

Dear Member,

The Central government's annual financial statement (budget) for 2008-09 announced on 29.02.2008 was a mini bonanza for the middle class, women, senior citizens, consumers and a major relief for debt-trapped farmers. Revenue receipts of Central government for 2008-09 is projected at Rs.6,02,935 crore and revenue expenditure at Rs.6,58,119 with a revenue deficit estimated at Rs.55,184 crore which amounts to 1 percent of gross domestic product (GDP). Fiscal deficit is estimated at Rs.1,33,287 crore which is 2.5 per cent of GDP.

Tax to GDP ratio that was 9.2 per cent in 2003-04, is set to rise to 12.5 per cent at the end of 2007-08. Threshold limit of exemption from personal income tax in the case of all assesseees is increased to Rs.1,50,000. The slabs and rates of tax are: upto Rs.1,50,000 - nil; Rs. 1,50,001 to Rs.3,00,000 - 10%; Rs. 3,00,001 to Rs.5,00,000 -20%; Rs. 5,00,001 and above - 30%. In case of a woman assessee, the threshold limit is increased from Rs.1,45,000 to Rs.1,80,000 ; for a senior citizens the threshold limit is increased from Rs.1,95,000 to Rs.2,25,000. There are no changes in the corporate income tax rates and rate of surcharge.

General CENVAT rate on all goods is reduced from 16 per cent to 14 per cent to give a stimulus to the manufacturing sector. For consumers excise duty on all goods produced in the pharmaceutical sector is slashed from 16 per cent to 14 per cent. The excise duty on small cars, 2-wheelers and 3-wheelers, paper, paper board and articles made there from is reduced to 12%. While it is reduced to 8% on purification devices, veneers and flesh doors, writing and printing paper and breakfast cereals, it is reduced to nil on tea and coffee mixes puffed rice and specified life saving drugs.

The most significant aspect of the budget is introduction of a scheme of debt waiver and debt relief for farmers. About 3 crore small and marginal farmers and 1 crore other farmers are expected to be the beneficiaries the scheme. Total value of over-due loans and relief is estimated at Rs.60,000 crore. The Chief Minister, Dr. Y.S.Rajasekhara Reddy, applauded the loan write-off, calling it the, 'Mother of all waivers'.

The country will spend 15 per cent more on health with an allocation of Rs.16,534 crore. A 5 year tax holiday shall be given for setting hospitals in specified urban agglomerations in II and III tier categories. For infrastructure schemes the outlay is raised to Rs.14,000 crore. "All these incentives augur well for the growth of health and pharma sector", feel experts.

Education gets Rs.34,400 crore up 20 per cent from Rs. 28,674 crore in 2007-08. For agricultural short-term loans an initial provision of Rs.1,600 crore is made. For accelerated irrigation benefit program, outlay for 2008-09 is increased to Rs.20,000 crore, from Rs.11,000 crore in 2007-08. For rainfed area development program, a sum of Rs.348 crore is earmarked.

An important feature of the budget is the proposal to establish a non-profit corporation entrusted with mission to address the challenge of imparting the skills required by a growing economy. A sum of Rs.15,000 crore is proposed to be mobilized as capital from governments, public and private sector, and bilateral/multilateral sources. To begin with central government equity is to be Rs.1,000 crore.

For Andhra Pradesh the Finance Minister promised a school of Architecture and Planning, Indian Institute of Technology, autonomy to National Plant Protection Training Institute besides Rs.3,000 under accelerated irrigation benefit program for farmers.

Budget being an exercise on allocation of financial resources to different sectors of economy, priorities and compulsions of minimum common program of coalition government do play a vital role. No major allocations were made for break through infrastructure and for promotion of long-term savings. Corporate income tax and surcharge could have been reduced. A major boost to the growing IT sector could have been given. Nevertheless, on the whole it is a good budget, may be populist aimed at ballot box, but it is clearly oriented at the common man and the farmer. As Finance Minister said, "Budget is all for the creation and distribution of wealth".

Thanks for your cooperation.



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