TO OUR READERS

As expected, the Union Budget for 2006-07 has not sprung any surprises. Given the buoyant state of the economy and the clear perception of the Government to march ahead on the path of economic reforms, there was no reason for the Government to make any path breaking changes. According to the Central Statistical Organisation (CSO), the growth rate in 2004-05 was 7.5% with the manufacturing sector growing at 8.1%. At current market prices, the gross domestic saving increased to 29.1% of the GDP and the rate of gross capital formation increased to 30.1% of the GDP. But the economy was not without its setbacks. Natural calamities took a heavy toll of the national wealth and human lives. The Government has been forced to spend considerable sum of money to redress the suffering.

In the background of this macro economic situation, the Finance Minister has made his proposals. At the outset, the Budget gives due emphasis on the six components of Bharat Nirman in which considerable physical targets have been achieved. Due emphasis has been given to National Rural Health Mission, drinking water and sanitation, integrated child development services, scheduled caste and scheduled tribes and also minorities. The North Eastern Region is also being given a special emphasis in the Budget.

The Finance Minister has rightly concluded that the tempo of the investment boom should be maintained. India is emerging as a world center for gems and jewellery industry and all efforts should be made to make this sector vibrant and efficient so as to invite more and more investments. On the question of Foreign Direct Investment (FDI), the fundamental issue whether the FDI flow is only confined to the speculative segment of the capital markets and if so, policy planners need to take urgent steps to channelise the diversion of the FDI into the productive areas of the Indian Economy.

Needless to say, agriculture is the most grievously affected segment of the economy having been battered by tsunami and torrential floods. The credit delivery system for the farmers is in a very bad shape and it is good that the Budget brings this issue to the focus. Even after half a century of freedom, our farmers are still in the grip of moneylenders, which is not a happy situation.

The Budget focuses the required attention on the infrastructure sector. However, power sector reforms to augment the capacity addition and in the areas of transmission and distribution are imperative in near future. The Petroleum sector is of course active with the entrance of the private players. However, the continuing fluctuations in the international oil prices has largely affected the domestic economy. The fluid international political situation in the Middle East is a contributory factor in this regard. Viewed in this context, vigorous steps in the direction of Asian Oil Security Union are necessary.

The Government has thought it fit to continue with the existing tax regime both direct and indirect with only minor modifications. Though much has been argued about the Fringe Benefits Tax, it continues with some refinement. Taxing anonymous donations, an idea suggested by the Wanchoo Commission, has been put in the Statute book. A new category of service providers namely "Tax Return Preparers" is in the offing, the success of which needs to be seen. Government's assurance that this provision is optional and CAs are excluded only to avoid their signature affixing on the return and application of code of discipline under the Scheme, needs to be borne in law or scheme explicitly. Last but not the least, withdrawing the exemption given to practising Chartered Accountants in respect of all services other than accounting and auditing services from levy of service tax has severely distorted the level playing field between them and other categories of professionals rendering similar types of services and needs immediate attention and redressal by the Government.

This Issue of the Journal attempts to provide a comprehensive coverage of the Budget, and probes its various crucial aspects from professional point of view. This issue also aims to provide an update on the plans and procedures of the Statutory Audit of the Banks, which commences from April 1, 2006.

We hope, the Issue proves useful to you.

- Editorial Board
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