



RNM ALERT

*Budget Special Issue
February 16, 2009*

UNION BUDGET 2009-10

The Interim Budget announced on the floor of the Parliament today by the Hon'ble Finance Minister, Mr. Pranab Mukherjee was significant for the complete absence of any changes in taxation. The Budget speech of the Hon'ble Minister read out like a veritable election campaign speech by sounding out the election bugle on the development plank of the United Progressive Alliance (UPA). The key features of the Interim Budget were laid down to impress the voters with the achievements of the past five years. At the same time indications were given as to what changes would be required to give a boost to the economy as and when the new Government formulates the tax and expenditure policies for 2009-10. Budget allocation for areas like Defense was increased post the Mumbai terror attacks. All in all, the Interim Budget presented fell short of market expectations which had hoped that some governmental assistance would be introduced to cope with the four months of the next fiscal period, when the new Government is expected to introduce the new policies.

A. Taxation

- Income tax slab rates for individuals, firms, local bodies un-changed
- No change in the corporate income tax rates.
- No change in the rate of surcharge.
- No changes in Indirect tax field

B. Budget Estimates for 2009-10

- Fiscal and revenue deficits higher than the Fiscal Responsibility Budget Management (FRBM) Act targets
- Net tax revenue at Rs.5,00,096 crore, with revenue expenditure estimated at Rs.8,48,085 crore, the revenue deficit amounts to 4.0 per cent of GDP.
- Fiscal Deficit is estimated at Rs.3,32,835 crore which is 5.5 per cent of GDP.

C. Economic Stimulus

- The need contra-cyclical policy through a substantial increase in expenditure in infrastructure development where there are large gaps and in rural development was felt by the Finance Minister, however, it was left to the next Government to take up the challenge
- Additional plan expenditure of anything from 0.5 per cent to 1.0 per cent of the GDP is required to gear up the systems

D. Other changes

- A comprehensive system of Unique Identity for the resident population of the country has been worked out under the unique Identification Authority of India
- Extension of the interest subvention of 2 percent on pre and post shipment credit for certain employment oriented sectors i.e. Textiles (including handloom & handicrafts), Carpets,



Leather, Gem and Jewellery, Marine products and SMEs beyond March 31, 2009 till September 30, 2009



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