

To Our Readers



The Union Budget–2005-06 is yet another major step, within the formidable challenges that the Government faces, for achieving double digit economic growth rate. The Budget proposals meet the parameters of the growth, stability and equity and attempt to make them as mutually reinforcing. The Budget gives a thrust to the infrastructure investment. There is a clear focus on strengthening rural infrastructure. The Finance Minister has kept a long-term vision and has announced a number of measures to mobilize and utilize resources for eradication of poverty and unemployment. The Finance Minister has rightly identified areas like irrigation, food processing industry, textile industry, information technology sector & construction industry as drivers for creation of crores of jobs.

The direction of the Finance Minister to implement “Bharat Nirman” as a business plan is a step in the right direction. High targets are set for irrigating one crore hectares of land, connecting all villages with roads, constructing 60 lakhs houses and providing drinking water, electricity and telephone connectivity to all villages.

The thrust on agricultural diversification, development/strengthening of agricultural marketing infrastructure, repair, renovation and restoration of water resources, flood management and erosion control, promoting micro irrigation technology, increased rural credit, improved farm insurance scheme, promoting micro finance and micro insurance are positive steps to strengthen the rural areas. The establishment of rural knowledge centres across the country using modern information and communication technology would empower the rural population to harness benefits of technology to their best advantage.

The “Manufacturing Competitiveness of Programme” would help manufacturing sector, particularly small and medium enterprises to strengthen their operations and sharpen their competitiveness.

The banking and capital market reforms will give a fillup to the financial sector. The alarming and grave condition of the cooperative banks in India has at last received attention in terms of special financial assistance, institutional restructuring and changing legal framework to empower the Reserve Bank of India to enforce prudent financial management. The ICAI welcomes this step of the Government. The focus on developing corporate bond market and securitization in terms of looking into legal, regulatory, tax and market design issues was a long- standing suggestion of ICAI.

The medium to long term goal that entire production–distribution chain should be covered by a national VAT/goods and service tax encompassing both centre and state is a welcome initiative. The ICAI would support such a move.

The Government’s proposals to put in place a mechanism to measure the development outcomes of all major programmes is indeed welcome. In fact ICAI has always emphasized that the end use of the plan allocations particularly capital expenditure allocations is extremely important and should be properly accounted for and verified. Another welcome idea is to ensure that programmes and schemes are not allowed to continue indefinitely from one Plan period to the next without an independent and in-depth evaluation.

The move to bring customs duty structure closer to that of our East Asian neighbours augurs well with sound economic policy.

The increase in minimum threshold limit and slabs for payment of income tax would result in large sums of savings in the hands of taxpayers. The reduction in corporate tax rates to align them with rate of tax on non-corporate assessee was a long pending suggestion of ICAI, which has been accepted. The reduction in depreciation rate would affect one and all business assessees across the board. The Minimum Alternate Tax credit, which has been allowed was also a suggestion of ICAI, which has received favourable consideration of the Finance Minister. There are some fiscal levies which need reconsideration / calibration like the Fringe Benefit Tax and Banking Cash Transaction Tax.

The minimum threshold limit for payment of Service Tax is a welcome move keeping in mind the good canons of taxation. This was a long pending suggestion of the ICAI.

The announcement of the Finance Minister of introducing a separate bill to amend direct and indirect tax laws would be eagerly waited by the profession.

The Union Budget 2005-06 is a positive and bold attempt by the Government to build a modern India.

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