The Telegraph
calcutta, india
CALCUTTA, SUNDAY, 2 FEBRUARY 2020

Tax charter will help rebuild trust

GUEST COLUMN

Chandrajit Banerjee

Union Budget 2020-21 is a laudable statement that extends across multiple touchpoints of industry concerns while providing a prudent stimulus to the economy. The overall philosophy of the budget of an aspirational India, economic development and a caring society in the backdrop of technology and youth is indeed very relevant in the current economic environment.

The finance minister stressed adherence to the limits set under the Fiscal Responsibility and Budget Management Act with a 0.5 per cent relaxation in the current year and maintaining the deficit at 3.5 per cent for 2020-21. Infusing confidence among taxpayers and investors, the budget covers both redrawing of tax slabs for the middle class and tax litigation for industry.

The budget speech's emphasis on the tax charter to be enshrined in the statues highlights that trust between the government, industry and society is at the forefront of policymaking. The Confederation of Indian Industry (CII) has been taking up issues such as decriminalisation of laws relating to economic offenses and building trust, and we are reassured that this is top priority for the government.

Several key areas stand out in the budget. The first was the outlining of a 16-point agenda for the agriculture sector which deserved attention as it is the source of consumer demand. With a stronger farming economy, higher incomes for farmers would benefit growth.

The emphasis on encouraging states to adopt a model land leasing bill and an agricultural produce marketing bill as well as focus on logistics and warehousing will contribute to Centre-state synergy in the agricultural sector.

The second important area is the tax relief provided to the middle class, which is accompanied by the option to not avail the exemptions. The potential Rs 40,000-crore revenue foregone implies higher purchasing power in the hands of the consumers. Moreover, the system is simplified for such taxpayers. For investors, the removal of dividend distribution tax and adoption of a classical system of taxing income in the hands of the receiver is a big step and we appreciate that this bold move has been taken according to CII submissions.

Another major focus of the budget has been the new economy and advanced technology. Data centres in rural areas, applications of AI and quantum technology to governance, and encouraging manufacture of mobile phones and components will all accelerate the direction towards a technology-led economy.

The CII would have been happy to see greater attention to sectors such as affordable housing, NBFCs and HFCs and delayed payments. However, the key recommendations made in our pre-budget suggestions such as a flexible fiscal policy, boosting demand by reducing tax rates, raising revenues through disinvestment and addressing rural incomes have found mention in the budget.

● Chandrajit Banerjee is director-general, CII