



Government of India

“We need faster growth because, at our level of incomes, there can be no doubt that we must expand the production base of the economy if we want to provide broad-based improvement in the material conditions of living of our population,

But growth alone is not enough if it does not produce a flow of benefits that is sufficiently wide-spread. We, therefore, need a growth process that is much more inclusive, and which also ensures access to essential services such as health and education for all sections of the community”.

Dr. Manmohan Singh,
Prime Minister

BUDGET 2007-08

February 28, 2007

Key Features of Budget 2007-2008

A MID-TERM REPORT CARD ON THE ECONOMY

- Improvement in GDP growth rate from 7.5% in 2004-05 to 9% (Quick Estimate) in 2005-06 and to 9.2% (Advance Estimate) in 2006-07; average growth rate in the three years of the UPA Government at 8.6%; growth target for the Tenth Plan of 8% will be nearly achieved; during three year period, acceleration in growth rate in manufacturing from 8.7% to 9.1% and further to 11.3%; and in services sector from 9.6% to 9.8% and further to 11.2%.
- Average growth in agriculture during Tenth Plan estimated at 2.3%.
- *Income and Savings*: Per capita income in 2005-06, in real terms, increased by 7.4%, savings rate estimated at 32.4% and the investment rate at 33.8%.
- *Inflation*: Growth in bank credit, year on year, by 29.6%; expansion in money supply (M3) by 21.3%; foreign exchange reserves at US\$ 180 billion; pressure on domestic prices by global commodity prices; and supply constraints in some essential commodities - consequently, average inflation in 2006-07 estimated at between 5.2 and 5.4% vis-a-vis 4.4% last year.

BHARAT NIRMAN AND FLAGSHIP PROGRAMMES

- In 2006-07, additional irrigation potential of 2,400,000 hectares to be created; until December 2006 - drinking water provided to 55,512 habitations, 12,198 kilometres of rural roads completed and 783,000 rural houses constructed with 914,000 houses under construction; 19,758 villages covered so far under the Rajiv Gandhi Grameen Vidyutikaran Yojana; 15,054 villages provided with telephone against target of 20,000 villages, and balance to be covered by the end of the year.

ELEVENTH FIVE YEAR PLAN

- *Objectives*: "Faster and More Inclusive Growth"; growth rate of approximately 10% by the end of plan period; growth of 4% in the agriculture sector, faster employment creation, reducing disparities across regions and ensuring access to basic physical infrastructure and health and education services to all.
- *Allocations for Major Sectors*: Increase in provision for Bharat Nirman by 31.6% from Rs.18,696 crore to Rs.24,603 crore, for education by 34.2% to Rs.32,352 crore & for health and family welfare by 21.9% to Rs.15,291 crore.

- *Sarva Shiksha Abhiyan (SSA) and Mid-day Meal Scheme:* Increase in allocation for school education by 35% from Rs.17,133 crore to Rs.23,142 crore, of which Rs.10,671 crore for SSA, provision for strengthening of teachers training institutions to be increased from Rs.162 crore to Rs.450 crore with 200,000 more teachers to be appointed and 500,000 more class rooms to be constructed. Mid-day Meal Scheme to be provided Rs.7,324 crore; children in upper primary classes in 3,427 educationally backward blocks to be also covered; transfer to Prarambhik Shiksha Kosh to increase from Rs.8,746 crore to Rs.10,393 crore; provision for secondary education to double from Rs.1,837 crore to Rs.3,794 crore.
- *Means-Cum-Merit Scholarships:* National Means-cum-Merit Scholarship Scheme to be introduced to arrest drop out ratio; selection through a national test from among students who have passed class VIII; each student to be given Rs.6,000 per year; 100,000 scholarships to be awarded every year; a corpus fund of Rs.750 crore to be created this year, and augmented by a like amount annually over the next three years.
- *Drinking Water and Sanitation:* Allocation for Rajiv Gandhi Drinking Water Mission to be increased from Rs.4,680 crore to Rs.5,850 crore and for Total Sanitation Campaign from Rs.720 crore to Rs.954 crore.
- *Health Sector; National Rural Health Mission:* All districts to complete preparation of District Health Action Plans by March 2007; major emphasis to be on mother and child care and on prevention and treatment of communicable diseases; convergence sought to be achieved among various programmes such as immunization, ante natal care, nutrition and sanitation through Monthly Health Days (MHD) organised at Anganwadi centres; 320,000 Associated Social Health Activists (ASHAs) recruited with over 200,000 given orientation training; 90,000 link workers selected by the States; AYUSH systems being mainstreamed into health delivery system at all levels; increase in allocation for NRHM from Rs.8,207 crore to Rs.9,947 crore.
- *HIV/AIDS:* NACP-III, starting in 2007-08, to target high risk groups; access to condoms to be expanded and universal access to blood screening and safe blood to be ensured; more hospitals to provide treatment to prevent transmission of HIV/AIDS from mother to child; provision for AIDS control programme to be Rs.969 crore.

- *Polio*: Number of polio rounds to be increased, monovalent vaccine to be introduced, with intensive coverage in the 20 high risk districts of Uttar Pradesh and 10 districts of Bihar; provision of Rs.1,290 crore in 2007-2008.
- *Integrated Child Development Services*: To cover all habitations and settlements during Eleventh Plan and to reach out to pregnant women, lactating mothers and all children below the age of six; allocation to be increased from Rs.4,087 crore to Rs.4,761 crore.
- *National Rural Employment Guarantee Scheme*: Allocation of Rs.12,000 crore for NREGS; coverage to expand from 200 districts to 330 districts; Rs.2,800 crore provided for Sampoorna Gramin Rozgar Yojana in districts not covered by NREGS; allocation for Swarnajayanti Gram Swarozgar Yojana to promote self employment among rural poor to increase from Rs.1,200 to Rs.1,800 crore.
- *Urban Unemployment*: Increase in allocation for Swarna Jayanti Shahari Rozgar Yojana from Rs.250 crore to Rs.344 crore.
- *Jawaharlal Nehru National Urban Renewal Mission*: 538 projects with a cost of Rs.23,950 crore sanctioned; allocation to increase from Rs.4,595 crore to Rs.4,987 crore.
- *Targeted PDS and Antyodaya Anna Yojana*: Scheme for evaluation, monitoring, management and strengthening of targeted PDS to be implemented, will include computerisation of PDS and an integrated information system in Food Corporation of India.
- *Scheduled Castes and Scheduled Tribes*: Allocation of Rs.3,271 crore in respect of schemes benefiting only SCs and STs and Rs.17,691 crore in respect of schemes with at least 20% of benefits earmarked for SCs and STs; increase in allocation for Rajiv Gandhi National Fellowship Programme from Rs.35 crore to Rs.88 crore; *Post-Matric Scholarships*: provision to be increased from Rs.440 crore to Rs.611 crore; a separate provision of Rs.91 crore proposed for similar scholarships to students belonging to socially and educationally backward classes.

- *Minorities*: Increase in share capital of National Minorities Development and Finance Corporation to Rs.63 crore; provision of Rs.108 crore for a multi-sector development programme in districts with a concentration of minorities; allocation for Pre-matric scholarships at Rs.72 crore, Post-matric scholarships at Rs.90 crore and Merit-cum-Means scholarships at graduate and post-graduate levels at Rs.48.60 crore.
- *Women*: Outlay for 100% women specific programmes is Rs.8,795 crore and for schemes where at least 30% allocation is for women specific programmes is Rs.22,382 crore.
- *North Eastern Region (NER)*: Allocation increased from Rs.12,041 crore to Rs.14,365 crore; new industrial policy for NER, with suitable fiscal incentives, to be in place before March 31, 2007.
- *Supplement to GBS*: Allocations under Plan 'A' at Rs.205,100 crore; under Plan 'B', additional resources to the extent of Rs.7,000 crore to be found through better tax administration during the course of the year; under Plan 'C' resources available outside Budget to be leveraged for investment, especially in infrastructure.

AGRICULTURE

- *Farm credit*: Target of Rs.225,000 crore for 2007-08 with an addition of 50 lakh new farmers to the banking system; provision of Rs.1,677 crore for 2% interest subvention for short-term crop loans; a special plan being implemented over a period of three years in 31 especially distressed districts in four States involving a total amount of Rs.16,979 crore; of this, about Rs.12,400 crore to be on water related schemes; special plan includes a scheme with proposed provision of Rs.153 crore for induction of high yielding milch animals and related activities.
- *Mission for Pulses*: Integrated Oilseeds, Oilpalm, Pulses and Maize Development programme to be expanded with sharper focus on scaling up the production of breeder, foundation and certified seeds; Government to fund the expansion of Indian Institute of Pulses Research, Kanpur, and offer other producers a capital grant or concessional financing to double production of certified seeds within a period of three years.
- *Plantation Sector*: financial mechanisms for re-plantation and rejuvenation to be put in place for coffee, rubber, spices, cashew and coconut.

- *Accelerated Irrigation Benefit Programme*: 35 projects likely to be completed in 2006-07 and additional irrigation potential of 900,000 hectares to be created; outlay to be increased from Rs.7,121 crore to Rs.11,000 crore including grant component to State Governments of Rs.3,580 crore, an increase from Rs.2,350 crore.
- *Rainfed Area Development Programme*: Proposed allocation of Rs.100 crore for the new Rainfed Area Development Programme.
- *Water Resources Management: Restoring Water Bodies*: World Bank loan agreement signed with Tamil Nadu for Rs.2,182 crore to restore 5,763 water bodies having a command area of 400,000 hectares; agreement for Andhra Pradesh expected to be concluded in March 2007 to cover 3,000 water bodies with a command area of 250,000 hectares.
- *Ground Water Recharge*: 100% subsidy to small and marginal farmers and 50% subsidy to other farmers to be given to divert rain water into 'dug wells'; Rs.1,800 crore to be transferred to NABARD.
- *Training of Farmers*: Indian Council of Agricultural Research (ICAR) to set up one teaching-cum-demonstration model of water harvesting in each of 32 selected State Agricultural Universities and ICAR institutes; each institution to train 100 trainers and 1,000 farmers every year; interest free loan of Rs.3 crore to be provided to each institution to create a corpus fund.
- *Extension System*: New programme to be drawn up that will replicate earlier Training and Visit (T&V) programme; Agriculture Technology Management Agency (ATMA) now in place in 262 districts to be extended to another 300 districts; provision for ATMA to increase from Rs.50 crore to Rs.230 crore.
- *Fertiliser Subsidies*: Based on study to be conducted, a pilot programme to be implemented for delivering subsidy directly to farmer.
- *Agricultural Insurance*: National Agricultural Insurance Scheme to be continued for Kharif and Rabi 2007-08 with a provision of Rs.500 crore; a weather based crop insurance scheme to be started by Agricultural Insurance Corporation on a pilot basis as an alternative to NAIS; allocation of Rs.100 crore to be made in 2007-08.
- *National Bank for Agriculture and Rural Development*: To augment its resources for refinancing rural credit cooperatives, NABARD to issue Government guaranteed rural bonds to the extent of Rs.5,000 crore with suitable tax exemption.

- *Rural Infrastructure Development Fund*: Corpus of RIDF-XIII to be raised from Rs.10,000 crore to Rs.12,000 crore; separate window for rural roads to continue with a corpus of Rs.4,000 crore.
- *Social Security*: New scheme called 'Aam Admi Bima Yojana' to be introduced for death and disability insurance cover through LIC to rural landless households which enjoy no cover at all today; head of family or one earning member in family to be insured; Government to bear 50% of premium of Rs.200 per year per person; Rs.1,000 crore to be placed in a fund to be maintained by LIC.

INVESTMENT

- Gross domestic capital formation in 2005-06 grew by 23.7 per cent; in April-January, 2006-07, foreign direct investment amounted to US\$12.5 billion and outpaced portfolio investment of US\$6.8 billion; *Central Public Sector Enterprises* to invest Rs.165,053 crore through internal and extra budgetary resources in 2007-08; Government to provide equity support of Rs.16,361 crore and loans of Rs.2,970 crore.

INFRASTRUCTURE

- *Power*: Seven more Ultra Mega Power Projects under process and at least two to be awarded by July, 2007; other initiatives include facilitating setting up of merchant power plants by private developers and private participation in transmission projects; Accelerated Power Development and Reforms Project being restructured to cover all district headquarters and towns with a population of more than 50,000; budgetary support for APDRP to increase from Rs.650 crore to Rs.800 crore; *Rajiv Gandhi Grameen Vidyutikaran Yojana*: allocation to increase from Rs.3,000 crore to Rs.3,983 crore.
- *Coal*: 26 coal blocks with reserves of 8,581 million tonnes and four lignite blocks with reserves of 755 million tonnes allotted to Government companies and approved end users; definition of specified end use to be enlarged to include underground coal gasification and coal liquefaction.
- *National Highways*: Provision for National Highway Development Programme to increase from Rs.9,945 crore to Rs.10,667 crore; road-cum-rail bridge at Bogibeel, Assam, over Brahmaputra, to be taken up as a national project.

- *Public Private Partnership and Viability Gap Funding*: Revolving fund with a corpus of Rs.100 crore to be set up to quicken project preparation; fund to contribute up to 75% of preparatory expenditure in the form of interest free loan to be recovered from the successful bidder.

INDUSTRY

- *Petroleum and Natural Gas*: 162 production sharing contracts awarded; investment of Rs.97,000 crore made in exploration; 23 coal bed methane blocks awarded for exploration.
- *Textiles*: Provision for Scheme for Integrated Textiles Parks to increase from Rs.189 crore to Rs.425 crore; Technology Upgradation Fund scheme to continue with provision of Rs.911 crore.
- *Handlooms*: Additional 100-150 clusters to be taken up in 2007-08; health insurance scheme to be extended to more weavers and also to be enlarged to include ancillary workers; allocation for the sector to be enhanced from Rs.241 crore to Rs.321 crore.
- *Small & Medium Enterprises*: Increase in outstanding credit from Rs.135,200 crore to Rs.173,460 crore at end December 2006.
- *Coir Industry*: Scheme for modernisation and technology upgradation with special emphasis to major coir producing States announced with a proposed provision of Rs.22.50 crore.

SERVICES SECTOR

- *Foreign Trade*: Merchandise exports expected to cross US\$125 billion by the end of the current fiscal.
- *Tourism*: Provision for tourist infrastructure to increase from Rs.423 crore to Rs.520 crore.

FINANCIAL SECTOR

- *Banking*: Under Differential Rate of Interest scheme providing finance at a rate of 4% to weaker sections of the community engaged in gainful occupations, limit of loan to be raised from Rs.6,500 to Rs.15,000 and limit of housing loan to be raised from Rs.5,000 to Rs.20,000 per beneficiary.
- *Regional Rural Banks*: To open at least one branch in 80 uncovered districts in 2007-08; Securitisation and Reconstruction of Financial Assets and Enforcement of Securitisation of Interest (SARFAESI) Act to be extended to loans advanced by RRBs; to be permitted to accept NRE/FCNR deposits; and those which have a negative net worth to be recapitalized.

- *Housing Loans:* National Housing Bank to introduce 'reverse mortgage' under which a senior citizen who is owner of a house can avail of a monthly stream of income against mortgage of his/her house, while remaining the owner and occupying the house throughout his/her lifetime, without repayment or servicing of the loan; regulations to be put in place to allow creation of mortgage guarantee companies.
- *Insurance:* Exclusive health insurance scheme for senior citizens offered by National Insurance Company; other three public sector insurance companies to offer a similar product to senior citizens; Micro Financial Sector (Development and Regulation) Bill and a comprehensive Bill to amend insurance laws to be introduced in Budget Session.
- *Financial Inclusion:* A Financial Inclusion Fund to be established with NABARD for meeting cost of developmental and promotional interventions; a Financial Inclusion Technology Fund to be also established to meet costs of technology adoption; each fund to have an overall corpus of Rs.500 crore, with initial funding to be contributed by Government, RBI and NABARD.
- *Capital Markets:* PAN to be made sole identification number for all participants in securities market with an alpha-numeric prefix or suffix to distinguish a particular kind of account; idea of Self Regulating Organisations (SRO) to be taken forward for different market participants under regulations to be made by SEBI; mutual funds to be permitted to launch and operate dedicated infrastructure funds; individuals to be permitted to invest in overseas securities through Indian mutual funds; short selling settled by delivery, and securities lending and borrowing to facilitate delivery, by institutions to be allowed; enabling mechanism to be put in place to permit Indian companies to unlock a part of their holdings in group companies for meeting their financing requirements by issue of Exchangeable Bonds.
- *Innovative Financing for Infrastructure:* Funds from National Small Savings Fund may also now be borrowed by India Infrastructure Finance Company Limited; suggestions of Deepak Parekh Committee to be examined for establishment of two wholly-owned overseas subsidiaries of IIFCL with objectives to (i) borrow funds from RBI and lend to Indian companies implementing infrastructure projects in India, or to co-finance their ECBs for such projects, solely for capital expenditure outside India; and (ii) borrow funds from the RBI, invest such funds in highly rated collateral securities and provide 'credit wrap' insurance to infrastructure projects in India for raising resources in international markets.

OTHER PROPOSALS

- *Defence Expenditure*: Allocation to increase to Rs.96,000 crore.
- *Information Technology*: Allocation for e-governance to increase from Rs.395 crore to Rs.719 crore and for e-governance action plans at State levels to increase from Rs.300 crore to Rs.500 crore; Rs.33 crore to be provided for a new scheme of manpower development for software export industry.
- *Backward Regions Grant Fund*: Allocation to increase from Rs.5,000 crore to Rs.5,800 crore.
- *Mumbai as a Financial Centre*: Report of High Powered Expert Committee to be placed in public domain to obtain feedback.
- *Vocational Education Mission*: An initial provision of Rs.50 crore proposed for beginning work on a Vocational Education Mission; approach to be based on public-private partnership.
- *Upgradation of ITIs*: 1,396 ITIs to be upgraded into centres of excellence in specific trades and skills under public-private partnership; Government to provide financial assistance by way of seed money; an interest free loan up to Rs.2.5 crore to be granted to each ITI for upgradation and revision of courses; Rs.750 crore set aside for this purpose.
- *Employment for Physically Challenged*: To incentivise employers in organised sector to provide regular employment to physically challenged persons, a scheme proposed to reimburse employer's contribution to Employees Provident Fund and Employees State Insurance for first three years; to support creation of about 100,000 jobs every year for physically challenged persons with a salary limit of Rs.25,000 per month; Rs.1,800 crore earmarked.
- *Debt Management Office*: An autonomous DMO to be set up with a Middle Office in first phase to facilitate transition to a full-fledged DMO.
- *Development Cooperation*: Activities relating to development cooperation to be brought under one umbrella; India International Development Cooperation Agency (IIDCA) to be set up.
- *Climate Change*: An expert committee to be appointed to study impact of climate change on India and identify measures to be taken.
- *Commonwealth Games*: Provision of Rs. 150 crore to Ministry of Youth Affairs and Sports and Rs.350 crore to Delhi Government for Commonwealth Games 2010 in Delhi and of Rs.50 crore for Commonwealth Youth Games 2008 to be held in Pune.

- *History and Culture*: Rs.30 crore to be provided for Sabarmati Ashram, Ahmedabad; Sevagram Ashram, Wardha; Bhandarkar Oriental Research Institute, Pune; and Rajendra Smriti Sanghralaya, Patna; Rs.20 crore to be provided to reposition Nehru Memorial Museum and Library, Delhi, as a major centre of intellectual activity; scholars from Indian and foreign institutions to be engaged to work on specific projects and an initial grant of Rs.5 crore to be made to encourage this effort.
- *Institutions of Excellence*: Special grant of Rs.50 crore each to be made to Govind Ballabh Pant University of Agriculture & Technology, Pantnagar and Tamil Nadu Agricultural University, Coimbatore.

PUBLIC FINANCE

- Rs.110,268 crore of States' debt has been consolidated; twenty States have availed of benefit of debt waiver of Rs.8,575 crore; States' share of taxes & duties to increase from Rs.120,377 crore to Rs.142,450 crore; grants & loans to States and UTs to increase from Rs.90,521 crore to Rs.106,987 crore.
- *VAT, CST and a Roadmap towards GST*: Agreement reached with State Governments to phase out CST; rate to be reduced from 4% to 3% with effect from April 1, 2007; Rs.5,495 crore provided for compensation for losses, if any, on account of VAT and also on account of CST; a roadmap for introducing a national level Goods and Services Tax (GST) with effect from April 1, 2010 to be prepared.

BUDGET ESTIMATES FOR 2007-08

- Plan expenditure at Rs.205,100 crore; Non-Plan Expenditure (net of the SBI share acquisition) at Rs.435,421 crore with increase over 2006-07 of only 6.5%; Revenue deficit estimated at Rs.71,478 crore (1.5% of GDP) and fiscal deficit at Rs.150,948 crore (3.3% of GDP).

TAX PROPOSALS

Indirect Taxes:

Customs duties:

- Reduction in peak rate for non-agricultural products from 12.5% to 10%.
- Reduction in duty on most chemicals and plastics from 12.5% to 7.5%; on seconds and defectives of steel from 20% to 10%.

- All coking coal irrespective of ash content to be fully exempt.
- Reduction in duty on polyester fibres and yarns from 10% to 7.5% and on raw-materials such as DMT, PTA and MEG from 10% to 7.5%; on cut and polished diamonds from 5% to 3%; on rough synthetic stones from 12.5% to 5%; and on unworked corals from 30% to 10%.
- Dredgers to be fully exempt from import duty.
- To augment irrigation facilities and processing of agricultural products, reduction in duty on drip irrigation systems, agricultural sprinklers and food processing machinery from 7.5% to 5%.
- Reduction in general rate of import duty on medical equipment to 7.5%.
- To make edible oils more affordable, crude and refined edible oils to be exempt from additional CV duty of 4%; reduction in duty on sunflower oil, both crude and refined, by 15 percentage points.
- Reduction in duty on pet foods from 30% to 20%; on watch dials and movements and umbrella parts from 12.5% to 5%; to promote research and development, concessional rate of 5% duty to be extended to all research institutions registered with the Directorate of Scientific and Industrial Research; reduction in duty from 7.5% to 5% on 15 specified machinery for pharmaceutical and biotechnology sector.
- Duty of 3% (WTO bound rate) to be levied on all private import of aircraft including helicopters; such import to also attract countervailing duty and additional customs duty.
- Duty of Rs.300 per metric tonne to be levied on export of iron ores and concentrates and Rs.2,000 per metric tonne on export of chrome ores and concentrates.

Excise Duties:

- Reduction in ad valorem component of excise duty on petrol and diesel from 8% to 6%.
- *Relief to deserving cases especially job creating sectors:* exemption limit for small scale industry (SSI) to be raised from Rs.1 crore to Rs.1.5 crore; to encourage food processing sector, biscuits whose retail sale price does not exceed Rs.50 per kilogram and all kinds of food mixes including instant mixes to be fully exempt; reduction in duty on umbrellas and parts of footwear from 16% to 8%; on plywood from 16% to 8%; biodiesel to be fully exempt.

- To provide access to pure drinking water, water purification devices operating on specified membrane based technologies and domestic water filters not using electricity to be fully exempt; exemption on pipes used for carrying water from a water supply plant to a storage facility to be extended to all pipes of diameter exceeding 200 mm used in water supply systems.
- Reduction in the rate of duty from Rs.400 per metric tonne to Rs.350 per metric tonne on cement sold in retail at not more than Rs.190 per bag; rate of Rs.600 per metric tonne on cement that has a higher MRP.
- Specific rates of duty on cigarettes to be increased by about 5%; duty (excluding cess) on biris to be raised from Rs.7 to Rs.11 per thousand for non-machine made biris and from Rs.17 to Rs.24 per thousand for machine made biris; duty on pan masala not containing tobacco to be reduced from 66% to 45%; withdrawal of exemption for pan masala containing tobacco and other tobacco products given to units in the North Eastern States.

Service tax :

- Exemption limit for small service providers to be raised from Rs.400,000 to Rs.800,000
- *Extension of service tax to:* services outsourced for mining of mineral, oil or gas; renting of immovable property for use in commerce or business (residential properties, vacant land used for agriculture and similar purposes, and land for sports, entertainment and parking purposes & immovable property for educational or religious purposes to be excluded); development and supply of content for use in telecom and advertising purposes; asset management services provided by individuals; design services; services involved in execution of a works contract with an optional composition scheme under which tax will be levied at only 2% of the total value of works contract.
- *Exemption to:* Services provided by Resident Welfare Associations to their members who contribute Rs.3000 or less per month for services rendered, services provided by technology business incubators, their incubatees whose annual business turnover does not exceed Rs.50 lakhs to be exempt for first three years; clinical trial of new drugs to make India a preferred destination for drug testing.
- Department of Telecommunications to constitute a committee to study the present structure of levies on telecom industry.

Direct Taxes

- Threshold limit of exemption in the case of all assessees to be increased by Rs.10,000 thus giving every assessee a relief of Rs.1,000; in the case of a woman assessee, threshold limit to be increased from Rs.135,000 to Rs.145,000 and in case of a senior citizen from Rs.185,000 to Rs.195,000 giving him or her a relief of Rs.2,000; deduction in respect of medical insurance premium under section 80D to be increased to a maximum of Rs.15,000 and, in case of a senior citizen, a maximum of Rs.20,000.
- Surcharge on income tax on all firms and companies with a taxable income of Rs.1 crore or less to be removed.
- Benefit of Section 36(1)(viii) to be available to cooperative banks; to be also allowed deduction in respect of provision for bad and doubtful debts under section 36(1)(viiia); amalgamation and de-merger of banking companies is tax neutral - benefit to be extended to cooperative banks.
- Concessions under section 80IA for infrastructure facilities to be extended to cross country natural gas distribution network, including gas pipeline and storage facilities integrated to the network; and to navigation channel in the sea.
- To facilitate creation of urban infrastructure, issue of tax-free bonds through State Pooled Finance Entities formed for raising funds for a group of urban local bodies to be allowed.
- A benign assessment procedure to be introduced for assessees engaged in diamond manufacturing and trading who declare profits from such activities at 8% or more of turnover.
- A five year income tax holiday for two, three or four star hotels and for convention centres with a seating capacity of not less than 3,000; they should be completed and begin operations in National Capital Territory of Delhi or in the adjacent districts of Faridabad, Gurgaon, Ghaziabad or Gautam Budh Nagar during April 1, 2007 to March 31, 2010.
- Concession under section 35(2AB) to be extended for five more years until March 31, 2012.
- Tax holiday to undertakings in Jammu & Kashmir to be extended for another five years up to March 31, 2012.
- Minimum Alternate Tax (MAT) to be extended to income in respect of which deduction is claimed under sections 10A and 10B; deduction under section 36(1)(viii) to be restricted to 20% of profits each year.

- Pass-through status to be granted to venture capital funds only in respect of investments in venture capital undertakings in biotechnology; information technology relating to hardware and software development; nanotechnology; seed research and development; research and development of new chemical entities in the pharmaceutical sector; dairy industry; poultry industry; and production of bio-fuels, and hotel-cum-convention centres of a certain description and size.
- Limit of Rs.50 lakh per investor per year with respect to capital gains bonds issued by NHAI and REC under section 54EC to continue.
- Rate of dividend distribution tax to be raised from 12.5% to 15% on dividends distributed by companies; and to 25% on dividends paid by money market mutual funds and liquid mutual funds to all investors.
- Expenditure on free samples and on displays to be excluded from the scope of Fringe Benefit Tax (FBT); ESOPs to be brought under FBT.
- Cash withdrawals by Central and State Governments to be excluded from the scope of Banking Cash Transactions Tax (BCTT); exemption limit for individuals and HUFs to be raised from Rs.25,000 to Rs.50,000.
- An additional cess of 1% on all taxes to be levied to fund secondary education and higher education and the expansion of capacity by 54% for reservation for socially and educationally backward classes.
- List of declared goods under section 14 of the CST Act to be amended to cover all small aircraft with minimum takeoff mass of less than 40,000 kgs operated by scheduled airlines.