s 80C). Benefit illustrated below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Limit** | **Tax for Year 2016-17** | **Tax for Year 2017-18** | **Effective saving** | **New Effective Tax rate**  |
| 0 to 2.5 L | 0 | 0 | 0 | NIL |
| 2.5 to 5 L | 10% | 5% | 5% | 5.15% |
| 5 to 10 L | 25,000 + 20% on > 5L | 12,500 + 20% on > 5L | 12,500 | 20.60% |
| > 10L | 1,25,000 + 30% on > 10L | 1,12,500 + 30% on > 10L | 12,500 | 33.99% |

* Additional surcharge of 10% levied on category of person whose income is between 50 Lakh to 1 Crores. Current surcharge of 15% above 1 crore to continue.
* One-page return for person having income up to Rs. 5 lakhs. But applicable to an assessewhose income is from other than business income.
* Also, Government has made an appeal to pay taxes @5%, even if income is falling in lowest slab of 2.5 Lakh to 5 Lakh.This is mainly because only 1.5% (1.9 crores) Indians pay taxes out of 125 crores.
* Now to calculate LTCG (Long Term Capital gain) holding period has been reduced to 2 years from current 3 years. This will result in saving in capital gain taxes mainly to person falling in 30% tax bracket. As LTCG is charged @ 20%, this amendment has no impact if one person falls under 20% bracket. Also, for indexation base year has been shifted to 01/04/2001 from 01/04/1981.
* Special exemption from applicability of LTCG to person whose land has been taken for creation of Capital city of Amravati in Andhra Pradesh under the Government scheme. Applicable only if person holding land on or before 02.06.2014.
* To promote affordable housing, now carpet area of 60 Sq. Mtr will be considered instead of built up area of 30 Sqr mtr. Limit of 30 Sqr mtr will be applicable only in case of municipal limits of 4 metropolitan cities.

**Business and Industry (Most affected sector)**

* **Income Tax Rate for MSME sector has been reduced to 25% from 30%.** This is applicable for the companies having annual turnover of Rs 50 Crores. This will boost MSME sectors in India. Impact of this can be understood from the fact that MSME sector is almost 90% of the total listed companies in India. This will also result in more liquidity with the sector and can boost employment generation.
* Limit for audit under presumptive taxation has been raised to 2 Crores from 1 crore. Also, limit for maintaining books of accounts for individual and HUF has been increased to 25 lakhs from 10 lakhs or income to 2.5 lakhs from 1.2 lakhs.
* Advance tax can now be paid in only one instalment instead of four, if assesse is professional having receipt up to Rs. 50 Lakhs.
* Now return can be revised up to 12 months from completion of financial year, this is now at par with period for filing return. Also, now scrutiny assessment to be completed within 18 months for AY 2018-19 and further to 12 months for AY 2019-20.
* Also, a long pending demand of industry of scrapping MAT (Minimum Alternate Tax) provisions were half fulfilled as now MAT credit can be carried for 15 yrs. form previous 10 years.
* Basic custom duty on LNG reduced from 5% to 2.5%.
* Increase in Health cess from 6% to 9%. This will make tobacco products costlier.

**Financial Sector (Share Market)**

* To integrate spot market and derivative market in the agricultural sector an expert committee will be constituted.
* Government will dilute its stake in Railway PSEs by listing them in stock markets. Companies planned to be in disinvestment list are IRCTC, IRFC and IRCON.
* To counter international and domestic oil companies, integrated ‘Oil Major’ will be created by merging all oil major PSEs and PSUs.
* All major public banks will be recapitalized by Rs. 10,000 crores. This is to utilize the money received after demonetization.
* Pradhan Mantri Mudra yojana has got a boost of Rs. 2.44 Lakh crores. Good news for budding entrepreneurs.
* Selected airports in tier 2 cities will be taken up for operation and maintenance in PPP mode.

**Digital Economy (New Buzz word)**

* Basic custom duty, Excise duty, Counter vailing duty and Special Additional duty is now not applicable to card readers for m-POS, micro ATM, finger print readers / scanners, IRIS scanners and their parts.
* Digital incentive given to small traders and businessman having annual turnover below 2 Crores can opt for 6% tax instead of 8% under presumptive taxation, only if they accept payment via digital mode.
* No cash payment more than 3 lacs at a time.
* Banks will create 10 lakhs POS terminal by March 2017 to boost cashless economy. Also, for cashless economy 20 lakhs AADHAR based POS terminal will be introduced by September 2017.
* Target is set for 2,500 crores digital transaction for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and Debit card.

**Major announcement related to Indian Railways.**

* No new train announced in this budget. Focus of the Government is mainly on implementation of past announcements.
* A new metro rail policy to be introduce to take care the needs and requirements of Metro rail.
* All railways coached to be fitted with bio toilets by 2019.
* A *Rastriya Rail Sanrakhsha Kosh* will be created for passenger safety with a corpus of Rs. 1 crore.
* Unmanned crossing on broad gauges to be eliminated by 2020.
* 3,500 kms of railway lines to be commissioned in 2017-18. Also, 500 stations to be made differently abled friendly by installing lifts and escalators.
* 7,000 stations to be fed with solar power in the medium term.