NATIONAL SCHOOL OF BANKING

BUDGET/2017-2018

UNION BUDGET 2017-2018

Presented by Union Finance Minister Shri Arun Jaitley on 1st February, 2017 in Parliament, New Delhi.

1. **BUDGET - HIGHLIGHTS** -

- **Holding period for long-term capital gains for land and building reduced to two years.**
- **Income tax for companies with annual turnover up to Rs.50 crore reduced to 25 per cent. Micro, small and medium enterprises will benefit.**
- MAT credit allowed to be carried forward up to a period of 15 years instead of 10 years.
- **Foreign Investment Promotion Board to be phased out.**
- **More tax incentives for affordable housing. 30-60 sqm carpet area will be counted instead of built-up area in the affordable housing scheme.**
- **5 years to complete affordable housing scheme, extended from earlier three-year period.**
- **Rs. 20000 crore will be used for refinancing individual housing loans by the National Housing Bank.**
- Allowable provision for NPAs of banks increased from 7.5 per cent to 8.5 per cent. Rs.10,000 crore provided for bank recapitalisation.
- **Legislation to confiscate assets of absconding offenders.**
- Tax revenue growth pegged at about 12 per cent.
- Net Market borrowing restricted to Rs.3.48 lakh crore, lower than Rs.4.25 lakh crore in the current Year.
- Defence outlay increased by 6 per cent.
- High-quality foreign portfolio investors exempt from indirect transfer provisions.
- **Rs.72,500 crore expected from disinvestment FY18, against Rs.45,500 crore in FY17.**
- **Rs.46,500 crore expected from sale of minority shares in public sector companies in FY18.** Rs.15,000 crore expected from strategic sales against Rs.5,500 crore in FY17.
- **Fiscal Deficit - (As % of GDP) targeted at 3.2% as against 3.5% in the current year.**
- **Income tax 25 per cent increase in personal I-T Revenue; 10 per cent surcharge on incomes from Rs.50 lakh to Rs.1 crore.**
- Transport push - 20 per cent boost to spending on transport over revised estimates of 2016-2017.
- **Cash Limit - Rs.3 lakh limit on cash transactions following recommendations of special investigative team.**
- **5% reduction in tax rate for individuals earning between Rs.2.5 lakh and Rs.5 lakh.**
- **Rs.12,500 uniform tax benefit for individuals earning above Rs.5 lakh.**
- Focus on Rural, Agri & Infra sectors to boost formal economy. The planned investment in these sectors will not only create jobs but spur consumer spending.
- **Rs.70,000 crore allocated for fertiliser subsidy in 2017-18,** same as revised estimates of 2016-17.
- **Rs.145,000 crore allocated for food subsidy** against revised estimate of Rs.135,173 crore for 2016-17.
- **Rs.25,000 crore as subsidy on petroleum products,** lower than Rs.27,532 crore in 2016-17.
- Rs.21.47 lakh crore allotted for total expenditure, capital expenditure up 25.4%.
- **Rs.1.8 lakh crore allocated for rural, agriculture and allied sector, up 24% from 2016.**
- **Rs.2.74 lakh crore kept for defence expenditure doesn't include pension.**

- **1.9% revenue deficit is expected in 2017-18, against 2% mandated by the FRBM Act.**
- 3.48 lakh crore is the limit set for net market borrowing after buyback in 2017-18.
- **Rs.2,000 new limit for cash donation to political parties, reduced from Rs.20,000.**
- 35% increase in allocation to scheduled castes; minorities given Rs.4,195 crore.

Little in Budgets for stressed loan-laden banks

- Outlay for capital infusion in public sector banks pegged at Rs.10,000 crore.
- Total capital requirement for 2016-2019 is Rs.1,80,000 crore.
- Government expects banks to raise Rs.1,10,000 crore from market.
- Listed public sector banks have low valuation.
- Resolution of stressed loans is a painfully slow process.
- The proposal for "bad bank" to take over non-performing assets revived.

2. BUDGET IN DETAIL - SECTOR-WISE -

(i) PERSONAL TAX

- T**ill now, there is a surcharge (of 15 per cent) on those with an income above Rs.1 crore. With the Budget introducing a surcharge of 10 per cent for people with incomes of over Rs.50 lakh to Rs.1 crore, the net has widened. There would be a rise of around 3 per cent in the income tax payout. The new calculation for income-tax rate for this slab will be 30 per cent tax + 10 per cent surcharge on tax + 3 per cent cess on both tax and surcharge) or in total, 33.99 per cent. However, the vast majority of taxpayers with taxable incomes of Rs.2.5 lakh to Rs.5 lakh should be a happy lot as their tax burden is down by a half.**
- **For everyone in the above Rs.5 lakh income bracket, there is a tax rebate of Rs.12,500.**
- One reason is to persuade more people to either file their returns for the first time or declare their income honestly. **First-year returns of those having income less than Rs.5 lakh will not be scrutinised** unless the tax authorities have specific information against the assessee.
- The standard deduction stands at Rs.2.5 lakh. On the next Rs.50,000, a tax rate of 5 per cent would have amounted to a tax bill of Rs.2,500. But the rebate of Rs.2,500 under Section 87A means that people with income up to this level don't have any tax burden.
- Enforcement is likely to become stricter. Some of the data cited by the FM - 7.6 million tax payers in the country, of which 5.6 million belong to the salaried class - was astonishing. **The government will use data analytics to get more people to file IT returns and disclose their income honestly**.
- **Henceforth, cash transactions of above Rs.3 lakh will not be permitted. This was a recommendation of the Special Investigation Team (SIT) which the government has accepted.**
- **No tax on income upto Rs.3,00,000/-.**

(ii) CONSUMER GOODS

- In view of the proposed GST tax expected to come in effect by July 2017, the budget has left most consumer goods untouched.
- **Reductions in personal tax liabilities and enhancing the farm credit target will do their bit to boost consumption in rural India, in sectors like consumer products and automobiles.**

- **There is no change in the tax on daily consumption items such as toiletries, snacks.**
- Cigarette prices are likely to go up by 4-6%, making it one of the softest hikes in the last six years. There is an Increase in the additional excise duty for filter cigarettes which went up by 44% to 49%.
- Chewing pan masala, gutka, zarda and khaini will become expensive with prices set to go up by 8-10%.
- **Made in China Mobiles to be dearer.**
- Five special tourism zones to be built jointly with the states, launching the Incredible India campaign across the world and special pilgrimage trains are three key proposals for the tourism sector.

(iii) **MARKET - CAPITAL GAINS AND DIVIDEND**

- **The holding period for long-term capital gains (LTCG) to be applicable remains constant at one year. The government stuck to its fiscal road map and made no changes to the long-term capital gains tax structure.**
- **Promoters holding shares through private trusts will now have to pay 10% tax on dividend income above Rs.10 lakh.**
- At present, income by way of dividend in excess of Rs.10 lakh is chargeable at the rate of 10% for individuals, Hindu Undivided Family (HUF) or partnership firms. The rule has now been extended to include private trusts in the budget on 1st February, 2017.
- **Tax experts said this would impact succession planning of promoters, since many of them own their company's shares through family trusts - especially the large conglomerates.**

(iv) **INFRASTRUCTURE**

Oil/Gas/Electricity

- **The government will build two more strategic crude oil reserves - at Chandikhole in Odisha and Bikaner in Rajasthan - that will take the country's strategic reserve capacity to 15 million metric tonnes**, enough to maintain oil supplies for 90 days in case there is a disruption. Each will cost Rs.10,000 crore. **India already has three reserves with a combined capacity of 5 million tonnes** at Visakhapatanam, Mangalore and Padur. These were built for Rs.4,000 crore and nearly half of their capacity is already filled with crude.
- **Power for all, pet project of power, coal, renewable energy and mines minister Piyush Goyal, is progressing well and on track to achieve 100% village electrification by May 2018,** this year's Budget has declared. The finance minister has announced an increased **allocation of Rs.4,814 crore** under the Deendayal Upadhyaya Gram Jyoti Yojana next fiscal .

Metro Rail

- The Budget recognised Metro Rail as the emerging mode of urban transportation. Finance minister said **a new Metro Rail Policy will be announced with a focus on innovative models of financing and implementation. It will also focus on indigenisation and standardisation of hardware and software. The government expects this to open up new job opportunities.**

Highway Construction Accelerates

- **The government will spend Rs.64,900 crore to build new highways in the new fiscal year,** 12% higher than the previous allocation. The government will build and develop 2,000 km of roads for coastal connectivity. **Total length of roads constructed since 2014-15 under various schemes-including the Pradhan Mantri Gram Sadak Yojna-is about 1,40,000 km,** which is significantly higher than the previous three years.

Airlines get tax cuts for small town

- T**he government has waived the service tax on airlines offering cheap tickets with the help of viability gap funding to help people at smaller airports that are not commercially attractive.** The service charge would otherwise have been in the range of 14%.

(v) **DIGITAL ECONOMY, 2.5K CR DIGITAL TRANSACTIONS IN 2017-18**

- On the cusp of a revolution, Digital payments are poised to become the new norm in 2017, and as more people transact online, India should see new taxpayers and better transparency in income in the days to come. Budget handholds India to take the next step in Digitisation, **carries forward the task of financial inclusion by proposing many measures. To achieve this, the government will employ all tools at its disposal - UPI, USSD, Aadhaar Pay, etc. and will increase deployment of debit and credit card readers by banks to create a robust digital payments infrastructure**.
- The government proposes to launch two schemes to promote the use of its payments app, **BHIM - a referral bonus scheme for individuals and a cashback scheme for merchants.**
- The finmin has **proposed creating a Payments Regulatory Board within the RBI,** replacing the Board for Regulation and Supervision of Payment & Settlement Systems.

A High-speed Digital Highway

- In 14 months, more than 1,50,000 gram panchayats, will have access to high-speed broadband connectivity, along with WiFi hotspots and other low-tariff digital services. FM has proposed stepping up the budgetary allocation for this to Rs.10,000 crore in 2017-18. It could lead to new models in sectors such as health, education and skills development.

More Power to Electronics Manufacturing

- Finance minister increased the budgetary allocation for initiatives such as Modified Special Incentive Package Scheme (M-SIPS) and Electronics Development Fund (EDF) to Rs.745 crore in 2017-18.
- India Stack - which builds on JAM (Jan Dhan-Aadhaar-Mobile) and provides solutions like Unified Payments Interface, BHIM, eKYC, eSign and DigiLocker - is seeing increasing uptake.

CERT Protection for Financial Sector

- The government is finally set to implement a longstanding demand to enhance cyber protection for the country's financial systems, especially as digital transactions increase post demonetisation. **The FM proposed creating Computer Emergency Response Team (CERT) for the financial sector, that will work in co-ordination**

with all the regulators and stakeholders in the financial sector. TDS on payments to call centres has been reduced from 10% to 2%, terming it "the only IT sector focused announcement in the Budget".

- The government's push to enlarge India's digital footprint is set to deliver a vast slew of opportunities for startups in areas from education to healthcare, entertainment and financial technology. **Allocation of Rs.10,000 crore for the Bharat Net is set to spur rural connectivity.**

Startups Get More Time to Choose Their 3-year Tax Holiday

- **Income tax rebates for startups have been extended for three out of the first seven years since incorporation. The industry is cheering the move to allow startups - certified under the IT Act or those established after April 2016 - to carry forward losses so long as the promoters retain their holding in the company, without the earlier stipulation to maintain a 51% stake.**

(vi) **DIRECT TAX**

- The government has armed tax officers with sweeping powers to conduct searches and surveys, a move that's made industry jittery, saying it could lead to arbitrariness and harassment.
- **The government has eased the compliance burden on transfer pricing for domestic companies. The law mandates transactions between group companies to be priced at market rates. The Budget proposal excludes transactions between two group companies from the transfer pricing law as long as both of them do not enjoy a tax holiday.**
- **There is no change in the tax structure of companies with large turnover.**
- **Small and medium companies with a turnover of up to Rs.50 crore will be taxed at 25% against 30% now, making them more competitive. This will benefit about 96% of the companies. There is a flip side: a company with a turnover exceeding Rs.50 crore will pay higher tax even if its taxable profit is the same as an entity with lower revenue.**
- Minimum alternate tax (MAT), meant for zero tax companies, will be scrapped only when exemptions are phased.
- Fewer tax breaks for Arms of Foreign Cos. T**he government has limited tax breaks for Indian subsidiaries of foreign companies on the interest they pay to the parent.** The rule will hurt Indian cos which borrow from foreign parent and associates to use interest outgo in lowering taxable income. But **it is in sync with global norms aimed at ensuring MNCs pay their taxes in the country where they make profit.**
- **The government has prepared the transition for Indian companies to adopt Ind-AS. The accounting standards will transform balance sheets and improve transparency in financial statements.**
- Banks have got partial relief. A cut in the corporate tax rate would have reduced their tax outgo and improved valuation. Instead, they can claim higher provision.
- The Budget has implemented key proposals of SIT like disallowing any cash transaction above Rs.3 lakh as a tax deduction & of EC to limit cash donations to Rs.2,000 to a political party.

(vii) **INDIRECT TAX**

- Sticking to its commitment to roll out the goods and services tax (GST) on time, the government will begin its outreach to trade and industry on 1st April, to make stakeholders aware of the benefits of the indirect tax reform. The GST Council has finalised its recommendations on almost all issues based on a consensus approach. GST's tech backbone is also getting ready as per schedule. The budget prepares the ground for its rollout.

No service tax on Insurance for armed forces

- The armed forces are not required to pay service tax on life insurance schemes as the government has exempted them from paying this levy.

Pay less for flagship IIM programmes

- Those admitted to two year, full-time post graduate programmes at the IIMs will now pay less, irrespective of whether they are living on campus as the government has fully exempted the course from 14% service tax.

Boost for local Manufacturing

- India's ambitious Make in India programme got a boost with the budget unveiling fresh steps to correct anomalies in the indirect taxes structure to encourage manufacturing in the country.
- **Sectors including information technology hardware, capital goods, defence production, textiles, mineral fuels and mineral oils, chemicals and petrochemicals, paper, paperboard and newsprint, maintenance repair and overhauling (MRO) of aircraft and ship repair will see changes in their customs and excise duty structure.**
- This will bring down manufacturing and compliance costs, boosting global competitiveness. In many of these cases, inputs attract higher duties than finished goods, making imports more attractive than local manufacture.
- **Customs and excise duty structure plays an important role in incentivising domestic value addition towards Make in India campaign of government.**
- Government's decision not to go ahead with the hike in service tax rate comes as a pleasant surprise to both industry and the common man.

(viii) **ECONOMY**

States are budgeted to get Rs 10.85 lakh crore in resource transfer from the Centre in FY18, nearly 10% more than that in the current year. More than half of this amount, or Rs.6.75 lakh crore, is via their share in taxes while finance commission grants will yield another Rs.1.03 lakh crore. Rs.2.12 lakh crore is via scheme-related transfer.

Smart Cards for health of seniors

- Aadhaar-based smart cards containing health details of senior citizens will be introduced through a pilot project in 15 districts in 2017-18. A new LIC scheme will provide assured pension with a guaranteed return of 8% p.a. for 10 years.

PDS Sugar Subsidy Goes

- Government will not give Rs.18.50 per kg subsidy on sugar to states for selling it via ration shops from next fiscal and has allocated only Rs.200 crore in the Budget for clearing claims.

Sops for Footwear

- **Leather and footwear industries will be incentivised for additional employment generation, on the lines of the textile sector. Sops include giving employers option of fixed-term employment, waiving off their contribution to PF and giving workers earning less than Rs.15,000 a month the option of not contributing to** the PF. In June, the textile sector was given a Rs.6,000-crore package to create one crore new jobs over 3 years.

Government spend up across sectors

- **Government has significantly enhanced allocation to infrastructure, social, rural and employment generation sectors. There is over 24% rise in rural, agriculture and allied sectors at Rs.1,87,223 crore while infra spend is up 10% to Rs.3,96,000 crore.** Centre has increased spend on women and children welfare by 18% to Rs.1,84,000 crore.

Sankalp for Skilling Rs 3.5 crore Youth

- The government will launch the Skill Acquisition and Knowledge Awareness for Livelihood Promotion programme (Sankalp) this year at an investment of Rs.4,000 crore. **Sankalp will provide market-relevant training to 3.5-crore youth.**

Subsidies Down to 1.61% of GDP

- **The allocation for subsidies is budgeted to fall further to 1.61% of GDP in FY18 from 1.9% in FY16.** Fertiliser subsidy is stagnant at 70,000 crore while allocation for food is up marginally to Rs.1.45 lakh crore from Rs.1.35 lakh crore. The declining trend in petroleum subsidies continues with allocation pegged at Rs.25,000 crore, lower than Rs.27,532 crore expected in 2017. **Total subsidies, including minor ones, add up to Rs.2.72 lakh crore in FY18 against Rs.2.6 lakh crore in 2017.**

Jharkhand, Gujarat to Get AIIMS

- Two new AIIMS would be set up in Jharkhand and Gujarat. Also, 5,000 postgraduate seats will be added per annum to ensure adequate availability of doctors.

Farewell FIPB, After Two Decades

- **JOB DONE - e-filing and online processing of applications achieved; more reforms in foreign direct investment policy awaited; 90% proposals take automatic route; first-half year inflows rise 35% to Rs.145,000 crore in India against 5% dip globally.**
- **Finance minister has proposed abolition of the Foreign Investment Promotion Board (FIPB), a move that sets the stage for more reforms in the FDI policy. Housed in the finance ministry's Department of Economic Affairs, the FIPB is an inter-ministerial body responsible for processing of FDI proposals and making recommendations for government approval.**
- **It was initially constituted under the Prime Minister's Office in the wake of the economic liberalisation drive of the early 1990s. FIPB has successfully implemented e-filing and online processing of FDI applications.**
- The finance minister said a road map for the post-FIPB scenario will be announced in the next few months.

Selloff Target Fixed at Rs 72.5 k cr, Steps to Help Timely Listings

- The government has set a record disinvestment target of Rs.72,500 crore for the next financial year with plans to list railway sector firms and general insurers, explore mergers among state-run oil companies and come up with a new central public sector enterprises exchange-traded fund.
- The disinvestment target, which experts say is achievable, has allowed the government to step up capital spending while keeping fiscal expenditure in check.
- The government expects to raise another Rs.15,000 crore in the next two months and clock the highest-ever proceeds from disinvestment at Rs.45,550 crore at the end of this fiscal year, against the initial target of Rs.56,500 crore.
- **Finance Minister budgeted for just a marginal relaxation while setting the fiscal deficit at 3.2% against a pledge of 3% for F.Y. 2017-18,** even as the committee set up to review government finances had given him an 'escape clause' of up to 0.5 percentage point. The extra headroom is being used for capital spending.

Funds Spent Well, MGNREGS Gets Fresh Rs.48,000 cr. Infusion

- The government's flagship Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) is likely to begin the next fiscal with a clean slate, unlike a year ago when it faced huge arrears. The government has allocated Rs.48,000 crore to the scheme in this year's Budget.

(ix) **DEFENCE**

- A modest 6% hike in allocation shows that defence spending remains a low priority area for the government. The hike is unlikely to meet the impact of inflation, depreciation of the rupee and the imposition of customs duty on military imports from 2016.

(x) **AGRICULTURE**

Farmers to Get Easier Access to Credit, Insurance

- The budget has proposed various initiatives that promise to improve farmers' incomes and productivity. **They include higher investment in irrigation, increased coverage under crop insurance, a fund to develop dairies, wider access to credit, and expansion of agri-markets by denotifying fruits and vegetables.**
- **The move to double long-term irrigation fund to Rs.40,000 crore will help increase area under irrigation and improve efficiency of irrigation. Currently less than half of 142 million hectares of farmland in the country is irrigated. The Budget also paves way for a micro-irrigation fund to be set up by National Bank for Agriculture and Rural Development (Nabard) with an initial corpus of Rs.5,000 crore.**
- The Budget has advised states to de-notify perishables from agricultural produce market committee (APMC) and expand the electronic National Agriculture Market (eNAM) to 585 mandis from 250 now. The de-notification of fruits and vegetables from APMC if it happens will be a welcome announcement because farmers will get good rate for their produce and supply chain will be reduced, leading to fall in post-harvest losses.
- Nabard has also proposed to set up a dairy processing and infrastructure development fund with an investment of Rs.8,000 crore over three years.
- **The budget proposed increased farm credit of Rs.10 lakh crore.**

- **The government more than doubled the funding for crop insurance scheme, raised allocation for PMFBY to Rs.9,000 crore in FY18, from Rs.5,500 crore in 2016.**
- Coverage under PMFBY is also proposed to increase to 40% of cropped area in 2017-18 and 50% in the following year, up from 30% now.
- **Total Budget allocation for agriculture, rural and allied sector stood at Rs.1,87,280 crore**.

(xi) **FINANCE AND BANKING**

- **The government is considering legislative changes to confiscate Indian assets of loan offenders, who give the law the slip and flee the country; such a provision will strengthen the hands of investigating agencies.**
- India may attach local properties of loan defaulters such as liquor baron Vijay Mallya and Winsome Diamonds' Jatin Mehta, industrialists who left the country in the midst of judicial proceedings, signalling a tougher stance against future debtors seeking to escape the law of the land.
- **The government move could help reduce future wilful defaults as many high-profile borrowers, while owing thousands of crores of rupees to Indian banks, lead lives of luxury, engaging a battery of attorneys to fight protracted courtroom battles on their behalf. India's stodgy legal system is often blamed for giving unscrupulous borrowers the latitude they would otherwise be denied.**
- "We have to ensure that the law is allowed to take its own course. The government is, therefore, considering introduction of legislative changes, or even a new law, to confiscate the assets of such persons, located within the country, until they submit to the jurisdiction of the appropriate legal forum."

Payments System

- **Payments Regulatory Board will replace Board for Regulation and Supervision of Payment and Settlement Systems**
- Board to be set up on the recommendations of Ratan Watal committee and CMs' panel for digital payments
- It will have the RBI governor as chairman
- Two RBI officials, including deputy governor in charge of payments, and three government nominees will be members
- **It will look at payments, innovation, cyber security, customer grievance and redressal.**

Banking

- Recovery After a Cheque Bounces to Get Easier Now. One of the biggest problems in Indian business is payments through cheques, despite uptick in digital payments. **When cheques bounce due to lack of funds, the payees are at a disadvantage. FM has promised to amend the Negotiable Instruments Act so that payments happen quickly. There may be a time-frame for disposal of such cases.**
- **Banks Saddled with Bad Loans Get Tax Rebate**. **Banks will have more incentive to make higher provisions for problem loans with finance minister giving higher tax rebate from the next fiscal year.** The move will help reduce the tax liability on banks. **Banks, saddled with bad loans of over Rs.7 lakh crore, have been forced to increase provisions for bad loans over the last year 2016.**

- There will be no windfall from the RBI for the government in FY18. The finance minister has made provision of only Rs.74,901 crore as surplus transfer from the RBI, dividends from banks and financial institutions.
- Just Rs 10k crore Set Aside to Recapitalise Banks. **Banks will have to tap the equity market and sell non-core assets as the Budget has allocated just Rs.10,000 crore to the lenders struggling with bad loans.** In August 2015, the government had said Rs.70,000 crore will be allocated as capital to banks in phases till 2018-19. In July 2016, it allocated Rs.22,915 crore, with State Bank of India getting Rs.7,675 crore. Indian Overseas Bank got Rs.3,101 crore and Punjab National Bank got Rs.2,816 crore.
- **Withholding Tax Relief Extended for 3 More Years.** The cost of capital for companies seeking foreign debt may fall amid a rise in overseas investor interest after the Budget extended a concessional 5% withholding tax for three years even for Masala bonds.

3. **RAILWAY BUDGET 2017-2018 -**

Highlights of the Railway Budget 2017-18 presented by Railway Minister Suresh Prabhu in the Lok Sabha on 1st February, 2017 :

(i) **Rail PSUs to be Listed on Stock Exchanges**

- **The shares of railway public sector enterprises will now be listed on stock exchanges to foster greater public accountability and let these companies grow to their potential.** There will be a time-bound procedure for listing of identified public sector undertakings. The companies include **IRCTC, IRFC and IRCON.**

Metro Rail Policy

- **A new policy will be announced with a focus on innovative models of implementation and financing for metro rail, as well as standardisation and indigenisation of hardware and software for the segment. This will open up new job opportunities.** A Metro Rail Act will be enacted by rationalising the existing laws. This will facilitate greater private participation and investment in construction and operation.

Rs.1 Lakh Cr. for Safety

- **Finance minister Arun Jaitley has proposed to create a rail safety fund, Rashtriya Rail Sanraksha Kosh, with a corpus of Rs.1 lakh crore over five years. It will draw 75% of the funds from the finance ministry while railways will raise the rest on its own. The finance ministry has already given Rs.15,000 crore to the fund. This will be used exclusively for safety related issues, a big focus area for the government after recent rail accidents**. Clear guidelines will be framed for implementation of safety works under this fund.

Competitive Fares for Railways

- **The tariffs of the railways would be fixed taking into consideration costs, quality of service, social obligations and competition from other forms of transport.** The structure of an independent rail fare setting authority has already been worked out and the railways ministry is expected to soon get it cleared by the Cabinet.

Swachh Railway

- **Bio-toilets will be installed in all rail coaches by 2019.** An SMS-based Clean My Coach Service' has also been started to ensure cleanliness of passenger coaches.

Plants for environment-friendly disposal of solid waste and conversion of biodegradable waste into energy are being tested at New Delhi and Jaipur railway stations. There are plans to set up such facilities at five more stations.

Digitisation Push

- Service charge on e-tickets booked through IRCTC has been scrapped to promote the use of the popular Web portal for ticketing. Cashless reservations had increased to 68% of the total from 58% after demonetisation. **The aim is to digitise all railway transactions to make user experience smoother and ensure faster delivery of services.**

Station Redevelopment

- **At least 25 stations are expected to be awarded during 2017-18 for redevelopment. As many as 500 stations will be made friendly to the differently abled by providing lifts and escalators**. About 7,000 stations have been identified to be retrofitted with solar power panels in the medium term and the work is currently on at 300 stations.

(ii) **The Union Budget pegged the Indian Railways' capital expenditure for 2017-18 at Rs.1.31 lakh crore, the highest ever in the history of the national transporter. It will receive Rs.55,000 crore from the finance ministry as gross budgetary support. The railways will raise the rest from other sources.**

The funds would be utilised for acquiring new coaches, building new tracks and electrification.

The railways will get Rs.18,000 crore from Life Insurance Corporation as loans, while Indian Railway Finance Corporation, the railway ministry's dedicated financing arm, will issue bonds to raise nearly Rs.22,000 crore. The rest will be mobilised through internal resources and public-private partnerships.

The railways has several joint ventures with state governments. Funds spent through these ventures by state governments are accounted under public-private partnerships (PPP).

The railways will raise Rs.22,000 crore from PPPs, including its joint ventures with state governments and public sector units. Internal accruals are estimated to bring in Rs.14,000 crore. For the financial year 2017-18, the railways plans to spend Rs.21,185.49 crore on construction of new lines and Rs.650 crore on plant and machinery, among other expenditures.

It plans to also invest more than Rs.700 crore in public sector units, and Rs.16,790 crore in special purpose vehicles and JVs.

The railways plans to use funds also for constructing freight corridors, improving connectivity in Kashmir and the Northeast, upgrading signalling, re-developing stations, improving passenger amenities, acquiring rolling stock and expanding critical freight lines near coal fields and ports.

The railways, however, will still be responsible for its losses and all expenditure including salaries and pensions. All the burden will have to be met on its own, through revenue from carrying freight and passengers.

(iii) **The railways expects its revenue to grow nearly 10% in the next fiscal year. The budget estimates for 2017-18 have pegged the overall earnings at Rs.189,498.37 crore as against Rs.172,305 crore in the current fiscal.**

Freight earnings are expected at Rs.118,156.50 crore in consonance with the loading target of 1,165 million tonnes (MT), which is 71.50 MT incremental over RE 2016-17. Passenger earnings in the next fiscal have been pegged at Rs.50,125 crore, up from Rs.48,000 crore in the current year.

The railways expects passenger loading to grow a marginal 0.2%, while revenue from the passenger segment is expected to rise to almost Rs.2,000 crore. Other coaching earnings and sundry earnings have been estimated at Rs.6,494.04 crore and Rs.14,122.83 crore, respectively. The growth in coal and steel loading has been flat.

Operating ratio is the single most important efficiency parameter for the Railways. Operating Ratio is expected to be at 94.57%, which means the railways will be spending Rs.94.57 to earn Rs.100. This is because of high expenditure and stunted growth in passenger and freight loading. The transporter's high pension and salary bills are also thwarting its efforts to maintain a stable operating ratio.