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VIEWPOINT

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CBMs in Budget enthuse industry

The Union Budget has taken multiple measures that will build the confidence of industry. These include the measures to reduce tax harassment, to enhance contract enforcement, to decriminalise business laws and simplify the processes of tax payment. These measures will considerably improve the business environment in the country.

Besides, the removal of the dividend distribution tax is genuinely commendable, as it removes the double taxation of dividends. This will enhance the rate of return on equity and has been a long-standing demand of industry.

The Budget has also focused on measures that will have a positive impact on the economy. Consumption boost will be provided by lower rates of personal income tax as also the focus on rural spending.

The Finance Minister has rightly stressed the importance of rural infrastructure and credit availability as some of the enablers for generating higher rural incomes. Health and education related spending has also been re-oriented to benefit the weaker sections.

Infrastructure push

For a revival in investment, the Budget has delivered strong measures to accelerate infrastructure building, including highways, railways, airports and ports. Reform to alleviate the financial stress of the power distribution sector is urgently required and has been mentioned as a focus area. To encourage investment in power generation, new investment by domestic companies have been granted the concessional tax rate of 15%.

> The removal of dividend distribution tax will enhance the rate of return on equity

Encouragingly, the financing of the National Infrastructure Pipeline has been spelt out. Infrastructure finance companies such as IIFCL and NIIF will be leveraging the allocations made in the Budget. This would be a sustainable way of financing infrastructure. In addition, sovereign wealth funds have been granted certain tax exemptions to encourage them to invest in infrastructure.

The Finance Minister has the critical task of making the Budget balance even after making all the allocations required. The economic slowdown in the current year has made this a particularly difficult task for the Minister. Yet, it is commendable that the fiscal deficit has been reined in at 3.8% of GDP, which is a slippage of 0.5% compared to the target of 3.3%. For the coming year, the Minister has proposed a reduction in the deficit to 3.5%. This will ensure that the government's borrowing remains in control.

In the coming months, the government must take forward the measures announced in the Budget and ensure that they are implemented. For example, the disinvestment target has been set at an ambitious level of ₹2.1 lakh crore. The government must make sure that it is realised unlike in the current year when only a small percentage of the target was raised.