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A Critical Monsoon Session

Parliament must transact business, pass key bills to nurse economy back to health

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The monsoon session of Parliament has been keenly anticipated by Indian industry which depends on policymakers to set the framework for doing business. This session in particular is critical, given that a number of key legislations are keenly awaited.

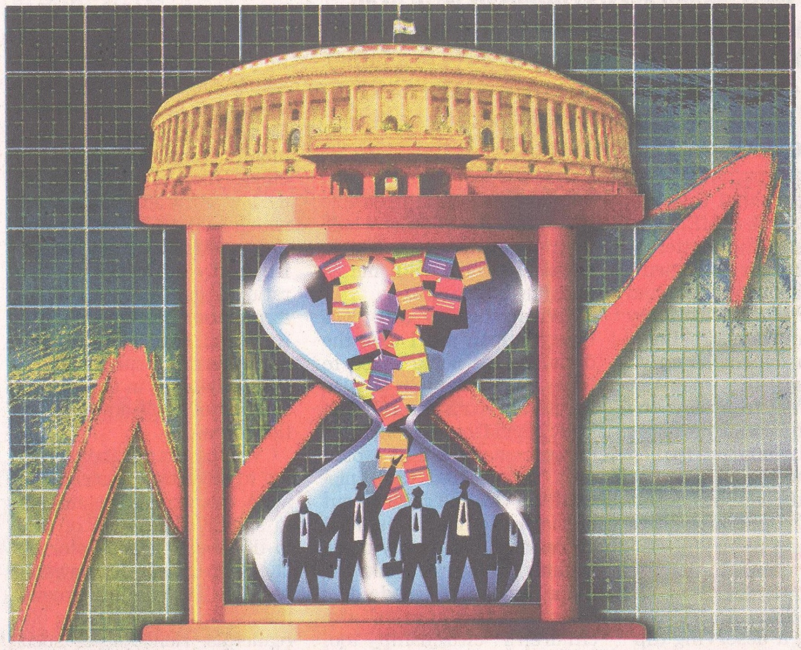
A stable and predictable investment climate arising from a well-functioning Parliament with time-bound procedures is central to our economic development aspirations. The last two Parliament sessions have been among the most productive in recent years. With prudent participation of all political parties, many bills of interest to industry were passed during the winter and budget sessions.

These include the Mines and Mineral (Development and Regulation) Act, the Insurance Act, the Companies (Amendment) Act, the Motor Vehicles Act, Coal Mining Act, and so on. Industry hopes that the monsoon session will be equally productive and enact major legislations that would have far-reaching benefits for India's development.

The most important of listed bills is the constitutional amendment bill which will formalise introduction of the Goods and Services Tax, a next-generation indirect tax reform. The GST, first mentioned in the budget speech of 2005-06, is to be introduced by April 1, 2016. After the bill is passed in Parliament, it will have to be ratified by the state governments and preparations for its introduction can begin.

We are happy that most of the issues seem to be ironed out for a GST that will subsume nearly all indirect taxes and cover almost all sectors. Most political parties have been supporting GST in principle, and it is imperative that the bill is passed in this session to avoid further delay.

As CII has said time and again, GST is likely to add 1.5 percentage points to GDP growth rate. It is also the first concrete step to convert India into a single market, make the supply chain smooth and efficient, and curb inflation. Besides, it would also add to indirect tax revenues.



Arya Praharaj

The Make in India campaign would gain greatly from its introduction.

The other crucial legislation is the Right to Fair Compensation and Transparency in Land Acquisition, Resettlement and Rehabilitation (Second Amendment) Bill. It was passed by Lok Sabha during the winter session and is undergoing committee review in the Rajya Sabha.

Projects worth Rs 2.44 lakh crore have been stalled, many of them due to land acquisition issues. Industry has no objection to the compensation rates for acquisition as well as resettlement and rehabilitation requirements. However, the time taken under the current Act of 56 months is far too long given the urgency of infrastructure and other developments. Also, the processes are complicated.

Delay in land acquisition has led to funds being tied up, which in turn has impacted bank lending capacity. Due to this, proposed investments are facing challenges in obtaining finance. The process of land acquisition must be made smoother, faster and more efficient, with sufficient satisfaction to all stakeholders in a balanced manner.

Most important is the constitutional amendment bill which will formalise introduction of GST, which is likely to add 1.5 percentage points to GDP growth rate

The proposed amendment would apply to five sectors of defence, rural infrastructure, affordable housing, industrial corridors, and infrastructure development under public-private partnership. These would be exempt from social impact assessment, restrictions on acquisition of multi-cropped land and consent clause. Industry believes that these are reasonable exemptions; otherwise, India may be faced with a situation where we are unable to respond to external threats due to requisite land not being available for defence! Similarly, industrial corridors such as the Delhi-Mumbai and Chennai-Bengaluru corridors are aspirational strategies designed to boost investments, create millions of new jobs, develop smart cities, and act as a magnet for growth.

A third important bill pending in Parliament is the Micro, Small and Medium Enterprises Development (Amendment) Bill, not listed for this session. This bill proposes to raise MSME investment limits in plant and machinery, and also link the investment limits to inflation. Thus, more enterprises would come under the ambit of the law and be eligible for multiple benefits relating to taxes, credit and other facilities. CII believes this would propel the entrepreneurship boom and encourage more manufacturing enterprises, thus offering livelihood opportunities to millions of people.

The Electricity Amendment Bill is also significant. It would separate the distribution and electricity supply segments and provide for efficient licensing and procedures. It would also include renewable energy and institute a smart grid. These amendments are necessary to resolve the multiple issues in the power generation sector.

Above all, industry would expect Parliament to transact business – discuss and deliberate on key issues of national and economic importance, including the bills in question. The Indian economy appears to be reviving. However, for this revival to become strong and to take firm roots it is important that the pace of policy reforms that has been on display in the last 14 months continues unabated.

CII believes that GDP growth rate could climb to 7.8-8.2% this year and further to 9-10% in the medium term. However, this is contingent on continued reforms. With over a crore youngsters joining the workforce each year, India cannot afford the luxury of placing other interests over economic compulsions any longer. Therefore, industry would expect that our lawmakers would come together in a constructive manner to give shape to the future of India. Our window of opportunity to create a developed India is now and we must not let it pass.

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