

● A FAIR BUDGET

Will benefit the industry at large

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It has created opportunities for private sector participation in the healthcare, infrastructure and education sectors

GIVEN THE PREVAILING economic conditions of muted consumption, the Union Budget FY19 was widely expected to focus on the rural and agricultural economy, social sector, job creation, and micro, small and medium enterprises (MSME). Industry was also expecting the government to keep in mind the compulsion of restrained fiscal deficit. On these counts, Budget FY19 has delivered to a great extent.

At the same time, it is pertinent to note that most directional policy changes do not emanate from the Budget presentation, and over the last few years we have seen major policies such as the GST, Insolvency and Bankruptcy Code and FDI being announced through the year.

The Budget's admirable attention to strengthening agriculture will bring much comfort to a distressed sector. The key point to note is the finance minister's policy to increase the space for farmers to sell outside of the controlled agricultural market produce committees in 22,000 rural markets where infrastructure and digital connectivity will be stepped up. This will enable them to get a better price for their produce. The intention to boost agricultural exports is laudable as this is an untapped area of growth. We hope the policy of increasing food processing through infrastructure facilities and mega food parks will be quickly implemented so that farm linkages with industry can be boosted to provide better stability to farmer incomes and reduce wastage. The tax incentive to farmer producer organisations may help in this endeavour.

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On the social sector side, it was important to address quality issues in education, and this has been addressed via the focus on teacher training and digital facilities in schools. The Revitalising Infrastructure and Systems in Education scheme, or RISE, which aims to infuse ₹1 lakh crore in higher education institutes for research, will push innovation.

The National Health Protection Scheme is in line with CII's recommendations for providing universal healthcare through a hybrid model. We look forward to more details on the scheme and how the private sector can participate in it.

Generation of jobs in the formal sector was an imperative, and the Budget takes forward earlier schemes for incentivising new employment by companies. The government will be increasing its contribution towards EPF for new employees in all sectors from the current 8.33% of wages to 12%. The extension of fixed term employment for all sectors is, indeed, a bold move and offers much relief to industry sectors dependent on seasonal activities.

For MSMEs, the Budget provides major relief in the form of lower corporate tax rate of 25% for firms with turnover below ₹250 crore—this threshold brings 99% of Indian firms under the reduced tax rate. There are also steps to increase access to finance through the MUDRA Yojana and NBFCs. The initiative to link the Trade Receivables Discounting System (TreDS) with the GST Network is certainly innovative and we hope it would facilitate access to credit.

In the infrastructure sector, the enhanced spending of more than ₹1 lakh crore across ministries will definitely contribute to building the necessary facilities. There is also a welcome acknowledgement of emerging technologies in the announcement of a mission on cyber physical systems for setting up centres of excellence.

The tax side of the Budget was curtailed since GST is now under the purview of the GST Council. Some issues related to customs duties have been addressed to boost local manufacturing and would help in job creation. Some tweaking in personal income taxes, including additional cess of 1% and standard deduction of ₹40,000 crore for professionals, will have mixed impact.

Overall, the Union Budget FY19 would be beneficial for industry as it would raise domestic demand and increase opportunities for participation in sectors such as infrastructure, health and education.

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