ANALYSIS OF THE BUDGET 2017-18

The Union Budget 2017-18 was presented by Mr. Arun Jaitley, the Finance Minister of India, on 1st February 2017. The Finance Minister states that there has been 36% increase in the foreign direct investment (FDI) inflows in India. In order to encourage more investments and participation from the private sector the Government has proposed in the Budget the following opportunities and policy reforms pertaining to the infrastructure sector and the FDI in India:

PROPOSED INFRASTRUCTURE SECTOR REFORMS

1) Budget allocation:
   i. The Government has made an allocation of Rs. 396135 crores (USD 5894 crores approx) for infrastructure, which has been the biggest ever allocation for infrastructure so far;
   ii. It has decided to provide Rs. 2,41,387 crore (USD 3592 crores approx) for the transport sector including roads, railways and shipping;
   iii. It has decided to allocate Rs. 64900 crore (USD 965 crores approx) for national highways;
2) Government to introduce a Bill to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts by amending the Arbitration and Conciliation Act 1996;
3) Government to launch a Trade Infrastructure Export Scheme which will aim at building export infrastructure for which the Centre and the states will equally share the cost of development;
4) Proposed relaxation in the norms for startups in India for getting tax exemptions;
5) Government to unveil a new metro rail policy;

6) Government to develop selected airports in tier-II cities under the PPP mode.

PROPOSED FDI REFORMS

The Government has stated that there has been 36% increase in FDI inflows in India during 2016-17 and the foreign exchange reserves at USD 361 billion as on 20th January 2017 will be sufficient to cover the 12 months needs. It further states that more than 90% FDI inflows have been allowed through the automatic route, where no approval of the Reserve Bank of India (RBI) has to be sought for. The Government has proposed to further liberalize the FDI policy. The following changes have been made:

i) The Foreign Investment Promotion Board (FIPB), a single window clearance for processing the applications for FDI in India, which are under the approval/Government route, and making recommendations for Government approval, has successfully implemented e-filing and online processing of applications. Therefore, the Government has decided to abolish FIPB in 2017;

ii) Exemption of the category I foreign portfolio investors (FPIs), i.e. Government and Government related investors such as central banks, sovereign wealth funds and international or multilateral organizations, etc, and category II FPIs, i.e. mutual funds, pension funds, etc from the provisions of indirect transfer. Indirect transfer provision shall not apply in case of redemption of shares or interests outside India as a result of or arising out of redemption or sale of investment in India which is chargeable to tax in India;

iii) Ease of business environment for the FPIs by introducing a common application form for registration, opening of bank, dematerialized accounts and issue of PAN;

iv) Government to introduce a Bill on illegal deposit schemes to protect the investors from various dubious schemes;

v) Government also to introduce a Bill relating to the resolution of financial firms to protect the consumers of various financial institutions.

The aforesaid reforms have focused on transformation; infrastructure development; higher investments; and greater private participation in the development of India.