

Budget 2016-17: Expectations amid Constraints

Coming in the backdrop of a challenging financial scenario in 2016-17, the forthcoming Union Budget offers a tightrope walk for the Finance Minister. Amid high populist expectations, the real challenge would be how to stick to the path of fiscal consolidation while ensuring an uptick in economic activity amid declining rural demand and low private investment. The challenge becomes all the more formidable with the global scenario appearing bleak again. The key will be how well the Government focuses on economic reforms and how it sticks to fiscal consolidation and improves the quality of spending to lift growth.

However, our Finance Minister Shri Arun Jaitley is optimistic that economic growth would gain momentum in the coming quarters, as the impact of economic and structural reforms undertaken by the government takes firm root. But he also appears cautious when he says in a Finance Ministry statement that "We have achieved macro stability to a large extent but the growth moderation in the global economy and policy uncertainties among advanced countries pose a risk to this outlook."

Although the grand underlying vision and path of this Budget and national economy are riddled with formidable hurdles, we professionals and nation as a whole have high expectations of futuristic prudence. It is hoped that the Budget is rich on policy measures towards improving the business environment, fiscal consolidation, simplified, stable, predictable and investor/entrepreneur-friendly tax regime, and giving a strong reform-oriented push to growth. The gradually improving global environment accompanied by a strong and stable government at home can really facilitate delivery on 'achhe din' promise in this Budget. The nation looks forward to a progressive, futuristic, pragmatic and inclusive Budget which facilitates fiscal discipline, job creation, investments, Make in India push, entrepreneurship, ease of doing business, social security and long term reforms in the areas of infrastructure and banking.

The Budget provides an opportunity to put in place levers to strengthen the demand situation in the economy, which is important to impart momentum to the capex cycle and put GDP back on high growth track. It is important that the government endeavours to mobilise higher revenues through additional measures and attempts to move towards a more efficient expenditure management system. The fiscal space will be severely restricted in 2016-17 due to additional expenditure commitments. The economy needs investments. As private sector investment growth has

remained tepid this year, higher savings are expected to make extra resources available to improve investment activity in the economy. Bankers have already sought significant hike in tax breaks to promote savings in their pre-budget suggestions whereas the Reserve Bank of India has also pitched for the need to increase country's savings.

On the taxation front, the need of the hour is a simplified, stable, predictable and investor/entrepreneur-friendly tax regime. Further, early implementation of Goods and Services Tax (GST) can be a game changer for our economy. The ICAI in its pre-Budget memoranda submitted to the Government on Direct and Indirect Taxes is also guided by this vision. Part one of the ICAI suggestions on Direct Taxes are for improving Tax Administration and Compliance while part two relates to the provisions of Income.

The ICAI suggestions are intended to improve tax collection, reduce/minimize litigations, facilitate rationalisation and removal of administrative and procedural difficulties relating to Direct Taxes. The highlights of ICAI suggestions include emphasis on the need to recognise the Tax Payer, measures to bring unaccounted money also in the main stream, a single ITR form to replace all ITR forms, PAN card to be chip enabled for certain transactions required to be reported in TDS/TCS returns, creation of online grievance portal, foreign contribution to be reported/populated in form 26AS, applicability of SA-700 on form of audit reports, audit of TDS returns, etc. With respect to Indirect Taxes, the ICAI suggestions pertain to issues relating to Service Tax, CENVAT Credit Rules, 2004, Excise Duty, Customs Duty and Central Sales Tax with the vision that these would make tax laws simple, fair and transparent and avoid litigation.

On the macro-economic front, the main problem faced by India in the last 25 years has been that in spite of reasonable growth, poverty, mal-nourishment, unemployment etc. have persisted because of inequitable distribution of income. As the economic survey 2015 notes, the employment elasticity of production has been low across all sectors. India has witnessed a continuous fall in the share of agriculture in its GDP over more than a decade. There is a great need for ensuring fiscal discipline and the whole question of subsidy has to be revisited not in terms of its quantum but in terms of its beneficiaries. Overall, it is hoped that the Budget pushes India towards double digit growth trajectory at a faster pace. ■

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