ICAI hails the progressive Budget

The Institute of Chartered Accountants of India (ICAI) considers the Union Budget 2005-2006 as 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 growth, stability and equity and attempts to make them as mutually reinforcing – says Mr. Kamlesh S. Vikamsey, President, ICAI.

The Institute of Chartered Accountants of India compliments Mr. P. Chidambaram, the Hon'ble Finance Minister for the excellent budget presented by him, which gives boost to the growth of the economy. The Budget gives a thrust to the infrastructure investment and rural India. The Finance Minister in the Budget has kept a long-term vision and has announced a number of measures to mobilise the resources and to utilise the same for eradication of poverty and unemployment. The Finance Minister has rightly identified areas like irrigation, food processing, textile which are core areas of Indian economy and IT sector for creation of jobs as well as increasing the productivity.

The idea of the Finance Minister to implement the vision of "Bharat Nirman" as a business plan is a step in right direction. It is only under a business plan through public and private investment that such a gigantic task of irrigating one hectare land, connecting all villages, constructing 60 lakhs houses and providing electricity and telephone connectivity to all villages can be achieved. The proposal to extend the benefit of insurance to rural India through Micro insurance will help both the rural people as well as insurance industry. The idea to improve manufacturing capacities and make them of the global standards through 'Manufacturing Competitiveness Programme' is a welcome move, which will increase India's competitiveness in the manufacturing sector, crucial in the new WTO regime.

The Hon'ble Finance Minister seeks to enhance public and private partnership in infrastructure to support expansion, diversification and value-addition. This is considered critical for the growth of the economy as 2/3rd of the population is dependent on agriculture and the sector produces only 21% of GDP. It is felt that the measures proposed for reforms in bank finance, and debt and equity market would go a long way in mobilisation of domestic resources in meeting the increased resource requirements. ICAI has all along felt the need for development of corporate bond market, and has been persuading the Government and the SEBI to take major initiatives in this context.

The proposal to rationalise excise duty for polyester yarn, tyres, and air-conditioners with an indication that similar rationalisation will be implemented for automobile and aerated soft water in near future is welcome. Similarly, reduction in customs duty rate to bring the same at the level of ASEAN countries and to promote adaption of new technology by reducing custom duty on capital goods is a step in right direction. Reduction in customs duty for import of textile, pharma and biotechnology machinery is a welcome step and will spurt investment in these sectors.

The proposal to exempt persons having gross turnover of Rs. 4 lakhs from the payment of service tax will help small service provider.

On the direct taxes front, the Finance Minister has taken a bold step by restructuring personal Income-tax rates and merging various exemptions and rebate under one head. The new scheme will be beneficial to all. However, withdrawal of standard deduction for salaried employees may need re-consideration as standard deduction is not an exemption but is an allowance for the expenditure incurred by the employee in performing his duties. The 5% cut in the corporate tax and allowing MAT credit was long awaited as it will remove discrimination in the maximum tax rate applicable to corporate and individuals. The levy of fringe benefit tax in respect of the various perquisites provided to the employee may need re-consideration as it may not help simplification of the tax laws. The announcement by the Finance Minister of levying 0.1% tax on withdrawal of cash on a single day of over Rs.10,000/- or more from banks as an anti-tax avoidance measure will hurt genuine transactions while not addressing the issue of black money which does not reach the banking channels at all. The proposal of the Finance Minister to bring a revised and simplified Income-tax Bill is a step in right direction and the Institute on its part will provide all expertise and assistance in bringing out a simplified Income-tax law. ■

Government accepts six important suggestions of ICAI in Budget 2005

The Government, in the Budget 2005-06, has accepted as many as six important suggestions given by the Institute of Chartered Accountants of India in its 'Pre-Budget Memorandum 2005'. These are listed as follows:

Sl.No	ICAI's suggestions	Budget 2005
1	The ICAI in its pre-budget memorandum 2005 had pointed out that the rate of corporate tax @ 35%, which was higher than the maximum original rate of 30% applicable to individuals, was hampering the growth of corporate.	The budget has reduced the corporate tax to 30% plus surcharge @ 10 %
2.	As a measure widening the tax base, the Institute had suggested that Section 139(1) proviso should be amended to require that persons paying electricity bills above Rs.25,000/- should be required to file return of income.	This suggestion has been accepted and now persons paying electricity bills above Rs.50,000/- per annum should file return of income
3.	The Institute had recommended that MAT credit should be restored.	This suggestion has been accepted as part of reforming corporate taxation.
4.	The Institute in its considered suggestions to the expert group for rationalising service tax provisions had recommended that a threshold limit should be fixed in respect of small service providers. Further it had recommended a threshold limit of Rs.5 lakhs.	This suggestion has been accepted and now the government has fixed a threshold limit of Rs. 4 lakhs as a relief for small service providers. The Hon'ble Finance Minster has announced in his budget speech that 80% of the service providers may be out of the tax net.
5.	The Institute had recommended that as a measure of encouraging inflow of funds from non-resident Indians there should be no taxation of the income by way of interest on non-resident external account.	Exemption allowed on interest on NRE account
6.	The Institute had suggested in its communication to CBDT that the stock of gold in India was the highest but a major portion of the same was held by the households thus constituting one of the largest sources of unproductive investment. Therefore, the Institute in its suggestions had said that gold should be monetised and should be made to play a productive role in the economy. Accordingly, it was suggested by the Institute that banks might be permitted to advance money on the security of gold. The loans thus availed from the banks could be utilised for productive activities. Thus gold would indirectly become a productive asset in the economy.	The union budget has recognised the basic philosophy of the suggestion made by the Institute. The following is the text of the speech of the Finance Minister in this regard: "Ten years ago we embarked on the process of ensuring that gold inflows are through the official channels alone. I believe that we are now in a position to introduce 'gold units' and create a market for such units. I propose to ask SEBI to permit, in consultation with RBI, mutual funds to introduce Gold Exchange Traded Funds (GETFs) with gold as the underlying asset, in order to enable any household to buy and sell gold in units for as little as Rs.100. Such units could be traded in the same manner as units of mutual funds.