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Industry will keenly look at the Budget for revival and growth

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LARGE PARTS OF INVESTOR SENTIMENTS ARE DETERMINED BY THE EASE OF DOING BUSINESS. THE WORLD BANK RANKS US AT 142 OUT OF 189 COUNTRIES.

THE industry would be keenly looking at the Union Budget 2015-16 with hope that the government would do the needful to delineate a new economic vision for the country. There are mounting expectations that the Budget would chart out a bold reforms plan which would take the economy to the trajectory of 7-8% growth in the near future. Recent actions and bold measures by the finance minister has lent credence to this expectation.

In the prevailing scenario, maintaining fiscal prudence is crucial to rejuvenating growth drivers. Reviving investment demand, which is a major growth propeller, should be among the top priorities of the Budget. Gross fixed capital formation in the private sector as a percent of GDP has been decelerating from almost 25% in 2007-08 to around 23% in 2012-13. CII recommends that projects are awarded to the private sector after securing the key sovereign clearances for PPPs with proper interventions to ease norms in land, labour and environment. As many approvals derive from states, a coordinated approach of both centre and states is essential. It is necessary to clear the backlog of projects for new investment plans to fructify.

Significant investments for building new capacities can come from cash rich public sector companies. Their role becomes important especially at a time of subdued private sector investment. The public sector could contemplate funding the initial construction cost for creating infrastructure assets, and once the projects are completed and start generating cash flows, these can be given out to the private sector for operation and maintenance on a revenue sharing basis. This would also help "crowd in" private investments.

There is need to rev up investments in the real estate sector. The real estate investment trusts (REITs) and InvIts have yet to take off because of unviable tax structure. Dividend distribution tax exemption needs to be extended to REITs. Moreover, long term capital gains should be exempted for sponsors of REITs.

GST WOULD SPUR MANUFACTURING ACTIVITY BY CREATING A SEAMLESS MARKET AND ELIMINATING TAX CASCADING. INDUSTRY IS HAPPY TO LEARN THAT IT WOULD COME BY APRIL 2016

The government is putting a lot of emphasis on reviving the manufacturing sector. With its share of around 15% to GDP, its contribution is extremely small compared to its potential. Countries like China, South Korea and Taiwan have done better in terms of manufacturing share of GDP. The renewed attention to manufacturing through the 'Make in India' initiative has been long overdue. CII is certain that this call to action would start yielding results, sooner than later.

The Budget would be closely watched for its taxation measures. The introduction of the Constitutional Amendment Bill on GST in the Lok Sabha marks the process of ushering in the most crucial tax reform in the country. GST would spur manufacturing activity by creating a seamless market and eliminating tax cascading. Industry is delighted to learn that GST would be introduced by April 2016.

Similarly, issues such as restricting MAT to 10%, providing MAT and DDT relief to units and developers of SEZs; making investment allowance eligible for deduction while calculating MAT are other fiscal measures to boost manufacturing.

A large part of investor sentiments are determined by the ease of doing business. The World Bank ranks us at 142 out of 189 countries. Keeping taxation simple, consistent and predictable as well as reducing the scope of tax litigation deserve priority consideration of the government for attracting investment. We also hope that GAAR would be deferred by another two years to refurbish the business climate.

The Union Budget 2015-16 is riding on the crest of huge expectations.