

A 'NEVER BEFORE' BUDGET FOR 'NEVER BEFORE' TIMES



CHANDRAJIT
BANERJEE

DIRECTOR GENERAL, CII

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feedback@livemint.com

Union budget 2021-22 will be a memorable one, being the first budget of the decade, the first digital budget and one coming after an economic contraction. Excellent articulation of the six pillars of health and well-being, infrastructure, inclusive growth, R&D and innovation, minimum government maximum governance and human capital lent credibility to the budget.

The fiscal deficit was much higher than expected. The higher public spending, especially on infrastructure projects, can lead to higher growth and jobs creation. The multiplier effect of capital expenditure has the potential to generate much higher growth, which would help fiscal consolidation in the medium-term.

The finance minister, in her budget speech, has reiterated the confidence of taxpayers in the government's focus on ease of doing business in the country. The proposals made in the budget would go a long way in making the tax systems transparent and efficient and in promoting investments. The tax rates, surcharge, and cess have been left untouched. Even the much anticipated covid cess was not imposed. This is a very positive move and is bound to bring stability and certainty to the tax structure.

The proposal to exempt those more than 75 years old, with only pension and interest income, from filing income tax returns would ease their lives. A faceless dispute resolution committee would promote efficiency, transparency, and accountability.

Pre-filing of capital gains, dividend and interest details in income tax return forms is a welcome move, which would make return filing easier and faster. The announcement of a 1-year extension of tax holiday on startups and capital gains exemption for startups will incentivize funding in the sector.

The multiplier effect of capital expenditure can aid fiscal consolidation in medium-term

The proposal to notify rules for removing the double taxation woes of NRIs would help bring back talent to the country.

The government deserves applause for the proposal to halve the time-frame for reopening of income-tax assessment cases from 6 years to 3 years. For reopening of serious tax evasion cases

up to 10 years, the government has put in a monetary limit of cases involving over ₹50 lakh a year. This is expected to reduce instances of tax harassment. In its pre-budget memorandum submitted to the Centre, CII had suggested that exceptional/detailed stipulations should be laid down for any reopening and the period of reopening should be reduced to 3 years from assessment year end.

CII had suggested that Section 234C should be amended, as declaration of dividend is a corporate action taken by the board of a company and a shareholder can never predict whether dividend will be received and estimate the amount of dividend income. The finance minister reflected the views of CII when she proposed that advance tax liability on dividend income shall arrive only after declaration of payment of dividend. The focus of the Union budget announcements on customs has been on two important front, promoting domestic manufacturing and helping India get into the global value chain and increase its exports.

The government has taken a bold step by reducing the import duty on various raw materials. Focus on value added manufacturing exports would help break the stagnation the export sector has been facing for the last few years. Customs duty rationalization for imports of raw materials would help boost value added exports. The proposed overhaul of customs duty rates is a step towards simplification of compliance and ease of doing business. About 400 exemptions are to be reviewed and the new customs duty structure is to be introduced with effect from 1 October 2021. Custom duty rationalization on a number of products coupled with revoking ADD&CVD on certain steel products, and extension of the benefit of concessional rate of custom duties to third party manufacturers shall further enhance competitiveness and help reduce prices. It would give impetus to Indian manufacturers and provide a fillip to 'Make in India'.

All in all, the Union budget was a remarkable one and, as expected by industry and promised by the finance minister, a 'never before' budget in these 'never before' times.