

'Govt should give only revenue-neutral stimulus'

With less than a month for the Budget presentation, **VIKRAM KIRLOSKAR**, new president of the Confederation of Indian Industry, tells Subhayan Chakraborty & Indivjal Dhasmana that the corporation tax rate could be reduced to 18 per cent if exemptions are removed. Similarly, he suggests a reduction in personal tax rates. Edited excerpts:

Given the weak economic condition, what would be your recipe to Finance Minister Nirmala Sitharaman for the Budget — to perk up the economy or be fiscally prudent? We can't widen fiscal deficit. As a country, we have been doing very well to contain the deficit. All this consolidation has protected our country. We now can't let some of these go off. Normally, when you are resource constrained, the best way to perk up the output is to remove bottlenecks in the value chain. That's why we have suggested the government looks at the big employment generators like tourism, agriculture, construction, and retail. We need to put someone with enough domain knowledge in charge of these sectors to identify and remove the bottlenecks.

In a way, are you saying no to a fiscal stimulus?

I am not saying no to a fiscal stimulus. Whatever the government can afford to do, should be done. The government shouldn't go beyond what it can afford to.

So, are you saying that the government should maintain fiscal deficit at 3.4 per cent of GDP as was given in the interim Budget for FY20? But, the CII's 100-day agenda for the government is to cut the personal income tax rate for lower strata. How are

these two possible?

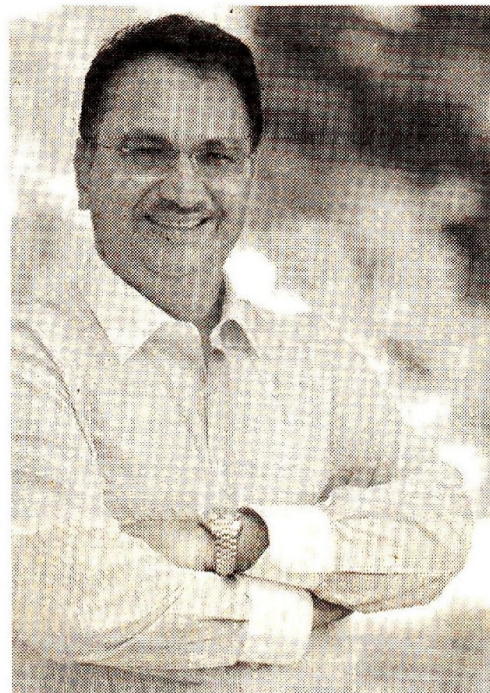
We've suggested the government increases the threshold for income tax exemption to ₹5 lakh. But, we are also saying that exemptions should be removed. So, the two things are possible.

But in the interim Budget, it was announced that tax credits would be given till ₹5 lakh of taxable income, which means that income of even over ₹5 lakh could be tax-free...

We are saying that the threshold should be increased. We are also saying that if tax rates are reduced, reduce exemptions as well. On the corporate side, I definitely feel that a reduction in taxes, as well as tax exemptions, is required. Our calculations show that if we remove all exemptions, we can be revenue neutral at an 18 per cent tax rate. We want a revenue-neutral kind of stimulus.

Your agenda paper also talks about multiple taxes on equity. What is your suggestion in this regard?

First, you can't grow the economy on debt. We already have too high a debt in our economy. On the other hand, equity is taxed at a very high rate -- whether its dividend tax, tax before dividend, tax after dividend, tax in the hands of the receiver, capital gains tax, and so on. If the tax on investments made is



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higher than that on one's salary, no one will undertake the risk of being an entrepreneur. If investments are not made, how will assets be created?

So, what can be done?

Taxes on investments, including the taxes

on dividend, as well as that on capital gains, should ideally be eliminated, or at least reduced substantially.

In your earlier suggestion, you wanted exemptions to go and tax rates to come down so that these become revenue neutral. But in this case, how will the government make it revenue neutral?

This may not make it revenue neutral. It's a tough call, but that's a finance minister's job.

The government could not clear the land acquisition Bill in its earlier stint. Do you think it should make an attempt now, with a bigger majority in Parliament?

I don't think land acquisition is still easy, even for land which has been acquired by the government. It would be difficult to acquire land with the UPA's land Bill.

What about the securities transaction tax?

That's okay. I think the tax on investments is more important, right now.

There are speculations that the inheritance tax could be restored in the Budget. What's your take on the issue?

We have to see whether it will discourage investments or not. It shouldn't be restored at this stage of the economy when we want it to grow at 10 per cent a year. It's a different story in western economies where they are happy with 2-3 per cent growth, but it won't be helpful for us. This kind of taxes will discourage entrepreneurs.

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