

Back



**CA Pallavi
Dinodia**

BUDGET MOMENTUM – A RAY OF HOPE FOR ALL

Introduction

The government will present the Union Budget in the Parliament for the balance months from August 2009

to March 2010 in July. The Confederation of Indian Industry (CII) recommended that the budget should be an 'Investment Budget' to enable India to strengthen its economy and to keep with growth speed in a faster lane.

The Finance Minister, Mr Pranab Mukherjee, has said that as per his Party's manifesto, his Govt is committed to present the Budget 2009 within 45 days and it will be presented in the first week of July. The Budget exercise is already underway in full swing, he added.



CA Anuj Tiwari

Reviving the growth momentum of our economy which has been affected by the global financial crisis is the top most priority of this Government. The fiscal prudence has to be kept in mind while taking steps for reviving the economy, he observed. An in-depth study is done in order to find out probable areas of legislation which needs attention and required modification to overcome the economy slowdown. This article does not seek to examine the merits and demerits of the legislation; rather, the analysis is being done to how budget will help for businesses and general public in a variety of keys areas. The government needs to create some surplus in the hands off entrepreneur that results in further investment in industry and growth. Also, the sentiments of the general public should be taken care of in the budget. Apart from the duty and tax cuts on budget wish lists, companies expect the government to promote investment. Construction companies expect an increase in funding for roads, irrigation in both rural and urban infra schemes. FMCG companies expect the government to boost the rural economy by increasing allocation for various agriculture-

centric and employment generating schemes. In the metals sector, companies expect the government to help Public Sector Undertaking (PSU) steel companies to increase capacity and grant of infrastructure status for steel sector. The 3G auction issue for telecoms is also expected to be touched upon in the budget, as it may generate additional funds. The wish list of oil & gas companies includes deregulation of auto fuel prices making domestic auto fuel pricing linked to international crude oil prices up a level. However, it is uncertain to what extent this proposal will go through, since an alignment to international prices will imply significant fluctuations in gasoline and diesel retail prices. Inclusive growth, infrastructure to be key focuses areas of the upcoming budget. The government is likely to demonstrate its commitment to generating employment. There is very strong demands from the representative of almost every sectors for the stimulus budget package (e.g. Export sector, textiles, infrastructure, metal, rural etc.)

Reviving the growth momentum

The United Progressive Alliance (UPA) government declared in his party manifesto that it is immediate priority is to revive the economy and restore the high growth witnessed in the first four years of the Congress-led UPA Government. Three stimulus packages have already been announced in this development. The government has already reduced the interest rate substantially and taking necessary step to increase the credit flow to the industry. The Indian economy can be revived by implementing the necessary policies to stimulate demand in domestic economy and increase the purchasing power in the hand of the people. There is strong need to create liquidity in the hand of companies in order enable them for further investment in to new projects. A major consequence of the global financial crisis has been the loss of confidence in industry and business. Various coordinated steps taken by the government and the RBI (Reserve Bank of India) have stabilized the economy in a short period of time. It suggests that limits allowed under section 80C to Individuals and HUF should be increased. It will create interest between general public for saving and which results in accumulation of huge fund to invest in the industry.

Maintaining High growth with low Inflation

The Indian economy needs demonstrate vibrance and rapid economic growth for fulfilling its ambitious program to poverty elimination of most of its people. Average growth in the first four years of the Congress-led UPA government was 9% per year. The government will need to maintain this momentum with a relentless emphasis on growth that accelerates production with low inflation especially in the agricultural product.

Focus on small and medium enterprises

Small and medium enterprises (SME) and the self-employed are the backbone of our industrial and service economy. They are the major generators of productive employment for our new generations. We can expect from the FM introduction of new policies for promoting and supporting the SME's. As promised in the manifesto, the Indian National Congress pledges a "new deal" for SMEs and for first-generation entrepreneurs by assuring them greater access to collateral-free credit, liberating them from the multiplicity of laws and forms. The government targeted cluster-based approach to the growth of SMEs. These

clusters need better infrastructure, finance, technology and marketing facilities.

Expectation high on road map for divestment

Divestment can be one route to raise funds to improve the fiscal scenario of economy slowdown. The UPA, both in its manifesto and the interim budget, had emphasized on divestment. Hence, one can expect the same to be on for discussion in the current budget. The Government may dilute its holding in PSUs in which government's stake is significantly higher than 51%. Thus far, a majority of the amounts raised from divestment have come in from sale of minority stakes in companies, rather than strategic sale and residual sale. However, strategic sales in loss-making companies too may be considered. Statute prohibits from further dilution of stakes in public sector banks, hence The government will have to resolve this issue.

Agri and Food Processing – back bone of economy

The Food industry is generally unnoticed due to having low intensity of R&D. The government needs to promote this sector by taking appropriate measures to enhance the R&D activities in this sector. FMCG companies expect the government to boost the rural economy by increasing allocation for various agriculture-centric and employment generating schemes. Further, boost to rural economy the government needs to increase in allocation for various employment generating policies and Reduction/dilution in fringe benefit tax. The expectation for most of the companies is a decrease in the Fringe benefit Tax (FBT). FMCG companies have to incur a lot of expenses for travel, product sampling and product promotion as a normal part of their operations.

Retail Trade – Backbone of industry

Retail trade industry is very important component of Indian economy. Retail trade is an employment spinner, too. Earlier, this sector is in news due to the proposal for increasing FDI cap in retail sector. The proposal for increasing the FDI cap in retail sector was raised by the UPA government in the 2004-05 Budget. However, opposition from Left parties eluded consensus on the issue. FDI is not currently allowed in multi-brand retail, thus curbing mega-international stores like Walmart, Tesco, and IKEA from entering Indian markets. Although allowing FDI in retail is on the wish list of the middle and upper classes, as it will boost the service quality, available choice as well as pricing, we doubt if such a proposal will find a berth in the forthcoming budget, as introduction of such norms will adversely affect self employed local stores by small merchants.

Realty sector – Building a new Nation

The Indian real estate sector has been severely been affected keeping in sync with the fortunes of the global real estate sector. There is a need for the Government to provide a stimulus for the industry so as to revive this ailing spectrum of sectors. To boost the reality sector the government needs to frame a favorable budget for the realty sector. The Government will have to focus on implementing and strengthening its infrastructure investments. It is necessary that the tax exemption u/s 80IB is extended for another period of about 5-10 years. The increase in limit exemption on interest payment from taxable income will also benefit significantly to this sector. Currently, there is an INR 150,000/- interest

payment deduction limit on home loans. If this limit is increased it is likely to provide stimulus in home sales. Construction companies expect an increase in funding for roads, irrigation, and in both rural and urban infra schemes. Increase in funding for infra schemes like NHDP and Pradhan Mantri Gram Sadak Yojna (PMGSY) (for Roads), JNNURM (for urban Infra), Accelerated Irrigation Benefit Programme (AIBP) (for irrigation), Bharat Nirman (for rural infra) etc. It is very strong indication from the government that it will implement certain measures which will boost investment in this sector. It's consequential impact on the industry will be increasing in order inflow for construction companies.

Oil and Gas – Fueling Nation's Growth

The wish list of oil & gas companies includes deregulation of auto fuel prices making domestic auto fuel pricing linked to international crude oil prices. The proposal of deregulation of auto fuel pricing, if implemented, would possibly result in free auto-fuel pricing. However, it is uncertain to what extent this proposal will go through, since an alignment to international prices will imply significant fluctuations in gasoline and diesel retail prices. The issue holds centre-stage as it affects the common man directly; it seems unlikely that the proposal to deregulate gasoline and diesel pricing will go through as of now, since an alignment to current international prices would imply significant increases in gasoline and diesel retail prices. The extension of benefit of tax holiday for natural gas production in New Exploration and Licensing Policy (NELP) blocks will boost this sector. Currently only “mineral oil” (crude) is eligible for a 7 year tax holiday.

Energy Sector – The Power

The energy sector of India may hear good news from the FM in coming budget as the UPA government has ensured that in the manifesto that the country will add at least 12,000 – 15,000 mw of capacity every year through a mix of sources—coal, hydel, nuclear and renewable. The government also promises for a very significant increase in the share of nuclear power, both through domestic and imported technology which has now been made possible by the civil nuclear agreements. This sector can also win a great attention in the coming budget.

Telecom Industry– connecting India

Telecom Firms in India are facing the burden of various forms of levies and tax which they want to be pointed in the Union Budget. For the Telecom sector, we have quite a complex and burdensome tax structure. Telecom industry wants a more transparent levy system through the introduction of a single levy system. The UPA government needs to simplify the taxing system for the telecom industry through the implementing corrective measures. It is also a strong recommendation from the industry for implementation of a uniform license fee regime across the country. The 3G auction issue for telecom companies is also expected to be touched upon in the budget, as it may generate additional funds. Early completion of 3G auction will lead to value neutral for telecom companies with healthy cash flows and strong balance sheet of all telecom companies.

New Hope

The budget, through an annual financial exercise, in this year the first big step of the congress

led UPA government re-elected with a fresh mandate of the people of the India. A new Finance Minister a new hope. The budget this time around should lay down the road map for next five years. It should set up benchmarks and miles stones and lead the way out of depreseed economic conditions, speed up reforms, bring about structural changes and most importantly provide transparent recognisable steps towards better governance. The mantra in the budget, we hope would be, “Good Governance” along with all other necessary fisical steps.

Conclusion

One silver line is that the Indian economy has shown its resilience during the global economy crises and our policy proved to be correct. When the developed economies all over the world collapsed, we maintained some level of growth, which not of course compared to the period of four years when we had sustained 9 plus percentage growth rate. We as a nation are resilient and with positive direction from the budget again achives high level of growth so essential for alleviate of poverty for the majority of the people of India

[About us](#) | [Copyright](#) | [Tan Prints](#) | [Taxmann Technologies](#) | [Payment Terms](#) | [Legal Disclaimer](#) | [Feed-Back](#) | [Dealers](#) | [Contact us](#)

All text & media on these pages are copyright of TAXMANN PUBLICATIONS PVT. LTD. All Rights Reserved.
Site Best Viewed on IE 5X with 1024 X 768 resolution

[Site Designed and maintained by Taxmann Technologies Pvt. Ltd.](#)
