

Key highlights of the Interim Union Budget 2014-15

Union Finance Minister P Chidambaram has presented the Interim Budget for fiscal year 2014-15. His budget speech largely recapitulated various achievements and incentives extended by the United Progressive Alliance Government, before he proceeded to present the Interim Budget.

While there has been no change in direct taxes, the minister has cut indirect tax on certain items. The Finance Minister also pegged GDP expansion in third and fourth quarters of 2013-14 at 5.2%, thus estimating the growth for the entire fiscal year at 4.9%.

The key highlights of the budget are as follows:

Budget estimates 2014-15

Expenditure	Rs (in crores)
Plan expenditure	555,322
Non-plan expenditure	1,207,892

Key sectors for allocation



Sectors	Rs (in crores)
Defence	224,000
Rural Development	82,202
Human Resource Development	67,398
Health and Family Welfare	33,725
Women and Child Development	21,000

Growth

- during the financial year 2013-14, India witnessed a modest growth
- growth in Q2 has been estimated to be 4.8%
- GDP growth for financial year 2013-14 has been estimated at 4.9%

Fiscal deficit and Inflation

- the fiscal deficit for financial year 2013-14 is estimated at 4.6% of GDP
- current account deficit is estimated to be USD 45 billion
- in January 2014, WPI inflation has eased to 5.05% and core inflation at 3.0%
- food inflation is still the main worry. Although it has declined sharply from a high of 13.6% to 6.2%

Social initiatives

- IFCI to set up Venture Capital Fund with an initial capital of Rs 200 crores for promoting entrepreneurship among schedule castes
- Integrated Child Development Services (ICDS) scheme will be implemented throughout the country
- National Agro-Forestry Policy 2014 for fostering employment, productivity, conservation and adaptation approved
- allocation of Rs 444.59 crores towards marketing of minor forest produce
- outlay of Rs 100 crores to promote community radio stations
- Nirbhaya Fund to be granted another Rs 1,000 crores next year for safety and dignity of women
- National Skill Development Corporation (NSDC) granted Rs 1,000 crores next year to scale up its programmes



Economic initiatives

- 50,000 MW of power capacity under construction with coal supply assurance to 78,000 MW power capacity
- liberalisation of FDI policy to attract larger investments in telecom, pharmaceuticals, aviation, power trading exchanges and multi-brand retail
- two semi-conductor wafer fab units approved in the electronics hardware industry
- IT modernisation project of the Department of Posts to be operational by 2015 at a cost of Rs 4,909 crores
- National Solar Mission to take up four ultra mega solar power projects totalling 2,000 MW in 2014-15
- 'India Inclusive Innovation Fund' by Ministry of MSME to support enterprises in the MSME sector

Other measures

- an increased support of Rs 3,000 crores to cash-strapped railways
- long pending demand of defence services for One Rank One Pension approved by the Government
- interest subsidy scheme extended to education loans taken before 31 March 2009 and outstanding as on 31 December 2013
- Forward Contracts (Regulation) Act is proposed to be amended to avoid crisis like in the spot exchange last year

Tax proposals

- no changes in direct tax
- the draft of DTC will be placed for public discussion on the website
- measures to unearth and impose tax on money held in offshore accounts to continue, besides prosecution of account holders
- political parties urged to pass DTC/ GST in FY 2014-15

Customs – Rate changes (effective: 17 February 2014)

- additional customs duty exemption on specified road construction machinery (such as loaders, excavators, etc) withdrawn. Exemption from basic customs duty to continue
- basic customs duty on non-edible grade industrial oils and its fractions, palm stearin, fatty acids and fatty alcohols reduced to a uniform rate of 7.5%
- exemption from basic customs duty and additional customs duty on Liquefied Natural Gas (LNG) consumed in authorised operations in ONGC Special Economic Zone unit at Dahej and remnant LNG cleared into the domestic tariff area
- concessional basic customs duty of 5% and nil additional customs duty is extended to capital goods imported by Bank Note Paper Mill India Private Limited (effective up to 31 December 2014)
- basic customs duty exemption is extended to human embryo and additional customs duty exemption continues for the same
- basic customs duty exemption on pulses extended up to 30 september 2014. Additional customs duty continues to be nil

Customs – Condition change (effective: 17 February 2014)

- the time period to obtain mega power status certificate has been extended from 3 years to 5 years for the purpose of availing customs duty benefit

Central Excise – Rate changes (effective: 17 February 2014)

All mobile handsets

- excise duty applicable at 1% if CENVAT benefit is not availed
- excise duty applicable at 6% if CENVAT benefit is availed

Central Excise (effective: 17 February 2014)

Particulars	Past	Current
Machinery and equipment, appliances and parts falling under Chapters 84 and 85 of Central Excise Tariff	12%	10%
Small cars, motorcycles, scooters, commercial vehicles and trailers	12%	8%
SUVs	30%	24%
Large cars	27%	24%
Mid-segment cars	24%	20%
Hybrid motor vehicles, hydrogen vehicles	12%	8%
Chassis	Reduced rate depending on the specific type of vehicle	

Excise – Condition change (effective: 17 February 2014)

- the time period to obtain mega power status certificate has been extended from 3 years to 5 years for the purpose of availing central excise duty benefit

Service Tax

Additional services notified under Mega exemption notification

- services provided by cord blood banks by way of preservation of stem cells or any other service in relation to such preservation
- services by way of loading, unloading, packing, storage and warehousing of rice

Clarification issued for extending exemption from service tax on specified services

- transportation of rice by rail, vessel or by a Goods Transport Agency by way of transport in a goods carriage
- milling of paddy into rice carried out as a job work

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