

42. Budget focused on wealth creation, business, agri

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Budget 2020 can be best described as epoch making. Finance Minister Nirmala Sitharaman has kept in mind all segments of the economy. The budget brings to life Prime Minister Narendra Modi's vision of achieving \$5 trillion economy by 2024, with sabka saath sabka vikas.

The government has not got bogged down by resource constraints and has continued with its push for spending on infrastructure and for asset creation. It has taken care that the government's social welfare schemes have sufficient funds allocation and can continue on the path of benefit to the last person (Antyodaya). Though the fiscal deficit targets have been relaxed but the government gives a fiscal consolidation path and has also, for the first time, annexed a list of off-budget borrowing in the budget document and settled a very significant debate about transparency in government borrowing. All previous governments were resorting to off budget borrowing like oil bonds, etc., but were not disclosing it. The FM has estimated a nominal GDP growth rate of 10% for the coming year, keeping inflation below 4% our real GDP growth will be above 6%.

The budget focuses on wealth creation, pro business policy and minimal government intervention under the Economic Development Theme of the Budget. For resource generation it has desisted from increasing direct or indirect taxes. The government has reiterated its commitment of recognising and honouring the honest taxpayer and is taking care of unwarranted harassment by tax authority by bringing accountability in the tax administration. The announcement of the Taxpayer's Rights Charter within the statute is an important step in this direction. The provision for the statutory taxpayer's right exists only in three other countries worldwide.

Direct personal tax slabs have been changed to benefit the middle-income segment and taxpayers up to the income level of Rs 15 lakh will benefit if they opt for the new regime of personal tax. The FM has also promised that many tax concessions enjoyed currently by individual taxpayers will be incorporated in the new regime, depending upon the nature. Taxpayers, who do not have business income, can revise the option on yearly basis. Income accruing to NRIs in zero tax countries like UAE will be taxed on income generated in India only, a logical step to fill the gap in taxation.

Deposit insurance for the scheduled banks has been increased to Rs 5 lakh from the current level of Rs 1 lakh only per depositor, about which there was very little awareness amongst the general public. This will help in building more confidence in the banking industries, bringing transparency. The government has also announced to bring law for resolution in the financial sector similar to the Insolvency and Bankruptcy Code (IBC).

The cooperative sector gets the benefit of lowering of tax structure as in the case of reduced taxes for corporate sector, helping farmers' producer organisations (FPO), milk cooperatives and other charitable institutions operating under the cooperative structure. Even registration for charitable organisations under 80G and 12A has been made online provisionally, so that they face less harassment and can start their activities early.

The agriculture sector has been sufficiently provided for, with 16 new initiatives announced under the Aspirational India theme for the rural/agricultural sector. The budget also provides for gap funding for new hospitals in the aspirational districts for servicing the Ayushman healthcare scheme and make provision for drinking water. The state governments' concerns on two months' pending transfer under GST has been duly met through the consolidated fund, and its commitment to compensate the states for increased 14% revenue every year in future has been provided through compensation cess. This settles one of the contentious issues under GST. For devolution of funds to the states, the FM has accepted the interim report of the 15th Finance Commission, which incorporates provisions of increased efficiency in state finances for revenue transfer from the Centre.

Stressed assets under MSMEs have been given an extended one-year time period for resolution and the limit to go to resolution mechanism under the SARFASI Act has been reduced to Rs 100 crore from earlier Rs 500 crore.

The requirement for tax audit has been increased to a turnover of Rs 5 crore from Rs 1 crore earlier. MSME also meets its demand for invoice financing under TReDS. The start-up ecosystem gets several hand-holding supports like payment of taxes for ESOPs only at the point of sale. The GIG economy, involving technological development, gets a big push from the government. The education sector has several reforms for connecting academics to industries, providing them with industrial internship and skilling etc., setting of online educational facilities and the new police and cyber crime university are important developments. Employment through the National Recruitment Agency for non-gazetted posts will smoothen the employment process and make it completely transparent.

Under the theme of economic development, government provides for all the important sectors like technological textile centres, power, renewable energy, connectivity like airports, seaports and railways. The Finance Minister worked out a mechanism for the ambitious plan of investment of Rs 103 lakh crore under the National Infrastructure Pipeline (NIP), identifying 6,500 projects through the Centre, state and foreign direct investments (FDI).

The budget has announced 100% tax exemption to interest, dividend and capital gains income in respect of investment made in infrastructure and other notified priority sectors before 31 March 2024 with a lock-in period of three years. Government has also opened up its bond markets in rupee denomination, for investment from foreign sovereign debt funds, securing against exchange fluctuations, a concern shown earlier for sovereign debt funds. The financial markets' long-pending demand for abolition of dividend distribution tax (DDT) has been accepted.

Government has also taken care of the inverted duty structure, which has seeped into the domestic industry under the Free Trade Agreement (FTA) from ASEAN countries. It also protects domestic industries from dumping from countries like China, securing domestic industries through clauses like country of origin and safeguard duties.

The faceless appeal provision and "Vivad se Vishwas" scheme will help resolve long pending tax disputes in tax administration and will also release funds for the government. The disinvestment road map will help reduce government dependence on tax revenue and improvement of primary and secondary bond markets. Increasing foreign debt investment limit commercial papers from 9% to 15% will help reduce dependence of the corporate sector on bank finance alone.